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Dear readers,

Since we are at the beginning of the summer holiday period and in the middle of the year, we should shortly recap and review what the European integration process has brought us over the recent months. I should point out right away that the “agenda” of the first six months of this year was unusually abundant with events.

A fresh event in our memory, which still enjoys heavy media interest and which tops, the recent events, is the Irish referendum on the Lisbon Treaty. A few weeks have passed since the Irish voters rejected the proposed fundamental EU document, and we can again hear about various concepts of a dual- or multiple-speed Union. On one hand, this would make it possible for each of the Member States to concentrate on those aspects of integration and harmonization that they consider crucial; on the other hand, as there are 27 Member States which could significantly fragment the Union and reduce its ability to act. In particular when looking at challenges such as the climate and energy package or the further process of enlargement, with new EU Member States added, this fragmentation of powers is not encouraging.

The beginning of summer, or early July, has also brought a change of the traditionally rotating Presidency of the EU Council, with Slovenia rendering its position to France. This fact would not be of particular interest if the French Presidency was not the actual start of one of our fairly important premieres – namely the upcoming Czech Presidency, which will begin right after the French one.

The early summer was also marked by a definitive endorsement of Slovakia as the sixteenth member of the Eurozone at the summit of the European Council, following which the final SKK/EUR conversion factor would be determined at the upcoming session of the ECOFIN Council. At its summit, the European Council also discussed a long list of current EU priorities, namely the economy, energy, environment and foreign policy.

During the summer holidays, Česká spořitelna’s EU Office wishes you enough time to ponder over these crucial issues of the European future and, if relevant , pleasant travels across Europe.

Petr Zahradník

Apart from Germany, France is one of the main drivers of the European integration process. Therefore, its Presidency over the EU institutions and bodies is anxiously awaited. Unfortunately, a large part of the ambitious agenda President Sarkozy's team will be overshadowed by negotiations on the future of the Lisbon Treaty. The European Commission has called upon the Czech Republic to put an end to the high taxation of foreign pension funds.

POLITICS

France Begins to Preside Over EU Bodies

In early July, France took baton from Slovenia in terms of the EU Presidency. However, over the next six months France will not be able to concentrate on the priorities it resolved, it will have to **handle the situation that has arisen following the negative outcome of the Irish referendum** on the Lisbon Treaty on June 12.

The presiding country's main tasks include preparing the agenda for and coordinating meetings at the Council, as well as, representing the Council in discussions with other EU bodies and institutions. The presiding Member State thus actually **becomes the face and voice of the Union**.

Jean Pierre Jouyet, French Minister for European Affairs, presented the priorities of the French Presidency on 20 May. They include the following:

- Finalise the climate and energy package;
- Better control the inflow of immigrants into the EU;
- European Security and Defense Policy;
- Reform the Common Agricultural Policy.

France has taken over the Presidency in a difficult period when the world is facing a **financial and energy crisis** due to the rising oil prices. The EU will also soon have to find an answer to the **food crisis** resulting from the continuously rising prices of basic foodstuffs in the world. Nonetheless, the biggest question mark is nowadays connected with the rejected Lisbon Treaty.

During his country's Presidency, French President Nicolas Sarkozy wanted to go down in history as the statesman who resolved or initiated the resolution of main European and global issues. However, a great portion of his time and energy might be consumed by negotiations on the vague future of the Lisbon Treaty. It is almost certain that the Treaty will not come into force by the end of this year, and Sarkozy will neither be the politician who **will have the decisive word in selecting the "European President"** (permanent President of the European Council) as he seems to have expected.

http://www.ue2008.fr

TAXATION AND CUSTOMS UNION

Czech Republic Subjecting Foreign Pension Funds to Tax Discrimination

The European Commission has sent reasoned opinions (the second step of the infringement procedure of Article 226 of the EC Treaty) to the Czech Republic and Italy about their rules under which **dividends paid to foreign pension funds are taxed more** heavily than dividends paid to domestic pension funds. The two Member States are asked to reply within two months.

The Czech Republic levies a withholding tax of 15 % on dividends paid both to domestic and foreign pension funds. However, domestic pension funds **do not effectively pay tax on these dividends**: they can either credit the withholding tax against corporation tax payable on other income (dividend income is not part of their corporate tax base), or they get a refund of the withholding tax. Pension funds established in other Member States or in the EEA/EFTA States cannot get a refund of the 15% withholding tax on the dividends paid to them.

