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Dear readers,

It has already become usual that the Council summit is deemed the most important event in the relevant period in terms of EU integration since it usually focuses on the key events related to the EU's past, present and future. This applies even more to the summit in June 2007, which topped Germany's EU presidency. We may say that Germany's presidency was one of the best managed and most efficiently pursued presidencies in the recent past, when it was necessary to deal with the crucial topics of a practical nature (roaming, energy, payment systems etc.).

Those topics were dominated by the leading topic which was resumed and revived by Germany nearly a year ago: the institutional reform and decision-making process in the EU, so far reflected in an attempt to adopt the Constitution for Europe.

The summit resulted in an agreement on the EU institutions reform to be discussed at the Intergovernmental Conference, which should outline the reform treaty by the end of 2007. When reading the summit conclusions carefully we can see a parallel in the events that took place 10 years ago – the reform of the EU institutions and the decision-making framework – at that time applicable to the then 15 Member States; but the agreed compromises have proven insufficient since there are 27 Member States at present and soon there may be 30. Should the reform treaty – not called the constitution anymore due to troublemakers such as Poland, the Czech Republic, the United Kingdom, Spain and the Netherlands – be ratified, it would come into effect in June 2009.

Apart from the leading topics resulting from the EU summit agenda, we would like to mention two purely pragmatic issues. The first one is a recurring issue which became rather negative during May, absolutely as well as relatively, from the point of view of the Czech Republic, i.e. the approval process for the National Strategic Reference Framework; the strategic document for the Czech Republic was not adopted in the previously agreed deadlines by late May and early June, but at the same time similar documents were adopted in 10 other states including Poland, Hungary, Bulgaria, Romania and Slovenia

Another event that is to develop in the coming period is represented in the proposal of some MEPs to alter the assessment method of the inflation criterion required for a country to qualify for the euro area. The MEPs argue that the inflation criterion (as well as any other criterion) is based on obsolete and out-of-date principles from the early 90s. The question is what is more correct: to alter the rules in the course of action – the Baltic countries had to postpone their accession to the euro area due to this criterion – or to keep the criterion and keep the rules that have however become pointless throughout time?

We wish you a pleasant beginning of summer with a number of points of information and contemplations concerning EU development

Petr Zahradník

Despite initial concerns regarding the persistence of Poland, the EU summit achieved a successful compromise under which the new Reform Treaty shall be prepared. Portugal is to take over the EU presidency in the second half of the year. Apart from achieving a detailed version of the Reform Treaty, another priority will be the EU external relations, particularly with Africa and the Mediterranean. The key EU institutions approved that Cyprus and Malta may gain accession to the euro area from 1 January 2008.

POLITICS

Politicians agreed on the outlines of the Reform Treaty

The June summit of **the European Council made radical progress with the reform** of the functioning of the European Union enlarged to 27 members at present and even more in the future.

After two years of reflections following the rejection of the Constitution for Europe in France and the Netherlands, the heads of the Member States managed to **agree on a time schedule and on basic features for the reform of the European Union** and its establishing treaties. The Constitutional Treaty for Europe thus became a fully defunct document; the future organization of the EU will be newly regulated by the **Reform Treaty**. The Reform Treaty will be linked to the Constitution for Europe but it will not refer to state symbols (the title constitution, new position of the EU minister of foreign affairs etc.) and some EU policies shall be arranged in a different way.

The details of the Reform Treaty in terms of the outcomes of the June summit will be specified at the **Intergovernmental Conference to be held by the end of July**. The Treaty should be prepared by the end of 2007 to provide for sufficient time for its ratification in separate Member States. The new Treaty should come into effect prior to the elections to the European Parliament that are to take place in June 2009.

The agreement was reached thanks to the negotiating abilities of Angela Merkel, Chancellor of Germany presiding over the EU; the process was demanding and based on compromises that were hard to reach. For a long time, Poland threatened to veto the negotiating process as it refused to accept adjustments to the voting system that were in accordance with the EU constitution and required the currently applicable definition pursuant to the Treaty of Nice, which is favourable for Poland.

Warsaw eventually stepped aside; the voting system based on double majority (**to adopt any measure, the minimum of 55% of Member States representing at least 65% of the EU citizens will have to vote affirmatively**) shall not be reviewed. The compromise however means that the voting system shall apply from 2014, after the financial perspective for 2014-2020 has been approved. Until 2017, each Member State will be entitled to require that the old voting system is used.

The United Kingdom was also successful at the summit as it managed to obtain an **exemption from the legally-binding Charter of Fundamental Rights** which was in conflict with the British labour law.

The post of the EU foreign minister shall not be established; the office shall retain the title of the "**High Representative of the EU for Foreign Affairs and Security Policy**". The person on the post will however be responsible for the portfolio of activities of the current Commissioner for External Relations and will automatically become the Vice-President of the European Commission.

On the contrary, the office of a **permanent EU president will be established**. Also the general principle of majority voting that is to become a standard, and minimization of areas requiring unanimous voting will remain as arranged for by the Constitution for Europe.

The Czech delegation led by Prime Minister Topolánek put through the "**bilateral flexibility**" that enables delegation of the national powers to the EU authorities and vice versa.

It is an explicit success that after two years of hesitating the **EU set off in the right way**. A reform of the institutional arrangement was obviously needed. The current rules (the Treaty of Rome, as amended) applicable to the EU-15 prevented the present EU-27 from being able to operate efficiently.

There are no huge differences between the Reform Treaty and the Constitution Treaty. However, simply the change of its title and removal of chapters that irritated some Member States will allow for its ratification in the Member States by the Parliaments and not in referendums with unsure outcomes (a referendum is being considered only in Ireland so far). Therefore we believe that the treaty will actually come into force in 2009.

http://www.consilium.europa.eu/ueDocs/cms_Data/docs/pressData/CS/ec/94952.pdf

Priorities of Portuguese presidency over the European Union

Following the six months of Germany's successful presidency, **Portugal takes the symbolical sceptre over the EU**. One of the main priorities will be to adjust the Reform Treaty, the rough version of which was agreed at the June summit. A significant contribution of Portugal to the EU policy in the second half of 2007 will be the emphasis on the EU's external relations, particularly in relation to Africa and the Mediterranean.

Key priorities of the Portuguese presidency:

Future of the EU

To organize the Intergovernmental Conference at the end of June, which is expected to **prepare the Reform Treaty by**

the end of year. One of its effects is to facilitate the future enlargement, which is not possible under the existing EU primary law. A clear future within the EU should be defined for the West Balkan countries (Croatia, Serbia, Montenegro, Macedonia – FYROM). A significant point in terms of the Portuguese presidency shall be the enlargement of the Schengen area without internal borders by the EU-10, including the Czech Republic.

Lisbon Agenda

In terms of the **economic dimension of the Lisbon Agenda**, the priority is to improve public finances, to make the internal market more efficient (with an emphasis on financial services, the fight against tax fraud and postal services liberalisation), support of small and medium-sized enterprises, reduction of the administrative burden in the business sphere, strengthening the triangle of knowledge: innovation x research x education.

The **social dimension** will be emphasized through the conception of flexicurity (increasing the flexibility of the labour market while keeping the social security) and enhancing social accountability.

In the **environmental and energy pillar** of the Lisbon Agenda, the priority will be to establish a functional internal market for gas and electricity, preservation of biodiversity and the fight against climate changes.

Strengthening the area of freedom, security and justice

It is important to establish an EU policy regulating **legal migration** and conditions for entry and employment of highly skilled workers from third countries. There should be a unified EU approach to treat illegal migration; the “leaking” sea border in the South of the EU is particularly critical, and its protection should be intensified. The cross-border cooperation between the police and justice bodies should be perceived with more confidence due to better protection of the shared personal data.

External relations

The EU’s foreign policy should focus on the Mediterranean states and North Africa. Stability in this region is a strategic objective of the EU and should be enhanced in a mutual political dialogue as well as by financial support. Common history could result in further development of relations with Africa; the key point shall be the **EU & Africa summit**. The Transatlantic relations and in particular the development of economic partnership shall be another key area of interest in the EU. The relationship with Brazil should further develop as the first EU-Brazil summit is to be held.

http://www.eu2007.pt/NR/rdonlyres/6C297B28-6A54-4C76-9E70-DDFD4C1B1B21/0/CadernoPrioridades_Ingles.pdf

ECONOMY AND EURO

Key EU authorities approve that Cyprus and Malta adopt the Euro

From 1 January 2008, the euro area **will be enlarged to 15 members** – the new states to adopt the euro as their currency will be Cyprus and Malta. The decision has already been adopted by the top EU bodies.

As the first step, the **European Commission and the ECB prepared the convergence reports**. The reports assessed the progress of Cyprus and Malta in terms of their economy convergence compared to the euro area and the fulfilment of the nominal convergence criteria – the Maastricht criteria. In the reports, the Commission and the ECB recommended to allow Cyprus and Malta to access the euro area.

The adoption of the euro in those two states was also recommended by the **European Parliament**, though it has only an advisory vote.

