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Dear readers,

As far as European integration is concerned, the Czech Republic ended 2007 by taking a very symbolic step – the country entered the Schengen Zone. Inclusion in Schengen has not only a tangible impact but many practical consequences as well. Official borders between those countries that have participated in establishing Schengen rules over its twenty-year evolution no longer exist when it comes to standard border crossings by individuals and representatives from the most varied of societies and communities.

The symbiosis that exists between symbolism and practicality is most apparent in the fact that the borders still existing between countries are less of a barrier and have become more like just a formal demarcation dividing these states.

The end of the year also saw the conclusion of yet another phase of continuing efforts towards finding an appropriate EU institutional framework and decision-making process for an ever-increasing number of member states. The most recent pinnacle of the process is called the Treaty of Lisbon or Reform Treaty, which was signed by Head of Member States in December.

Of course, the caravan of development for the entire EU is moving forward and, as far as the Czech Republic is concerned it seems that the country will be facing two key challenges in 2008. The first is the fact that, after what can be considered more of a warm-up preparatory round in 2007, this will be the first year that we will have the ability to fully use resources from EU funds. The funding will be administered through twenty-four Operational Programmes at a level that has not been heard of in our parts before and is most likely only limited by the end of the current programming period in 2013 or, in some cases, 2015.

The second challenge lies in the requirement to culminate the preparatory tasks for the Czech presidency of the EU Council, which will take place during the first half of 2009. This is thus far the largest single, but sufficiently lengthy, chance of attracting attention to our country as a member of the EU and obtaining a corresponding reputation. (Although this opportunity to attract attention can be positive, it can also have the opposite results in the event that presidential procedures are not handled well.) This role has just been taken over by the recent EU addition of Slovenia, which is taking it on with its normal inconspicuous reliability, and we should pay very close attention to how it proceeds.

As far as currency integration goes (i.e., the task that the same aforementioned Slovenia already fulfilled honourably a year ago), in our case it will most likely be set aside to a secondary track this year, or at least that appears to be the case judging from the approach our key political actors have to this matter. It would be appropriate to add – unfortunately…

We hope that, from the perspective of our membership in the EU, this year will be beneficial and useful and, once it is over, that it will be evaluated as a successful year.

Petr Zahradník

The heads of the member states and governments have solemnly signed the new Treaty of Lisbon. The member states now have until June 2009 to ratify it in accordance with their national regulations. Based on materials prepared by the Ministry of Finance and the Czech National Bank, it seems that the Czech Republic will most likely not fulfil the Maastricht Criteria this year due to the high inflation rate.

POLITICS

Lisbon Site of Solemn Signing of New Treaty

During the second half of December, Lisbon's St. Jerome's Monastery witnessed the **signing of the EU's new Reform Treaty** by the heads of state and governments together with the presidents of the European Commission and European Parliament.

Representatives from the member states agreed on the final version of the treaty over the course of the **informal summit that took place on 18-19 October 2007**. The solemn signing of the treaty does not however in any way mean that the treaty will become valid, as it must still be ratified by all twenty-seven member states. As compared to the proposed Euroconstitution, which was even the subject of two referenda, both of which ended negatively, the member states have decided on parliamentary ratification. The only exception is Ireland, whose national constitution requires a referendum vote.

The Treaty of Lisbon does not differ all that much from the originally proposed Euroconstitution. The primary difference is that the Reform Treaty solely **supplements or amends other treaties** as opposed to the Euroconstitution, which assumed they would be replaced in full. The Reform Treaty expands the number of areas in which EU decisions must be made by a qualified majority. Unanimity will continue to be required for, amongst other things, common foreign and security policy and budget-related issues. The new treaty also incorporated the position of Council President as provided in the Euroconstitution, whereby this function will be elected for a term of two and a half years.

The Reform Treaty should be **ratified by the member states by June 2009**, at which time European parliamentary elections will be held. The leader in this respect is Hungary, which is the first member state to ratify the treaty and already did so this past December.

It is a good thing that the European Union finally has a treaty that will allow it to **function with its current twenty-seven member states** as well as more in the future. Nothing more remains than to hope that the ratification process will continue smoothly and that, in coming years, the highest level of EU representatives will be able to devote their time to resolving actual global issues and not spend it in endless debates on how institutional reforms in the Union should be implemented.

http://europa.eu/rapid/pressReleasesAction.do?reference=IP/07/1922

Short Summit Lays Foundations for Reflection Group

The day after signing the Reform Treaty, the presidents and prime ministers from the member states moved on to Brussels and, during what was one of the shortest European summits in EU history, made it obvious that the Union has moved forward and is able to meet entirely new challenges. The main points discussed at the meeting turned out to be an agreement on establishing a Reflection Group, which is also known as the "**Wise Men's Committee**", and sending a civilian mission to Kosovo.

The Reflection Group, which will **consist of nine acknowledged European personalities**, was originally intended to deal with issues pertaining to European Union borders and, amongst its other tasks, was to search for an answer to the question of whether conflicts exist between integration and Union enlargement.

In its final form however, the group will more likely concentrate on the **long-term challenges and threats that the European Union will face** during the 2020 to 2030 timeframe. Some of the topics that will be discussed include energy security and climate changes, as well as migration, global security, the battle against international crime, and improving communications with European citizens. The group is scheduled to start its activities during the autumn of 2008. The results of its meetings will be presented in June 2010.

Former Spanish Prime Minister Felipe González will stand at the head of the Reflection Group. His two vice-chairs will most likely be former Latvian President Vaira Vike-Freiberga and Jorma Ollila, who is the ex-chairman of Nokia. All three will jointly recommend addition group members to the European Council during the second half of 2008. At the current time, who the remaining members will be is only the subject of speculation. The names that have been mentioned most often include former Netherlands football player Johann Cruyff and the Irish former EP chairman Pat Cox.

Although the first three named personalities command respect, **we would not like to overvalue the significance of this group**. The role of the Commission and other EU decision-making bodies will not change and will depend solely on the willingness of its representatives to either be guided by the Reflection Group's recommendations or their choice to ignore them.

http://www.eu2007.pt/UE/vEN/Noticias_Documentos/20071214CONC.htm

ECONOMY AND EURO

Czech Republic Will Most Likely Not Satisfy Inflation Criteria in 2008

Based on a joint document prepared by the Ministry of Finance and the Czech National Bank, the Czech Republic **will most likely not meet the obligations defined by the Maastricht criterion for price stability** this year. The Czech Republic's entry into the ERM II mechanism is not being planned as of now.

This information comes from the recently published paper titled "Assessment of the Fulfilment of the Maastricht Convergence Criteria and the Degree of Economic Alignment of the Czech Republic with the Euro Area", which evaluates the Czech Republic's level of preparedness for joining the ERM II monetary system and subsequent implementation of the common currency. This document and the government's opinion both imply that the Czech economy is not yet prepared for acceding to the Eurozone and it has therefore **not established a fixed date for implementing the euro** or even the date on which the Czech crown will start being included in ERM II.

How does the Czech Republic stand with regard to the Maastricht Criteria? According to the report, next year we can expect that yet another of the criteria will be breached – the rule for price stability. This criterion specifies that the inflation level in the country cannot exceed the average of the three states that have the lowest inflation rate by more than 1.5 percentage points.

In addition to the increasing prices of some raw materials and foodstuffs, in 2008 the Czech Republic will also be affected by the impacts of public financing reforms, which, amongst other things, include changes to indirect taxes, and subsequently the inflation rate, in an upwards direction. The increasing inflation rate should stabilize over the course of the year however and, starting in 2009, the **Czech Republic should start meeting the Maastricht price stability criterion** once again.

Harmonised index of consumer prices (average for last 12 months vs. average for previous 12 months, growth in %)

	2006	2006	2007	2008	2009	2010
Average for 3 EU countries with lowest inflation*	1.4	1.4	1.3	1.7	1.6	1.6
Reference value	2.9	2.9	2.8	3.2	3.1	3.1
Czech Republic	2.1	2.1	2.4	3.9	2.3	2.1

Source: Ministry of Finance

As far as fulfilment of the criteria is concerned, the Czech Republic's long-term thorn in the side is an **excessive public budget deficit**. This year, given the good economic behaviour, it is "only" at a level of 3.4% of GDP. By 2010, this indicator should decrease to 2.3% of GDP. The analysis performed by the Ministry of Finance does however warn that, in order to maintain public finances at the required level, it is necessary to start implementing reforms to the healthcare and retirement systems as soon as possible.

It will be interesting to see how Slovakia will handle meeting the price stability criterion. Although it is formally meeting the criterion at the current time, it is not certain whether the European Central Bank and the Commission will evaluate it as **long-term sustainability of fulfilment** of the criterion as required by European rules.

The **Latvian situation** is proof that both of the aforementioned institutions will proceed strictly in their assessment. This Baltic state was refused entry to the Eurozone in 2006, because, at that time, its inflation rate was only 0.1 percentage point higher than the calculated value of the indicator and, in addition, the forecast was not very favourable.

http://www.mfcr.cz/cps/rde/xchg/mfcr/hs.xsl/eu_strategie_pristoupeni_36813.html

BUDGET

Parliament Approves 2008 Budget

The European Parliament approved the budget for 2008 during the second reading. The total amount of payment appropriations is EUR 120,346,758,612, which is **an increase of 5.7% as compared to 2007** and only 0.96% of the total Gross National Income (GNI) of the member states. The 2008 budget is a breakthrough in the fact that **more resources were allocated to competitiveness** than for agriculture.

On the basis of an agreement, Galileo, which is the **European satellite navigational programme**, and the **European Institute of Technology** (EIT) will be fully financed from the Community's budget, without posing a threat to the financing of the multi-year Lisbon Agenda's "Lifelong Education" and "Erasmus Mundus" projects and the trans-European network. The amount that is required until 2013 (currently, EUR 2.4 billion is still lacking) will be released primarily on the basis of the revision to the Financial Framework (EUR 1,600,000,000). A total of EUR 3.7 billion has been allocated for Galileo and EIT until 2013.