The result is that Czech pension funds are effectively **exempt from taxation on Czech dividends**, whereas pension funds from elsewhere in the EU or in the EEA/EFTA States pay tax at a rate of 15%.

The reasoned opinion sent to the Czech Republic also covers **discriminatory taxation of interest** paid to pension funds established in other Member States and real estate income received by them. Czech pension funds are not subject to a withholding tax on the interest they receive, nor is interest included in their tax base. Interest paid to pension funds established elsewhere in the EU or in the EEA/EFTA States is subject to a withholding tax of 15%. In addition, Czech funds pay 5% tax on income from real estate, whereas foreign funds pay 21%.

Differences in the taxation approach applied to domestic and foreign pension funds from EU Member States are a clear example of **disrupted competition in the Internal Market** and a restriction to the free movement of capital. Therefore, the action taken by the European Commission is justifiable. If the Czech Republic fails to eliminate its discriminatory approach, the case might end even before the European Court of Justice.

http://europa.eu/rapid/pressReleasesAction.do?reference=IP/08/1022

FINANCIAL SERVICES

MEPs Presented Their Vision of Financial Services Regulation

Members of the European Parliament have adopted two reports reacting to the European Commission's Green Paper on retail financial services in the single market. They expressed their support of the aim of the document, which is to deliver a **greater choice and lower prices for**

consumers, enhance their confidence and empower them in their position.

The Parliament calls for an approach of "**targeted full harmonization**" in developing cross-border trade, while applying mutual recognition to the remaining national legislation.

MEPs consider a "**28th regimen**" of EU regulation, such as a common reference framework, to be one of the possible approaches to EU regulation. It would allow cross-border users access to EU-wide financial products with the same level of protection. The Parliament calls for Member States to adopt measures to improve the financial literacy of their populations.

The second report adopted by the European Parliament on a sector analysis in retail banking points out that the main obstacle to cross-boarder service delivery is a **fragmented regulatory framework**.

Another barrier is the **insufficient mobility of consumers**. Therefore, the Parliament recommends that only justified fees be charged to clients for closing their bank accounts. Moreover, banks should provide consumers with summary information about all applicable charges.

The Parliament is convinced that it is necessary to define a clearer methodology and **rules for inter-bank charges**, for credit cards and mechanisms used to calculate inter-bank charges for ATM withdrawals.

Both reports adopted are not of a legislative nature; therefore, no statutory obligation arises from them for financial market players. They rather **reflect the MEPs' stream of thought in this area** and indicate in which direction the European Parliament's legislative powers could develop in the future.

http://www.europarl.europa.eu/news/expert/infopress_page/042-30827-156-06-23-907-20080604IPR30758-04-06-2008-2008-false/default_en.htm

Commission to Intervene Against Rating Agencies

Charlie McCreevy, European Commissioner for Internal Market, stated that his office would **introduce binding regulatory rules for rating agencies** to improve their trustworthiness following the US mortgage crisis and to attract more players in this sector. The credit rating market is presently completely dominated by Standard & Poor's, Moody's and Fitch.

It is expected that the foreseen European regulation will force rating agencies to significantly modify their corporate governance so that they **avoid conflicts of interest** in the future. It is the rating agencies themselves who are viewed as one of those to blame for the US mortgage crisis – sophisticated investment derivatives having as underlying assets poor-quality and risky mortgage bonds often attracted the highest possible ratings. Conflicts of interest also played their role, as rating agencies are paid by issuers of the securities, the risk level of which they assess.

The future proposal will be based on establishing sufficiently strong and **robust firewalls in rating agencies** between those who are responsible for driving earnings forward and those who actually analyse and rate securities and firms. These two roles have up to now been fairly intertwined.

McCreevy considers insufficient and ineffective the various plans presented by the rating agencies themselves or by professional organisations to adopt **codes of ethics**.

The Commissioner expressed his hope that the new measures would encourage **new players to enter the credit rating market**, who would perhaps work on a different business model than the incumbents.

