



# EU News

## Monthly Journal

Number 45,  
June 2007

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Dear readers,

The German presidency seems successful and efficient at least for the time being if we compare its initial objectives with what has been achieved. Another of the number of proofs (apart from renewing the discussions on the European constitution, celebration of the 50th anniversary of the Treaties of Rome, significant strengthening of the emphasis on energy, adoption of rules to unify parameters for payment operations etc.) is the progress related to roaming, i.e. gradual harmonisation of the rules regulating provision of cross-border mobile phone services among the Member States, which was one of the very specific objectives of the German presidency since the very beginning.

In May there was some interesting development in the euro area, or in the effort of some Member States to access to the euro area. Cyprus and Malta seem considerably closer to the euro area as it has been informally confirmed that their accession at the beginning of the next year is already definite (and formal confirmation is likely to come soon as well).

The Czech Republic, however, stays rather far from this achievement, since in terms of complying with the convergence rules required to access to the euro area it got an evaluation comparable – in football terminology – to a yellow card. Commissioner Almúnia certainly did not use any flattering words to assess the Czech Republic and he emphasized the need to speed up the stabilisation process and reduce the public finances deficit soon.

At the end of May, the European Commission published what is already its fourth Report on economic and social cohesion in the EU-27, assessing the past (preliminary assessment of actual contribution of the cohesion policy achieved in the programming period that ended last year) as well as the present (offering a number of challenges and inspirations for the currently commenced programming period) and also the future (motivating the competent entities in the Member States not to underestimate the cohesion policy after 2013).

Significant progress was seen in May also with respect to the harmonisation of conditions for consumer loans within the single internal market; harmonization will in particular involve the unification of the duty to inform and other parameters that make and directly affect separate products in the group of consumer loans and which the creditors will have to offer to their clients throughout the European Union.

Further discussion on the new energy concept in the EU already became a tradition, including a multidisciplinary approach towards the environment, transport, agriculture, science and research and other activities. Many other important events happened in May related to the European integration process; many of them are commented on in detail on the following pages of our EU News Monthly Journal, and I hope that you get some inspiration and contemplate on the EU activities while reading it now, at the beginning of summer

Petr Zahradník

The outcome of the regular half-yearly economic forecast of the European Commission is optimistic. The recent success of the EU economy will continue and the GDP growth pace will drop only slightly by 2008. The chapter focused on the estimates for the Czech Republic was less positive: the economic growth is expected to slow down markedly; public finance will remain the Achilles' heel. The Commission's report assessing the Czech Convergence plan has a similar outcome.

## ECONOMY AND EURO

### Slovenia successfully adopted the euro

**The changeover from the Slovenian tolar to the euro was a swift and smooth;** the economy did not slow down, inflation remained stable and the citizens appreciate a sufficient level of information and careful preparation, according to the evaluation report of the European Commission.

Slovenia became the 13<sup>th</sup> EU member to use the euro as its national currency in January this year. While in the original members of the euro area it took three years (one year in Greece) of a transitional period between the adoption of the euro in cashless and cash form, **Slovenia managed both simultaneously.** The "Big Bang" scenario is cheaper but at the same time it is more demanding in terms of the changeover preparation and implementation.

The changeover of cash was completed within two weeks of dual circulation when both tolar and euros were used to pay but the change returned was solely euros. Even a shorter period would have probably been sufficient. As soon as **on 5 January** – i.e. in three working days – **more than half of the citizens had only euro cash** in their wallets and purses. On the same day, nearly three quarters of all cash payments were carried out in euros.

The changeover in Slovenia was even **more successful than in the original euro area countries.** By 11 January, 80% of the tolar banknotes in value had been returned to the Slovenian national bank compared with 40% of the legacy notes in the first twelve countries on average.

One of the major objections to the euro is the **concern about inflation. This has not proved** right in Slovenia. Generally, inflation declined in January 2007 (from 3% in December to 2.8%) and consumer prices decreased by 0.5% over the month. The main reason was the seasonal sales and decreasing energy prices.

Regardless of any external impacts, however, Eurostat assessed the total impact of the changeover on the increase in consumer prices **at 0.3 percentage points.** A similar effect (+ 0.24 percentage points) was estimated by the Institute of Macroeconomic Analysis and Development of Slovenia.

Slovenia **managed the changeover process excellently;** over 90% of Slovenian respondents to a survey felt well informed and were satisfied with the level of information they had been provided by the national authorities. We hope that the Czech government follows the example of the key role of timely, quality and fair communication with the public.

<http://www.europa.eu/rapid/pressReleasesAction.do?reference=IP/07/609>

### Spring forecast of the Commission: stable economic growth in the EU

The regular half-yearly economic forecast of the EU confirmed a stable outlook. The growth of the EU economy is expected to stay **high above its capacity** although it is to slightly decrease from 3% in 2006 to 2.9% and 2.7% in 2007 and 2008, respectively. Economic activities will be driven by **solid investments and stronger private consumption.** A favourable feature is also the optimistic outlook of the world economy, particularly in developing economies that mainly compensate the slowdown of growth in the USA.

The economic forecast expects **improvement in the job market** too. Nine million new jobs are to be created in the EU as a whole over the period of 2006-2008, 6 million of which in the euro area alone. This will help to reduce unemployment in the EU from 8.7% in 2005 to less than 7% in 2008.

The economic recovery will continue to **improve public finances.** In the euro area as well as in the EU as a whole, the general government deficit is expected to drop to approximately 1% of the GDP in 2008 – a level not seen in many years. The average budget deficit was 1.7% in the last year.

Despite economic expansion, **inflation is to remain under control** at just over two percent although it may slightly increase due to renewed increase in oil prices and cyclical recovery over the medium-term period (after 2008).

### Czech Republic – strong growth with bad public finances

In the chapter focused on the Czech Republic, the forecast expects a slowdown. Following the growth in 2005 and 2006 by a record-breaking 6.1%, a **slowdown down to 4.9% is expected this year** as well as in 2008. Domestic demand remains the same but it cannot eliminate other negative impacts such as the decreasing contribution of pure exports which are to be negatively affected by the appreciation of the crown.

Slower economic growth will also lead to a **deterioration of public finances.** According to the European Commission, we will not comply with the Maastricht budgetary criterion in 2007 and 2008. The public finance deficit is projected to reach 3.9% of GDP this year and slightly less – 3.6% – in 2008.

The employment rate statistics are however optimistic. The **unemployment rate should fall down** to 6.4% this year and 6.1% in 2008 (according to Eurostat).

**Inflation is projected to develop** the other way round due to increased consumption taxes and a rise in the price of



electricity. While inflation reached 2.1% last year, it is projected to rise to nearly three percent in the coming year.

#### EC's Economic Forecast – spring 2007

| in %                     | EU-27 |      |      | CR   |      |      |
|--------------------------|-------|------|------|------|------|------|
|                          | 2006  | 07   | 08   | 2006 | 07   | 08   |
| GDP growth               | 3.0   | 2.9  | 2.7  | 6.1  | 4.9  | 4.9  |
| public finance deficit*) | -1.7  | -1.2 | -1.0 | -2.9 | -3.9 | -3.6 |
| unemployment rate        | 7.9   | 7.2  | 6.7  | 7.1  | 6.4  | 6.1  |
| inflation                | 2.3   | 2.2  | 2.1  | 2.1  | 2.4  | 2.9  |

Source: European Commission, \*) as of GDP

<http://www.europa.eu/rapid/pressReleasesAction.do?reference=IP/07/615>

#### Cyprus and Malta to adopt the euro in 2008

Based on a positive assessment in the Convergence Report, the Commission proposes that **Cyprus and Malta access the euro area from 1 January 2008**. The same conclusion was reached by the European Central Bank.

The final decision will be taken by the **Economic and Financial Affairs Council (Ecofin)** in July. It is highly likely that it will follow the proposal of the Commission and the ECB and approve the adoption of the euro in Cyprus and Malta. The euro area would then already include 15 members. The irrevocable conversion ratio converting the value of the Cyprus pound and the Malta lira to the euro will also be determined by Ecofin.

Both countries achieved a high degree of economic convergence with the euro area in terms of the Maastricht criteria, and sufficiently amended the legislation regulating the operation of their respective central banks. Except for Slovenia (and the Czech Republic) where the euro became the legal tender in the beginning of this year, they rank among the most developed new Member States. Therefore, the adoption of the **euro should not result in economic instability**.

**Both countries face some difficulties in terms of the government debt** that exceeds the reference level of 60% of GDP. The debt has however been declining rather successfully in recent years and it approximates the required level; therefore the criterion is deemed complied with.

The Czech Republic still has not announced an official date when the crown should be replaced by the euro. **The year 2012 is the most likely deadline**. It is therefore possible that, together with Poland and Hungary, we may be among the last countries of the EU-10 to adopt the euro.

The adoption of the euro is not a horse race. If the maturity, structure and stage of the economy significantly differ from

the ones in the monetary union, **premature adoption would be counterproductive**. Hesitating to access the euro area or even doubting its meaning (e.g. by referring to Sweden) could discourage certain foreign investors and make them re-assess their investments in the Czech Republic.

#### Fulfilment of Maastricht criteria

|                           | critterion | Cyprus | Malta  |
|---------------------------|------------|--------|--------|
| price criterion           | 3.0 %      | 2.0 %  | 2.2 %  |
| interest rate criterion   | 6.4 %      | 4.2 %  | 4.3 %  |
| exchange rate criterion   | ERM II +   | ok     | ok     |
| public budget criterion*) | 60.0 %     | 65.3 % | 66.5 % |
| public debt criterion*)   | -3.0 %     | -1.5 % | -2.6 % |

Source: European Commission, \*) as of GDP

<http://europa.eu/rapid/pressReleasesAction.do?reference=P/07/674>

<http://europa.eu/rapid/pressReleasesAction.do?reference=P/07/673>

#### Commission criticizes the Czech convergence programme

As expected, the Commission **criticized the present state of public finances as well as the outlook** as defined in the convergence programme, a key document specifying our economic strategy prior to the adoption of the euro.

The EU execution particularly disapproves the **deterioration of public finances**. "The updated convergence programme of the Czech Republic postpones the planned correction of the excessive deficit despite the fact that in 2006 the deficit was already below 3% and despite stronger economic growth than previously expected", said European Commissioner for Economic and Monetary Affairs Joaquín Almunia.