It was also approved by the heads of the Member States at the EU Council. The decision of the Economic and Financial Affairs (**Ecofin**) Council will however be crucial. The Ecofin Council has already preliminarily approved the enlargement of the euro area by Cyprus and Malta and the formal voting on the proposal shall take place at the beginning of July. Considering the present negotiations, this is expected to be just a formality. The Ecofin Council meeting in July is due to adopt the conversion rates of the Cypriot pound and the Maltese lira to the euro.

Slovakia is likely to be the next state to access the euro area as it intends to adopt the euro in January 2009.

http://www.consilium.europa.eu/ueDocs/cms_Data/docs/pressData/en/ecofin/94875.pdf

ECB is strict in interpreting the inflation criterion

In its memorandum for the International Monetary Fund, the ECB states that the current growth of prices but **also the inflation outlook shall be taken into account** in order to assess whether Slovakia meets the Maastricht price criterion required for the adoption of the euro, according to Reuters.

The year-on-year inflation rate in Slovakia has been declining to the amount of 1.5% in May and it is not expected to accelerate in the next twelve months. This means that it would **clearly be below the limit stipulated by the Maastricht price criterion**:

According to the Commission's estimates based on the convergence and stabilisation programmes of the Member States, the reference limit of 3% of the public finances deficit to GDP is to be exceeded only in the Czech Republic and Hungary next year. The European Parliament adopted a directive intended to simplify the transferability of claims to supplementary pension schemes in the EU, thus increasing the labour market mobility.

Article 1 of the Protocol on the convergence criteria referred to in Article 121 of the Treaty stipulates that:

"**the criterion on price stability** referred to in the first indent of Article 121(1) of this Treaty shall mean that a Member State has a price performance that is sustainable and an average rate of inflation, observed over a period of one year before the examination, that does not exceed by more than 1½ percentage points that of, at most, the three best performing Member States in terms of price stability. Inflation shall be measured by means of the consumer price index on a comparable basis, taking into account differences in national definitions."

Contrary to its previous assessments, the ECB now focuses on the requirement for long-term sustainability and **it doubts whether Slovakia will be able to keep inflation low** after the anti-inflation impact of strengthening the crown has faded away.

We share the economic anxieties that the underdeveloped states (e.g. in terms of GDP per capita) with their price level lower than the average in the euro area may witness **increased inflation in the continuing economic convergence in the medium term** when they adopt the euro. From this point of view, the ECB's anxieties are justifiable.

However, we can see **absolutely no reason why the ECB did not approach the original members in 1999**, when the euro area was established, in the same manner, since the first members distinctly exceeded another of the Maastricht criteria according to which the public debt should not exceed 60% of GDP. The euro was adopted in Belgium and Italy although their **public debt was 118.1%** (!) of GDP at the time when the critical convergence report was published.

Apart from the "double standard" approach, the ECB's document again pointed out the **unreasonable definition of the present Maastricht price criterion**. It is hardly possible to require a low inflation rate and stable currency (the exchange rate Maastricht criterion – ERM II) within the process of economic convergence to the EU average, which is the objective of the EU structural and cohesion policy.

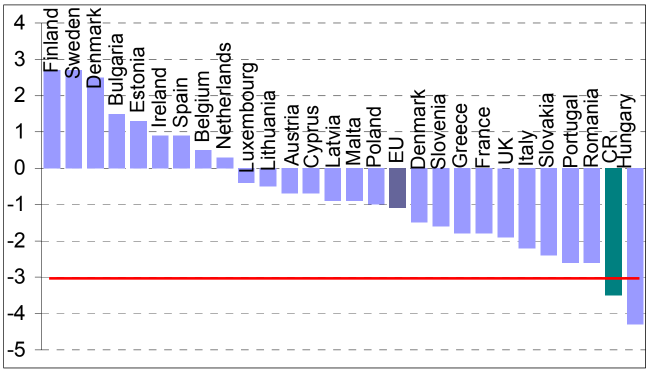
Also the **construction of the price criterion itself is absurd** – it is derived from the "best" (usually meaning the lowest) inflation in three Member States in the whole EU regardless of whether the euro has been adopted there or not.

The current form of the Maastricht price criterion has recently been **criticized by a group of nine MEPs** who require that its review is discussed at an Ecofin Council meeting. The Commission as well as the ECB has however shown that any adjustment of the criterion is totally out of the question.

The worst public finances expected in the CR and Hungary

The Czech Republic and Hungary are expected to be the only states where the **public budget deficit to GDP will be above the critical level of 3%.** This is shown in the eighth annual report of the European Commission on public finances.

Public budget deficits as of GDP in 2008



Source: European Commission outlook based on Convergence and Stabilisation programmes

There are seven states in the EU at present that exceed the given ceiling and therefore are in the **excessive deficit procedure**. They include **Italy** and **Portugal** from among the euro-area countries and also the **United Kingdom**, the **Czech Republic**, **Hungary**, **Poland** and **Slovakia**. According to the most recent update of the Stability and Convergence Programmes only Hungary and the Czech Republic are expected to have deficits above 3% of GDP by the end of 2008 (-4.3% and -3.5% for Hungary and the Czech Republic, respectively).

In terms of the EU as a whole the report **appreciates the recent public budget consolidation** as the average EU deficit to GDP was reduced to 2.0% from 2.3% in 2005 and the debt ratio recorded its first decline since 2002.

The Commission calls upon the Member States to make use of the favourable economic situation to **quickly proceed toward the objective of stable and sustainable budgets**. Apart from the two countries mentioned above, no Member State will have an excessive deficit, but only 10 of the 27 EU countries will have reached the medium-term budgetary objective in 2008.

The medium-term budgetary objectives in each country usually reflect the situation and options for economic growth

of the country, its indebtedness and expected growth of expenses related to the ageing population. They mainly focus on **achieving a balanced budget (“zero deficit”)** in the next 3 or 4 years, on limiting the deficit to no more than 1% of GDP or achieving a budgetary surplus.

The report confirmed the sad fact that the **neglected state of Czech public finances** is an open secret even in Brussels. Unfortunately, according to the information on the negotiations and the content of the domestic public finance “reform” it seems that this is not the concern of Czech politicians.

http://www.europa.eu/rapid/pressReleasesAction.do?reference=IP/07/811

INTERNAL MARKET

Transfer of claims under supplementary pension schemes to become easier

In the first reading, the European Parliament adopted a regulation draft that should **simplify the transferability of claims under supplementary pension schemes**. Demographic changes and population ageing make the schemes an increasingly important way to ensure finances in old age.

The directive aims at facilitating workers’ mobility by **harmonizing the minimum requirements for the acquisition and preservation of supplementary pension rights**. Concerns regarding the loss of supplementary pension rights should not prevent the workers from changing their jobs within a Member State or moving to another Member State.

According to the European Parliament, the directive should apply to **all schemes that offer supplementary pensions for workers**, such as group insurance contracts, pay-as-you-go schemes agreed by one or more branches or sectors, funded schemes or pension promises backed by book reserves.

The MEPs stated that if an employee has not yet acquired vested pension rights when the employment is terminated, **all the contributions paid should be reimbursed or transferred to a new pension scheme**.

The minimum period for acquiring the pension rights to receive contributions (i.e. **the decisive period) should not exceed 5 years**. This, however, cannot be applied to persons once they have reached the age of 25.

The Parliament requires in the report that the Member States adopt measures to ensure that outgoing workers can retain their vested pension rights in the respective scheme.

The Member States should also guarantee “**fair treatment**” of those dormant pension rights. The value of dormant rights should, therefore, develop in line with that of the rights of active members.

The European Parliament shall **forward the draft to the Council**, but the Council has not yet reached a compromise on this issue. It is possible that the Commission will review the draft and the whole approval procedure will have to start again.

http://www.europarl.europa.eu/news/expert/infopress_page/048-7968-169-06-25-908-20070615IPR07896-18-06-2007-2007-false/default_en.htm

EMPLOYMENT AND SOCIAL POLICY

Commission critical towards cross-border posting of workers

The Commission reached an unflattering conclusion in its assessment of national **measures applied by the Member States in the context of supervising the posting of workers**. This area is regulated by the posting of workers directive, which aims at protecting workers posted abroad for a short time and at ensuring certain basic rights such as the minimum wage or safety regulations.

The team of Vladimír Špidla, EU Employment, Social Affairs and Equal Opportunities Commissioner, doubts in the assessment report **whether the control measures taken by some Member States actually focus on the protection of posted workers**. Some Member States rather use the directive to make excessive red tape requirements in order to discourage foreign enterprises from implementing orders at their territory. This is in direct conflict with the principles of the EU single internal market.

The Commission abandons the inefficient conception of rather too much protective employment policy and it intends to promote the flexicurity principle. The principle combines flexibility and security. Also the fruit and vegetable sector should be reformed and those agricultural commodities should be included in the single payment scheme for land. Serbia handed over another war crime suspect to the Hague Tribunal. Therefore, the EU resumed talks with Serbia regarding the Stabilisation and Association Agreement.

After having carefully examined the situation in all Member States the Commission underlines the need to improve administrative cooperation and calls on Member States to review certain control measures. The EU executive confirms the statement of the European Court of Justice (ECJ) according to which any **control measure must be proportionate to the goal in view**.