The US mortgage crisis has reached giant proportions also due to a **failure of the rating agencies' control and assessment functions**. Therefore, a regulatory action is a logical instrument used to prevent a similar situation in the future. Nonetheless, it would be highly practical to coordinate the European Commission's actions with regulators in the USA, Japan and other financial centres.

http://europa.eu/rapid/pressReleasesAction.do?reference=SPEECH/08/334

ENTERPRISE

EU Presented Its Small Business Act

Most jobs in the EU are provided for by small and medium sized enterprises (SMEs), companies of 250 employees or less. They have a crucial importance for the future development, but very often face **enormous bureaucratic hurdles** and obstacles. The European Commission has therefore unveiled the Small Business Act for Europe (SBA) to foster this vital sector of the European economy.

The definition of small and medium-sized enterprises

Category	Headcount	Turnover	OR	Balance sheet
Medium	< 250	< 250 mil. €		≤ 43 mil. €
Small	< 50	< 50 mil. €		≤ 10 mil. €
Micro	< 10	< 10 mil. €		≤ 2 mil. €

Source: EC's Recommendation 2003/361/EC:

Although the document is referred to as an act, it has been issued in the form of a **legally non-binding**

After several years, Member States' ministers have agreed to revise the Directive on Working Time. The standard working week of 48 hours may be, upon request, extended up to maximum 60, and in some cases to 65 working hours. The approval of energy liberalisation is likely to be a difficult obstacle to overcome as MEPs insist on implementing solely the ownership unbundling option, while ministers of Member States also opted for keeping the status quo supplemented with the functions of independent network operators.

communication and consists of various parts. It is based on ten guiding principles, such as giving a second chance to bankrupt enterprises, simplifying the business environment, making access to finance easier, and allowing SMEs to take advantage of environmental issues at hand.

These principles have been complemented by binding legislation in the following four areas:

1. A new **General Block Exemption Regulation** on state aid will simplify procedures and reduce costs. It will increase aid intensity for SMEs and make it easier for them to benefit from aid for training, research and development, environment and other types of aid.

2. A new **statute for a European Private Company** will allow a "Société privée européenne (SPE) to be created and operate according to the same uniform principles in all Member States. It has been designed to address the current onerous obligations on SMEs operating across borders that need to set up subsidiaries in different legal forms in every Member State.

3. A **new proposal on VAT** will offer Member States the option to apply for reduced VAT rates for locally supplied services, including labour intensive services, which are mainly provided by small and medium enterprises.

4. An **amendment to the directive on late payments** is foreseen in 2009 to help ensure that SMEs are paid within the 30-day time limit stipulated.

http://europa.eu/rapid/pressReleasesAction.do?reference=IP/08/1003

EMPLOYMENT AND SOCIAL AFFAIRS

Ministers Have Agreed on Working Time

The Member States' ministers of labour have reached a compromise that **sets forth a maximum working time** and improves the rights of temporary agency workers.

According to the political agreement, the standard working time **should on average not exceed 48 working hours per week**. However, individual workers may themselves ask for an exception (opt-out) to work up to 60 working hours per week. If inactive on-call time is counted as working time, the maximum working week may be extended up to 65 hours.

As a certain guarantee that **employers will not pressure their employees** to opt out and sign a document to express their consent with overtime work, a measure has been implemented, according to which employees may not sign a similar document during the first month of their employment and the employer may not penalise them for not signing the opt-out document.

During their negotiations, the ministers also reached an **agreement that empowers temporary agency workers**. These workers will have equal rights (in terms of leave, sick leave, etc.) as regular workers working in the firm. Due to a great lobbying by the United Kingdom, however, temporary agency workers will only be entitled to equal rights after 12 weeks of employment. The European Commission originally proposed a period of six weeks.

This proposed directive is being adopted under the co-decision procedure. Therefore, **it will have to go through a heavy battle in the European Parliament**, which is supposed to vote on the directive in the second half of this year. Chances are that MEPs will try to push through a version that, on the grounds of greater "employee protection", regulate the working time even more and limit the exceptions from the 48-hour working week.

http://europa.eu/rapid/pressReleasesAction.do?reference=IP/08/912

ENERGY AND TRANSPORT

The European Parliament Insists on Splitting Energy Firms

Members of the European Parliament have challenged an agreement recently reached between the Commission and the Member States, according to which electricity producers could still, under very strict conditions, own both generation assets and transmission networks. The Parliament **advocates full ownership unbundling** as the only option for liberalising the electricity market.