The Commission therefore recommended to the Ecofin Council to conclude that the action taken by the Czech Republic to correct the excessive deficit **proved inadequate**.

Based on its assessment of the convergence programme, the Commission proposes that the Council invites the CR to:

- **Limit the budgetary deterioration** in 2007 and ensure the correction of the excessive deficit in a credible and sustainable manner, not later than by 2008 (one year earlier than planned by the Czech Republic);
- Review the composition of public expenditure in order to reduce the share of **mandatory expenditure**;
- In view of the **projected increase in age-related expenditure**, improve the long-term sustainability of public finances by implementing the necessary pension and health care reforms.



## Events

The ministers of Member States adopted a new Directive harmonizing the rules for consumer loan provision in all Member States. The reason is to make up for the fact that there is no single internal market in this area – only 1% of all consumer loans are provided as cross-border loans in the EU so far.

Despite the present criticism it is **not expected that there would be considerable problems in the Czech Republic** in terms of the adoption of the euro. It would be sufficient to deal with the excessive deficit of public finances that exceeds the critical limit of 3% of GDP.

Due to the fact that the limit has been exceeded in the long term, the **deficit in the Czech Republic has been excessive**. Unless the public finances improve considerably, the Czech Republic may face further threats that may, in theory, result in sanctions consisting of cutting off the subsidies from the Cohesion Fund. There are several Member States with an excessive budget but sanctions have never been imposed. Therefore, sanctions are also unlikely to be imposed on the Czech Republic.

### Outlook for public sector in the CR

| as of GDP in %        | 2007 | 2008 | 2009 |
|-----------------------|------|------|------|
| public budget deficit | -4.0 | -3.5 | -3.2 |
| public debt           | 30.5 | 31.3 | 32.2 |

Source: *Convergence programme of the CR – March 2007*

<http://www.europa.eu/rapid/pressReleasesAction.do?reference=IP/07/717>

## TAXATION AND CUSTOMS UNION

### Commission insists on common consolidated corporate tax base in the EU

The progress report on the preparatory works towards the implementation of a common consolidated corporate tax base by 2010 published in May confirmed that the Commission takes the initiative seriously.

The Commission focuses on simplification of the current direct taxation system. **There are 27 various national tax systems in the EU at present**, which results in higher administration costs for companies pursuing their activities in several Member States and discourages small businesses from expanding their activities abroad.

The common tax base should allow for **as few tax exemptions and deductible items as possible**. According to Commissioner László Kovács, certain national tax exemptions or incentives should be allowed (such as in terms of research and development or environmentally friendly activities).

The **tax rate would not be subject to the harmonisation** process. Each state would apply its national rate to a certain part of the common tax base. The algorithm defining the portion of the tax base corresponding to the given state is to be defined.

**The whole system would remain voluntary** – each company would be entitled to decide whether to keep the solely national tax regulations or whether to express its tax base in accordance with the EU rules.

We believe that the project of a common consolidated corporate tax base **is ahead of its time**. Member States are still rather different; each has different preferences regarding what areas deserve tax stimulation and support. Implementation of a common tax base would significantly limit the Member States' sovereignty. Further, there are concerns that the following step would be to unify the tax rates and to try to harmonize other fiscal instruments. In the monetary union, autonomous fiscal policy represents the major instrument for dealing with asymmetric economic shocks.

Tax issues in the EU are subject to unanimous voting. Seven Member States openly disagree with the proposal (Ireland, the United Kingdom, Latvia, Lithuania, Slovakia, Malta and Cyprus), and also the Czech Republic is rather against it. That is also why we believe that the **harmonisation of the corporate tax base will not be adopted in the coming years**. Alternatively, the standard could apply only to several countries that would approve it, i.e. strengthened cooperation.

<http://europa.eu/rapid/pressReleasesAction.do?reference=P/07/593>

## FOREIGN TRADE

### Lower duty on imports of aluminium

The EU ministers finally adopted the proposal of an order to **reduce unalloyed aluminium imports duty to 3% from the original 6%**. The approval of the Council represents a compromise that put an end to a several-month period of disputes regarding the protection of European producers against aluminium imports from third countries outside the EU. The EU-10 in general struggled to completely remove the duty that increases the costs of national companies – aluminium consumers. The EU-15, on the other hand, were anxious about the negative impact of lower duty on the national aluminium producers.

The regulation is a binding legal act applicable directly without the necessity of being implemented in the national legislation. **The regulation will be reviewed in three years'** time in order to consider potential future changes in the aluminium market.

The decrease of the duty aims at **improving competitiveness of EU companies**, in particular small and medium-sized enterprises, that use aluminium semi-finished



products and finished products and at the same time taking into account interests of the EU aluminium producers.

<http://europa.eu/rapid/pressReleasesAction.do?reference=PRES/07/90>

## INTERNAL MARKET

### Green Paper on future EU policy on financial services

The European Commission has presented, in the form of a Green Paper, its **vision for the future EU policy on retail financial services**, i.e. financial products such as bank accounts, loans, mortgages, investments and insurance provided to individual consumers.

The Green Paper is a consultative document and **stakeholders are invited to comment on it by 16 July**. Should it prove necessary, the Commission will then propose specific drafts of decrees and regulations to regulate financial services.

The Commission's initiative in this field is based on the fact that integration of national retail financial services is insufficient and that competition is on a rather low level in certain areas. As a result, **consumers may not take full advantage of the benefits of the single internal market**.

More extended integration in retail financial services markets should be provided for as follows:

1. **Opening markets to competition** – strengthening competition will offer choice, value and quality that may better meet small consumers' needs.
2. **Improved consumer protection** – together with providing for sufficient financial strength and creditworthiness to financial services providers it is an important condition to strengthen the key confidence of consumers.
3. **Strengthening consumers' position** – consumers are the weaker party, therefore they need support in terms of financial literacy, provision of clear, appropriate and timely information, quality advice and equal conditions for products perceived as having similar characteristics.

<http://europa.eu/rapid/pressReleasesAction.do?reference=IP/07/596>

### EU to harmonize rules on consumer loans

After several years of negotiations, the Member States reached an agreement on a **new arrangement of provision of consumer loans** in the EU.

As opposed to the current legal arrangement based on Directive No. 87/102/EEC for the approximation of the regulations of the Member States concerning consumer

credit, not only the minimum common requirements should apply but the conditions of consumer credits **should be fully harmonized**.

The purpose of the new Directive is to provide for high-level protection of small clients throughout the EU and **to make the single internal market more efficient** in this field. Loans to small clients are still provided within national borders and the idea of the single EU market has not been put through.

#### Key points of the Directive:

**Scope** – loans from 200 to 100 thousand euros. The Directive does not apply to mortgages or loans to purchase securities.

**Pre-contractual information** – each creditor will have to inform potential clients of the loan type, total amount, due date, interest rate, conditions for selecting the interest rate, annual cost interest rate, notices of default in instalment payments etc.

**Early repayments** – consumers may repay their loan early at any time; the creditor will then be entitled to compensation of 0.5% of the loan amount provided its due date falls within less than one year, or 1% (due date in more than a year's time). The Member States may limit the compensation.

**Withdrawal from the credit contract** – consumers may withdraw from the contract without having to give any reason within 14 days from the date of closing it. )

**Annual percentage rate of charge** – a single pattern for calculating the APRC includes all costs of the consumer loan: interest, charges, taxes etc.

The Directive also defines a **unified form of the loan contract**. The Directive will become effective after having been formally approved by the Council and the European Parliament.

The question is **whether consumers will take advantage of the benefits of the Directive**. Less than 1% of consumer loans are provided as cross-border loans in the EU. Costs of obtaining information and arranging for a loan from another Member State are often higher than the potential benefit of getting more favourable conditions.

<http://europa.eu/rapid/pressReleasesAction.do?reference=IP/07/687>

## ENTERPRISE

### EU to simplify unnecessary legislation

The Commission's initiative to cut unnecessary administrative burdens brought its first results. The Member States Ministers responsible for competitiveness decided to repeal the **Directive regulating the quality and size of wood in the rough** (No. 68/89/EEC) called "knots in the wood". The



The main outcome of the EU-USA summit is the signing of the Transatlantic Economic Cooperation Treaty and the open skies treaty. The EU and USA have not managed to reach an agreement regarding their differing opinions on the struggle against climate changes. The Czech government decided to sue the European Commission for cutting our allocation plan for CO2 emission allowances for the period 2008-2012.

Directive, adopted in 1968, defined standards for rough wood criteria in the EU. In the future, each Member State will regulate this field according to its respective rules.

The ministers also came to a political agreement on the **deregulation of packaging sizes** except for wines and spirits. 27 national rules and two EU Directives applicable to this field should be replaced by a single EU standard in the foreseeable future.

The Commission's efforts on simplification of the Community legislation will intensify in the future with regard to areas such as **construction, business statistics and the environment**. As stated in the Action Programme, unnecessary administrative burdens on EU businesses should be cut by a quarter by 2012.

We appreciate cutting unnecessary legislation, but the Commission will have to **pursue a lot more actions** in order not to be seen as a euro-bureaucratic institution.

<http://europa.eu/rapid/pressReleasesAction.do?reference=P/07/688>

## EXTERNAL RELATIONS

### EU and USA to ease mutual trade

The most significant outcomes of the Washington summit between the leaders of the EU and the USA are the **agreements to limit obstacles to cross-border trade and travelling**. They have not however managed to harmonize their opinions on the opening of world trade and on struggling against climate change.

The **signing of the Transatlantic Economic Cooperation Treaty** aiming at removing unnecessary trade barriers and harmonizing standards in a number of areas including intellectual property rights, car, drug and chemical sectors, appears to be major success.

The **Transatlantic Economic Council** will monitor the compliance with separate points of the agreement and it is to be under the management of Commission Vice-President Günter Verheugen and Allan Hubbard from the Executive Office of the US President.

The EU and USA representatives also **signed an open skies treaty** which is to replace the current bilateral treaties between USA and separate Member States. The treaty abolishes the limitation on the number of airlines entitled to operate transatlantic flights and allows all EU and USA airlines to fly to all cities in the EU and USA. Therefore, the tourist trade between the two continents is expected to grow.