The European Union has extended the Czech Republic's derogation for using a lower VAT rate for construction work connected with housing in the Czech Republic. The Czech Republic will not however be applying this exception. The new White Paper published by the European Commission does not propose implementing a special directive for regulating the mortgage loan market in the EU, although the EC did consider taking this action in the past.

The total amount of resources allocated from the EU budget for common foreign and security policies in 2008 will be in the amount of EUR 285 million. This represents an increase of EUR 125 million as compared to the 2007 budget. Of this total amount, EUR 70 million will be used from the "flexibility instrument", which is used to finance "unanticipated or exceptional" expenses. In 2008, this exceptional financing will primarily be used for **financing EU activities in Kosovo**.

Budget 2008 in EUR bn

Heading	*Commitments*	*Payments*
1a. Competitiveness	11.09	9.77
1b. Cohesion	46.88	40.55
2. Natural resources	55.04	53.18
3a. Freedom, Security and Just.	0.73	0.53
3b. Citizenship	0.61	0.71
4. EU as a global partner	7.31	8.11
5. Administration	7.28	7.28
6. Compensation	0.21	0.21
Total	**129.15**	**120.35**
% of GNI of the EU	**1.03 %**	**0.96 %**

Given the significance of immigration issues, the European Parliament has recommended that the resources allocated to Frontex, which is the EU agency responsible for administering the Union's external Borders, be increased by EUR 30 million to a total of EUR 70 million.

http://www.europarl.europa.eu/news/expert/infopress_page/034-15283-344-12-50-905-20071213IPR15281-10-12-2007-2007-true/default_en.htm

TAXATION AND CUSTOMS UNION

EU Extends the Czech Republic's VAT Exception for Housing

The ministers of finance from the member states approved the extensions to the temporary derogations currently held by five of the new member states, specifically the Czech Republic, Malta, Poland, Cyprus, and Slovenia, which **allow using a decreased VAT rate** for certain goods and services. The aforementioned countries negotiated these derogations during their accession talks and they were originally set to expire at the end of 2007.

However, as a number of the old member states have similar derogations negotiated through the end of 2010, the Council decided to extend the exceptions for the "newbie" states to remain in effect for the same period of time. Starting in 2010, a new VAT system should be in effect in the EU, which would implement common rules for all.

In the case of the Czech Republic, this involves the extension of the derogation in place for a lower VAT rate for construction connected with residential housing. Ultimately, the **Czech Republic will not use the exception**, as it has found a way to keep the lower rate for the majority of new construction. According to European directives, the lower VAT rate can be used for "social housing", a term that has not been harmonized in any way, thus allowing each member state to establish its own definition. The Czech government considers family houses with an area of up to 350 square meters and residential units with an area of up to 120 square meters to be social housing, and thus the lower VAT rate – which has just been increased to 9% – will be applied.

From the European perspective, a more significant change in the area of VAT is the transfer of value added tax obligations for services such as electric services and telecommunications that will come into effect starting in 2015. Currently, it is paid in the country where the telephone operator is registered, but in the future, **it will be paid in the country where the service is offered**. Every consumer in a single country will thus pay the same VAT rate without regard to the country in which the telephone operator is registered.

The agreement was made possible by the fact that Luxembourg gave its consent, as **it was threatening to use its right to veto**. A number of telecommunications and IT companies are registered in that country (e.g., Amazon.com, Skype, AOL, PayPal, iTunes, and others), as the basic VAT rate is only 15%. The tax is now paid into Luxembourg's budget, but starting in 2015 it will go into the budget of the country where the services are used. Luxembourg will be allowed to keep 30% of the income from VAT, which would otherwise have to be paid according to the location where services are provided. This temporary exception will expire in 2019.

The entire system for paying and establishing VAT in the EU is interwoven with a **number of exceptions and temporary procedures**. The expected simplification that is expected to start in 2010 will thus be a hard nut for Eurocommissioner László Kovács to crack, as each member has the right to veto in tax-related matters and can thus block the entire agreement. The first proposed amendments to VAT legislation should be submitted at the end of 2008.

http://www.consilium.europa.eu/ueDocs/cms_Data/docs/pressData/en/ecofin/97420.pdf

INTERNAL MARKET

Commission Has Not Yet Proposed Directive for Mortgage Loans

In mid-December, the European Commission published a White Paper on mortgage loans. **It does not include a proposal for a directive to regulate the mortgage loan market** as was originally planned.

Although for most Europeans a mortgage is the largest financial obligation they will have in their lives, only a small portion of real estate loans (approximately 1%) is provided across borders and a single **internal market is still not functional** as far as this area is concerned. Removing the obstacles that exist in order to allow broader use of mortgage loans from other member states would lead to increasing competition and improving conditions for bank customers.

The final aim of the White Paper that was published thus remains to **improve the efficiency and competitiveness of the mortgage loan markets** in the EU. This will be achieved through these individual goals:

- facilitating cross-border mortgage loan offers;
- increasing the diversity of loan products;
- improving customer confidence; and
- increasing customer mobility.

Thus far it has been decided that these goals will be attained **through non-legislative measures**, which will focus on such areas as land registration, property valuations, and forced sales procedures.

The Commission is still evaluating the necessity of implementing legislation when it comes to key questions, such as premature loan repayment, establishing interest rate levels, and the provision of pre-contractual information. It has not ruled out the possibility of integrated legislative harmonization of the rules for providing mortgage loans within the framework of the EU. This latter option would only be accepted in the event that it would bring **significant benefits to a large number of consumers**.

In our opinion, the primary reason for the absence of a greater number of cross-border mortgage loans remains the **natural preference that consumers still have for local banks** and, to a certain degree, language barriers. On the part of banks, the main issue is the profitability of providing cross-border mortgages. Within the environment provided by a single European Passport there is no problem with any bank authorized in one member state offering its services in other countries, as long as it pays off.

It is praiseworthy that the European Commission is not randomly issuing one directive on mortgage loans after another but is instead judiciously investigating whether legislative instruments even make sense in this case.

http://europa.eu/rapid/pressReleasesAction.do?reference=IP/07/1955

Commission Tells MasterCard to Discontinue Fees

The European Commission has decided that MasterCard Association must discontinue the fees that are currently paid by retailers for cross-border transactions made using debit and credit cards. Their reasoning is the fact that **fees are a restrictive business practice** and act as an additional consumer tax. In some member states, including the Czech Republic, these fees are even paid for each domestic card transaction.

The fees are paid from the retailer's bank account to the cardholder's issuing bank for each transaction completed using a card. According to the European executive branch, the **fees increase the expenses retailers have in relation to accepting payment cards without leading to improved efficiency**. In addition, consumers pay twice for using a payment card. Once in the form of an annual fee to their issuing bank and a second time through higher retail prices, which are paid not only by cardholders but also by other customers.

Neelie Kroes, the EU's Competition Commissioner, emphasized the fact that she does not consider the fees to be illegal in principle, but they **must bring justifiable benefits for consumers**.

If MasterCard does not discontinue its fees within six months, the Commission will levy a **daily fine on the card association in an amount that is equal to 3.5% of its daily worldwide returns**. MasterCard has already said that it will appeal against the Commission's decision. The decision will also impact the competing Visa Association.

It also applies these fees, but it was granted an exception by the European Commission in 2002, as it significantly lowered the amount of its fees and increased their transparency. This exception expired at the end of 2007 however, and now Visa must also prove that its fees are in accordance with EU regulations and contribute toward economic and technological advances that are beneficial for consumers.

The European Parliament approved a proposal for ending legal protection for industrial designs for replacement parts and other mechanical components used in motor vehicles. Within its evaluation of the implementation of the Lisbon Strategy, the European Commission praised the progress the member states have made over the past two years. For the future, they will have to focus more on investments in human capital.

The entire payment relations branch is entering a revolutionary year, as the **Single Euro Payments Area** (SEPA) comes into effect. This will remove the existing national state borders when it comes to payments made in euros, including payments made using cards. Amongst other things, this will also require large investments, which are also partially financed through fees. This thus presents a risk that prohibiting or limiting these fees will result in a boomerang effect, whereby there will be a lower amount of investments in innovation, security, and payment relationship efficiency. If the prohibition is confirmed by the European Court of Justice, the possibility remains that the fees will ultimately be charged to consumers directly rather than to the retailers.

http://europa.eu/rapid/pressReleasesAction.do?reference=IP/07/1959

Ministers Adopt Revision to Approval Process for EU Financial Legislation

The EU Council for Economic and Financial Affairs has reached an agreement on a **revision to the Lamfalussy Process**, which establishes the procedures for preparing and approving European legislation for the banking and insurance industries.

The Lamfalussy Process has been operational for five years and on the basis thereof, **financial legislation is the European Union is accepted at the following four levels**:

1. The European Parliament and European Council adopt a framework directive or regulation;

2. Special sectoral committees and regulators provide advice on the technical details related to the implementation of the legislation;

3. National regulators participate in the coordination phases; and

4. The application of European standards is enforced in practice.

The goal of the procedure is to **increase the flexibility of the legislative process** and speed-up adaptation to technological changes and market development in the rapidly developing financial services sector.

The current revision adopted by the Council **pertains to the third level** of the Lamfalussy Process, whereby national regulators should intensify the level of convergence and cooperation. The newly accepted measure consists of limiting a portion of the practice known as “gold plating”, during which additional regulations are often accepted at the national level and are not required for the purposes of incorporating the adopted directive in national law.

Within the framework of the revision, the Council also asked the European Commission to **clarify the role of the specialized sectoral commissions** that function within the second level of the Lamfalussy process.