Last year in September, the European Commission presented its proposal for a **"third way" in liberalising the electricity and gas markets**. The core idea behind was the full separation of electricity and gas generation and transmission (ownership unbundling). Apart from that, the

Commission admitted an alternative option, under which energy firms could still own both generation assets and transmission networks, yet the transmission system would be managed and operated by an **independent system operator (ISO)**. However, France, Germany and six other Member States opposed these original proposals, and their pressure had stimulated the European Commission together with the Slovenian Presidency come up a compromise proposal in May. According to this proposal, an "**independent transmission operator**" **(ITO)** will be responsible for managing the transmission business; this entity will be strictly separated from its parent company and be responsible for the regular operation and maintenance of the transmission network as well as for any capital project decisions.

At the June meeting of the Member States' ministers in the EU Council, an agreement was reached after a hot discussion that Member States would be able to **choose which of the three options mentioned above** (full unbundling, ISO, ITO) would best meet their needs.

However, MEPs pushed this laboriously prepared compromise away from the table, with a majority of them insisting that **the only option for energy market liberalisation is a pure unbundling**.

The energy legislation package is being adopted in the co-decision procedure. It will only enter into force if **both the EU Council and the European Parliament approve it**. The opposing standpoints of the Council and the Parliament mean that the approval process is likely to take a very long time, and it might happen that the final agreement will be postponed for ever. The MEPs' and Member States' ministers' wish for a common agreement to be reached still in this election term (i.e. in principle before March 2009) is likely not to be fulfilled.

The **MEPs' position on the gas market liberalisation remains unclear**. In contrast to electricity, the European Parliament has not yet discussed it in plenum; however, the Parliament's Industry Committee in May indicated that in the gas sector it would support some exceptions to full ownership unbundling.

http://www.europarl.europa.eu/news/expert/infopress_page/051-31782-168-06-25-909-20080616IPR31781-16-06-2008-2008-false/default_en.htm

The Commission Launches Single European Sky II

The European Commission has presented its proposal of a legislation package, according to which Member States should from 2012 begin to **cooperate in air traffic management** and contribute to a greater integration of the European air space.

Despite the regulations from 2004, which aimed to create a "Single European Sky", the air space over Europe is **still divided into 27 air segments**, which are managed under each Member State's powers. Such a degree of fragmentation often makes airlines avoid direct routes and take longer round routes. As a result, the average flight in Europe is 49 km longer than needed, which raises the costs incurred by airlines to nearly double the costs of US airlines, where the air space is unified, said the new Commissioner for Transport Antonio Tajani. Moreover, airlines often have to wait long for permission to land at the busiest European airports.

The new package of legislation should eliminate these inefficiencies and introduce binding performance targets for air navigation service providers. It also proposes the year 2012 as a deadline by when Member States have to begin to cooperate with one another by means of several "Functional Airspace Blocks". As proposed, the European air traffic management should gradually be taken over from the Member States by the **European Organization for Air Navigation Safety** (Eurocontrol).

It will be difficult to implement this proposal in practice. Member States have in the past indicated that they **do not want to give up control over their airspaces** and terminate the operation of their national air traffic control centres.

The airline industry is also going to face another major change. MEPs and the Slovenian Presidency have agreed that, with effect from 2012, **airlines will be subject to trading with CO2 emissions**. At first, they would get permissions for 97% of their average emissions for 2004 to 2006, and this percentage should then decline to 95% for the period of 2013-2020. The airlines will get 85% of the permission for free, they will have to buy the remaining 15% in auctions.

http://europa.eu/rapid/pressReleasesAction.do?reference=IP/08/1002

AGRICULTURE

Farm Ministers Backed Ban on Toxic Pesticides

EU agriculture ministers have agreed on a **ban on the marketing and use** of substances proven to be carcinogenic, mutagenic and toxic for reproduction amid claims from manufacturers that the new rules will drive up food prices even further.