[http://www.eu2007.de/en/News/Press\\_Releases/April/0501/BPAEUUSASummit.html](http://www.eu2007.de/en/News/Press_Releases/April/0501/BPAEUUSASummit.html)

## ENVIRONMENT

### CR to sue the Commission because of the 2008-2012 emission plan

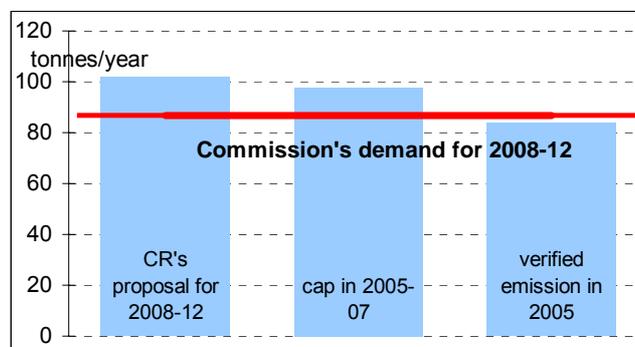
The government of the Czech Republic decided to **sue the European Commission at the European Court of Justice** because of reduction of CO2 emission allowances for 2008-2012. The emission allowances allocation proposal in the amount of 102 million tonnes of emissions per year made by the government was reduced to 86.8 million tonnes per year by the Commission, i.e. by 15%. Last year, the Czech businesses participating in the allowance trade system released 83.7 million tonnes of CO2, not using allocated allowances in the amount of 97.6 million tonnes (the annual quota in 2005-2007).

According to Minister of Industry and Trade Martin Říman, the **Commission's decision underestimated the growth of the Czech economy** in 2009-2010. Also, emissions from households and vehicles were included in the calculation of carbon production of the domestic economy, though they are not covered by the allowances.

The government thus agrees with Minister Říman, according to whom the reduced volume of allowances would negatively impact the domestic economy. The opinion was unsuccessfully opposed by Minister of the Environment Martin Bursík who stated that the Ministry of Industry and Trade **overestimated the future volume of exported and domestically consumed electricity**.

If the allowances are not sufficient to cover the actual emissions, the polluters will have to buy them on the market from entities that did not use all of their respective allowances.

### CO2 emission allowances in the CR



Source: European Commission

The Commission perceives the **decision of the government to be legitimate but unfortunate** and it believes that its original decision will be confirmed by the Court of Justice.



The Commission reduced the emission allowances for 18 out of 21 countries whose allocation plans it assessed. Except for the Czech Republic, also **Slovakia** (reduction by 25%) and **Poland** (-27%) appealed to the ECJ, and **Hungary** is considering an appeal at the moment (-12%).

The success of the Czech economy surely does not depend only on the allocation plan adopted by the Commission. If there are any disputes with the Brussels executive, it would be better to focus on broader liberalisation of the services market, reform of inefficient agricultural policy, promotion of free movement of persons or repealing of unnecessary bureaucratic standards.

<http://www.mpo.cz/zprava30854.html>

## Parliament to toughen up protection of surface water

The European Parliament approved **stricter rules for the protection of surface water against pollution** as it adopted a draft of a directive regulating the quality of surface water. The directive follows after directives on bathing water and groundwater adopted in recent years. The new directive stems from the framework water directive of 2000, which anticipated adoption of daughter directives, including this one.



The Commission originally proposed fixing “**environmental quality standards**” for 41 pollutants likely to be found in surface water such as rivers, lakes, ponds and coastal waters. These substances include in particular pesticides and heavy metals. They may endanger the survival of ecosystems and via the food chain human health itself. MEPs added 28 additional substances to the list.

MEPs require that the Commission carry out an assessment of the consistency and effectiveness of all legislative acts with a direct or indirect impact on water quality.

It is likely that in the vicinity of pollution sources it will not be possible to comply immediately with environmental quality

standards. So the proposed directive provides for “**transitional areas of exceedance**” close to pollution sources and proposes their progressive reduction.

The Parliament demands that the environmental quality standards **are met by 2015 at the latest**. Discharges of pollutants into surface water should cease by 2025.

[http://www.europarl.europa.eu/news/expert/infopress\\_page/064-6850-141-05-21-911-20070516IPR06752-21-05-2007-2007-false/default\\_en.htm](http://www.europarl.europa.eu/news/expert/infopress_page/064-6850-141-05-21-911-20070516IPR06752-21-05-2007-2007-false/default_en.htm)

## INFORMATION SOCIETY

### EU bodies agree on roaming regulation

Representatives of the European Parliament and the Germany Council presidency reached a compromise and **agreed on conditions for regulation on using mobile phones abroad** (i.e. roaming).

The reason for the Commission’s initiative is the alleged **excessive profit of mobile phone services operators** since the income from provided roaming is five times higher than the related incurred costs, according to the Commission.

The regulation consists of setting the maximum fees for calls received abroad, for calls made from abroad and wholesale prices charged by mobile phone operators for connection between their networks. **The fees should gradually drop in the span of three years**. The regulation will be terminated in three years’ time.

#### Caps for prices of roaming in euro

|      | made calls | received calls | wholesale price |
|------|------------|----------------|-----------------|
| 2007 | 0.49       | 0.24           | 0.30            |
| 2008 | 0.46       | 0.22           | 0.28            |
| 2009 | 0.43       | 0.19           | 0.26            |

All customers will be free to keep their non-regulated tariff or switch to the EU tariff within three months after the regulation’s entry into force. If customers do not make a choice within the given period, they **will be accorded the EU tariff automatically**.

The proposed regulation based on the adopted compromise has already been approved by the European Parliament; it is still subject to the approval of the Council, which is generally expected to approve. The regulation will enter into force immediately after its **publication in the EU Official Journal**.

We believe that price regulation is a rather strong instrument that **should be used only in rare cases of market failures**. The cross-border telephone services are not the case. In the long-term horizon, the regulation will result in



## Events

The key decision-making EU bodies have agreed on a controversial regulation that governs the charges for using mobile phones abroad. Europe has not witnessed such significant regulation of consumer prices yet.

the EU telecommunication industry lagging behind. The best cure to reduce prices is to open the market to other telecommunication companies, to intensify competition or enhance transparency.

Retail prices have never been regulated within such relatively competitive markets. We consider this decision a **dangerous precedent** because from now on the euro bureaucrats may try to apply their ideas on setting “more correct prices” in other areas too.

[http://www.europarl.europa.eu/news/expert/infopress\\_page/058-6650-136-05-20-909-20070514IPR06645-16-05-2007-2007-false/default\\_en.htm](http://www.europarl.europa.eu/news/expert/infopress_page/058-6650-136-05-20-909-20070514IPR06645-16-05-2007-2007-false/default_en.htm)

### Audiovisual Media Services without Frontiers Directive to be adopted

After a legislative process of a year and a half, a political agreement has been reached on the new Audiovisual Media Services without Frontiers Directive amending the previous Television without Frontiers Directive. Both the European Parliament and the Council agreed on the main aims of the Commission’s original proposal to **modernise the rules governing the audiovisual services industry**.

The Directive will offer a **comprehensive legal framework that covers all audiovisual media services** (not only television), less detailed and more flexible regulation and modernised rules on TV advertising. This will bring more competition in TV broadcasting.

The **country of origin principle will be kept**. It will still allow Member States to take binding measures against broadcasters from other Member States that circumvent the target country’s national rules.

The new Directive also reasserts **key European values**: protection of minors, promotion of European works and independent audiovisual productions and prohibition of content that would incite religious or racial hatred.

According to the new rules, **advertisements may still not last for more than 12 minutes per hour** of broadcasting. Movies and news programmes may however be interrupted every 30 minutes to broadcast advertisements, compared to the current 45 minutes. For other programmes advertisement placing is not regulated. The Directive also enables TV stations to apply a new type of advertising – product placement – for the first time.

The Directive is expected to be adopted by the Council and the Parliament by the end of 2007 and then the Member States will have **2 years to transpose** it into their national law.

<http://europa.eu/rapid/pressReleasesAction.do?reference=P/07/706>

## REGIONAL POLICY

### Report proves progress in convergence

Cohesion policy has had a proven effect in **helping the EU regions to develop**, but it will face some new challenges in the years to come. Those are the findings in the 4th Commission’s report on economic and social cohesion.

For the first time, the report provides the economic, social and territorial situation of the enlarged Union of 27 Member States and 268 regions. It contains **detailed analysis of the position of regions** in terms of GDP, productivity and employment. It provides a first assessment of the impact of European cohesion policy in the 2000-2006 programming period as well as of the preparation for the new period of 2007-2013.

#### Key findings of the report:

1. **Economic, social and territorial situations and trends in the EU**: disparities in income and employment in Member States and regions have narrowed over the past decade. There are still important deficits to make up between the least well-off regions and the rest.
2. **The impact of the cohesion policy** – European cohesion programmes have helped directly to promote regional convergence and employment. For example, between 2000 and 2006, the policy has contributed to increasing GDP by 2.8% in Greece and 2.0% in Portugal. Preliminary estimates suggest that over the period of 2007-2013, the policy will contribute to increasing the GDP in Lithuania, Latvia and the Czech Republic by around 8.5%, in Poland by around 5.5% and in Greece by around 3.5%.
3. **National policies and cohesion** – public investments over the past years have declined as budgets are confronted with the consequences of an ageing population and economic reform impacts. In 1993, public investment reached around 2.9% of GDP. Twelve years later, it had declined to 2.4% of GDP. At the same time, we witness a process whereby the decision and management on public investment is being decentralised to regional and local levels.
4. **Community policies and cohesion** – the different policies (research, development and innovation, agriculture, competition and state aid) have the potential to increase the effectiveness of cohesion policy, for example by taking explicit account of economic, social and territorial circumstances.

<http://europa.eu/rapid/pressReleasesAction.do?reference=P/07/721>



The prime minister of the Netherlands presented his speech within the discussion on the future institutional arrangement of the EU. Jan Peter Balkenende suggests that the new treaty's name does not include the word constitution, that it gives more powers to national parliaments, and extends voting by qualified majority while keeping the veto right in key areas. The European Commission presented three drafts of directives with the aim of achieving fairer competition in the railway transport market.