If the Member States fail to comply with the directive and keep their protective measures making it difficult to temporarily post workers abroad, the Commission **will file a petition to the ECJ**.

Protective practices of some West European countries show their **misunderstanding of the EU integration aspect**. The Commission should strike decisively. To make the internal market more efficient in all areas (free movement of persons, services, work and capital) is one of the basic conditions for increasing the EU competitiveness in the global economic competition.

http://europa.eu/rapid/pressReleasesAction.do?reference=IP/07/817

EU labour markets to be modernized by flexicurity

By the end of June, the Commission proposed the establishment of common principles of flexicurity to support competitiveness, employment and job satisfaction by **combining flexibility and security** for workers and companies.

This includes:

- Flexible and reliable contractual job arrangements,
- Comprehensive lifelong learning strategies,
- Efficient and active labour market policies,
- Modern social protection systems.

The Commissions statement identifies **eight common flexicurity principles** that the Member States should agree on:

1. supporting the implementation of the EU's strategy for jobs and growth,
2. searching for a balance between rights and responsibilities,
3. adapting flexicurity to different circumstances, needs and challenges,
4. reducing the gap between persons in non-standard, sometimes precarious contractual arrangements (so-called "outsiders") and persons in permanent, full-time jobs (the "insiders"),
5. developing internal and external flexicurity by helping employees move up the career ladder (internal) and across the labour market (external),
6. supporting gender equality and promoting equal opportunities for all,
7. producing balanced policies to promote a climate of trust between social partners, public authorities and other stakeholders,
8. ensuring a fair distribution of the costs and benefits of flexicurity policies and contribution to financially sustainable budgetary policies.

The Commission abandons the **conception of an exceedingly protective employment policy** and it is positive since such policy eventually paralyses the labour market. Broader application of flexicurity principles is necessary to counterbalance the growing pressure of globalisation, demographic changes and other challenges of the 21st century throughout the EU.

So far, this involves only a general strategy; specific legislative proposals applying flexicurity principles in practice could follow next year at the earliest.

http://europa.eu/rapid/pressReleasesAction.do?reference=IP/07/919

AGRICULTURE

EU fruit and vegetable market to be reformed

Agricultural markets for fruit and vegetables in the EU will undergo a wide-ranging reform to **bring this sector into closer line with the rest of the reformed Common Agricultural Policy** (CAP), as agreed by the European Union agriculture ministers.

The aim is to **improve competitiveness and market orientation of the fruit and vegetable** sector, to reduce income fluctuations resulting from crises, and to enhance environmental protection.

The key aspect is the **inclusion of fruit and vegetables in the single payment scheme**: land covered by fruit and vegetables will become eligible for payment entitlements under the decoupled aid scheme which applies in other agriculture sectors. **All existing support for processed fruit and vegetables will be decoupled** and the national budgetary ceilings for the SPS will be increased. For tomatoes, the Member States will be allowed to apply transitional payments for a four-year transitional period. For non-annual crops, they will be allowed to apply transitional payments for five years.

In the form of savings, the reform should have a **positive impact also on the budget** of the Common Agricultural Policy.

A new feature is that there will be financial incentives for the **fruit and vegetable producers to associate together** and thus become stronger. Specific supportive schemes will help in times of crisis and much greater emphasis will be put on protecting the environment.

The original controversial proposal to **deliver fruit and vegetable to schools free of charge** has been omitted. It may be included in the directive following a more detailed analysis.

http://www.europa.eu/rapid/pressReleasesAction.do?reference=IP/07/810

ENLARGEMENT

EU resumes negotiations with Serbia

Enlargement Commissioner Olli Rehn said that the EU would **resume negotiations on a Stabilisation and Association Agreement with Serbia**. The Agreement is a necessary prerequisite for closer economic and politic relations and future negotiations on Serbia's accession to the EU.

The statement of Commissioner Rehn was published shortly after Serbia had arrested Zdravko Tolimir and handed him over to the **International Criminal Tribunal for the former Yugoslavia** (ICTY) in The Hague.

The requirement on broader cooperation with the Hague Tribunal was a **key condition for the resumption of the talks**. The key war crime suspects, Serbian general **Ratko Mladic** and Bosnian Serb leader **Radovan Karadzic**, have however been evading justice. The Serbian government allegedly has no information regarding their current whereabouts.

The resumption of talks after they were put on hold last year due to the unwillingness of Serbia to cooperate with the Hague Tribunal is a gesture of good will of the European Commission. In order to **conclude the Stabilisation and Association Agreement, Serbia is obliged to hand over all the prosecuted war criminals** to the Hague Tribunal.

The new pro-EU Serbian government led by Vojislav Kustunica undertook to cooperate with the International Criminal Tribunal; it would like to enter into the Association Agreement **by the end of this year and reach the status of a candidate country for EU accession**.

When opening the talks, the issue of Kosovo was also mentioned. Commissioner Rehn clearly said that the future arrangement of the international position of the Serbian province is fully **within the competence of the UN Security Council** and is not related to the talks with Serbia at all.

http://www.europa.eu/rapid/pressReleasesAction.do?reference=IP/07/818

ENVIRONMENT

Emission allowances to be auctioned

The current greenhouse gas emission allowances system may be subject to a radical change in the future. **So far, the European industrial enterprises received the allowances for free**. In the case of excessive emissions they bought more allowances in the market; if they saved some they could sell them on the market.

There is a chance that the allowances for releasing carbon dioxide will not be distributed free of charge; **they could be auctioned instead**. This idea was officially introduced by Germany's Environment Minister Sigmar Gabriel and it is considered by the European Commission as confirmed by its spokesperson Barbara Helfferich.

The new auction system has already been discussed by the Ministers of Finance of the Member States and nearly all of them agreed that **the auction of emission allowances would be better than the current system**, as Tomáš Zídek, vice-minister of finance told the CTK agency.

The European **system of emission allowances is now being reviewed**. Any possible changes could be applied from 2013 after the 2008-2012 planning period lapses. The proposed changes should be announced by the end of this year.

The **present system is insufficiently transparent as seen in a number of disputes with the Commission** regarding the emission ceilings for separate Member States (see the petition of the Czech government against the Commission due to its decreased national allocation plan). The auction system would be much more comprehensible, fair, competitive and reasonable.

http://www.eu2007.de/en/News/Press_Releases/June/0602BMUEssen.html

JUSTICE AND HOME AFFAIRS

EU visa information system to be established

The European Parliament supported a **draft regulation on the Visa Information System** (VIS) **and on the exchange of data on short-stay visas between the Member States**.

Presumably, a regulation on the visa information system is to be adopted in the near future. This involves an extensive database of biometric and other data focused on an improvement of management and safety in issuing the EU visas. Six months after the beginning of the programming period, the Czech Republic has not yet obtained an approval of the Commission with its National Strategic Reference Framework that is the key prerequisite for the use of finances from the EU Structural and Cohesion Funds.

Since the text is a result of an agreement with the Council, it will shortly come into effect.

The Visa Information System (VIS) is an extensive database for exchange of data between Member States on short-stay visas and visa applications from third country **citizens who wish to enter the Schengen area**. The system could apply from the beginning of 2009.

The system aims in particular at **improving the management and safety when issuing visas** by enabling the competent bodies of the Schengen countries to share information. This will also contribute to the fight against terrorism and other serious criminal activities.

VIS will help the EU to **prevent "visa shopping"** when an applicant who is refused a visa by one Schengen country applies to others.

It will also **facilitate the fight against fraud and smuggling** at external borders or assist in the identification of persons not meeting the conditions for entry or stay in the Schengen Member States.

The personal data from visa applications stored in the new system **will include biometrics** (photographs and fingerprints) **and written information** such as the name, address and occupation of the applicant, date and place of the application, and also any decision taken by the Member State responsible to issue, refuse, annul, revoke or extend the visa. The draft regulation stresses that biometrics will be used under strictly controlled circumstances.

In specific cases and following a substantiated written request, **designated authorities from the Member States and Europol may also access the data** contained in the VIS.

http://www.europarl.europa.eu/news/expert/infopress_page/019-7569-157-06-23-902-20070606IPR07543-06-06-2007-2007-false/default_en.htm

Limit for carrying cash reduced to 10 thousand euros

In mid June, a regulation **reducing the maximum cash amount that may be carried while entering or leaving the EU** came into force. The regulation states that travellers entering or leaving the EU and carrying **EUR 10,000** (or an equal amount in any other foreign currency) shall be obliged to **make a declaration to the customs authorities**.

The previous limit was EUR 15,000. Lower amounts do not have to be declared. Apart from cash, the regulation also applies to easily convertible assets such as traveller's cheques, money orders, bearer securities but also highly valuable commodities such as precious metals or precious stones.

The **customs authorities are entitled to detain or confiscate any unannounced carried funds** and to prosecute the traveller according to the national legislation in the given Member State.

The aim of the measure is to support **the fight against criminal activities and strengthen safety in combating money laundering**, terrorist financing and criminality throughout the EU.

http://ec.europa.eu/taxation_customs/customs/customs_controls/cash_controls/index_en.htm

REGIONAL POLICY

Are we to start using the EU funds this year?