The June summit between the EU and the United States did not bring any major results. The liberalisation process in Cuba, initiated after Raul Castro took over power, has been reflected in the decision of foreign ministers of the EU Member States to lift political sanctions against Havana. German Chancellor Angela Merkel and French President Nicolas Sarkozy have agreed on a controversial proposal to reduce CO2 emissions from cars, a step that will make the future adoption of this proposal across the EU easier.

After several failed attempts of the Parliament and the Council to find an agreement on the Commission's overhaul of the bloc's pesticides legislation, EU agriculture ministers reached a political agreement on a **compromise text put forward by the Slovenian Presidency** at their June session.

The compromise text was strongly backed in particular by the **French, Italian and Czech delegations**, while the **UK** was the strongest opponent, supported by **Ireland, Romania and Hungary**.

The political agreement reached by the agriculture ministers paves the way for legislation that will "totally prohibit the marketing and use of substances proven to be carcinogenic, mutagenic and toxic for reproduction". However, "in exceptional cases", if available products are not effective enough to protect plants, other hazardous substances may be used "under strictly regulated conditions" **for a maximum period of five years**.

Following the political agreement, ministers should **adopt a common position** on the text in autumn 2008, so that it can be transmitted to the Parliament for its second reading. Only when MEPs have approved of the proposal, the directive banning toxic pesticides will come into force.

http://www.eu2008.si/en/News_and_Documents/Press_Releases/June/0623AGRIFISH_fitofarmacevtska_sredstva.html

ENLARGEMENT

EU's Talks with the Balkans Continue

In mid June, the European Union **opened two new chapters in its pre-accession negotiations** with Croatia and Turkey. This happened one day after the EU foreign ministers signed a crucial pre-accession agreement with Bosnia.

Together with the two newly opened chapters – **on free movement of labour and on social policy and employment** – Croatia has currently 20 negotiation chapters opened out of 35 in total. The negotiations with Croatia began in October 2005.

After the conference, Croatian foreign minister Gordan Jandroković and Slovenian foreign minister Dimitrij Rupel expressed their hope that **all chapters could be closed by the end of this year**.

In the case of Turkey, the minister further emphasised that the country's integration in the European Union depends "primarily on the country itself". Rupel appreciated the recent progress, including the **review of the controversial Article 301 of the Turkish Criminal Code**, which makes any criticism of the Turkish identity illegal. Nonetheless, he also stated that everything also to a great extent depends on how the changes will be implemented.

Both meetings took place one day after another important day in terms of the Union's enlargement. On Monday, June 16, the EU Member States' foreign ministers **signed a long postponed Stabilisation and Association Agreement** (SAA) with Bosnia. The signing of this agreement is considered the first real step toward the country's future accession to the EU. The ministers have further clearly indicated that all countries of the Western Balkans have a prospect of becoming members of the EU.

Although politicians did not want to admit any impacts of the rejection of the Lisbon Treaty in the Irish referendum on the future EU enlargement pace, we feel that in the upcoming years the European Union will still have 27 Member States. By 2015, we expect only Croatia will have become a new EU member, whose **accession we expect to take place in 2012-13**.

http://www.eu2008.si/en/News_and_Documents/Press_Releases/June/0617GAERC_Hrvaska.html

http://www.eu2008.si/en/News_and_Documents/Press_Releases/June/0617GAERCturkey.html

EXTERNAL RELATIONS

EU-USA Summit without Significant Results

As expected, the EU-USA summit, held on June 9-10 in Brdo, Slovenia, **did not bring any major new development** and just pointed to the importance of both parties' mutual cooperation on the international scale.

Nonetheless, President George W. Bush surprised the press conference attendants with his answer to a question originally intended for Slovenian Prime Minister Janez Janša. The question concerned the likelihood that a global agreement on climate change would be reached in the "upcoming years". "I do not want to prevent Prime Minister from answering, but I think that **we may reach an agreement on global climate change** still during my term as President," he stated.

The European Union has strived to convince Washington to agree in a binding manner to reduce its carbon dioxide emissions for many years. Although the **United States are one of the biggest greenhouse gas emitters**, they have long not approved of this initiative and, moreover, refused to sign the Kyoto Protocol.

Both parties have also called for greater progress in the **WTO Doha Round**. However, the EU and the USA still disagree on who should concede more in the area of tariffs and subsidies on agricultural produce; instead, both superpowers pass on the responsibility to emerging markets, such as Brazil, India and China, requesting that

these countries open their markets before the superpowers do it themselves.