#### 2 MAY

List of projects financed through the Trans-European Energy Networks (TEN-E) programme in 1995-2006:  
[http://ec.europa.eu/ten/energy/studies/index\\_en.htm](http://ec.europa.eu/ten/energy/studies/index_en.htm)

#### 3 MAY

Enlargement: New section "Enlargement, 3 years after" on the impacts of the 2004 enlargement:  
[http://ec.europa.eu/enlargement/5th\\_enlargement/index\\_en.htm](http://ec.europa.eu/enlargement/5th_enlargement/index_en.htm)

Preliminary Draft Budget 2008 - growth and employment at the heart of EU spending:  
[http://ec.europa.eu/budget/budget\\_detail/next\\_year\\_en.htm](http://ec.europa.eu/budget/budget_detail/next_year_en.htm)

#### 4 MAY

European researchers tackle childhood obesity risk:  
[http://ec.europa.eu/research/infocentre/article\\_en.cfm?id=research/headlines/news/article\\_07\\_05\\_03\\_en.html&item=Infocentre&artid=3974](http://ec.europa.eu/research/infocentre/article_en.cfm?id=research/headlines/news/article_07_05_03_en.html&item=Infocentre&artid=3974)

Annual Statement and annual report on the euro area:  
[http://ec.europa.eu/economy\\_finance/publications/european\\_economy/2007/euro\\_area2007\\_en.htm](http://ec.europa.eu/economy_finance/publications/european_economy/2007/euro_area2007_en.htm)

#### 7 MAY

Intellectual property - MEPs back criminal sanctions against counterfeiters:  
[http://www.europarl.europa.eu/news/public/story\\_page/057-6278-122-05-18-909-20070504STO06277-2007-02-05-2007/default\\_en.htm](http://www.europarl.europa.eu/news/public/story_page/057-6278-122-05-18-909-20070504STO06277-2007-02-05-2007/default_en.htm)

Annual macroeconomic database AMECO updated:  
[http://ec.europa.eu/economy\\_finance/indicators/annual\\_macro\\_economic\\_database/ameco\\_en.htm](http://ec.europa.eu/economy_finance/indicators/annual_macro_economic_database/ameco_en.htm)

Commission tables ambitious proposal to protect marine ecosystems and fish stocks in South Pacific:  
[http://ec.europa.eu/fisheries/press\\_corner/press\\_releases/com07\\_31\\_en.htm](http://ec.europa.eu/fisheries/press_corner/press_releases/com07_31_en.htm)

#### 8 MAY

Give Turkey a chance, Croatia is an example to follow, says Commissioner Rehn:  
[http://www.europarl.europa.eu/news/expert/infopress\\_page/030-6370-127-05-19-903-20070507IPR06355-07-05-2007-2007-false/default\\_en.htm](http://www.europarl.europa.eu/news/expert/infopress_page/030-6370-127-05-19-903-20070507IPR06355-07-05-2007-2007-false/default_en.htm)

The Netherlands is the first Member State to give assurance on spending EU funds:  
[http://ec.europa.eu/budget/other\\_main/press\\_releases\\_en.htm](http://ec.europa.eu/budget/other_main/press_releases_en.htm)

#### 9 MAY

2798th Economic and Financial Affairs Council meeting:  
[http://www.consilium.europa.eu/cms3\\_applications/applications/newsroom/LoadDocument.asp?directory=en/ecofin/&filename=94033.pdf](http://www.consilium.europa.eu/cms3_applications/applications/newsroom/LoadDocument.asp?directory=en/ecofin/&filename=94033.pdf)

[http://www.consilium.europa.eu/cms3\\_applications/applications/newsroom/LoadDocument.asp?directory=en/agricult/&filename=94008.pdf](http://www.consilium.europa.eu/cms3_applications/applications/newsroom/LoadDocument.asp?directory=en/agricult/&filename=94008.pdf)

2797th Agriculture and Fisheries Council meeting:  
[http://www.consilium.europa.eu/cms3\\_applications/applications/newsroom/LoadDocument.asp?directory=en/agricult/&filename=94008.pdf](http://www.consilium.europa.eu/cms3_applications/applications/newsroom/LoadDocument.asp?directory=en/agricult/&filename=94008.pdf)

#### 10 MAY

North Atlantic ports closed to illegally fished products:  
[http://ec.europa.eu/fisheries/press\\_corner/press\\_releases/com07\\_35\\_en.htm](http://ec.europa.eu/fisheries/press_corner/press_releases/com07_35_en.htm)

EESC recommendations on animal welfare labelling:  
<http://eesc.europa.eu/activities/press/cp/docs/2007/communique-presse-eesc-036-2007-en.doc>

#### 11 MAY

More competition in public transport - but with safeguards:  
[http://www.europarl.europa.eu/news/expert/infopress\\_page/062-6471-129-05-19-910-20070507IPR06402-09-05-2007-2007-false/default\\_en.htm](http://www.europarl.europa.eu/news/expert/infopress_page/062-6471-129-05-19-910-20070507IPR06402-09-05-2007-2007-false/default_en.htm)

Commission's proposals for 2008 budget:  
[http://ec.europa.eu/budget/documents/annual\\_budgets\\_reports\\_accounts\\_en.htm#budget\\_2008](http://ec.europa.eu/budget/documents/annual_budgets_reports_accounts_en.htm#budget_2008)

New web page launched on 'Privacy Enhancing Technologies (PETs)':  
[http://ec.europa.eu/information\\_society/activities/privtech/index\\_en.htm](http://ec.europa.eu/information_society/activities/privtech/index_en.htm)

#### 14 MAY

Oil bulletin weekly prices - updated:  
[http://ec.europa.eu/energy/oil/bulletin/2007\\_en.htm](http://ec.europa.eu/energy/oil/bulletin/2007_en.htm)

#### 15 MAY

2800th External Relations Council meeting:  
[http://www.consilium.europa.eu/cms3\\_applications/applications/newsroom/LoadDocument.asp?directory=en/gena/&filename=94116.pdf](http://www.consilium.europa.eu/cms3_applications/applications/newsroom/LoadDocument.asp?directory=en/gena/&filename=94116.pdf)

[http://www.consilium.europa.eu/cms3\\_applications/applications/newsroom/loadDocument.ASP?cmsID=221&LANG=en&directory=en/gena/&fileName=94115.pdf](http://www.consilium.europa.eu/cms3_applications/applications/newsroom/loadDocument.ASP?cmsID=221&LANG=en&directory=en/gena/&fileName=94115.pdf)

Report on Regulation 1228/2003 on cross border trade in electricity:  
[http://ec.europa.eu/energy/electricity/report\\_2006/index\\_en.htm](http://ec.europa.eu/energy/electricity/report_2006/index_en.htm)

#### 16 MAY

Bulgarians go to polls for first European elections:  
[http://www.europarl.europa.eu/news/public/story\\_page/011-6601-140-05-20-902-20070514STO06593-2007-20-05-2007/default\\_en.htm](http://www.europarl.europa.eu/news/public/story_page/011-6601-140-05-20-902-20070514STO06593-2007-20-05-2007/default_en.htm)



# Diary

European Central Bank: ECB Convergence Report 2007:  
<http://www.ecb.eu/press/pr/date/2007/html/pr070516.cs.html>

Commission recommendation to abrogate excessive deficit procedures for Germany, Greece and Malta:  
[http://ec.europa.eu/economy\\_finance/about/activities/sgp/ed\\_p\\_list\\_en.htm](http://ec.europa.eu/economy_finance/about/activities/sgp/ed_p_list_en.htm)

**18 MAY**

Galileo at the crossroads - implementing the European satellite radio navigation programmes:  
[http://ec.europa.eu/dgs/energy\\_transport/galileo/documents/official\\_en.htm](http://ec.europa.eu/dgs/energy_transport/galileo/documents/official_en.htm)

First International Conference on the Protection of the Euro against Counterfeiting:  
[http://www.ecb.eu/press/pr/date/2007/html/pr070516\\_1.en.html](http://www.ecb.eu/press/pr/date/2007/html/pr070516_1.en.html)

**21 MAY**

Erasmus Mundus - List of selected Partnerships:  
[http://ec.europa.eu/education/programmes/mundus/projects\\_3\\_en.html](http://ec.europa.eu/education/programmes/mundus/projects_3_en.html)

Results of the consultation regarding community action on health services:  
[http://ec.europa.eu/health/ph\\_overview/co\\_operation/mobility/results\\_open\\_consultation\\_en.htm](http://ec.europa.eu/health/ph_overview/co_operation/mobility/results_open_consultation_en.htm)

**22 MAY**

2801st Competitiveness Council meeting:  
[http://www.consilium.europa.eu/cms3\\_applications/applications/newsroom/LoadDocument.asp?directory=en/intm/&filename=94164.pdf](http://www.consilium.europa.eu/cms3_applications/applications/newsroom/LoadDocument.asp?directory=en/intm/&filename=94164.pdf)

Commission Report on State Aid to the Coal Industry:  
[http://ec.europa.eu/dgs/energy\\_transport/state\\_aid/energy\\_en.htm](http://ec.europa.eu/dgs/energy_transport/state_aid/energy_en.htm)

**23 MAY**

EU Constitution: MEPs to debate with Prime Ministers:  
[http://www.europarl.europa.eu/news/public/story\\_page/002-6823-344-12-50-901-20070521STO06816-2007-10-12-2007/default\\_en.htm](http://www.europarl.europa.eu/news/public/story_page/002-6823-344-12-50-901-20070521STO06816-2007-10-12-2007/default_en.htm)

Commission wants to ensure fair competition and an efficient and uniform system of checks:  
[http://ec.europa.eu/transport/road/legislation/index\\_en.htm](http://ec.europa.eu/transport/road/legislation/index_en.htm)

**24 MAY**

Balkenende tells MEPs: We need a new treaty and a more democratic EU:  
[http://www.europarl.europa.eu/news/expert/infopress\\_page/002-6870-141-05-21-901-20070516IPR06773-21-05-2007-2007-false/default\\_en.htm](http://www.europarl.europa.eu/news/expert/infopress_page/002-6870-141-05-21-901-20070516IPR06773-21-05-2007-2007-false/default_en.htm)