On the other hand, an Italian proposal that recommended establishing a pan-European financial supervisor was rejected by the ministers of finance of the member states.

http://www.consilium.europa.eu/uedocs/cms_Data/docs/pressdata/en/ecofin/97420.pdf

http://europa.eu/rapid/pressReleasesAction.do?reference=IP/07/1731

Parliament in Favour of Ending Legal Protection of Industrial Designs for Replacement Parts

At a plenary meeting of the European Parliament, the MEPs voiced their support for a **proposal that will end legal protection for industrial designs for replacement parts** and other mechanical components used in motor vehicles. Parliament is requesting that a five-year transition period precede the full liberalization of the market.

The goal is to use this method in order to **open up the secondary spare parts market to competition**, specifically for parts “intended to restore the original appearance of complex products”, such as industrial machinery.

At the current time, the majority of member states still have a **system in place for protecting industrial designs for replacement parts** purchased for decorative purposes, i.e., parts that are intended to change the original appearance of a product.

The MEPs also proposed an amendment that **requires that consumers be informed of the origin of a part** through the use of an indelible mark, e.g., protected trademark, company name, or some other appropriate form. This will allow consumers to make an informed choice between competitive spare parts.

Current practices vary amongst individual member states. In fifteen of the member states, including the Czech Republic, legal protection for the industrial design of replacement parts exists. On the other hand, the other member states allow the free use of replacement parts for repairs and exchanges.

The Czech Republic, as a significant producer of automobile and replacement parts, does not agree with the proposal, as it considers it to be an **unprecedented interference in the industrial protection system** and thus does not respect intellectual property rights. On the other hand, it is most likely that opening up this market will lead to greater competition and potential as well as lower prices for consumers.

In spite of a favourable opinion, the **fate of this directive is not at all certain**, as it must still be approved by the representatives from the member states in the Council. A number of automobile superpowers do not view the directive in a very positive light.

http://www.europarl.europa.eu/news/expert/infopress_page/052-14839-344-12-50-909-20071211IPR14794-10-12-2007-2007-false/default_en.htm

New Package for Defence Industry

The European Commission has introduced a new legislative package that will bring the European Union one step closer to its long-term goal – **establish a single internal market even for defence industry products** and, at the same time, guarantee member states control over their own strategic defence and security interests. At the current time, EU law allows the defence industry to be exempt from a number of the standard rules that apply to other EU markets due to its strategic position.

The liberalization of the market with military products **paves the way towards strengthening the competitiveness** of European weapons companies and, as a result, increasing the European Union's autonomy in this area.

The package consists of the following two standards:

- The proposed **directive on defence procurement** will implement transparent rules for announcing public tenders for the purchase of weapons, munitions, and other military materials. It will also apply to certain sensitive non-military security equipment.
- The proposed **directive on intra-EU transfers of defence industry** products has the goal of simplifying national licensing procedures and thus making cross-border transactions with defence materials easier within the EU. Not only would the direct suppliers of large arms factories benefit, but small and medium-sized enterprises would profit as well.

In addition, the Commission also **published a communication** that includes recommendations for increasing competitiveness in the defence industry sector, which would be achieved by applying uniform standards, agreed-on common rules for resolving disputes, etc.

http://europa.eu/rapid/pressReleasesAction.do?reference=IP/07/1860

ENTERPRISE

Commission Welcomes EU's Advances in the Area of Reforms, but Still Wants More

According to the European Commission, the member states have moved forward significantly over the past two years. However, if they want to succeed in the global economic environment, they will have to concentrate even more on **investments in human capital and removing the barriers** that prevent using the potential available in small and medium-sized enterprises.

In March 2005, after five years of unconvincing results, the EU's top representatives decided to implement a renewed Lisbon Strategy, which strives to turn Europe into "the world's **most dynamic knowledge-based economy**" by 2010.

According to the report published by the European Commission, the policies implemented within the framework of the Lisbon Strategy for growth and employment are finally starting to pay off. Economic growth has climbed to a level of 3% in 2006 from the 1.8% that was reported for 2005 and employment has reached 66% (as compared to the Lisbon Strategy goal of 70%).

According to the document, the national governments should continue in their efforts, but, at the same time, they should start focusing on some **areas wherein growth and employment have a greater impact**. Specifically, they should:

- ensure that at least 30% of Europe's inhabitants and schools have a high-speed Internet connection by 2010;
- establish goals for decreasing early school-leaving and adjust study plans in order to ensure that they better correspond to job market requirements;

The Czech Republic is one of the first countries for whom the European Commission has approved an operational programme for the fishing industry. After long negotiations, the ministers of agriculture from the member states reached an agreement on reforms to the wine industry in the EU. The ability to add sugar to wine will remain. The European Union opened an additional two chapters in the accession negotiations with Turkey.

- increase accessibility to quality healthcare;
- approve the Commission's proposal to establish "Blue Cards", focused on attracting migrants on the basis of their knowledge, skills and abilities;
- strengthen the growth of small and medium-sized enterprises by limiting bureaucracy, improving access to financing from European programmes and public tenders, and limiting obstacles to cross-border transactions by establishing a "Small European Business" status;
- supporting innovation: states should reach an agreement on integrated court jurisdiction in the area of patents and access to a common patent; and
- complete an internal energy market, including establishing obligatory goals for decreasing the energy demands of government buildings and systematically implementing energy efficiency as one of the criteria for awarding a public tender.

http://europa.eu/rapid/pressReleasesAction.do?reference=IP/07/1892

EMPLOYMENT AND SOCIAL AFFAIRS

Unions Displeased with Ruling Made By European Court of Justice

Swedish unions are vexed by the decision that the European Court of Justice passed down in the dispute between Swedish unions and Laval, a Latvian company. The unions are convinced that the **court's ruling casts doubts on collective agreements**.

The Laval case concerns the Latvian construction company of Laval un Partneri, which was awarded an order for reconstructing a school in the Swedish city of Vaxholm. The company decided that it will pay its (Latvian) employees working on the project the salary that is standard in their home country and **refused to sign a collective agreement**, thus not respecting the requirements established for working conditions and minimum wage as provided by Swedish law. Swedish labour unions were displeased by this decision and filed a court suit against Laval.

The European Court of Justice ruled that the blockade of the construction site initiated by Swedish unions as part of their efforts to force the company to participate in salary negotiations and signing a collective agreement **is against the existing EU regulations for the provision of services**. The court said that such procedures are justified only in cases when the public interest in protecting workers is predominant. According to the court, this condition was not met in the case of Laval.

The court emphasized the fact that the directive on the posting of workers does **not obligate foreign service providers to respect any additional employment standards** that exceed the framework of minimum standards set forth by the directive. The court did however add that such companies can be forced to accept national regulations that establish the minimum wage amount.

The court went on to state that collective actions, such as the one the Swedish labour unions undertook in their efforts to force Laval to sign a collective agreement, would most likely result in Swedish construction projects being less attractive for similar companies in the future and thus more difficult to complete. For this reason, the court concluded that such actions **limit the freedom to provide services**.

The court specified that the Swedish measures, namely those pertaining to minimum wage, are not sufficiently precise and comprehensible. Requiring Laval to respect these measures would only result in **obstacles preventing the company from entering the Swedish services market**.

We consider the decision made by the European judicial branch to be a **victory of sound reasoning**, which confirmed the inviolability of a single internal market and the related free movement of individuals.

http://curia.europa.eu/en/actu/communiques/cp07/aff/cp070098en.pdf

AGRICULTURE AND FISHERY

Czech Fishing Industry Receives Green Light from Brussels

The Czech negotiation team enjoyed significant success with regard to European structures. The Czech Republic is one of the first countries for whom the European **Commission approved an operational programme that supports the fishing industry**. The programme is scheduled to start implementation next spring and will be supported by a campaign intended to increase consumer interest in freshwater fish.

"Using resources from the European Fisheries Fund is one of the priorities of the Ministry of Agriculture. Now, thanks to the 'Operational Programme: Fisheries', it will be possible to create quality conditions that will work to the **benefit of the functionality of the entire sector** – something that

production and fishery organizations have been requesting for quite a period of time," according to Minister for Agriculture Petr Gandalovič.

The "Operational Programme: Fisheries" is working with a budget of 1 billion Czech crowns (36.1 million euros) for the entire programme timeframe of 2007 through 2013.

Budget for OP Fisheries (current prices in EUR)

Priority / Measure	Total	EU	CR
2. Aquaculture	15.90	11.93	3.98
3. Common interest measures	18.43	13.82	4.61
5. Technical assistance	1.81	1.36	0.45
TOTAL	**36.14**	**27.11**	**9.04**

Source: Ministry of Agriculture

The rules for grant applicants should be available by March, in order to ensure that the first call for applications can be announced in April. The following measures are involved:

2.1. Investments in aquaculture – the construction and modernization of ponds, social environment, ecological investments, establishing sales capacities at farms…

2.4. Investments into processing and introducing products on the market – modernization and expansion of fish processing facilities, ecological investments…; and

3.3. Support and development of new markets and promotional campaigns.

http://www.mze.cz/Index.aspx?ch=270&typ=1&val=39661&ids=0

Ministers Agree on Reforms to the Wine Industry

After lengthy three-day negotiations, the ministers of agriculture **reached an agreement on reforms to the wine industry**. They did however make a number of changes to the Commission's original proposal. As a result of pressure on the part of Italy and France, the requirement for a lower number of vineyards was removed. The Czech Republic also enjoyed success in the negotiations, as it will receive almost double the resources that were anticipated on the basis of the original proposal. Winemakers will continue to have the right to enrich products with sugar and must. The main points of the reform are as follows:

National Financial Envelopes:

The budgets for individual member states will take the requirements of member countries into consideration. Possible uses include financing the restructuring of vineyards, modernization of production processes, promotion in third countries, crisis management, and support for ecological agriculture. According to information provided by the Ministry of Agriculture, the Czech Republic **successfully negotiated an amount of EUR 3 million**.