The common declaration from the summit also contains the United States' commitment to "expand its **Visa Waive Programme to all EU Member States** as soon as possible".

The United States and the EU have agreed on a stricter approach toward Iran and on adopting additional measures should Iran refuse to terminate its nuclear programme.

http://www.eu2008.si/en/News_and_Documents/Press_Releases/June/0610EU_USA_Declaration.html

Union Lifts Political Sanctions against Cuba

European foreign ministers have decided **to lift the political sanctions imposed on Cuba** following "encouraging signs" seen since the rise to power in February of Fidel Castro's brother, Raul.

The EU decided to **impose sanctions against the Cuban regime in spring 2003**, under pressure from Spain's former Prime Minister and leader of the Popular Party José Maria Aznar. The move was a reaction to the arrest by Cuban authorities of 75 dissidents linked to the most important and peaceful civil society movement in recent Cuban history, the "Proyecto Varela".

EU foreign ministers decided to **suspend the sanctions in 2005** after the release of some of the arrested dissidents. The electoral victory in Spain of the Socialist Party led by José Louis Rodríguez Zapatero played a decisive role in the modification of the EU's common position on Cuba.

Despite opposition from the Czech Republic, Germany, the UK and several other Northern European countries, the Council of EU Foreign Ministers **decided to scrap the sanctions**.

The **liberalisation process carried out by Raul Castro** in recent months is behind the decision taken by the EU. Those in favour of relaxing the sanctions argue that Cubans are now free to buy CDs or mobile phones and to go to beaches previously reserved for foreign tourists.

The Member States' foreign ministers at the same time called upon the Cuban authorities to **release all political prisoners**, whose number is estimated at 200, and to invite the opposition to discussions on the island's future.

http://www.eu2008.si/en/News_and_Documents/Press_Releases/June/0620MZZ_Cuba.html

ENVIRONMENT

Merkel and Sarkozy Agreed on Car Emissions

At the France-Germany bilateral summit, German Chancellor Angela Merkel and French President Nicolas Sarkozy managed to reach an agreement over the European Commission's proposal to **reduce carbon dioxide emissions from new cars**.

In their joint declaration, both of them expressed support for the Commission's plan to reduce the average emissions of CO2 from new passenger cars in the EU from around 160 grams per kilometre to an **average of 120 g/km by 2012**.

Although the details are yet to be resolved, Merkel and Sarkozy stated that they had agreed the targets for specific vehicles would depend on the vehicle weight, which is consistent with the European Commission's proposal. Heavier cars (sports utility vehicles or luxury cars, which are mostly manufactured in Germany) that pollute the air more could thus emit more CO2 provided that their **manufacturers balance them by a corresponding number of lighter cars** that emit less CO2.

Merkel and Sarkozy further called for a **greater flexibility in imposing penalties** on those manufacturers who will fail to meet the requirements set forth by the European directive. According to the politicians, the penalties should reflect "minor deviations of manufacturers from the targets defined".

They also added that car manufacturers should have a manoeuvring space if they decide to introduce a cleaner technology. "The directive should make it possible to give car manufacturers a credit up to a certain level (from six to eight grams) for the average of the models they make. The credit value would depend on the extent of **use of these green technologies**".

The agreement of course **has no legal binding force**; nonetheless, it is an important signal that the entire European Union might in the near future find a common agreement on regulating CO2 emissions from cars. It was Germany and France that acted as leaders of two groups

A proposal for harmonising rules on deporting illegal immigrants from the EU countries has successfully passed the first reading in the European Parliament. The handling of illegal immigrants should thus comply with common minimum standards. After the roaming price regulation initiated last year, Commissioner for Information Society Viviane Reding is about to delve into capping the prices of cross-border short messages, cross-border data services and voice call termination charges among mobile operators.