Although the **current EU programming period started more than six months ago** (1 January 2007), it is not clear for Czech entities when they will be able to use the EU funds.

The key document defining the objectives of the EU regional policy in the Czech Republic and the whole structure of instruments for using the Structural and Cohesion Fund – the **National Strategic Reference Framework** (NSRF) – **is still under negotiation** between the Czech Republic and the European Commission. No operational programmes (OP) have been approved yet because it is necessary to first adopt the NSRF framework document and then the separate OPs.

The delay was caused by the Czech Republic. The required documents were sent to Brussels as late as in March; the official talks started as late as in April. Minister for Regional Development Jiří Čunek as the head of the Ministry responsible for coordination of the European regional policy in the Czech Republic and for negotiations with the Commission, **expected the NSRF to be adopted** in May, then in June; now it is projected for **late July**.

The main reason why the talks take so much time is allegedly our rather complex system **comprising a number of operational programmes** (24 in total).

However, the OP regulatory authorities **may invite applicants to file applications to receive support for "non-problematic" measures** that are expected to be approved by the European Commission without any problems. Applications with the project intentions are collected by the relevant implementation agencies and they are ready for immediate approval by the assessment commissions as soon as the European Commission has approved the given OP. In theory, it is possible that the

regulatory authority (the relevant ministry) does not wait for the Commission to approve the OP as a whole but **approves and/or funds selected projects** (in the case of advance payment financing) **from its own funds**. There is a risk that if the Commission does not approve the OP, the funds paid in such way will not be reimbursed from the structural funds.

There is another extreme: the risk that if there is not a sufficient amount of projects approved and their implementation is not commenced this year, **the allocation of structural aid for this year will partially fall through**.

By the end of June, only the **Ministry of Industry and Trade** and the **Ministry of the Environment** showed courage as they opened selected measures for OP Industry and innovation and OP The environment, respectively.

We are optimistic and believe that the whole system of using the subsidies from the EU funds will be commenced this year.

http://ec.europa.eu/regional_policy/index_en.htm

HEALTH AND CONSUMER PROTECTION

Ban on trade in cat and dog fur adopted by the European Parliament

The European Parliament adopted an important regulation in the first reading that is to **ban trading in cat and dog fur**. MEPs rejected an exemption allowing trade in fur from cats and dogs if they were not “bred or killed for fur production”. The exemption was included in the previous draft presented by the European Commission.

MEPs believe that although the EU should not pass judgements on cultural traditions of third countries where it is common to breed dogs and cats for meat, the **EU should not grant any special exemption from the general ban** on import of fur from cats and dogs.

In the course of the talks an agreement was preliminarily agreed with the Council, which means that **the regulation should apply from 31 December 2008**. The MEPs however agreed that by way of exceptional derogation it may be allowed to import cat and dog fur “for educational or taxidermy purposes”.

The regulation is a **binding legal act of the European Communities applicable directly**. It is not necessary to implement it in national legislations.

http://www.europarl.europa.eu/news/expert/infopress_page/063-7958-169-06-25-911-20070615IPR07883-18-06-2007-2007-false/default_en.htm

National Strategic Reference Frameworks – state of negotiation

Country	Date of reception	Date of decision	Number of Ops
Austria	31.10.2006	4.4.2007	11
Latvia	3.11.2006		3
Malta	21.11.2006	20.12.2006	2
Hungary	24.11.2006	7.5.2007	15
Denmark	29.11.2006	16.4.2007	2
Poland	7.12.2006	7.5.2007	21
UK	11.12.2006		22
Lithuania	12.12.2006	26.4.2007	4
Netherlands	18.12.2006	7.6.2007	5
Slovakia	21.12.2006		11
France	21.12.2006	4.6.2007	36
Cyprus	21.12.2006	7.5.2007	2
Bulgaria	16.1.2007	20.6.2007	7
Germany	23.1.2007	2.5.2007	36
Greece	26.1.2007	28.3.2007	14
Romania	31.1.2007	25.6.2007	7
Portugal	1.2.2007		14
Finland	2.2.2007		7
Estonia	5.2.2007		3
Sweden	5.2.2007		9
Belgium	7.2.2007		10
Spain	8.2.2007	7.5.2007	45
Slovenia	16.2.2007	18.6.2007	3
Italy	2.3.2007		52
CR	**5.3.2007**		**17**
Ireland	5.3.2007		3
Luxembourg	5.3.2007		2

Source: European Commission, as of 25/6/2007, only operational programmes (OP) in objective “Convergence” and objective “Regional Competitiveness and Employment” are included

The EU Council adopted a controversial regulation regarding the roaming prices regulation that came into effect on 30 June. By the end of July, mobile phone operators should offer their clients the Eurotariff. The MEPs corrected their past mistake related to the adoption of the draft on the labelling of spirits. The traditional Moravian distilled beverage made of plums can still be called “slivovice”.

1 JUNE

Household saving rate at 13.7% in the euro area and 11.0% in the EU27:
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_06/2-01062007-EN-AP.PDF

4 JUNE

Transport, Telecommunications and Energy Council meeting:
http://www.consilium.europa.eu/uedocs/cms_Data/docs/pressdata/en/trans/94464.pdf

5 JUNE

Commission proposes autonomous tariff quotas for some fisheries products:
http://ec.europa.eu/fisheries/press_corner/press_releases/com07_42_en.htm

Biodiversity sustainability is high on EU agenda:
http://ec.europa.eu/research/infocentre/article_en.cfm?id=/research/headlines/news/article_07_06_04_en.html&item=Infocentre&artid=4213

6 JUNE

Economic and Financial Affairs Council meeting:
http://www.consilium.europa.eu/cms3_applications/applications/newsroom/LoadDocument.asp?directory=en/ecofin/&filename=94513.pdf

European Commission and EIB launch new instrument to finance research and innovation:
http://ec.europa.eu/research/index.cfm?pg=newsalert&lg=en&year=2007&na=na-050607

7 JUNE

The Council approves rules on roaming charges:
http://www.consilium.europa.eu/ueDocs/cms_Data/docs/pressData/en/misc/94533.pdf

8 JUNE

Transport, Telecommunications and Energy Council meeting:
http://www.consilium.europa.eu/cms3_applications/applications/newsroom/LoadDocument.asp?directory=en/trans/&filename=94546.pdf2805th

11 JUNE

European Parliament's budget for 2008 - a budget for the EU tax-payer:
http://www.europarl.europa.eu/news/expert/infopress_page/034-7572-157-06-23-905-20070606IPR07546-06-06-2007-2007-false/default_en.htm

Ambitious programme for EP Temporary Committee on Climate Change:
http://www.europarl.europa.eu/news/expert/infopress_page/064-7413-155-06-23-911-20070604IPR07399-04-06-2007-2007-false/default_en.htm

12 JUNE

Agriculture and Fisheries Council meeting:
http://www.consilium.europa.eu/cms3_applications/applications/newsroom/LoadDocument.asp?directory=en/agricult/&filename=94600.pdf

Green Week - MEPs spell out how we can make a difference: http://www.europarl.europa.eu/news/public/story_page/064-7665-162-06-24-911-20070611STO07664-2007-11-06-2007/default_en.htm

13 JUNE

Justice and Home Affairs Council meeting:
http://www.consilium.europa.eu/cms3_applications/applications/newsroom/LoadDocument.asp?directory=en/jha/&filename=94646.pdf

14 JUNE

Hearing told of obstacles to freer trade across Europe?:
http://www.europarl.europa.eu/news/public/story_page/054-7723-155-06-23-909-20070611STO07714-2007-04-06-2007/default_en.htm

EU greenhouse gas emissions decrease in 2005:
http://www.eea.europa.eu/pressroom/newsreleases/eu-greenhouse-gas-emissions-decrease-in-2005

15 JUNE

European football under the spotlight?:
http://www.europarl.europa.eu/news/public/focus_page/041-4539-087-03-13-906-20070323FCS04520-28-03-2007-2007/default_en.htm

18 JUNE

Preliminary draft budget 2008 (Provisional version):
http://eur-lex.europa.eu/budget/www/index-en.htm

19 JUNE

External Relations Council meeting:
http://www.consilium.europa.eu/ueDocs/cms_Data/docs/pressData/en/gena/94804.pdf

General Affairs Council meeting:
http://www.consilium.europa.eu/ueDocs/cms_Data/docs/pressData/en/gena/94803.pdf

Commission publishes working papers on VAT treatment of financial services:
http://ec.europa.eu/taxation_customs/article_2447_en.htm

Eurostat Press Release: Statutory minimum wages in euro varied by one to seventeen across the EU:
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_06/3-18062007-EN-AP.PDF

Minimum monthly wage in January 2007

	EUR[1)]	PPS[2)]		EUR[1)]	PPS[2)]
Luxembourg	1570	1503	Portugal	470	546
Ireland	1403	1141	CR	288	465
UK	1361	1292	Hungary	258	423
Netherlands	1301	1244	Poland	246	389
Belgium	1259	1203	Estonia	230	362
France	1254	1150	Slovakia	217	351
Greece	668	768	Lithuania	174	324
Spain	666	724	Latvia	172	310
Malta	585	805	Romania	114	204
Slovenia	522	701	Bulgaria	92	216