Grubbing-up

A **three-year voluntary grubbing-up scheme for a total area of 175,000 hectares** with a decreasing level of premium over the three years has been adopted. A member state can halt grubbing-up if the area is more than 8 percent of that member state's total vineyard area or 10 percent of a region's total area. Minister for Agriculture Gandalovič stated that, as far as the Czech Republic is concerned, vineyards will not be shut down. Quite to the contrary, once the reforms are implemented, the rights to planting will be liberalized and, according to the Minister, will actually provide an opportunity to increase production.

Labelling

Full harmonization will not be implemented as far as wine labels are concerned. **Protected geographical designations and designation of origin** will continue to be the most significant. Winemakers who do not use these designations will be able to continue labelling their wines with variety and vintage year.

Chaptalisation

Increasing alcohol content with the **assistance of added sugar will be limited slightly** (by half of a percentage point as compared to the current situation), but in those countries where it is currently applied, it will continue to be legal.

Distillation

According to European regulations, overages (usually wine of a lower quality), which winemakers cannot sell on the market, **can be distilled for industrial purposes**. This practice will gradually be phased out over a period of four years. Member states will have the right to require by-product distillation. However, according to the European Commission's proposal, it will not be required within the framework of the European Union.

http://europa.eu/rapid/pressReleasesAction.do?reference=IP/07/1966

ENLARGEMENT

Accession Conference with Turkey Move Ahead

In spite of continuing tension with France, the EU has decided to continue accession negotiations with Turkey and

Automobile manufacturers will have to decrease the level of average emissions for personal vehicles to a maximum value of 130 grams of CO_2 per kilometre. As of 21 December, the Czech Republic together with another eight states became members of the Schengen Zone and its area without internal borders. When travelling to neighbouring countries, we will no longer have to undergo border controls.

on Wednesday, 19 December, went on to **open an additional two chapters**.

At the accession conference in Brussels, the Portuguese presidency opened the chapters pertaining to the **Trans-European Networks (TEN) and consumer health and protection**.

EU Enlargement Commissioner Olli Rehn stated that he was happy with the results and emphasized that the **negotiations are proceeding normally**. Barroso's visit to Turkey, which is scheduled to take place at the start of next year, can be viewed as further proof of the Commission's obligation to continue considering Turkey's membership in the European Union.

Ali Babacan, Turkey's Minister of Foreign Affairs and the primary negotiator for membership in the EU, made it clear on 19 December that he sees this meeting as an "accession conference". He also repeated that the common **goal is accession** and appealed to the EU member states to "stand firmly against any efforts to change this goal".

Turkey hopes **to open two or three additional chapters during the first half of 2008**, during which timeframe Slovenia will be presiding over the Union. France will assume the presidency during the second half of the year, which will more than likely make the accession talks with turkey much more difficult.

We are still of the opinion that as far as the near future is concerned (by 2012), the number of European Union member states **will increase only to include Croatia**, with possibly some of the other states from the West Balkans being accepted during the second half of the next decade. The European Union has not yet absorbed the enlargement of its ranks to include twelve poorer countries from Eastern and Southern Europe.

http://www.consilium.europa.eu/ueDocs/cms_Data/docs/pressData/en/misc/97762.pdf

Will Kosovo Halt the EU from Coming Closer to Serbia?

On 22 December, the Serbian prime minister **threatened to prevent the signing of the Stabilization and Association agreement** between Serbia and the EU if the Union does not re-evaluate its opinion in relation to the issue of Kosovo.

Serbian Prime Minister Vojislav Koštunica linked the future of the south Serbian province of Kosovo with the possibility of Serbia joining the EU when, over the weekend, he announced, "We can cooperate with Brussels only after the European Union can fully ensure Serbia's sovereignty and immunity from the perspective of internationally acknowledged borders." At the same time, he labelled blocking relations with NATO and the EU as the future **possible basis for Serbian foreign policy** that is necessary for his country's survival.

Last week, at a meeting of the UN Security Council, the EU and the USA jointly agreed that the possibility of an agreement regarding the future status of Kosovo is impossible and refused to continue in the negotiations proposed by Serbia with the support of Russia. The USA had already stated earlier that it is willing to acknowledge Kosovo's independence, even if made unilaterally. It is not however certain that the EU member states would **have a united opinion under those circumstances**.

Of the European Union member states, Cyprus is the most outspoken opponent of independence for the south Serbian province of Kosovo. Nevertheless, the minister of foreign affairs from Slovenia, which will be presiding over the Union starting on 1 January 2008, said that the EU must be prepared to assists Kosovo on its path to independence and, as far as this situation is concerned, considers it to be an irreversible process.

It is expected that Kosovo **will declare its independence during the first quarter of next year**. The official date is not yet known. Speculations that have appeared in the Serbian press indicate that 6 February might be the possible date on which the province declares its independence.

ENVIRONMENT

EU Automobile Manufactures Must Decrease CO2 Emissions

Based on a proposed directive penned by the European Commission, the European Union's automobile manufacturers will have to **decrease the average emissions of manufactured personal automobiles**.

This requirement will apply to all **new vehicles registered in the European Union after 2013**, whether they are manufactured in a member state or imported from a third country. The directive specifies an average goal of 130 grams of CO_2 per kilometre, which is based on more relaxed rules for heavier productive vehicles and stricter rules for lighter automobiles.

Vehicles of more than two tonnes will be able to emit slightly more than 150 grams per kilometre, while lighter automobiles will have a maximum emission limit of 110 grams per kilometre. Proportionately however, **manufacturers of heavier vehicles will have to decrease**

emissions for their products to a higher degree than the manufacturers of lighter automobiles.

The new regulations will allow manufacturers to produce heavier vehicles that generate emissions over the average limit of 130 grams of CO2 per kilometre, but only under the condition that this production is **balanced with vehicles with lower emissions**, in order to ensure that the average of all models produced does not exceed the specified threshold limit.

In addition, some automobile manufacturers that produce only heavier and stronger vehicles (e.g., Porsche, with an average emission level of 285 grams per kilometre) will meet the requirements if they **conclude commercial agreements with manufacturers of lighter vehicles** that meet the limits and purchase their excess emissions up to the amount of the average threshold limit. Some independent automobile manufacturers, who sell less than ten thousand vehicles per year, can alternatively ask the European Commission to define individual CO2 emission limits in relation to the nature of the vehicles that are produced.

Those automobile manufacturers that exceed the limits and do not purchase excess emission permits from the manufacturers of low-emission vehicles **will face financial penalties**. The fines will be phased in over a four-year period as of the date the directive becomes valid in 2012. They will start at EUR 20 per each gram of CO2 emitted by a vehicle in excess of the allowed limits and, by 2015, will reach EUR 95.

In order for the directive to become valid, it must be **approved by both the European Parliament as well as the Council of the EU**.

http://europa.eu/rapid/pressReleasesAction.do?reference=IP/07/1965

JUSTICE AND HOME AFFAIRS

Czech Republic Joins Border-Free Schengen Zone

Together with eight other new member states, the Czech Republic **joined the European "border-free" zone on 21 December 2007**. The Ministers of the Interior from the EU states agreed on the enlargement of the Schengen Area at their meeting on 8 November 2007.

The Schengen Zone now consists of fifteen countries, but only thirteen are currently member states of the EU. Of the "Old Fifteen", only Great Britain and Ireland have not joined. The count is enhanced by Norway and Iceland, who are not EU members. In addition to the **Czech Republic**, another eight countries joined the Schengen zone at the same time, specifically: **Slovakia, Estonia, Latvia, Lithuania, Hungary, Poland, Slovenia, and Malta**.

Until the new SIS 2 Information System is completed, the Schengen system will operate using the temporarily enhanced SIS 1 system, which has been named **SISone4all**. Of the ten states that joined the Union in 2004, only Cyprus decided to hold off on implementing the new information system.

At the stroke of midnight from Thursday to Friday, the borders fell between the Czech Republic and its European Union neighbours. Citizens of the Czech Republic can thus travel in any direction **without stopping at the border and showing their travel documents** to the border guards. Borders do continue to exist however – random controls can be performed at any time within the internal member states.

Travel documents will **continue to be checked at airports** upon entry to Schengen countries for a few months yet. This procedure will be discontinued as of 1 April 2008.

We view the removal of borders as being strongly symbolic of our "return to Europe". Joining the Schengen Zone will also have tangible economic results, as it will **awaken the development of some peripheral border areas** that are currently lagging by increasing the number of tourists from non-EU countries throughout the entire Czech Republic. We view the negative aspects, specifically a potential increase in crime resulting from looser border controls, to be less significant.

http://europa.eu/rapid/pressReleasesAction.do?reference=IP/07/1968

REGIONAL POLICY

European Commission Approves Additional Operational Programmes

Over the course of December, the European Commission **approved more of the operational programmes** submitted by the Czech Republic, which now has had the large majority of programmes approved.

Regional Operational Programmes

Seven regional operational programmes were approved at the start of December. The finances provided within the framework of individual regional operational programmes will go primarily towards the reconstruction, modernisation, and construction of Class II and III roads, the development

Over the course of December, the European Commission approved more of the Czech Operational Programmes, including the two largest: OP Transport and OP Environment. The most significant operational programme awaiting approval is the OP Research and Development for Innovation. Use of funding from the approved programmes might start relatively quickly. In a number of cases, individuals could submit applications for grants during 2007, thus the managing authorities already have a number of projects prepared.

of additional infrastructure, urban development and renewal, the travel industry, integrated regional development (support for enterprise, use of brown fields, etc.).

Operational Programme Enterprise and Innovation

Another operational programme that was accepted is OP Enterprise and Innovation. The resources obtained on the basis of this programme are designated for establishing and developing companies, increasing their innovation potential, using modern technologies and renewable energy sources, improving the existing infrastructure and business services, and developing the level of cooperation between enterprises and research institutions.