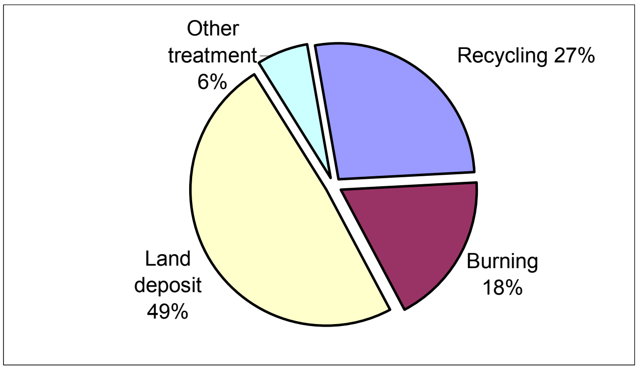
of Member States that had completely opposing views of the issue.

http://ec.europa.eu/environment/air/transport/co2/co2_home.htm

The European Parliament Adopted a Directive on Waste

The European Parliament sanctioned a new framework directive on waste, which replaces the obsolete legislation adopted in 1975. The European institutions have become active in this area primarily due to the **sharp growth of waste generation** over the past years at a rate higher than the GDP growth, and in view of inefficient methods of waste disposal. Only less than a third of the European waste is recycled, with the rest ending up in landfills and incineration plants.

Waste disposal in the EU



Source: European Parliament, figures for 2005

The new directive, the wording of which has been crafted by the EU Council and the European Parliament, sets targets for waste re-use that **are to be attained by 2020**. According to the newly adopted legislation, Member States should take necessary measures to ensure that by the aforementioned deadline at least 50% (in terms of weight) municipal and similar waste streams (glass, paper etc.) are re-used and recycled. For construction and demolition waste this target should be 70%.

The new directive will oblige Member States to **establish waste management plans** and waste prevention programmes with waste prevention objectives 5 years after entry into force of the directive.

The legislative compromise also sets forth a **five-stage hierarchy of waste handling methods**, designed to prevent and reduce waste production. The hierarchy lays down an order of preference for waste operations: prevention, re-use, recycling, other recovery operations and, as a last resort, safe and environmentally sound disposal. This hierarchy is binding upon Member States and they should treat it as a priority order.

The Czech Republic also managed to have its interests reflected in the final wording of the directive. Our negotiators successfully advocated a **restriction on waste transportation to those Member States** where the costs of incineration are lower than in the country of origin. The European Commission's proposal originally foresaw a liberalisation in this respect.

http://www.europarl.europa.eu/news/expert/infopress_page/064-31746-168-06-25-911-20080616IPR31745-16-06-2008-2008-true/default_en.htm

Stricter Control of Water Pollutants

After reaching a second-reading agreement with the Council, MEPs adopted a directive that is the latest major legislative element of the **Framework Directive on Water**.

The new directive lays down environmental quality standards for 33 pollutants (**pesticides, heavy metals** etc.) that are likely to be found in rivers, lakes and coastal waters.

According to the adopted legislative compromise, Member States will have to make progress towards compliance with the objectives set by the **water quality standards by 2018**. These standards take the form of maximum allowable concentrations and annual average values. Thirteen of these 33 pollutants, such as heavy metals or mercury, are already identified as "priority hazardous substances", must be completely eliminated within 20 years.

MEPs further ask the Commission to make a proposal as to classify 13 extra substances (including **dioxins**, **PCBs** etc.) as "priority substances or priority hazardous substances".

The Commission will propose environmental quality **standards (EQS) for the new priority substances** by 2013. Adoption of these EQS is scheduled in 2015 matching the deadline of the second river basin management plans Member states will have to submit.

Member States will have to establish an inventory, **including maps, if available, of emissions**, discharges and losses of all priority substances and pollutants for each river basin district or part of a river basin district lying within their territory including their concentrations in sediment and biota (living organisms). These inventories will be part of the river basin management plans that Member States are obligated to submit in 2009 and then update in 2015.

The directive is likely to be adopted in 2008 and will **enter into force in 2010 at the earliest**.

http://www.europarl.europa.eu/news/expert/infopress_page/064-31748-168-06-25-911-20080616IPR31747-16-06-2008-2008-false/default_en.htm

JUSTICE AND HOME AFFAIRS

European Parliament Harmonises Immigration Rules

The compromise reached between European Parliament negotiators and the Council of the EU on the **directive on the return of illegal immigrants** was approved at first reading by the full Parliament.. This legislation, which is a step towards a European immigration policy, will encourage the voluntary return of illegal immigrants but otherwise lay down minimum standards for their treatment, such as the maximum period of custody and re-entry bans.