Source: Eurostat, 1) for calculation used the average FX rate in December 2006, 2) Purchasing Parity Standard

20 JUNE

EU funds needed to get Galileo into orbit:
http://www.europarl.europa.eu/news/public/story_page/057-7907-169-06-25-909-20070615STO07872-2007-18-06-2007/default_cs.htm

21 JUNE

MEPs call to ban mercury imports and exports by 2010:
http://www.europarl.europa.eu/news/expert/infopress_page/064-7970-169-06-25-911-20070615IPR07898-18-06-2007-2007-false/default_en.htm

22 JUNE

Vodka war may soon be at an end:
http://www.europarl.europa.eu/news/public/story_page/063-2627-030-01-05-911-20070131STO02626-2007-30-01-2007/default_en.htm

25 JUNE

Presidency Conclusions from the Brussels European Council:
http://www.consilium.europa.eu/cms3_applications/applications/newsroom/LoadDocument.asp?directory=CS/ec/&filename=94952.pdf

Parliament and Council reach agreement on third rail package:
http://www.europarl.europa.eu/news/expert/infopress_page/062-7943-169-06-25-910-20070618IPR07942-18-06-2007-2007-false/default_en.htm

Preliminary draft amending budget no 5 to the budget for 2007:
http://ec.europa.eu/budget/documents/annual_budgets_reports_accounts_en.htm#budget_2007

26 JUNE

Competitiveness, Internal Market, Industry and Research Council Meeting:
http://www.consilium.europa.eu/cms3_applications/applications/newsroom/LoadDocument.asp?directory=en/intm/&filename=94967.pdf

27 JUNE

EIF and the Hellenic Republic sign the first Funding Agreement in Europe under the JEREMIE initiative:
http://www.eif.europa.eu/news/press/press.asp?press=131

2006 Pre-accession Economic Programmes of candidate countries:
http://ec.europa.eu/economy_finance/publications/occasional_papers/2007/occasionalpapers31_en.htm

28 JUNE

Roaming regulation signed: lower mobile phone charges in EU 27 on the way:
http://www.europarl.europa.eu/news/expert/infopress_page/008-8367-178-06-26-901-20070626IPR08366-27-06-2007-2007-true/default_en.htm

Debate on the EU summit and Germany presidency:
http://www.europarl.europa.eu/news/expert/infopress_page/008-8364-178-06-26-901-20070626IPR08363-27-06-2007-2007-true/default_en.htm

Excise duty on alcohol: minimum levels should rise by 4.5 per cent:
http://www.europarl.europa.eu/news/expert/infopress_page/042-8250-177-06-26-907-20070625IPR08231-26-06-2007-2007-false/default_en.htm

29 JUNE

2812th Environment Council meeting:
http://www.consilium.europa.eu/cms3_applications/applications/newsroom/LoadDocument.asp?directory=en/envir/&filename=95033.pdf

The European Social Fund celebrates 50 years investing in people:
http://ec.europa.eu/employment_social/emplweb/news/news_en.cfm?id=267

Information service

Students enjoy their holidays in July but the majority of the key EU institutions will have to wait until August for their holidays. Still, July is not usually a month of important meetings and notable events in terms of EU integration. We should mention the Ecofin Council meeting which should ultimately approve the accession of Cyprus and Malta to the euro area. This step is widely anticipated. It has not yet been determined what rates for conversion will apply to the existing currencies in both countries.

Meeting of the key EU institutions

5.7.2007	**Guimarães, Portugal**
- Informal Meeting of Ministers for Employment and Social Affairs	
9.-10.7.2007	**Brussels, Belgium**
- ECOFIN Council / Eurogroup	
13.7.2007	**Brussels, Belgium**
- ECOFIN Council	
16.-17.7.2007	**Brussels, Belgium**
- Agriculture and Fisheries Council	
19.-21.7.2007	**Lisboa, Portugal**
- Informal Meeting of Ministers for Competitiveness	
23.-24.7.2007	**Brussels, Belgium**
- General Affairs and External Relations Council	

Public consultation on EU legislation

Topic of the consultation	Organiser	Deadline
Green paper on retail financial services in the single market	DG MARKT	16.7.2007
Fostering and apropriate regime for shareholders' rights	DG MARKT	27.7.2007
Service providers on codes of conduct	DG MARKT	30.7.2007
Green paper on market-based instruments for environment	DG TAXUD	31.7.2007
Rail noise abatement measures addressing the existing fleet	DG TREN	31.7.2007
The European Research Area: New Perspectives	DG RTD	31.8.2007
Expert group on customer mobility in relation to bank accounts	DG MARKT	1.9.2007

The current topic of the EU News Monthly Journal is focused on the instruments of the EU structural and cohesion policy in relation to five Central and Eastern European Member States and their impacts on the convergence process. The richest of the five Member States is Slovenia. Poland and Hungary have also moved further in terms of negotiations with the Commission regarding their Operational Programmes and their National Strategic Reference Frameworks have been approved.

CONVERGENCE PROCESS IN CENTRAL EUROPE AND STRUCTURAL OPERATIONS IN THE EU

CONVERGENCE AND ATTITUDE TOWARDS STRUCTURAL OPERATIONS IN THE V-5 COUNTRIES

The V-5 countries comprise five Central European countries: Poland, Hungary, Slovenia, Slovakia and the Czech Republic. Our focus will be the selected values that characterize the process of convergence and their relation to the application of the EU structural operations during the actual beginning of the new programming period.

With respect to the real year-on-year GDP growth and with respect to the development of the GDP per capita indicator, the process of convergence to the average of the EU-25 is clearly visible in the region of Central Europe.

The convergence game is determined by a number of factors reflected in a very high level of investments, strong growth of domestic consumption and in many countries in Central Europe also by a high level of openness of their economies resulting in very positive business balances and in an improvement of their current account.

Real GDP year-on-year growth in %

	2003	2004	2005
Czech Republic	3.6	4.2	6.1
Poland	3.8	5.3	3.2
Hungary	4.1	4.9	4.2
Slovakia	4.2	5.4	6.0
Slovenia	2.7	4.4	4.0
EU-25	**1.3**	**2.4**	**1.7**

Source: Eurostat

According to a comparison, in all Central European countries the harmonized comparable form of their growth pace exceeds the average EU economic growth prior to the most recent enlargement. In terms of the real convergence process we can see that the real economic performance of the EU-10 clearly approximates the performance of the EU-15.

On the other hand, there are still many areas to improve. The most prosperous of the compared countries – Slovenia – is still by one fifth behind the average EU economy in relative numbers. Slovenia is closely followed by the Czech Republic, which significantly moved forward during the compared period and if the EU-27 was considered hypothetically for 2006, it nearly reached 80% of the EU average.

GDP per capita (EU-25 = 100) %

	2003	2004	2005
Czech Republic	68.3	70.5	73.8
Poland	46.9	48.7	49.8
Hungary	60.1	60.9	61.4
Slovakia	51.9	52.9	55.0
Slovenia	75.9	79.2	80.6

Source: Eurostat

The real convergence is seen also in the development of the external balance measured for instance upon the ratio between the balance of the current account to GDP. For all the compared countries the balance as well as the ratio is negative. In a number of countries, however, the current account balance deficit is dominantly caused by the revenue balance deficit, i.e. the transfer of a considerable portion of profit and other types of income generated by direct foreign investors operating in those countries back to their countries of origin. On the other hand, in terms of the performance balance (i.e. the balance between the export and import of goods and services) the Czech Republic for instance reached a rather considerable surplus shortly after its accession to the EU, unlike other countries in the region (such as Hungary).

Current Account Deficit as of GDP

	2003	2004	2005
Czech Republic	-6.5	-6.3	-2.7
Poland	-2.1	-4.2	-2.2
Hungary	-7.9	-8.4	-6.8
Slovakia	-2.1	-2.5	-7.9
Slovenia	-0.8	-2.6	-2.0

Source: Eurostat

There is an additional but indispensable factor in the convergence game, apart from national tools of economic policy (such as the policy of investment incentives, support of research and development and making the technology transfer more efficient etc.); there is a chance to use various EU funds represented by the European Regional Development Fund and the European Social Fund

(generally: the Structural Funds) and the Cohesion Fund dominantly in the 2007-2013 programming period.

Each of the V-5 countries chose a different strategy for the period of 2004-2006 and 2007-2013, as well as different priorities; the selection of the Operational Programmes as well as the overall allocated amount at their disposal was different. Regardless of those differences, the allocations for all the countries significantly increased in the current programming period compared to the previous period; it became common that projects receive support from the EU funds; and the indicators of GDP per capita have been more or less increasing over the given period. On the other hand, the current contribution of structural measures towards the real convergence process is hard to express in numbers particularly with regard to the so far rather short period of time.

The new programming period for the implementation of structural operations in terms of the EU regional policy started in January. It is clear that the period is significant not only for the implementation of important projects within the Czech Republic; also the remaining 26 Member States will use the options offered by the structural operations throughout the given period.