Operational Programme Transport

From the perspective of volume, the most significant operational programme focuses on improving the quality of existing infrastructures and the mutual interconnectivity of rail, road and river transport within the framework of the Tran-European Transport Networks (TEN-T) project. Specifically, this pertains to infrastructures that are of state-wide significance. In the case of road infrastructures this includes speedways, high-speed motorways, and Class I roads. The programme also provides support for expanding and modernising the Prague Metro.

Operational Programme Environment

The second half of December saw the approval of the second most generous programme, which is targeted at improving overall environmental quality and thus also the health of inhabitants. It contributes towards improving air, water and soil quality, deals with issues related to waste and industrial pollution, supports care of the landscape and the use of renewable energy sources, and helps establish an infrastructure for environmental awareness.

Integrated Operational Programme

At the close of December, one of the smallest operational programmes within the framework of the primary Convergence goal was also approved. The Integrated Operational Programme (IOP) should contribute towards the development of information technology within public administration, improving the infrastructure for social services, public health, employment services, and services related to security and risk prevention and resolution. It also focuses on providing support for the travel industry, cultural inheritance, improving the environment of housing projects, and expanding the systems in use for establishing territorial policies.

OP European Territorial Cooperation

The European Commission also gave its blessing to five operational programmes for cross-border cooperation within the framework of the European Territorial Cooperation project, which has the goal of improving and strengthening the cohesiveness of border regions through providing assistance for balanced economic, social, and ecological development within the border areas of neighbouring countries.

Overall a total of twenty out of twenty-four operational programmes have already been approved. The most significant one still awaiting consent is OP Science and Research for Innovation, which should get the green light from the Commission by March.

The use of funding from the approved OPs could start relatively quickly. In a number of cases, individuals could submit applications for grants during the year, thus the managing authorities already have a number of interesting projects prepared.

State of approval of Czech operational programmes

Operational programme	Date of approval	EU contribution in mil. €
OP Enterprise and innovation	3.12.2007	3 041
OP Research and Development for Innovation	not approved	2 071
OP Environment	18.12.2007	4 918
OP Transport	10.12.2007	5 774
Integrated Operational Programme	21.12.2007	1 553
7x Regional operational programmes	3.12.2007	4 659
OP Human Resources and Employment	16.10.2007	1 812
OP Education for Competitiveness	12.10.2007	1 812
OP Technical Assistance	not approved	4
OP Prague Competitiveness	not approved	235
OP Prague Adaptability	16.10.2007	108
OP Interregional Co-operation	not approved	n/a
OP Transnational Co-operation	3.12.2007	37
OP CR – Bavaria	20.12.2007	55
OP CR – Poland	11.12.2007	104
OP CR – Austria	20.12.2007	69
OP CR – Saxony	20.12.2007	67
OP CR – Slovakia	21.12.2007	57

Source: www.strukturalni-fondy.cz

The Slovak Prime Minister Robert Fico informed the European parliament members of the Economic Committee that his country will be fulfilling all of the Maastricht Convergence Criteria for implementing the Euro as of January. The highest representatives of the European Parliament, the EU Council and the European Commission solemnly announced the Charter of Basic Rights. Based on Eurostat statistics, more than half of European households have a connection to the Internet.

3 DECEMBER

More than half of households have broadband internet access: 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_12/4-03122007-EN-BP.PDF

Internet access by households, 2007 (%)

Netherlands	83	France	49
Sweden	79	Slovakia	46
Denmark	78	Spain	45
Luxembourg	75	Lithuania	44
Germany	71	Italy	43
Finland	69	Poland	41
UK	67	Portugal	40
Belgium	60	Cyprus	39
Austria	60	Hungary	38
Slovenia	58	**CR**	**35**
Ireland	57	Greece	25
EU-27	54	Romania	22
Estonia	53	Bulgaria	19
Latvia	51	Malta	n/a

Source: Eurostat

Parliament and Council agree on financing Galileo from EU budget: http://ec.europa.eu/budget/faq/faq_galileo_eit_en.htm

Culture, a means of contact between an integrated Europe and globalisation: http://www.cor.europa.eu/en/press/press_07_11151.html

4 DECEMBER

Slovakia will meet euro criteria - Prime Minister Robert Fico tells MEPs: http://www.europarl.europa.eu/news/expert/infopress_page/043-14224-337-12-49-907-20071203IPR14223-03-12-2007-2007-false/default_en.htm

2835th Transport, Telecommunications and Energy Council meeting: http://www.consilium.europa.eu/cms3_applications/applications/newsroom/loadDocument.ASP?cmsID=221&LANG=en&directory=en/trans/&fileName=97330.pdf

5 DECEMBER

2836th Economic and Financial Affairs Council meeting, Brussels: http://www.consilium.europa.eu/cms3_applications/applications/newsroom/loadDocument.ASP?cmsID=221&LANG=en&directory=en/ecofin/&fileName=97420.pdf

Court of Auditors' Report on the control, inspection and sanction systems of the Common Fisheries Policy: http://ec.europa.eu/fisheries/press_corner/press_releases/com07_92_en.htm

6 DECEMBER

2837th Employment, Social Policy, Health And Consumer Affairs Council meeting: http://www.consilium.europa.eu/cms3_applications/applications/newsroom/loadDocument.ASP?cmsID=221&LANG=en&directory=en/lsa/&fileName=97445.pdf

European Defence Agency: EDA welcomes Commission Communication on EU Defence Industry and Market: http://www.eda.europa.eu/newsitem.aspx?id=299

7 DECEMBER

2838th Justice and Home Affairs Council meeting: http://www.consilium.europa.eu/cms3_applications/applications/newsroom/loadDocument.ASP?cmsID=221&LANG=en&directory=en/jha/&fileName=97463.pdf

With fertility falling in Europe - what can be done?: http://www.europarl.europa.eu/news/public/story_page/047-13239-324-11-47-908-20071115STO13227-2007-20-11-2007/default_en.htm

Final text of the Treaty of Lisbon: http://www.consilium.europa.eu/igcpdf/en/07/cg00/cg00015.en07.pdf

Committee of the Regions: Stronger regional partnerships must be at heart of EU policy for SMEs: http://www.cor.europa.eu/en/press/press_07_11155.html

10 DECEMBER

Official opening and first round of negotiations on a comprehensive aviation agreement between Ukraine and the EU: http://ec.europa.eu/transport/air_portal/international/pillars/common_aviation_area/ukraine_en.htm

11 DECEMBER

2840th External Relations Council meeting: http://www.consilium.europa.eu/cms3_applications/applications/newsroom/loadDocument.ASP?cmsID=221&LANG=en&directory=en/gena/&fileName=97556.pdf

2839th General Affairs Council meeting: http://www.consilium.europa.eu/cms3_applications/applications/newsroom/loadDocument.ASP?cmsID=221&LANG=en&directory=en/gena/&fileName=97555.pdf

Diary

12 DECEMBER

Air quality vote: MEPs declare war on dangerous dust: http://www.europarl.europa.eu/news/public/story_page/064-11035-268-09-39-911-20060927STO11034-2006-25-09-2006/default_en.htm

2010 to be the European Year for Combating Poverty and Social Exclusion: http://ec.europa.eu/employment_social/emplweb/news/news_en.cfm?id=326

13 DECEMBER

Proclamation of the Charter of Fundamental Rights by the three European Institutions: http://www.europarl.europa.eu/news/expert/infopress_page/017-14846-344-12-50-902-20071211IPR14801-10-12-2007-2007-true/default_en.htm

Trade Commissioner Mandelson sets out EU trade agenda for 2008: http://ec.europa.eu/trade/issues/sectoral/competitiveness/pr121207_en.htm

Ambitious EU-Korea Free-Trade Agreement, a priority for 2008: http://ec.europa.eu/trade/issues/bilateral/countries/korea/pr131207_en.htm

14 DECEMBER

Air passenger transport up by 5% in 2006: 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_12/7-14122007-EN-BP.PDF

Commission agrees interim Economic Partnership Agreement with Ghana: http://ec.europa.eu/trade/issues/bilateral/regions/acp/pr131207_en.htm

17 DECEMBER

Eurojust connected to Schengen Information System: http://www.eurojust.europa.eu/press_releases/2007/14-12-2007.htm

Europol: Action against armed robberies: http://www.europol.europa.eu/index.asp?page=news&news=pr071214.htm

European Training Foundation: Analysis of employability in the Mediterranean region: http://www.etf.europa.eu/web.nsf/opennews/D119F4F7971A4041C12573AE005389AA_EN?OpenDocument

18 DECEMBER

CoR President Delebarre backs closer ties between EU and Turkey at regional level: http://www.cor.europa.eu/en/press/press_07_12164.html

The CoR and the EESC redefine their cooperation on a new basis: http://eesc.europa.eu/activities/press/cp/docs/2007/communique-presse-eesc-128-2007-en.doc

19 DECEMBER

Portuguese Presidency debated by MEPs: http://www.europarl.europa.eu/news/expert/infopress_page/008-15647-352-12-51-901-20071217IPR15646-18-12-2007-2007-true/default_en.htm

2841st Agriculture and Fisheries Council meeting: http://www.consilium.europa.eu/cms3_applications/applications/newsroom/loadDocument.ASP?cmsID=221&LANG=en&directory=en/agricult/&fileName=97761.pdf

The Lisbon Treaty in 10 Fact Sheets: http://www.robert-schuman.eu/tout-comprendre-sur-le-traite-de-lisbonne.php?r=1

20 DECEMBER

EU real agricultural income per worker up by 4.7%: 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_12/5-20122007-EN-AP.PDF

Bulgaria, Romania: EP approves simplified border controls:

http://www.europarl.europa.eu/news/expert/infopress_page/012-15682-351-12-51-902-20071217IPR15667-17-12-2007-2007-false/default_en.htm

Trade: Important step in EPA negotiations - EU cements market access for ACP countries: http://ec.europa.eu/trade/issues/bilateral/regions/acp/pr201207_en.htm

European Food Safety Authority: Annual report on animal infections transmissible to humans: http://www.efsa.europa.eu/EFSA/efsa_locale-1178620753812_1178671313012.htm

21 DECEMBER

2842nd Environment Council conclusions: http://www.consilium.europa.eu/cms3_applications/applications/newsroom/LoadDocument.asp?directory=en/envir/&filename=97858.pdf

As of January, the first of the new European member states from 2004 – Slovenia – has assumed the presidency of the EU. Amongst other things, the presidency includes the fact that the Slovenian ministers will preside over their colleagues at various EU Council meetings. Of those that took place in January, the ones that are worth mentioning include the meeting of the ministers of finance from the member states held within the framework of the EU Council for Economic and Financial Affairs.