Eurostat Press Release - EU27 Foreign Direct Investment:  
[http://epp.eurostat.ec.europa.eu/pls/portal/docs/PAGE/PGP\\_PRD\\_CAT\\_PREREL/PGE\\_CAT\\_PREREL\\_YEAR\\_2007/PGE\\_CAT\\_PREREL\\_YEAR\\_2007\\_MONTH\\_05/2-24052007-EN-AP.PDF](http://epp.eurostat.ec.europa.eu/pls/portal/docs/PAGE/PGP_PRD_CAT_PREREL/PGE_CAT_PREREL_YEAR_2007/PGE_CAT_PREREL_YEAR_2007_MONTH_05/2-24052007-EN-AP.PDF)

## FDI Inflow in 2006 in EUR bn

|            |       |             |     |
|------------|-------|-------------|-----|
| UK         | 110.9 | Denmark     | 5.6 |
| Luxembourg | 77.3  | CR          | 4.8 |
| France     | 58.0  | Bulgaria    | 4.1 |
| Germany    | 34.2  | Netherlands | 3.5 |
| Italy      | 29.9  | Finland     | 3.0 |
| Spain      | 16.0  | Lithuania   | 1.4 |
| Poland     | 11.0  | Estonia     | 1.3 |
| Ireland    | 10.3  | Latvia      | 1.3 |
| Romania    | 9.2   | Malta       | 1.3 |
| Hungary    | 8.4   | Slovenia    | 0.3 |
| Portugal   | 5.8   | Austria     | 0.2 |

Source: Eurostat

**25 MAY**

2802nd Education, Youth and Culture Council meeting:  
[http://www.consilium.europa.eu/cms3\\_applications/applications/newsroom/LoadDocument.asp?directory=en/educ/&filename=94275.pdf](http://www.consilium.europa.eu/cms3_applications/applications/newsroom/LoadDocument.asp?directory=en/educ/&filename=94275.pdf)

2801st Competitiveness Council meeting:  
[http://www.consilium.europa.eu/cms3\\_applications/applications/newsroom/LoadDocument.asp?directory=en/intm/&filename=94184.pdf](http://www.consilium.europa.eu/cms3_applications/applications/newsroom/LoadDocument.asp?directory=en/intm/&filename=94184.pdf)

**29 MAY**

Amendment to the criteria for assets eligible as collateral for eurosystem credit operations:  
[http://www.ecb.eu/press/pr/date/2007/html/pr070525\\_3.cs.html](http://www.ecb.eu/press/pr/date/2007/html/pr070525_3.cs.html)

**30 MAY**

ACP-EU Council of Ministers - positive discussion on EPAs:  
[http://ec.europa.eu/trade/issues/bilateral/regions/acp/pr250507\\_en.htm](http://ec.europa.eu/trade/issues/bilateral/regions/acp/pr250507_en.htm)

Confirmed human cases of avian influenza since 1997:  
[http://ec.europa.eu/health/ph\\_threats/com/Influenza/avian\\_influenza\\_human\\_en.htm](http://ec.europa.eu/health/ph_threats/com/Influenza/avian_influenza_human_en.htm)

**31 MAY**

2803rd Employment, Social Policy, Health Council meeting:  
[http://www.consilium.europa.eu/cms3\\_applications/applications/newsroom/LoadDocument.asp?directory=en/lsa/&filename=94394.pdf](http://www.consilium.europa.eu/cms3_applications/applications/newsroom/LoadDocument.asp?directory=en/lsa/&filename=94394.pdf)

DG Annual Activity Report 2006:  
[http://ec.europa.eu/atwork/synthesis/aar/index\\_en.htm](http://ec.europa.eu/atwork/synthesis/aar/index_en.htm)



Rural development in the current programming period of 2007-2013 is financed through the Rural Development Programme, which is not included in the operational programmes. The Czech programme was the first one in the EU to be approved, together with the Swedish one. It comprises four priority axes and its budget for the whole seven-year period is 3.615 billion euro.

## CZECH RURAL DEVELOPMENT PROGRAMME APPROVED

The Rural Development Committee approved the CR Rural Development Programme. Thus, together with Sweden, we became the first Member States to have obtained consent to launch the programme. In the period of 2007-2013, the development projects in Czech rural areas will be financed from the programme of the **volume of euro 3.615 million**.

The main objective of the programme is to reach the aim of the National Strategic Plan for Rural Development, i.e. **development of rural areas in the CR** under the principles of sustainable development, improvement of the environment and reduction of the negative effects of intensive agricultural and forestry management.

The rural development programme is implemented with four priority axes and their priorities:

### Axis I: Enhancing competitiveness of the agricultural and forestry sector

1. **Modernisation, innovation and quality** – to create a strong agri-food industry, to modernise agricultural enterprises, to introduce innovations and to increase the quality of products.
2. **Knowledge spreading** – to create a dynamic agri-food environment, to extend training and advisory services and to reduce the average age of workers in agriculture.

### Axis II: Improving the environment and landscape

1. **Biodiversity, preservation and development of agricultural and forest systems** – to support environmentally friendly farming methods leading to biodiversity, to support suitable farming systems to preserve the rural landscape, to protect the environment on agricultural land and in forest areas of high nature value.
2. **Protection of water and land** – protection of the quality of surface and ground water sources through measures focusing on erosion control and suitable use of agricultural land.
3. **Reducing climate changes** – to support the use of renewable energy sources through the existing forestry potential and through the possibilities of its expansion and preservation of forest's positive functions.

### Axis III: Quality of life in agricultural areas and diversification of economy in rural areas

1. **To create employment opportunities** and support the use of renewable energy sources (RES) – to create jobs and provide for higher incomes of the rural population through the development and diversification of activities in rural areas and promotion of rural tourism, to provide for

fulfilment of the CR's commitments in the area of use of RES.

2. **Conditions for growth and quality of life in rural areas** – to improve the facilities and appearance of villages and public areas, to strengthen the population's sense of identity with the local environment and rural heritage, to develop the rural infrastructure with the objective of encouraging the development of small and medium-sized enterprises and to improve the village environment.
3. **Education** – to support a higher level of education and employment of the rural population through the development of advisory services and training and to increase the use of information and communication technologies.

### Axis IV: Leader

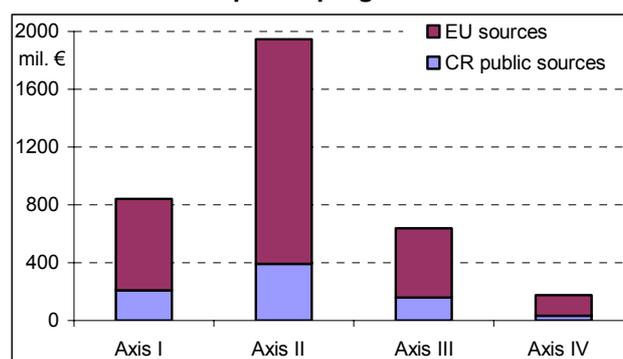
1. **To improve management and mobilisation** of natural internal rural potential – to implement local development strategies and cooperation of local partnerships with the aim of improving the quality of life, enhancing the economic potential and increasing the value of natural and cultural rural heritage.

The first round for applications to receive subsidies from the Rural Development Programme, in which CZK 2.3 billion is to be allocated, will be announced in July. Farmers and other competent entities may apply for a contribution for:

- Modernisation of agricultural enterprises (provision I.1.1),
- Initiation of activities of young farmers (provision I.3.2),
- Diversification of non-agricultural activities (provision III.1.1) – e.g. projects regarding renewable energy sources: biogas stations, boiler plants incinerating biomass, production of pellets etc.

<http://www.europa.eu/rapid/pressReleasesAction.do?reference=IP/07/700>

### Czech rural development programme for 2007-2013



Source: Ministry of Agriculture



# Information service

A number of key EU bodies will meet in June. The EU Council for transport, energy and telecommunication will discuss the controversial regulation governing charges for roaming in the EU; the EU Council for agriculture and fishery will deal with several regulations governing the fisheries policy. The most important event will, however, be the European Council's meeting in Brussels in June. The main issue will be to try to find a compromise on the content and form of a new treaty.

## Meeting of the key EU institutions

|  |                               |
|--|-------------------------------|
| <b>1.-3.6.2007</b>                                 | <b>Essen, Germany</b>         |
| - Informal Meeting of Environmental Ministers      |                               |
| <b>5.6.2007</b>                                    | <b>Luxembourg, Luxembourg</b> |
| - ECOFIN   |                               |
| <b>6.-8.6.2007</b>                                 | <b>Luxembourg, Luxembourg</b> |
| - Transport, Telecommunications and Energy Council |                               |
| <b>11.-12.6.2007</b>                               | <b>Luxembourg, Luxembourg</b> |
| - Agriculture and Fisheries Council                |                               |
| <b>12.-13.6.2007</b>                               | <b>Luxembourg, Luxembourg</b> |
| - Council Justice and Home Affairs                 |                               |
| <b>18.-19.6.2007</b>                               | <b>Luxembourg, Luxembourg</b> |
| - General Affairs and External Relations Council   |                               |
| <b>19.-20.6.2007</b>                               | <b>Strasbourg, France</b>     |
| - EP Plenary                                       |                               |
| <b>21.-22.6.2007</b>                               | <b>Brussels, Belgium</b>      |
| - European Council                                 |                               |
| <b>25.-26.6.2007</b>                               | <b>Luxembourg, Luxembourg</b> |
| - Competitiveness Council                          |                               |
| <b>28.-29.6.2007</b>                               | <b>Luxembourg, Luxembourg</b> |
| Environment Council                                |                               |

## Public consultation on EU legislation

| Topic of the consultation   | Organiser | Deadline  |
|---|-----------|-----------|
| <a href="#">Agenda for a Sustainable and Competitive European Tourism</a>             | DG ENTR   | 14.6.2007 |
| <a href="#">Nutrition and Health Claims Applications</a>                              | EFSA      | 17.6.2007 |
| <a href="#">Reform of the cotton regime: call for contributions to a consultation</a> | DG AGRI   | 22.6.2007 |
| <a href="#">Public consultation on draft guidelines on remedies in merger control</a> | DG COMP   | 29.6.2007 |
| <a href="#">Reducing CO2 emissions from cars</a>                                      | EG ENV    | 30.6.2007 |
| <a href="#">Revision of Toys Safety Legislation</a>                                   | DG MARKT  | 30.6.2007 |



Europe is the region which is the most visited worldwide: six Member States rank among the top ten world destinations for holiday visitors. It is not surprising that the industry is very important for the whole European economy and the approaches and forms of support and motivation of those activities are developed within the whole EU.