The level of social and economic development of each of the EU-27 Member States differs considerably and therefore there are differences in their respective priorities, specific instruments through which structural operations are to be pursued, and last but not least the total financial allocations reserved for separate Member States.

The following text focuses on a comprehensive comparison of the overall volume of the funds allocated to each of the V-5 member and their basic distribution reflecting the initial criterion of the EU regional policy, i.e. the indicator of GDP per capita as the basic unit for the measurement of social and economic prosperity and maturity of individual Member States.

THE AMOUNT OF ALLOCATIONS IN EACH V-5 MEMBER STATE AND THEIR DISTRIBUTION IN ACCORDANCE WITH THE BASIC CRITERION

The amount of allocations in separate Member States shows that the new Member States that gained accession to the EU in 2004 and 2007 take part in reallocation of a significant portion of the whole amount intended for structural operations and the cohesion policy. Out of the total amount exceeding EUR 347 billion, the twelve newly or recently acceded Member States take 51.3%; clearly the highest share is for Poland as its allocation reaches nearly EUR 67.3 billion for the whole programming period of 2007-2013; from the new Member States, with a certain gap, the Czech Republic takes the second position (EUR 26.7 billion), closely followed by Hungary (EUR 25.3 billion).

The allocation intended for the Czech Republic is the fourth highest in the EU as a whole and it rather considerably exceeds the allocations for countries comparable in terms of quality and quantity; the allocation is higher than the one for Hungary, comparable in size but less developed; to an even higher extent, the same applies to Portugal. In terms of economic performance, Greece holds the position just in front of us but the allocations for Greece are by more than a quarter lower than ours.

Allocations for countries in Western and Northern Europe, comparable in size but more well-off (Belgium, Austria, Sweden as well as considerably bigger Holland) reach some 7% of the allocation for the Czech Republic on average.

To sum up, the allocation for the Czech Republic pursuant to all relevant aspects for the 2007-2013 programming period within the whole EU is considerably favourable.

Indicative allocation in EUR bn (current prices)

	Convergence			**Regional competitiveness and employment**		**European Territorial Cooperation**	**Total**
	Cohesion fund	Convergence	Statistical phasing out	Phasing-in	Competitiveness		
CR	8.819	17.064			0.419	0.389	26.692
Hungary	8.642	14.248		2.031		0.386	25.307
Poland	22.176	44.377				0.731	67.284
Slovakia	3.899	7.013			0.449	0.227	11.588
Slovenia	1.412	2.689				0.104	4.205
Total allocation EU-27	**69.578**	**199.322**	**13.955**	**11.409**	**43.556**	**8.723**	**347.410**

Source: European Commission

COMPARISON OF ALLOCATIONS FOR EACH MEMBER STATE FOR THE 2007-2013 AND 2000-2006 PROGRAMMING PERIODS

A detailed comparison of allocations for each Member State in the two following programming periods will provide a clear answer to the question of whether the financial operations for structural measures and cohesion policy move in time to the East of the EU. The answer is an unambiguous YES!!! The situation of the EU-10 that – due to the timing of their accession – could use only smaller portion from the finished programming period, improved considerably in the current programming period in a multiple manner.

At the same time, the allocations for the EU-15 are clearly lower in the 2007-2013 programming period than in the preceding period. In absolute numbers, it is the most clear in Spain as its current allocation for the whole programming period is lower by more than EUR 20 billion in comparable prices compared to the preceding period. In relative numbers, the most extensive reduction relates to Ireland as throughout the previous period intended for the use of structural operations, from the average of economic performance in the EU-15, Ireland turned out to be the second most well-off country in the EU; the new allocation for Ireland now represents only some 20% compared to its allocation for 2000-2006.

The Czech Republic

Allocations 2004-2006 Million EUR, 2004 prices		**Allocations 2007-2013** Million EUR, 2004 prices	
Cohesion Fund	926	Cohesion Fund	7.810
Objective 1	1.251	Convergence	15.111
		Statistical Phasing-out	
Phasing-out		Phasing-in	
Objective 2	70	Regional Competitiveness and Employment	372
Objective 3	58		
Community Initiatives	99	European Territorial Cooperation	345
Total	**2.404**	**Total**	**23.638**

It is justified to include the Czech Republic among winners when viewing the overall allocation framework. Our position is clearly favourable in terms of time comparison and when measuring against countries comparable in size.

NUTS 2 in %	**GDP per capita EU-27 = 100 (2004)**	**GDP per employed person**	**Average yoy GDP growth rate 1995 - 2004**	**Employment in sectors**		
				agriculture	industry	services
Praha	157.1	55.1	3.8	0.6	20.1	79.3
Střední Čechy	69.9	35.5	3.8	4.1	38.0	57.9
Jihozápad	69.6	32.5	2.0	5.0	43.6	50.6
Severozápad	60.7	30.9	0.3	2.7	41.2	56.1
Severovýchod	63.7	30.5	1.5	4.0	46.6	49.4
Jihovýchod	67.4	32.7	1.9	6.0	40.6	53.4
Střední Morava	59.8	30.1	1.3	4.9	43.2	51.9
Moravskoslezsko	61.1	33.4	1.2	3.1	42.6	54.3
Czech Republic	75.2	35.7	2.2	4.0	39.5	56.5

Source: Eurostat

The Czech Republic confirms its favourable growth path in terms of an improved economic structure but with the processing industry having a high share in the employment. At the same time, the economic standing of Prague is completely dominant.

Hungary

Allocations 2004-2006 Million EUR, 2004 prices		**Allocations 2007-2013** Million EUR, 2004 prices	
Cohesion Fund	1.101	Cohesion Fund	7.570
Objective 1	1.639	Convergence	12.622
		Statistical Phasing-out	
Phasing-out		Phasing-in	1.860
Objective 2		Regional Competitiveness and Employment	
Objective 3			
Community Initiatives	97	European Territorial Cooperation	343
Total	**2.837**	**Total**	**22.395**

Hungary can undoubtedly be included among the “winners” when comparing the overall amounts of allocations. In comparison with the period of 2004 - 2006, one Hungarian region has qualified for the phasing-in objective, while the remaining parts of the country still remain under the Convergence objective.

NUTS 2 in %	**GDP per capita EU-27 = 100 (2004)**	**GDP per employed person**	**Average yoy GDP growth rate 1995 - 2004**	**Employment in sectors**		
				agriculture	industry	services
Kozep-Magyarorszag	101.6	56.8	5.0	1.3	24.3	74.4
Kozep-Dunantul	61.1	41.6	5.5	4.6	43.1	52.3
Nyugat-Dunantul	66.8	40.7	5.2	5.3	39.2	55.4
Del-Dunantul	45.6	33.7	3.2	7.9	32.7	59.3
Eszak-Magyarorszag	42.5	35.2	3.6	3.9	37.3	58.8
Eszak-Alfold	41.9	32.7	4.0	7.0	32.3	60.7
Del-Alfold	44.2	31.8	2.9	9.9	33.2	56.9
Hungary	**64.0**	**42.8**	**4.5**	**4.9**	**32.5**	**62.7**

Source: Eurostat

Hungary conforms to its reputation as a decently and homogenously growing country with a favourable economic structure based however on a relatively low foundation and still considerable regional differences.

Poland

Allocations 2000-2006 Million EUR, 2004 prices		**Allocations 2007-2013** Million EUR, 2004 prices	
Cohesion fund	4.134	Cohesion fund	19.513
Objective 1	6.721	Convergence	39.388
Community Initiatives	347	European Territorial Cooperation	648
Total	**11.202**	**Total**	**59.549**

Thanks to its size, the absolute winner from the viewpoint of an increase in the total amount is Poland, which, in comparison with the previous period, did almost € 50 billion better in the whole programme period. Most structural assistance is concentrated on the use of monies from the Cohesion Fund and to achieve the first convergence objective. An almost negligible share of the allocation is focused on European Territorial Co-operation.

The economic structure in Poland confirms an exceptionally high share of agriculture in the overall employment and relatively low share of services.

NUTS 2 in %	GDP per capita EU-27 = 100 (2004)	GDP per employed person	Average yoy GDP growth rate 1995 - 2004	Employment in sectors		
				agriculture	industry	services
Lodzkie	46.7	26.4	4.3	16.8	31.0	52.2
Mazowieckie	76.8	37.6	6.2	15.9	21.7	62.4
Malopolskie	43.4	25.6	4.2	23.1	27.9	49.0
Slaskie	57.0	34.1	3.5	4.3	38.8	56.8
Lubelskie	35.2	20.9	2.7	35.9	19.3	44.8
Podkarpackie	35.4	21.3	3.5	25.6	28.3	46.0
Swietokrzyskie	39.3	22.6	4.0	33.2	22.5	44.2
Podlaskie	37.9	23.4	3.9	34.4	20.7	44.9
Wielkopolskie	54.5	29.5	5.9	16.5	34.8	48.8
Zachodniopomorskie	47.2	32.0	2.8	10.2	28.2	61.7
Lubuskie	45.4	31.2	3.5	11.4	31.9	56.7
Dolnoslaskie	51.7	32.6	3.7	8.5	33.0	58.4
Opolskie	43.6	30.4	2.8	18.2	31.6	50.3
Kujawsko-Pomorskie	45.4	28.4	3.2	17.2	32.4	50.5
Warminsko-Mazurskie	39.4	28.3	4.0	16.4	30.4	53.2
Pomorskie	49.6	31.8	4.0	11.7	30.5	57.8
Poland	50.7	29.9	4.3	17.4	29.2	53.4

Source: Eurostat

Slovakia

Allocations 2000-2006 Million EUR, 2004 prices		**Allocations 2007-2013** Million EUR, 2004 prices	
Cohesion Fund	546	Cohesion Fund	3.424
Objective 1	838	Convergence	6.215
Objective 2	36	Regional Competitiveness and Employment	398
Objective 3	44		
Community Initiatives	62	European Territorial Cooperation	202
Total	**1.544**	**Total**	**10.239**

The picture of our eastern neighbour is relatively typical and repeated in the case of countries where the economic development of the capital significantly exceeds that in the remainder of the country. So Bratislava region is in the group of most developed regions in the whole EU and the rest of Slovakia is uniformly shown in the red of the convergence objective. Slovakia therefore completely copies the structure of structural operations in the Czech Republic, and also has almost identical trends.