Meeting of the key EU institutions

15.-16.1.2008	**Strasbourg, France**
- EP Plenary Session	
21.-22.1.2008	**Brussels, Belgium**
- Agriculture and Fisheries Council	
22.1.2008	**Brussels, Belgium**
- Economic and Financial Affairs Council (ECOFIN)	
24.-26.1.2008	**Brdo, Slovenia**
- Informal Meeting of Ministers for Justice and Home Affairs	
28.-29.1.2008	**Brussels, Belgium**
- General Affairs and External Relations Council (GAERC)	
29.1.-2.2.2008	**Brdo, Slovenia**
- Informal Meeting of Ministers for Employment, Social Policy and Gender Equality, and Ministerial Conference on Gender Equality	
15.-16.1.2008	**Strasbourg, France**
- EP Plenary Session	
21.-22.1.2008	**Brussels, Belgium**
- Agriculture and Fisheries Council	

Public consultation on EU legislation

Topic of the consultation	Organiser	Deadline
EU System for the Environmental Technology Verification	DG ENV	20.1.2008
State aid to railway undertakings	DG TREN	25.1.2008
Growing regions, growing Europe	DG REGIO	31.1.2008
Waste Electrical and Electronic Equipment	DG ENV	13.2.2008
A Code of Conduct for Interest Representatives	EC	15.2.2008
Solvency II - QIS4	DG MARK	15.2.2008
Green Paper "Towards a new culture for urban mobility"	DG TREN	15.3.2008

The main topic for January is a detailed analysis of the options available for obtaining support for research, development and innovation projects from the European Union's structural funds. The EU's main community programmes focused on this area are also mentioned. Every Czech scientist, researcher, or innovative entrepreneur, who is planning to implement a development project using assistance from European funds, should devote attention to this contribution.

RESEARCH, DEVELOPMENT, INNOVATION AND ITS SUPPORT FROM EU FUNDS AND POLICIES

In addition to the education factor, research, development and innovation, together with their flexible and peremptory integration within the economic process, represent the most important long-term source of economic development and prosperity for individual countries and their regions.

It is not by chance that research, development and innovation on one hand, and education on the other, combine together with a number of mutually interconnected circumstances for the purposes of international comparisons and the sources of their financing.

SPECIFICATIONS AND DEFINITIONS

Gross expenditures for research and development are a cumulative indicator of the financial investments made in the area of research and development, which is used for purposes of international comparison. In order to achieve a simple and accurate comparison, these expenditures are generally expressed in relation to Gross Domestic Product (GDP). This ratio is called the R&D Intensity and expresses the demands that research and development expenses place on GDP. The gross expenditures for research and development include the total expenses outlaid in this area for activities that take place on the territory of a specific state over a specific period of time. There is no differentiation made on the basis of the source of the financing (foreign vs. domestic; public vs. private; etc.) or the purposes (general or capital expense).

The development of this indicator over time within the framework of international comparison significantly influences the structural characteristics of individual national economies (e.g., a high number of supranational companies and the volume of their expenses for research and development, branch structure of the economy, etc.).

At the international comparison level, expenditures for education are monitored hand in hand with expenditures for research and development.

The volume of expenses outlaid for research and development together with the expenses outlaid for education are combined together in the Knowledge Intensity to GDP Indicator for individual national states and, to a certain degree, monitor and predict a state's long-term competitiveness. If we relate the development of the Knowledge Intensity to GDP Indicator of individual EU national economies with the development of their per capita GDP as a basic cumulative indicator of the level of their economic development and prosperity, we will see two groups of countries. Within the framework of the first group, favourable economic situations are a direct reflection of the fact that these countries outlay a significant amount of resources for research, development, and education (in some cases, a relative comparison of the volume of these expenses exceeds the actual level of economic development). The second group consists of countries wherein a certain level of economic prosperity is attained in spite of the fact that the relative volume of expenses for research, development, innovation, and education might appear to be insufficient.

INTERNATIONAL COMPARISON AND THE CZECH REPUBLIC'S POSITION

Even expressed at a more general level, the current comparison nevertheless quite clearly indicates that the whole range of the richest European and global economies report the highest values for Knowledge Intensity to GDP and, contrariwise, the relatively poorer countries (e.g., within the framework of OECD – the world's absolute poorest countries are not included in the comparison and the level of these types of expenses are extremely low) report lower values for this indicator. It is interesting to note that there are also varying ratios of expenses for research and development and those for education within individual countries.

Within the European context, the northern countries lead the ranks as far as knowledge intensity is concerned: Sweden – 11.4% of GDP, education – 7.6%, research and development – 3.8% (which is the highest value amongst all of the world's countries that were compared); Denmark – 11.2%, education 8.8% (which is the highest value amongst all of the world's countries that were compared), research and development – 2.4%; Iceland – 11.1%, education – 8.3%, research and development – 2.8%. Additional European countries that report high values are: Finland (10.1%), Switzerland (9.5%), France (8.5%), Slovenia (8.4%), Austria (8.3%), Belgium (8.2%), Germany (8.0%) and Great Britain (8.0%). The average of the EU-27 is 7.5%.

The value for the CR is 6.5%, whereby 5.0% is designated for education (which is comparable to Japan and Germany) and 1.5% is designated for research and development (which is comparable to Norway, Luxembourg, and Slovenia).

Within the framework of the EU, the majority of the new member states (with the exception of Slovenia) report lower

values than the Czech Republic and this is even the case when compared to a number of countries from the EU-15, wherein there is not an absolute correlation between the Knowledge Intensity to GDP Indicator and the level of economic development (the most marked examples are the two richest countries in the EU on the basis of per capita GDP, i.e., Luxembourg and Ireland, with values of 5.5% and 6.4% respectively).

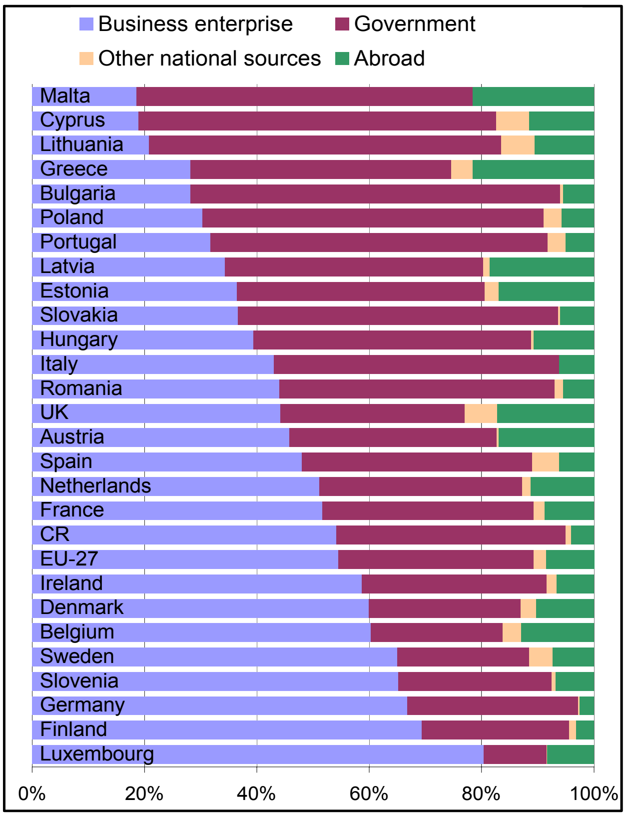
Spain 6.1%), Italy (6.2%), Portugal (6.2%), and Greece (5.0%) also all report values lower than the Czech Republic.

In relation to fulfilling the Lisbon strategic goals, activities linked primarily with research and development have the goal of attaining a level of 3% of GDP by 2010 for the Eu-27 and 2.1% for the Czech Republic.

As far as countries outside of Europe are concerned, the highest values are reported by Japan (8.1%) and the USA (10.2%). In the case of the United States, the expenses for research and development make up 2.7% of the total and for Japan, the value is 3.2%.

Interesting is also comparison of R&D funding according to the source (see chart below).

R&D funding according to the source



Source: Eurostat, figures for 2005

IMPORTANT FUNDING INSTRUMENTS FROM OPERATIONAL PROGRAMMES

The Knowledge Intensity to GDP of each individual state of the EU and its regions can be significantly supported by a number of instruments during this programming period, which is from 2007 to 2013.

From the perspective of EU structural funds and the strategic Operational Programme documents, which ensure a credible distribution of resources from these funds under specific conditions of member states and their regions, it is appropriate to examine these instruments through the individual Operational Programmes.

Of its twenty-four Operational Programmes, the Czech Republic has two that use the word “innovation” in their titles. For the purposes of our focus of interest, we will consider these two Operational Programmes as being of key significance not only from the perspective of the research, development and innovation activities they include, but also from the perspective of financial amounts that are available.

The preceding text describes an obvious and logical relationship between research, development and innovation activities and education activities. We will use this as the basis for the following text.