## CURRENT CHALLENGES OF THE TOURISM INDUSTRY IN THE EU

Tourism is a dynamic and growing industry and its turnover has been on an ascending path throughout several recent four-year periods by around a quarter (this fact has been recorded since the late 90s). In 2005, tourists from abroad spent around 900 million nights in European destinations.

Small and medium-sized enterprises dominate in the tourism industry; their share in the EU's GDP is approximately 4%. Around two million enterprises employ nearly 4% of the overall labour force in the EU (i.e. around 8 million jobs). Considering secondary and invoked impacts on other sectors, the contribution to the EU's GDP is estimated at up to 15% and it provides employment to around 15% of the labour force in the EU (approximately 30 million workers).

In figures, the Czech Republic ranks among countries with a very strong tourist industry; some of the above-mentioned quality features, i.e. hospitality, however remain underdeveloped (for example compared to Austria).

The tourism quality change led the Commission together with the main tourism stakeholders (direct service providers, their suppliers as well as end customers) to elaborate a European Agenda for Tourism. A new policy approach is being developed considering links of tourism activities to the current economic and business trends in the EU aimed at the development of competitiveness and growth.

### Key tourism topics in the EU related to the agenda

The indicated circumstances are currently reflected in the forming of the following activities and areas that are deemed key ones with respect to the mentioned future tourism challenges in the EU.

#### Key areas of interest:

1. Destinations of Excellence in the EU
2. Sustainability and competitiveness
3. Tourism satellite accounts
4. Social tourism
5. Affordable tourism
6. Quality of tourism products
7. Cultural tourism

### Tourism and the new Lisbon strategy

When the objectives and visions of the Lisbon strategy were updated in the beginning of 2005, a number of findings directly affected tourism activities. Parameters of tourism

and tourism services are significantly influenced by global and demographic changes, alterations to lifestyle, growth of well-off regions with strong economic development or increasing chances due to developing transport.

Tourism is an industry that is difficult to precisely define; it is a cross-sectional industry in which a number of services and activities are concentrated, various activities blend together; it is directly linked to transport, construction and building industry, retail services and many other sectors that altogether form a complex offer of tourism services.

Those features make tourism a dynamically growing industry and also its ability to create new jobs is high above the average compared to other activities. A typical feature of employment in tourism is flexibility. It is typical for tourism to provide part-time jobs and very flexible work conditions. A large number of women are employed in tourism; the age brackets are very low and despite gradually more demanding qualification requirements (due to growing demand for quality and further specialisation) also workers with relatively low qualification get jobs in tourism.

At present, tourism has an exceptionally strong impact on regional and local development. The infrastructure created for the purposes of tourism is a strong supportive factor of local development in terms of economy, business as well as society. Particularly in areas suffering from industrial or rural development decline, tourism is often the only activity able to economically and socially help the given region.

The current tourism topic therefore is its sustainability. Sustainability includes its ability to use procedures and policies that are environmentally friendly, helpful for clients and providing higher quality. It is also important in terms of protection and preservation of cultural, natural, spiritual heritage, preference of local habits, traditions, cuisine, craft, and biodiversity.

### Current EU tourism challenges at the beginning of the 21st century

The first, obviously most visible parameter that has undergone and will undergo the most significant changes regarding the demand for tourism services is the changing demographic structure of the EU population. The number of people older than 65 years is clearly growing, in absolute numbers as well as in relation to the overall age structure; a healthy lifestyle and visibly higher purchasing power makes this social group an exceptionally interesting customer base which may help to overcome one of the largest definitional



## Main topic

risks so far faced by tourism – i.e. its seasonal character (focused predominantly on the two summer months and perhaps a few winter weeks).

The change of lifestyle is evidenced also by the fact that the demand for tourism services has been obviously growing also in the age group of persons older than fifty years of age (for whom the preference of working activities gradually becomes secondary and the importance of quality of their leisure time grows significantly).

The trends will further strengthen the specialisation of the tourism offer, as witnessed by the so-called healthy tourism and specific tourism primarily aiming at getting to know the cultural and natural heritage.

Another very important parameter is the external competition evoked by economic and social globalisation, removing borders between territories worldwide and immense progress of technologies. Although the EU unfailingly remains the most visited area in the world, Europeans more and more often go for a tourist experience and the total growth of tourists in the EU is slower than in non-European destinations.

The third key parameter is the circumstances under which tourism takes place; luckily, the EU ranks among exceptionally stable sites in this respect. In short, tourists predominantly go to areas with certain economic, social and environmental situations that have been sustainable and ensure that the destination will be not only interesting but also safe and stable. Some forms of tourism – particularly mass tourism – may in a certain respect become a threat for other specialised and alternative forms of tourism.

### Updating the tourism policy concept in the EU conditions

With respect to the above-mentioned trends, the European Commission at present tries to define the current tourism concept for the coming period. Its key mission is to improve competitiveness of the tourism industry in the EU and to create more quality demanding jobs based on sustainable tourism development.

As the main instrument to meet this mission, the Commission uses coordination and communication activities between the Commission and the corresponding national bodies and institutions (for the Czech Republic it is the Ministry for Regional Development).

### Stakeholders partnerships

With the demand growth and special tourism development, there is a need for partnership between individual tourism stakeholders with respect to the tourism offer as well as

demand. This applies not only to direct providers of such services but also to their direct suppliers or business partners on one hand and representatives of various client groups on the other hand. This dialogue should also involve entities that have an indirect impact on tourism – in particular representatives of state or public institutions, professional and entrepreneurial associations and unions or non-profitable organisations either directly active in the tourism industry or having an impact on the development of conditions for tourism (environmentalists, infrastructure investors etc.).

### Tourism legislation instruments

In terms of legislation, tourism is disadvantaged to a certain extent since it is not explicitly defined as a fully featured economy sector (e.g. according to the classification of OKEČ (sector classification of economic activities); tourism is in a secondary position also in terms of specifically defined EU policies. When adopting new legislation it is therefore necessary to keep an integrated approach so as to also involve areas related to the priorities of tourism development.

Another way to improve the legal framework regulating tourism within the EU is its simplification. Directives which are to be simplified have already been selected (e.g. the Directive on general services in tourism industry or the Directive on use of real estates in a stipulated time). The Commission will further initiate activities to simplify legislation upon continuous consultations within each Member State.

### Coordination of tourism policy within the EU

Tourism is a typical activity subject to coordinated policy within the EU. As mentioned above, activities to support tourism development by the European Commission take place at its General Directorate of Enterprises. Activities of other general directorates of the EU executive of course also have a direct or indirect impact on tourism.

The Commission also intends to annually define initiatives that may affect tourism and serve as a model for financing activities in tourism from the EU structural funds as well as from direct Community grants announced by the General Directorate of Enterprises.

Those initiatives should also provide inspiration for the national and regional institutions in each Member State and sufficient information of each region and site. The meaning of those initiatives should be enhanced by the fact that they should reflect opinions and positive experience of tourism stakeholders in separate countries; this may be seen as a



transfer of know-how and best practices which would be far more complicated if it was not for this instrument.

One of the initiatives that reflects the increasing specialisation of certain tourism areas, is the Green Paper on maritime policy describing the circumstances for the development of coastal and sea tourism.

### Use of available EU financial instruments and its improvement

Tourism was among the economic activities that clearly benefited from applying the EU financial tools. Also in 2007-2013, the development of business entities, services and infrastructure in the area of tourism will be supported predominantly by structural funds as well as other – rather supplementary – instruments.



The Commission expects tourism to get support mainly from the European Fund for Regional Development where within the framework of all key objectives of this programming period – Convergence, Competitiveness and Employment and European Regional Cooperation, the tourism sustainability models will be supported for the benefit of cultural and natural heritage development, tourism infrastructure development, accessibility and mobility improvement, information and communication technologies support, innovative small and medium-sized enterprises in tourism, business networks, associations, clusters and other forms of groupment, development of high-quality services with high added value, joint regional, cross-border and international tourism strategies and exchange of experience among regions.

The below mentioned support of the required infrastructure of transport and environmental character will also be provided under the Cohesion Fund (which for example in

the Czech Republic will be the crucial source of finance for projects under the OP Transport and OP Environment, the two major Operational Programmes in the Czech Republic).

Further, considering the employment potential in the field of tourism, it will be significantly supported by the European social fund, i.e. projects financed by the fund. This for example involves projects of educational programmes, special and professional training that will result in an increased productivity and quality of education and services in tourism. Another possible type involves projects supporting mobility and exchange of experience in tourism.

A limited scope of means applies to the support of establishing new businesses, in particular micro businesses in tourism.

#### Proposed structure of tourism support within Operational Programmes in the Czech Republic

- Dominant instrument: 7 regional operational programmes (ROPs): the sole business activity explicitly defined in ROP is tourism; in some ROPs as an individual priority axis, in others as a priority support subject; support to tourism is not deemed negative in any ROP;
- Analogy in the area of the Capital City of Prague: OP Praha Competitiveness; however, the total allocation for this purpose is significantly lower compared to ROPs;
- The Integrated Operational Programme (IOP) will focus on general support of tourism in the Czech Republic as a whole (without focusing on specific regional aspects);
- Operational programmes within the objective of the European regional cooperation: important especially for the purposes of partnership and exchange of experience (including tourism) particularly among public bodies – regions, cities and municipalities;
- Support to secondary activities related to tourism and infrastructure or human resources development for tourism: in particular OP Transport, OP Education for competitiveness, or OP Human resources and employment;

Within the new 2007-2013 financial perspective, an essential structural change took place, i.e. separation of structural operations (financed from the Structural Funds and the Cohesion Fund) and operations that support agricultural and rural development. In terms of tourism, rural areas have become more attractive destinations and rural tourism represents diversification in the rural economy (as a very dynamic and probably viable alternate



## Main topic

economic activity operated in rural areas) but also in tourism as a whole (as part of spreading specialisation of individual parts).