NUTS 2 in %	GDP per capita EU-27 = 100 (2004)	GDP per employed person	Average yoy GDP growth rate 1995 - 2004	Employment in sectors		
				agriculture	industry	services
Bratislavský	129.3	45.4	3.4	1.3	24.8	73.8
Západné Slovensko	52.7	31.5	4.0	5.2	42.8	52.0
Stredné Slovensko	46.7	30.2	3.9	6.3	39.6	54.1
Východné Slovensko	42.3	29.3	3.8	4.6	40.1	55.3
Slovakia	**56.7**	**33.3**	**3.8**	**4.7**	**38.8**	**56.4**

The table also evidences the double-track of the real economic development of Slovakia, represented by Bratislava on one hand, and the rest of the country on the other hand.

Slovenia

Allocations 2000-2006 Million EUR, 2004 prices		Allocations 2007-2013 Million EUR, 2004 prices	
Cohesion Fund	187	Cohesion Fund	1.236
Objective 1	207	Convergence	2.401
Community Initiatives	29	European Territorial Cooperation	92
Total	**423**	**Total**	**3.729**

A view of the regional development of Slovenia is interesting, as well as clear at first glance when visiting this country, and contrasts with most post-communist countries: Slovenian regional development is very balanced, free of significant differences between cities and the countryside. From the viewpoint of classification for the purposes of regional EU policies it is a single NUTS 2, which is classified in the weakest regional convergence category.

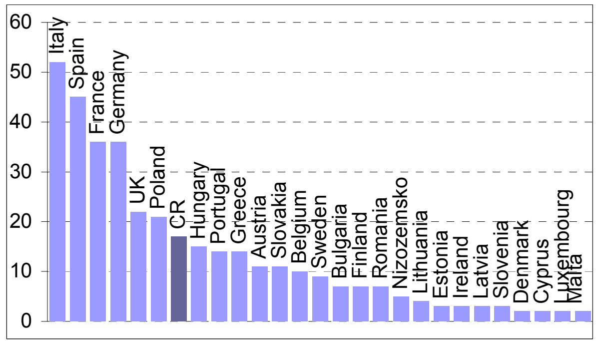
NUTS 2 in %	GDP per capita EU-27 = 100 (2004)	GDP per employed person	Average yoy GDP growth rate 1995 - 2004	Employment in sectors		
				agriculture	industry	services
Slovenia	83.3	58.0	3.9	9.1	37.1	53.8

The regional development in Slovenia is also interesting in a way, as may be clearly noticed during the first personal visit in this country and makes it different from the majority of other post-communist countries: the regional development in Slovenia is very even, without significant differences between cities and rural areas. In terms of classification for the purposes of the EU regional policy, Slovenia represents only one NUTS 2, which is classified in the weakest regional category of convergence.

STRUCTURE OF OPERATIONAL PROGRAMMES FOR 2007-2013

In the current months, the shape of separate strategic instruments for the use of the EU structural operations also in the V-5 countries is undergoing the completion process. The approval procedure for the National Strategic Reference Frameworks and the Operational Programmes has reached almost its final objective. In May and June, three of the countries to be compared (Poland, Hungary and Slovenia) reached a considerable partial achievement: their NSRFs were approved by the European Commission and therefore their negotiators may focus on separate Operational Programmes.

Number of operational programmes for 2007-2013



Source: European Commission

The table may, on one hand, confirm the fact that has been promoted by the mass media for an excessive period of time: the delay concerning the NSRF approval process (by the end of June, the NSRFs were approved already for 15 Member States; for comparison, by the end of April it was only 5 Member States; the progress in this area was rather outstanding in the last two months). Apart from the Czech Republic and Slovakia, the countries awaiting the approval of their respective strategic document include Belgium, Estonia, Ireland, Italy, Latvia, Luxembourg, Portugal, Finland, Sweden and the United Kingdom.

On the other hand, the table shows the relatively widespread untrue statement that the Czech Republic has ultimately the highest number of proposed Operational Programmes. This is partially true when compared with other countries of comparable size; but the comparison of OPs financed within the framework of the first two objectives of the structural and cohesion policy (i.e. without the financially less liberal European regional cooperation where we have proposed seven OPs) the number of 17 Czech OPs does not significantly differ from 15 OPs in Hungary or 11 OPs in Slovakia (while the population in Slovakia is only half of the population in the Czech Republic). The number of OPs in Poland exceeds twenty, and thus the only country with a considerably lower number of OPs is Slovenia.

Looking at other Member States outside the V-5, in terms of the first two comparable objectives (without regional cooperation), for example Germany proposes 36 OPs, Spain 45, France 30, Portugal 14 and the United Kingdom 19 or 21 OPs.

The Netherlands is one of the most developed countries economically in the EU in the long term; together with Austria and Denmark it has already traditionally been positioned in third place in the category, after Luxembourg and Ireland. The Netherlands, one of the six founding Member States of the then European Economic Communities, is the Country viewed through the magnifying glass that we focus on in this issue.

NETHERLANDS

Government type/chief of state	Constitutional monarchy / Queen Beatrix
Area (share of EU)	41 526 km2 (0.96%)
Population (share of EU)	16 334 210 (3.31%)
Age structure	0-14 years: 18.5%, 15-64 years: 67.5%, over 65 years: 14.0%
Total GDP (share of EU)	527.92 EUR bn (4.58%)
GDP per capita in PPS	125.4% of EU-25 average
GDP - composition by sector	agriculture: 2.3%, industry and constr.: 24.6%, services: 73.1%
Average inflation	1.7%
Average unemployment	3.9%
GDP growth	2.9%
General govern. balance	+0.6% of GDP
General government debt	48.7% of GDP
Number of NUTS2	12 NUTS2; Untrecht: 157.7%; Flevoland: 96.4%

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

The Netherlands is a country that for many of those who live there represents a happy home and for even more of those who do not live there represents their dream place of residence. That is also thanks to the very liberal rules applied there and thanks to the high tolerance of its citizens. This image framed by the colours of billions of tulip flowers, hundreds of windmills, thousands of kilometres of canals and cycling paths.

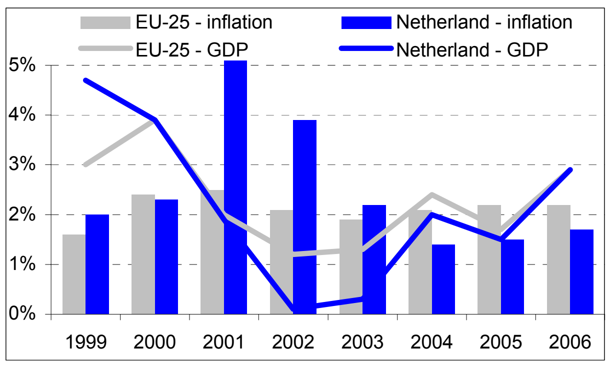
Such charm or the notion of a tolerant but at the same time safe country was partly ruined in the recent years of this decade due to two murders widely discussed in the media that attracted wide attention worldwide – the assassination of professor Pim Fortuyn, who stood as a candidate for a right-wing conservative political formation established by him shortly before his death (and he could not take part in the elections as he was assassinated virtually on the eve of the elections), and the murder of Theo van Gogh who pointed out the circumstances of the life of minorities in the Netherlands and the attitude of the majority society towards them.

Regardless of those stains, the Netherlands and its citizens are immensely likeable due to their openness (in terms of business as well as travelling), spontaneity and politeness as well as a high level of culture and sportsmanship (as evidenced by their excellent football players, cyclists, speed skaters and swimmers).

The Netherlands has also played several significant roles in the course of EU integration. Not only that the establishment of the Benelux group fundamentally contributed to the creation of the European Communities in the 50s, but at least three key events related to the Netherlands took place in the recent past: in the very beginning of the 90s the most famous summit was held in the South of the Netherlands in the town of Maastricht, where the title European Union was adopted as a reflection of the top quality of the integration achieved. In the economic area the EU then brought about the obviously most important European innovation in recent decades at least: the decision to adopt a single European currency (which was not called the euro at that time). The second event is not commemorated as much, as it is not unique to such extent: the Treaty of Amsterdam from the late 90s represents a reviewed version of the treaty establishing the European Communities which partially reflected the EU enlargement process, but it left much to be solved regarding the institutional problem. And the third Dutch contribution was the “NO” they said to the proposed constitutional treaty in June 2005.