Finally, a number of Operational Programmes touch on topics related to research, development and innovation only marginally and, in a number of cases, from the perspective of users. In order to provide a complete overview, it is also appropriate to mention those areas of support provided through other OPs that pertain to research, development and innovation from various perspectives.

Primary Instruments

The primary instruments are represented in the **Operational Programme Research and Development for Innovation**, which is still waiting for final approval, and the **Operational Programme Enterprise and Innovation**, which has already been approved.

OP Research and Development for Innovation

The Operational Programme Research and Development for Innovation (OP RDI) falls within our topic on the basis of its entire structure. Let’s take a closer look at its contents and priorities and the proposed amounts that will be allocated.

Its first priority axis – Expansion of Research and Development Capacity – is divided into the following areas: renewal and establishment of research and development laboratories, new institutions, and excellence centres,

including the construction of new facilities and equipping them with modern technology. An amount of EUR 1142.5 million has been proposed for the purposes of this first priority axis, which corresponds to 46.9% of the total allocation for the OP RDI.

The second priority axis – Expansion of Capacity for Research and Development Cooperation between the Public and Private Sectors – is focused on renewing and establishing research and development laboratories and new institutions and equipping them with modern instruments and tools in relation to the future development of new technologies; establishing, reconstructing and expanding research and development capacities in the public sector, which will lead to the protection of intellectual property rights and their long-term use; and supporting activities that will ensure the selection and provision of selective information, including the associated consulting for the appropriate use of the information provided. An amount of EUR 648.1 million has been proposed for the purposes of this priority axis, which corresponds to 26.6% of the total allocation for the OP RDI.

The third priority axis is focused on Increasing University Capacity for Tertiary Education. Within its framework, the construction, reconstruction, and expansion of capacity usable for tertiary education will be supported. An amount of EUR 596.8 million has been proposed for the purposes of this first priority axis, which corresponds to 24.5% of the total allocation for the OP RDI.

Total budget of OP Research and Development for Innovation

Priority Axes of OP	mil. €
1. Development of R&D capacities	1 142.5
2. Development of capacities for cooperation of the public and private sectors in R&D	648.1
3. Strengthening capacities of universities for tertiary education	596.8
4. Technical assistance	48.7
Total	**2 435.9**

Operational Programme Enterprise and Innovation

The Operational Programme Enterprise and Innovation (OP EI) also has a number of priorities that fit in with our topic. The philosophy behind this Operational Programmes differs from the preceding OP primarily in that whereas within the framework of the OP RDI the main subject and initiators of project activities are entities that are active in research, development and innovation, in the case of the OP EI, this position is held by a business entity that is striving towards cooperation and participation in the field of research, development, and innovation.

The second priority axis of the Operational Programme Enterprise and Innovation – Development of Companies is one that fits in with our topic. Namely the area of support focused on developing information and communications technologies is a pertinent example. This entire priority axis has been allocated an amount of EUR 780 million (21.8% of the total amount for OP PI). Only a small amount will however be used for applications that are compatible with research, development and innovation.

In comparison, the entire fourth priority axis of OP PI is titled Innovation and is focused on the protection of industrial ownership; increased technical and utility value of products, technology and services; the implementation of new methods for organising company processes and cooperation between companies and public institutions; and the creation and expansion of development centres focused on research, development and innovation of products and technologies. An amount of EUR 800.2 million, which is 22.4% of the total resources available through the OP PI, is available for the purposes of this priority axis. For the purposes of development of innovations, this amount is thus available in its entirety.

This also applies to the fifth priority axis – Environment for Enterprise and Innovation. Within the framework of this axis, support will be provided for creating and expanding territorially concentrated sector or branch groups of entrepreneurial entities, scientific research, educational and other supportive institutions; assisting Czech research institutions and companies with their participation in international technological platforms; and establishing and expanding entrepreneurial incubators and entrepreneurial innovation centres (BIC, PIC, etc.) that operate an incubator. Support will also be provided for the infrastructure in place for educating and developing human resources for entrepreneurial entities; preparing an entrepreneurial zone, reclaiming brown fields for entrepreneurial zones, etc. A total of EUR 1,374.0 million, i.e., 38.4% of the total amount located to OP PI, has been designated for these purposes.

These two Operational Programmes also represent the primary and decisive programming document and financial allocation – a menu of sorts – for the implementation of projects supporting research, development and innovation using resources from EU structural funds during the 2007-2013 programme period. It is apparently also appropriate to mention the priority axis Technical Assistance, which is included in each of the Operational Programmes, as a supportive financial resource, which should contribute

towards ensuring that the programmes function properly from the procedural standpoint.

Total budget of OP Enterprise and Innovation

Priority Axes of OP	mil. €
1. Establishment of firms	93.0
2. Development of firms	780.0
3. Effective energy	143.1
4. Innovation	800.2
5. Environment for enterprise and innovation	1 374.0
6. Business development services	282.3
7. Technical assistance	105.4
Total	**3 578.0**

Auxiliary Instruments

Of the remaining Operational Programmes, we will mention two that are auxiliary, i.e., more indirectly related, to the topic of research, development and innovation, specifically **Operational Programme Education for Competitiveness** and **Operational Programme Human Resources and Employment**. Both have already been approved.

Operational Programme Education for Competitiveness

In the case of the Operational Programme Education for Competitiveness (OP EC), its second priority axis – Tertiary Education, Research and Development – falls explicitly within our topic. Within the framework of this axis, some of the pertinent areas of support include the proposal and implementation of systems supporting business activities along with entrepreneurial access and innovative resolutions within tertiary educational institutions and research and development; implementing innovations to the administrative systems in place at tertiary education institutions and research and development institutions; establishing innovative educational programmes; providing additional education for research and development employees; supporting the mobility of employees between research and development facilities and the business sector; and supporting cooperation between tertiary education institutions and the private and public sectors for creating and implementing study programmes. This priority axis has an available amount of EUR 626 million, which is 34.3% of the total financial allocation for OP EC.

As not all education is of an innovative nature, it is possible to find only certain connections to our topic in the case of the third priority axis – Additional Education, where the pertinent areas of support include the creation of integrated systems for additional education, educational modules, etc. A total of EUR 289.9 million (15.8% of the resources for OP EC) will be distributed within the framework of this axis.

Another possible connection can also be found in the case of the fourth priority axis – System Framework for Lifelong Learning, which has been allocated an amount of EUR 227.1 million (12.4% of the total amount for the OP EC).

OP Human Resources and Employment

In the case of Operational Programme Human Resources and Employment (OP HRE), our attention will be focused on very selective sections of two of the OP's priority axes, which have areas other than innovation, research and development as their dominant emphasis.

The first is within the first priority axis of OP HRE – Adaptability, within the framework of which assistance will be provided for such things as additional professional development offered by employers; new educational programmes for employees; and training for company lecturers and instructors. A total amount of EUR 525.4 million (28.6% of total resources for OP HRE) is available to the entire priority axis, however only a smaller portion is designated to primarily innovative projects.

This is applicable to an even higher degree in the case of the second priority axis – Active Policies of the Employment Market, where a significantly smaller portion of the total allocated amount of EUR 605.8 million (33.0% of OP HRE resources) will be distributed amongst projects focused on innovation.

Marginal, Secondary Instruments

As far as the remaining Operational Programmes are concerned, they present topics within which research, development and innovation are only marginal and supportive areas within the framework of programmes focused on entirely different areas.

For example, a certain connection with the topic of innovation can be found within the framework of Operational Programme Environment (OP E) within its seventh priority axis – Development of Infrastructure for Environmental Education, Consulting and Awareness. A total of EUR 40 million (0.9% of the total volume of the OP E) can be used for projects of an innovative nature.

In the case of Operational Programme Transport (OP T) a certain connection exists within its sixth priority axis – Support for Multimodal Cargo Transport and Development of Intrastate Transport, for which a total of EUR 120 million has been released (2.1% of OP T resources).

Certain connections can also be found in the case of the Integrated Operational Programme (IOP). Its first priority axis – Modernisation of Public Administration – includes pertinent areas of support for such things as the construction of data networks for public administration requirements; the electronic automation of public administration (e.g., e-justice, e-communications [tax and customs administration], e-culture, e-learning, e-health, e-transport, etc.); digitalisation of selected data resources; and the creation of broadband wireless access technologies. An amount of EUR 334.5 million is available within the framework of this priority axis, which is 21.1% of the total budget.

The second IOP priority axis – Implementation of ICT for Territorial Public Administration also includes some obviously pertinent areas of support in relation to our main topic. These include technological solutions that allow the use of e-government within the territorial public administration environment; the digitalisation of selected data resources and securing access to them for all authorised entities; contact points for public administration – Czech Point; and broadband wireless access technologies. An amount of EUR 170.8 million is available within the framework of this priority axis, which is 10.8% of the total budget.

The IOP third priority axis – Improving the Quality and Accessibility of Public Services (with a total allocation of EUR 545.1 million, or 34.5% of total IOP resources) as well as its fourth priority axis – National Support for the Tourism Industry (with a total allocation of EUR 65.2 million, or 4.1% of total IOP resources) can also be connected with the implementation of innovation projects. In the first case, pertinent support areas include the modernisation of operational centres for an integrated rescue system in the regions; modernisation of the radio communications system; the construction of modernised police centres; etc. The second case includes such things as a national information and reservation system.

An almost negligible amount of room for implementing innovation projects is incorporated within the framework of the seven Regional Operational Programmes (ROPs). By applying a significant amount of fantasy, minute intimations can be found in the case of the ROP Moravia-Silesia (priority axis 2 for the Support of Regional Prosperity: implementation of ICT, multimedia equipment, inclusion of e-learning in teaching, and development of information services). The application of ICT within the tourism industry can be seen for example in limited areas of support within the ROP Southwest and ROP Southeast.