Considering tourism and directly or indirectly related activities financed from the European agriculture fund for rural development, this may involve: improvement of agricultural production and products quality (that may be used as an interesting local offer to tourists), improvement of the environment and landscape, tourism activities included in the process of diversification of rural economy, studies and investments related to maintenance, renewal and improvement of the conditions of cultural heritage.

### **Possible forms of support apart from structural operations implemented under the Operational Programmes**

- Apart from structural operations: in particular the Rural Development Programme;
- Direct Community grants: in particular for example Destinations of Excellence, the Seventh Framework Programme for research and development, projects focused on education and culture or employment and social affairs

The Destinations of Excellence, a specific subject of support of DG Enterprise for the relevant area, is in first place. The Seventh Framework Programme for research and development may represent a supportive source e.g. for projects that apply information and communication technology and develop cultural heritage and related knowledge etc. In terms of educational programmes, inspiration may be taken from the Leonardo da Vinci programme, which supports in particular the mobility of young people in the area of life-time education and professional training.

### **Tourism sustainability**

The term sustainability of tourism includes two features – both of the same importance. The first defines the tourism sustainability in terms of a balanced relation between its economic and business, social and environmental aspects. Any disturbance or deflection from this scheme may jeopardize tourism's sustainability. Deterioration of the environment or mass tourism may discourage visitors in the given area from rural tourism activities. If the social environment in the given country is not sustainable, it may disqualify it from being a popular tourist destination.

In the strict sense of the word, sustainability is linked to ensuring a sufficient number of interested persons and

clients in tourism services throughout the year and in particular to exceed the seasonal limits usually seen in the summer and winter periods.

In order to also provide sufficient instruments for tourism sustainability the European Commission prepared the implementing document Agenda 21 for tourism. In the strict as well as the broader sense, with respect to tourism sustainability the document recommends the following for the coming period:

- To determine national and EU-wide measures for the support of small and medium-sized enterprises in the sphere of tourism and to create an efficient system of observations and best practices and experience in separate areas;
- To evaluate the economic impact of better availability in tourism industry on economic growth and employment, trade opportunities for small and medium enterprises, quality of services and competitiveness;
- To simplify the “Best practices” system in mass tourism “for everybody”;
- To publish a manual focused on specific education in tourism with the aim of supporting development of knowledge in the tourism industry;
- To analyse trends in employment in coastal and sea tourism (see the Green Paper referred to above);
- To prepare official statistics and studies with the aim of assessing the anticipated consequences of electronic business activities on the tourism industry;
- To improve the ability to use information on tourism and monitor the key trends in tourism;
- To increase promotional and marketing activities focused on making the EU tourist destinations more attractive as a whole.

### **Summary**

The complicated structure and heterogeneity of tourism requires all stakeholders to cooperate very thoughtfully. The EU will always play a rather coordinative, inspirational and in some respects perhaps accelerative role. The burden of responsibility as well as their ability to survive in the exceptionally competitive surroundings will however stay with individual Member States and their regions. The EU offers sharing of certain experience and possible guidance and also rather significant financial resources to be used for this purpose.



The major topic of this issue of the EU News Monthly Journal is tourism and the EU is referred to as the leading tourist destination; the reason is that there are several tourism champions there, with Spain being in one of the top positions.

## SPAIN

|                                       |   |
|---------------------------------------|---|
| <i>Government type/chief of state</i> | constitutional monarchy / King Juan Carlos I.                   |
| <i>Area (share of EU)</i>             | 504 782 km2 (11.7%)   |
| <i>Population (share of EU)</i>       | 43 758 250 (8.9%)   |
| <i>Age structure</i>                  | 0-14 years: 14.5%, 15-64 years: 68.7%, over 65 years: 16.8%     |
| <i>Total GDP (share of EU)</i>        | 905.46 EUR bn (8.26%)   |
| <i>GDP per capita in PPS</i>          | 98.6% of EU-25 average  |
| <i>GDP - composition by sector</i>    | agriculture: 3.1%, industry and constr.: 29.7%, services: 67.2% |
| <i>Average inflation</i>              | 3.6%  |
| <i>Average unemployment</i>           | 8.5%  |
| <i>GDP growth</i>                     | 3.9%  |
| <i>General govern. balance</i>        | +1.8% of GDP  |
| <i>General government debt</i>        | 39.9% of GDP  |
| <i>Number of NUTS2</i>                | 19 NUTS2; Comunidad de Madrid: 132.1%; Extremadura: 67.1%       |

Note: the figures are for 2006, source: EU, CIA

In this place we always try to find some features characteristic for the given country; tourism and the development of tourism – also due to its optimal geographical location going beyond Europe’s borders and including adjacent seas and oceans in the case of the Balearic and Canary islands – surely ranks among the dominant features. Apart from strictly economic and social characteristics that are usually our main focus of interest and comparison, for Spain we should not forget its rich cultural past and present, its history, beautiful landscape, exceptional achievements in certain sport activities. And corrida is a specific feature of Spanish culture that cannot be found anywhere else in Europe.

In terms of its social and economic characteristics, at least the recent decade represents a truly successful story that is generally seen in relation with the impact of its accession to the EU in 1986.

Looking at the economy dynamics assessed by the GDP growth, among the EU-15 Spain ranks among the three fastest-growing economies (together with Greece and Ireland). Its average economic growth in the recent three years was 3.3% and its successful real convergence game should reach an important partial objective in the next two years: to reach the average GDP per capita in the EU (i.e. 98.6% at present; if Spain be able to “achieve” 0.7 percent point per year, it should reach this target by 2008).

The above-average growth of the economy came together with remarkable improvement of the unemployment rate. Even in the mid 90s, Spain (together with Finland) had the highest unemployment rate in the EU, i.e. more than 20%, perceived as a serious social problem. The average is 8.3% at present, which is slightly more than the EU average, but without doubt less than the rate in Poland or Slovakia.

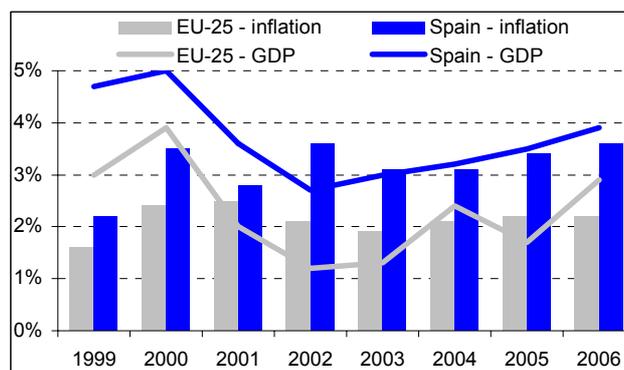


Outstanding economic growth and improvement in the job market is a result of Spain’s positive ability to make use of the EU funds especially in the two recent programming periods. In the last period (2000-2006), the allocation for Spain was nearly 55 billion euro and it was absolutely the highest in the EU as a whole. Due to the fact that a number of regions reached a higher quality level, the “cuts” for this programming period (2007-2013) were the highest in the EU (the allocation for Spain was “only” 31.5 billion euro; in comparable prices).

Spain also significantly progressed in improving its fiscal discipline. The public finance system now works without any deficit and ranks among the few EU-15 countries where their debt in relation to GDP lowered significantly down to nearly 40% (the sixth lowest in the EU-15).

The positive macroeconomic picture may be even further improved by the fact that the inflation in Spain is certainly under control but it may be negatively affected by the considerably high and deteriorating deficit of the current account of its payment balance (together with Greece and Portugal among the worst in the EU-15). However, such a cloud should not spoil the otherwise very positive perception of this Southern European country in terms of sober macroeconomic figures as well as the subjective impression of visitors or tourists.

### Inflation and GDP



Source: Eurostat



# Statistical window

The statistical window in a tabular form shows important macroeconomic indicators from all member states and the EU as a whole. It includes economic performance indicators (per capita GDP as compared to the EU average, GDP growth, unemployment rate), external economic stability indicators (current account to GDP), fiscal stability indicators (public budget to GDP, public debt to GDP), and pricing indicators (annual inflation based on HICP, base price level).