The Netherlands has a very strong and very open economy with a number of multinational corporations of Dutch origin. At present, the economic performance is however based on stability and provision of quality features rather than on further increasing economic dynamics. The GDP growth is indistinctive in the context of economic activity of the average of the euro area countries; the inflation is, however, very low and the unemployment is traditionally very low as well (slightly exceeding 3%, it is clearly the lowest in the whole EU), and the fiscal discipline is also rather decent since the reduction of the budget deficit to GDP proved beneficial for the Netherlands. Furthermore, the Netherlands recently joined the majority of the EU-15 and enables entry to workers from the EU-8 (a modified group of the new Member States) to its labour market without any additional limitations.

Inflation and GDP



Source: Eurostat

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

	GDP growth y-on-y			Current account to GDP*			Unemployment rate			Inflation y-on-y average		
in %	2004	2005	2006	2004	2005	2006	III-07	IV-07	V-07	III-07	IV-07	V-07
Belgium	3.0	1.1	3.1	3.6	2.5	2.3	7.5	7.5	7.4	1.8	1.8	1.3
Bulgaria	6.6	6.2	6.1	-6.6	-12.0	-15.8	7.5	7.4	7.2	4.4	4.4	4.5
CR	4.2	6.1	6.1	-6.3	-2.7	-4.1	5.7	5.8	5.7	2.1	2.7	2.4
Denmark	2.1	3.1	3.1	3.1	3.6	2.5	3.4	3.3	3.3	1.9	1.7	1.7
Germany	1.2	0.9	2.7	3.9	4.2	4.7	7.0	6.7	6.6	2.0	2.0	2.0
Estonia	8.1	10.5	11.4	-12.5	-11.1	-14.2	5.0	5.1	5.2	5.6	5.6	5.9
Ireland	4.3	5.5	6.0	-1.0	-3.1	-3.3	4.0	4.0	4.1	2.9	2.9	2.7
Greece	4.7	3.7	4.3	-9.5	-9.2	-11.4	8.6	n/a	n/a	2.8	2.6	2.6
Spain	3.2	3.5	3.9	-5.9	-7.5	-8.5	8.2	8.2	8.2	2.5	2.5	2.4
France	2.3	1.2	2.0	-0.6	-2.1	-2.0	8.8	8.8	8.7	1.2	1.3	1.2
Italy	1.2	0.1	1.9	-0.5	-1.2	-2.0	6.2	n/a	n/a	2.1	1.8	1.9
Cyprus	4.2	3.9	3.8	-5.0	-5.6	-5.9	4.2	4.2	4.2	1.4	1.6	1.9
Latvia	8.7	10.6	11.9	-12.9	-12.6	-21.1	6.1	6.0	5.9	8.5	8.8	7.8
Lithuania	7.3	7.6	7.5	-7.5	-6.9	-10.7	4.7	5.0	4.9	4.8	4.9	5.0
Luxembourg	3.6	4.0	6.2	11.8	11.1	8.6	4.9	4.9	4.8	2.4	2.5	2.3
Hungary	4.9	4.2	3.9	-8.4	-6.8	-5.9	7.4	7.6	7.7	9.0	8.7	8.4
Malta	0.4	3.0	2.9	-6.4	-8.3	-6.3	6.6	6.4	6.5	0.5	-1.1	-1.0
Netherlands	2.0	1.5	2.9	8.6	7.1	9.9	3.4	3.3	3.2	1.9	1.9	2.0
Austria	2.4	2.0	3.1	2.1	2.9	3.7	4.4	4.4	4.4	1.9	1.8	2.1
Poland	5.3	3.5	6.1	-4.4	-1.7	-2.3	10.6	10.7	10.5	2.4	2.2	2.3
Portugal	1.3	0.5	1.3	-8.0	-9.6	-9.8	8.0	8.0	7.9	2.4	2.8	n/a
Romania	8.5	4.1	7.7	-5.0	-8.7	-10.3	7.7	7.2	7.3	3.7	3.8	3.9
Slovenia	4.4	4.0	5.2	-2.6	-2.0	-2.7	5.1	5.2	5.1	2.6	2.9	3.1
Slovakia	5.4	6.0	8.3	-2.5	-7.9	-7.7	11.1	10.8	10.8	2.1	2.0	1.5
Finland	3.7	2.9	5.5	7.7	4.9	5.9	6.9	6.7	6.6	1.6	1.5	1.3
Sweden	4.1	2.9	4.4	6.5	5.8	7.0	6.4	6.2	6.2	1.6	1.6	1.2
UK	3.3	1.9	2.8	-1.6	-2.4	-3.4	5.4	n/a	n/a	3.1	2.8	2.5
EU	2.5	1.7	3.0	0.2	-0.5	-0.7	7.1	7.1	7.0	2.3	2.2	2.1

	Public budget to GDP*			Public debt to GDP			GDP per capita to Ø EU			Price level to Ø EU		
in %	2004	2005	2006	2004	2005	2006	2004	2005	2006	2003	2004	2005
Belgium	0.0	-2.3	0.2	94.3	93.2	89.1	119.3	118.0	117.7	105.6	104.8	104.7
Bulgaria	2.2	1.9	3.3	37.9	29.2	22.8	32.4	33.7	35.0	40.5	41.2	42.7
CR	-2.9	-3.5	-2.9	30.7	30.4	30.4	72.1	73.6	75.9	54.0	54.5	57.8
Denmark	2.0	4.7	4.2	44.0	36.3	30.2	119.4	121.7	122.0	140.2	138.6	138.3
Germany	-3.7	-3.2	-1.7	65.7	67.9	67.9	111.1	109.9	110.2	104.8	103.9	103.1
Estonia	2.3	2.3	3.8	5.2	4.4	4.1	53.4	59.7	65.0	61.7	62.3	63.6
Ireland	1.4	1.0	2.9	29.7	27.4	24.9	135.6	138.7	139.7	125.7	124.7	123.0
Greece	-7.9	-5.5	-2.6	108.5	107.5	104.6	81.4	84.0	85.1	85.4	86.7	87.0
Spain	-0.2	1.1	1.8	46.2	43.2	39.9	96.6	97.8	97.5	88.2	90.2	91.9
France	-3.6	-3.0	-2.5	64.3	66.2	63.9	107.6	108.4	107.1	109.3	109.7	109.0
Italy	-3.5	-4.2	-4.4	103.8	106.2	106.8	103.1	100.6	99.4	103.4	104.5	104.8
Cyprus	-4.1	-2.3	-1.5	70.3	69.2	65.3	87.6	88.8	88.4	90.4	89.8	90.2
Latvia	-1.0	-0.2	0.4	14.5	12.0	10.0	43.7	48.6	53.3	54.9	55.1	55.5
Lithuania	-1.5	-0.5	-0.3	19.4	18.6	18.2	49.0	52.0	54.8	51.9	52.7	53.6
Luxembourg	-1.2	-0.3	0.1	6.6	6.1	6.8	240.7	250.8	256.9	102.9	104.3	104.5
Hungary	-6.5	-7.8	-9.2	59.4	61.7	66.0	61.3	62.5	63.5	58.0	61.1	62.4
Malta	-5.0	-3.1	-2.6	73.9	72.4	66.5	72.0	71.6	71.4	71.2	71.8	72.5
Netherlands	-1.8	-0.3	0.6	52.6	52.7	48.7	124.6	125.4	125.5	107.1	105.2	104.5
Austria	-1.2	-1.6	-1.1	63.9	63.5	62.2	123.4	122.8	122.9	102.6	102.2	102.1
Poland	-5.7	-4.3	-3.9	45.7	47.1	47.8	48.6	49.7	51.2	54.2	52.8	59.7
Portugal	-3.3	-6.1	-3.9	58.2	63.6	64.7	72.1	71.6	70.4	85.7	86.1	86.0
Romania	-1.5	-1.4	-1.9	18.8	15.8	12.4	32.6	34.2	35.9	43.6	44.0	52.8
Slovenia	-2.3	-1.5	-1.4	28.9	28.4	27.8	79.9	81.8	83.6	75.9	74.9	74.5
Slovakia	-2.4	-2.8	-3.4	41.5	34.5	30.7	54.4	57.1	60.2	50.4	54.5	56.1
Finland	2.3	2.7	3.9	44.1	41.4	39.1	111.1	110.4	113.0	125.6	122.9	121.8
Sweden	0.8	2.1	2.2	52.4	52.2	46.9	115.4	114.6	115.7	122.5	121.0	117.3
UK	-3.1	-3.1	-2.8	40.3	42.2	43.5	118.0	117.5	117.0	104.1	104.4	103.7
EU	-2.7	-2.4	-1.7	62.5	63.3	62.2	100.0	100.0	100.0	100.0	100.0	100.0

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