Certain innovation elements, ranging from marginal to negligible, can be noticed within the framework of all the OPs on European Territorial Cooperation. The total allocation for these elements is very low (a total of EUR 390 mil.).

A comparable amount has been designated within the framework of the Competitiveness goal within the two OPs for Prague, wherein fairly reasonable space has been provided for innovation. This applies primarily in the case of OP Prague Competitiveness. Its second priority axis – Innovation and Enterprise (with a total allocation of EUR 53.6 million – 22.8% of the total amount for this OP) is dominantly focused on the area that is the subject of our main topic: relevant areas of support are specified within such actions as the development of an infrastructure for innovation; establishing partnership ties between research institutions, universities and enterprises; expanding the innovative capabilities of existing enterprises; supporting the creation of technologically focused companies; providing support for small and medium-sized operations in the area of ICT development; and stimulating cooperation between companies, municipal administration, entrepreneurial associations, the non-profit sector, research facilities and other institutions. The first priority axis of this same OP – Accessibility – opens up space for supporting e-services.

In the case of the second Prague-specific OP – OP Adaptability – a connection to innovation can be traced within the framework of its first priority axis – Development of a Knowledge-Based Economy (EUR 41.4 million – 38.2% of total OP volume). The pertinent areas of support include assistance for creating human resource capacity within the field of research and development.

RELEVANT INSTRUMENTS AND SUPPORTING POLICIES OF THE EC

Of existing European Commission instruments, it is impossible to avoid mentioning the Seventh Framework Programme for Research and Technological Development, which, within the new programming period, has smoothly linked to its predecessor – the Sixth Framework Programme.

The new Framework Programme for Competitiveness and Innovation: 2007-2013 was created specifically to meet the needs of small and medium-sized enterprises that participate in innovative activities.

Both programmes supplement other primary European Union policies that support lifelong education and which are implemented primarily through the following Community programmes:

- Comenius,
- Erasmus,
- Leonardo da Vinci, and
- Gruntvig.

Other activities include the updated CORDIS policy, the updated EU framework innovation policy, the PRO INNO EUROPE initiative, the IRE network initiative, and the EUROPE INNOVA initiative.

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	IX-07	X-07	XI-07	IX-07	X-07	XI-07
Belgium	3.0	1.7	2.8	3.8	3.0	3.3	7.2	7.3	7.2	1.4	2.2	2.9
Bulgaria	6.6	6.2	6.1	-6.6	-12.0	-15.8	6.5	6.1	5.8	11.0	10.6	11.4
CR	4.5	6.4	6.4	-5.5	-2.3	-3.1	5.1	5.0	4.8	2.8	4.0	5.1
Denmark	2.1	3.1	3.5	3.1	3.6	2.4	3.8	3.3	3.2	1.2	1.8	2.5
Germany	1.1	0.8	2.9	4.5	4.7	5.2	8.2	8.1	7.9	2.7	2.7	3.3
Estonia	8.3	10.2	11.2	-12.4	-10.1	-15.7	4.8	5.0	5.2	7.5	8.7	9.3
Ireland	4.3	5.9	5.7	-0.3	-3.5	-4.2	4.5	4.2	4.3	2.9	3.0	3.5
Greece	4.6	3.4	4.3	-9.3	-9.0	-11.1	8.2	n/a	n/a	2.9	3.0	3.9
Spain	3.3	3.6	3.9	-5.9	-7.5	-8.8	8.2	8.2	8.2	2.7	3.6	4.1
France	2.5	1.7	2.0	-0.6	-1.7	-2.2	8.1	8.0	7.9	1.6	2.1	2.6
Italy	1.2	0.1	1.9	-0.5	-1.2	-2.0	6.0	n/a	n/a	1.7	2.3	2.6
Cyprus	4.2	3.9	3.8	-5.0	-5.6	-5.9	3.8	3.8	3.8	2.3	2.7	3.2
Latvia	8.7	10.6	11.9	-12.9	-12.6	-21.1	5.7	5.5	5.4	11.5	13.2	13.7
Lithuania	7.3	7.9	7.7	-7.5	-7.2	-10.5	4.0	4.0	4.0	7.1	7.6	7.9
Luxembourg	4.9	5.0	6.1	11.6	10.9	10.3	4.8	4.9	4.9	2.5	3.6	4.0
Hungary	4.8	4.1	3.9	-8.4	-6.8	-6.5	7.2	7.3	7.3	6.4	6.9	7.2
Malta	0.1	3.1	3.2	-6.0	-8.8	-6.7	6.3	6.2	6.1	0.9	1.6	2.9
Netherlands	2.2	1.5	3.0	8.6	7.1	7.6	3.1	3.0	2.9	1.3	1.6	1.8
Austria	2.3	2.0	3.3	2.4	3.0	3.5	4.3	4.3	4.3	2.1	2.9	3.2
Poland	5.3	3.6	6.1	-4.4	-1.7	-1.8	8.9	8.7	8.5	2.7	3.1	3.7
Portugal	1.5	0.5	1.3	-7.8	-9.6	-9.9	8.0	8.2	8.2	2.0	2.5	2.8
Romania	8.5	4.1	7.7	-5.0	-8.7	-10.3	6.5	7.3	7.2	6.1	6.9	6.8
Slovenia	4.4	4.1	5.7	-2.6	-2.0	-2.8	4.5	4.4	4.3	3.6	5.1	5.7
Slovakia	5.4	6.0	8.3	-2.5	-7.9	-7.7	11.3	11.3	11.0	1.7	2.4	2.3
Finland	3.7	2.9	5.0	7.7	4.9	4.7	6.8	6.8	6.7	1.7	1.8	2.1
Sweden	4.1	2.9	4.2	6.5	5.8	6.9	5.9	5.9	6.0	1.6	1.9	2.4
UK	3.3	1.8	2.8	-1.6	-2.5	-3.2	5.2	n/a	n/a	1.8	2.1	n/a
EU	2.5	1.8	3.0	0.4	-0.3	-0.7	7.0	6.9	6.9	2.3	2.7	3.1

	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	2004	2005	2006
Belgium	0.0	-2.3	0.4	94.2	92.2	88.2	124.5	124.4	123.3	105.7	105.1	105.2
Bulgaria	2.3	2.0	3.2	37.9	29.2	22.8	33.6	35.2	37.1	41.7	42.4	44.1
CR	-3.0	-3.5	-2.9	30.4	30.2	30.1	76.1	77.0	79.3	54.9	58.1	60.7
Denmark	1.9	4.6	4.6	44.0	36.3	30.3	124.5	126.3	126.7	139.6	140.1	139.4
Germany	-3.8	-3.4	-1.6	65.6	67.8	67.5	116.1	114.6	113.7	104.7	103.8	103.3
Estonia	1.8	1.9	3.6	5.1	4.4	4.0	57.0	62.8	67.9	62.8	64.3	67.0
Ireland	1.3	1.2	2.9	29.5	27.4	25.1	142.4	144.0	142.9	125.6	124.9	125.4
Greece	-7.3	-5.1	-2.5	98.6	98.0	95.3	93.4	95.4	96.9	87.3	88.3	89.2
Spain	-0.3	1.0	1.8	46.2	43.0	39.7	100.9	102.5	102.4	90.9	92.0	93.2
France	-3.6	-2.9	-2.5	64.9	66.7	64.2	112.1	114.2	112.8	110.5	107.6	107.1
Italy	-3.5	-4.2	-4.4	103.8	106.2	106.8	107.6	105.4	103.7	105.2	104.4	104.4
Cyprus	-4.1	-2.4	-1.2	70.2	69.1	65.2	91.6	93.8	93.4	90.6	89.1	89.5
Latvia	-1.0	-0.4	-0.3	14.5	12.5	10.6	45.5	50.2	55.8	55.5	56.3	58.8
Lithuania	-1.5	-0.5	-0.6	19.4	18.6	18.2	51.1	53.8	57.7	53.1	54.6	56.4
Luxembourg	-1.2	-0.1	0.7	6.4	6.2	6.6	252.7	263.0	278.7	105.1	104.6	105.1
Hungary	-6.5	-7.8	-9.2	59.4	61.6	65.6	63.9	64.8	65.3	61.6	63.2	60.0
Malta	-4.9	-3.1	-2.5	72.7	70.8	64.7	75.9	75.9	75.5	72.8	72.8	73.5
Netherlands	-1.7	-0.3	0.6	52.4	52.3	47.9	130.3	131.9	132.2	106.0	104.6	104.2
Austria	-1.2	-1.6	-1.4	63.8	63.4	61.7	128.8	128.6	128.8	103.1	101.9	101.3
Poland	-5.7	-4.3	-3.8	45.7	47.1	47.6	50.8	51.0	52.9	53.2	61.7	62.9
Portugal	-3.4	-6.1	-3.9	58.3	63.7	64.8	75.2	75.4	74.5	86.7	85.0	85.5
Romania	-1.5	-1.4	-1.9	18.8	15.8	12.4	33.6	34.4	37.6	44.3	55.5	58.5
Slovenia	-2.3	-1.5	-1.2	27.6	27.4	27.1	85.0	86.6	88.8	75.4	75.6	75.8
Slovakia	-2.4	-2.8	-3.7	41.4	34.2	30.4	57.0	60.4	63.6	54.9	55.8	58.2
Finland	2.3	2.7	3.8	44.1	41.4	39.2	115.9	114.4	116.4	123.8	123.5	122.5
Sweden	0.8	2.4	2.5	52.4	52.2	47.0	123.2	122.0	123.2	121.8	118.5	117.9
UK	-3.4	-3.3	-2.7	40.4	42.1	43.2	121.9	119.6	119.1	107.9	109.2	110.2
EU	-2.8	-2.4	-1.6	62.1	62.7	61.4	100.0	100.0	100.0	100.0	100.0	100.0

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