## Key macroeconomic indicators

| in %        | GDP growth y-on-y |      |      | Current account to GDP* |       |       | Unemployment rate |        |       | Inflation y-on-y average |        |       |
|-------------|-------------------|------|------|-------------------------|-------|-------|-------------------|--------|-------|--------------------------|--------|-------|
|             | 2003              | 2004 | 2005 | 2003                    | 2004  | 2005  | II-07             | III-07 | IV-07 | II-07                    | III-07 | IV-07 |
| Belgium     | 1.0               | 3.0  | 1.1  | 4.5                     | 3.6   | 2.5   | 7.7               | 7.6    | 7.6   | 1.8                      | 1.8    | 1.8   |
| Bulgaria    | 4.5               | 5.7  | 5.5  | -5.5                    | -5.8  | -11.3 | 8.2               | 7.9    | 7.5   | 4.6                      | 4.4    | 4.4   |
| <b>CR</b>   | 3.6               | 4.2  | 6.1  | -6.5                    | -6.3  | -2.7  | 6.3               | 6.2    | 6.1   | 1.7                      | 2.1    | 2.7   |
| Denmark     | 0.7               | 1.9  | 3.0  | 3.2                     | 2.3   | 2.9   | 3.4               | 3.4    | n/a   | 1.9                      | 1.9    | 1.7   |
| Germany     | -0.2              | 1.2  | 0.9  | 2.0                     | 3.9   | 4.2   | 7.1               | 7.0    | 6.7   | 1.9                      | 2.0    | 2.0   |
| Estonia     | 7.1               | 8.1  | 10.5 | -11.5                   | -12.5 | -11.1 | 4.8               | 4.8    | 4.7   | 4.6                      | 5.6    | 5.6   |
| Ireland     | 4.3               | 4.3  | 5.5  | 0.0                     | -1.0  | -3.1  | 4.1               | 3.9    | 4.0   | 2.6                      | 2.9    | 2.9   |
| Greece      | 4.8               | 4.7  | 3.7  | -10.0                   | -9.5  | -9.2  | n/a               | n/a    | n/a   | 3.0                      | 2.8    | 2.6   |
| Spain       | 3.0               | 3.2  | 3.5  | -4.0                    | -5.9  | -7.5  | 8.2               | 8.2    | 8.2   | 2.5                      | 2.5    | 2.5   |
| France      | 1.1               | 2.3  | 1.2  | 0.2                     | -0.6  | -2.1  | 8.8               | 8.7    | 8.6   | 1.2                      | 1.2    | 1.3   |
| Italy       | 0.0               | 1.1  | 0.0  | -0.9                    | -0.5  | -1.1  | n/a               | n/a    | n/a   | 2.1                      | 2.1    | 1.8   |
| Cyprus      | 1.9               | 3.9  | 3.8  | -0.9                    | -5.3  | -5.7  | 4.4               | 4.3    | 4.4   | 1.2                      | 1.4    | 1.6   |
| Latvia      | 7.2               | 8.6  | 10.2 | -8.0                    | -12.9 | -12.5 | 5.9               | 5.7    | 5.8   | 7.2                      | 8.5    | 8.8   |
| Lithuania   | 10.3              | 7.3  | 7.6  | -6.8                    | -7.9  | -6.9  | 5.7               | 5.6    | 5.4   | 4.4                      | 4.8    | 4.9   |
| Luxembourg  | 1.3               | 3.6  | 4.0  | 6.4                     | 10.6  | 9.7   | 4.9               | 4.9    | 4.9   | 1.8                      | 2.4    | 2.5   |
| Hungary     | 4.1               | 4.9  | 4.2  | -7.9                    | -8.4  | -6.8  | 8.0               | 8.1    | 8.2   | 9.0                      | 9.0    | 8.7   |
| Malta       | -2.4              | 0.0  | 2.2  | -5.0                    | -7.5  | -11.0 | 6.6               | 6.6    | 6.4   | 0.8                      | 0.5    | -1.1  |
| Netherlands | 0.3               | 2.0  | 1.5  | 6.1                     | 8.6   | 7.1   | 3.5               | 3.4    | 3.3   | 1.4                      | 1.9    | 1.9   |
| Austria     | 1.1               | 2.4  | 2.0  | 1.7                     | 2.1   | 2.9   | 4.5               | 4.4    | 4.5   | 1.7                      | 1.9    | 1.7   |
| Poland      | 3.8               | 5.3  | 3.2  | -2.1                    | -4.2  | -2.2  | 11.8              | 11.5   | 11.2  | 1.9                      | 2.4    | 2.2   |
| Portugal    | -1.1              | 1.2  | 0.4  | -6.5                    | -7.8  | -9.5  | 8.1               | 8.1    | 8.0   | 2.3                      | 2.4    | 2.8   |
| Romania     | 5.2               | 8.4  | 4.1  | -4.8                    | -12.7 | -8.7  | 7.6               | 7.7    | 7.2   | 3.9                      | 3.7    | 3.8   |
| Slovenia    | 2.7               | 4.4  | 4.0  | -0.8                    | -2.6  | -2.0  | 4.7               | 4.6    | 4.8   | 2.3                      | 2.6    | 2.9   |
| Slovakia    | 4.2               | 5.4  | 6.0  | -2.1                    | -2.5  | -7.9  | 11.1              | 10.8   | 10.5  | 2.0                      | 2.1    | 2.0   |
| Finland     | 1.8               | 3.5  | 2.9  | 5.9                     | 7.6   | 4.6   | 6.9               | 6.7    | 6.6   | 1.2                      | 1.6    | 1.5   |
| Sweden      | 1.7               | 3.7  | 2.7  | 6.6                     | 6.6   | 5.9   | 6.5               | 6.4    | 6.2   | 1.7                      | 1.6    | 1.6   |
| UK          | 2.7               | 3.3  | 1.9  | -1.3                    | -1.6  | -2.2  | 5.4               | n/a    | n/a   | 2.8                      | 3.1    | 2.8   |
| <b>EU</b>   | 1.3               | 2.4  | 1.7  | 0.2                     | 0.3   | -0.4  | 7.3               | 7.2    | 7.1   | 2.2                      | 2.3    | 2.2   |

| in %        | Public budget to GDP* |      |      | Public debt to GDP |       |       | GDP per capita to Ø EU |       |       | Price level to Ø EU |       |       |
|-------------|-----------------------|------|------|--------------------|-------|-------|------------------------|-------|-------|---------------------|-------|-------|
|             | 2003                  | 2004 | 2005 | 2003               | 2004  | 2005  | 2003                   | 2004  | 2005  | 2003                | 2004  | 2005  |
| Belgium     | 0.0                   | 0.0  | -2.3 | 98.6               | 94.3  | 93.2  | 117.9                  | 118.7 | 117.7 | 105.6               | 104.8 | 104.7 |
| Bulgaria    | 0.3                   | 1.9  | 3.1  | 46.1               | 38.6  | 29.9  | 31.0                   | 31.8  | 32.9  | 40.5                | 41.2  | 42.7  |
| <b>CR</b>   | -6.6                  | -2.9 | -3.6 | 30.1               | 30.7  | 30.4  | 68.3                   | 70.5  | 73.8  | 54.0                | 54.5  | 57.8  |
| Denmark     | 1.1                   | 2.7  | 4.9  | 44.4               | 42.6  | 35.9  | 120.8                  | 121.5 | 124.2 | 140.2               | 138.6 | 138.3 |
| Germany     | -4.0                  | -3.7 | -3.2 | 63.9               | 65.7  | 67.9  | 108.1                  | 108.0 | 109.3 | 104.8               | 103.9 | 103.1 |
| Estonia     | 2.0                   | 2.3  | 2.3  | 5.7                | 5.2   | 4.5   | 50.3                   | 53.0  | 60.1  | 61.7                | 62.3  | 63.6  |
| Ireland     | 0.3                   | 1.5  | 1.1  | 31.1               | 29.7  | 27.4  | 133.7                  | 135.8 | 137.5 | 125.7               | 124.7 | 123.0 |
| Greece      | -6.1                  | -7.8 | -5.2 | 107.8              | 108.5 | 107.5 | 80.9                   | 81.8  | 82.0  | 85.4                | 86.7  | 87.0  |
| Spain       | 0.0                   | -0.2 | 1.1  | 48.7               | 46.2  | 43.1  | 97.4                   | 97.7  | 98.6  | 88.2                | 90.2  | 91.9  |
| France      | -4.2                  | -3.7 | -2.9 | 62.4               | 64.4  | 66.6  | 111.6                  | 109.5 | 108.8 | 109.3               | 109.7 | 109.0 |
| Italy       | -3.5                  | -3.4 | -4.1 | 104.3              | 103.9 | 106.6 | 107.6                  | 105.5 | 102.6 | 103.4               | 104.5 | 104.8 |
| Cyprus      | -6.3                  | -4.1 | -2.3 | 69.1               | 70.3  | 69.2  | 79.8                   | 82.6  | 83.3  | 90.4                | 89.8  | 90.2  |
| Latvia      | -1.2                  | -0.9 | 0.1  | 14.4               | 14.5  | 12.1  | 40.8                   | 42.8  | 47.2  | 54.9                | 55.1  | 55.5  |
| Lithuania   | -1.3                  | -1.5 | -0.5 | 21.2               | 19.4  | 18.7  | 45.2                   | 47.8  | 52.1  | 51.9                | 52.7  | 53.6  |
| Luxembourg  | 0.3                   | -1.1 | -1.0 | 6.3                | 6.6   | 6.0   | 232.7                  | 237.5 | 247.5 | 102.9               | 104.3 | 104.5 |
| Hungary     | -7.2                  | -6.5 | -7.8 | 58.0               | 59.4  | 61.7  | 60.1                   | 60.9  | 61.4  | 58.0                | 61.1  | 62.4  |
| Malta       | -10.0                 | -5.0 | -3.2 | 70.2               | 74.9  | 74.2  | 73.7                   | 70.2  | 69.5  | 71.2                | 71.8  | 72.5  |
| Netherlands | -3.1                  | -1.8 | -0.3 | 52.0               | 52.6  | 52.7  | 124.7                  | 124.4 | 124.2 | 107.1               | 105.2 | 104.5 |
| Austria     | -1.6                  | -1.2 | -1.5 | 64.6               | 63.8  | 63.4  | 120.3                  | 121.7 | 122.5 | 102.6               | 102.2 | 102.1 |
| Poland      | -4.7                  | -3.9 | -2.5 | 43.9               | 41.8  | 42.0  | 46.9                   | 48.7  | 49.8  | 54.2                | 52.8  | 59.7  |
| Portugal    | -2.9                  | -3.2 | -6.0 | 57.0               | 58.6  | 64.0  | 72.7                   | 72.3  | 71.3  | 85.7                | 86.1  | 86.0  |
| Romania     | -1.7                  | -1.3 | -0.4 | 20.7               | 18.0  | 15.2  | 29.9                   | 32.6  | 34.1  | 43.6                | 44.0  | 52.8  |
| Slovenia    | -2.8                  | -2.3 | -1.4 | 28.5               | 28.7  | 28.0  | 75.9                   | 79.2  | 80.6  | 75.9                | 74.9  | 74.5  |
| Slovakia    | -3.7                  | -3.0 | -3.1 | 42.7               | 41.6  | 34.5  | 51.9                   | 52.9  | 55.0  | 50.4                | 54.5  | 56.1  |
| Finland     | 2.5                   | 2.3  | 2.7  | 44.3               | 44.3  | 41.3  | 112.6                  | 113.7 | 113.3 | 125.6               | 122.9 | 121.8 |
| Sweden      | 0.1                   | 1.8  | 3.0  | 51.8               | 50.5  | 50.4  | 115.6                  | 117.1 | 114.5 | 122.5               | 121.0 | 117.3 |
| UK          | -3.3                  | -3.2 | -3.3 | 38.9               | 40.4  | 42.4  | 116.4                  | 117.1 | 116.5 | 104.1               | 104.4 | 103.7 |
| <b>EU</b>   | -3.0                  | -2.7 | -2.3 | 62.0               | 62.4  | 63.3  | 100.0                  | 100.0 | 100.0 | 100.0               | 100.0 | 100.0 |

Source: Eurostat, \* net balance, GDP per capita according to PPP

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