The handling of illegal immigrants should thus meet certain **minimum common standards**. Member States will be banned from applying harsher rules to illegal immigrants but allowed to keep or adopt more generous rules. In any case, this EU legislation applies only after a decision has been taken by the national authorities to deport an illegal immigrant: each Member State retains the power to decide in the first place whether it wishes to regularize or deport the immigrant.

Under the newly adopted legislative text, where a decision is taken to deport an individual, a **two-step approach follows**. First, the deportation decision is immediately followed by a „voluntary departure period“. If the immigrant does not depart from the EU within the set period of time, a removal order will be issued.

The directive stipulates that the **voluntary departure period shall be limited to between seven and thirty days**, and specifies a maximum period of custody of six months. However, in certain cases it can be extended by additional 12 months. The new legislation also introduces a maximum five-year re-entry ban if the person is deported after the voluntary return period has expired. Nonetheless, this ban can be longer if the person represents a serious threat to public safety.

The directive also states that children and families must not be subject to coercive measures and can only be held in custody as a last resort.

Once the directive is adopted and published in the Official Bulletin, Member States **will have 24 months to bring it into effect**. First of all, foreign ministers have to approve the agreement officially at a Council meeting in July.

http://www.europarl.europa.eu/news/expert/infopress_page/018-31787-168-06-25-902-20080616IPR31785-16-06-2008-2008-true/default_en.htm

INFORMATION SOCIETY

Commission Favours Lower Mobile Voice Call Termination Rates

In late June the European Commission announced its plan to **reduce voice call termination rates in the EU**, i.e. wholesale tariffs charged by the operator of a customer receiving a phone call to the operator of the caller's network.

Every voice call connected between clients of two different operators in the European Union nowadays costs EUR 0.09/min (CZK 0.22) on average. A similar charge is also paid by operators for mobile voice call termination in a fixed line network. However, calls made to fixed line networks are on average far cheaper. Although consumers do not pay the voice call termination rates directly, they **indirectly affect their actual mobile phone bill anyway**.

For example, analogous voice call termination rates exist in the United States as well but operators **charge their clients a call reception fee**.

EU Commissioner for Information Society, Viviane Reding, therefore requests that the voice call termination rates **be reduced by 70% over three years**. Mobile phone tariffs should converge toward the rates charged by fixed line network operators.

The proposal currently has the form of a legally non-binding recommendation. A public consultation on this proposal, published by the European Commission, **will be open until September 3, 2008**; then the Commission will decide what to do next with the proposal.

After introducing a roaming charge regulation, initiated last year in July, the European Commission also intends to **regulate the prices of sent cross-border short messages or cross-border data services** of mobile operators.

We feel that a strong tool of direct price regulation, whether of wholesale or end-user prices, **should only be used in justified cases where market mechanisms clearly fail**. However, this is not the case in the European Union's mobile telecommunications market. We fear that the price regulation may negatively affect the European telecom industry's competitiveness in the medium or long run.

http://europa.eu/rapid/pressReleasesAction.do?reference=IP/08/1016

Other activities that were not mentioned in the News column include a proposal of a directive on controlling road infrastructure safety, which has been passed by the European Parliament. In accordance with the subsidiarity principle, a decision has been made that Member States themselves should select the most suitable method how to increase road traffic safety. Statistical data published by the European Union show that 3% of EU households have neither a fixed telephone line nor a mobile phone.

2 JUNE

FIFA 6+5 rule - Commission shows red card:
http://ec.europa.eu/employment_social/news/2008/may/fifa_en.pdf

3 JUNE

Tibet, Burma and the Olympic Games dominate talks between MEPs and Chinese parliamentarians:
http://www.europarl.europa.eu/news/expert/infopress_page/030-30643-154-06-23-903-20080603IPR30642-02-06-2008-2008-false/default_en.htm

EESC assesses advantages of the Euro:
http://eesc.europa.eu/activities/press/cp/docs/2008/communique-presse-eesc-051-2008-en.doc

4 JUNE

2872nd Economic and Financial Affairs Council meeting:
http://www.consilium.europa.eu/cms3_applications/applications/newsroom/loadDocument.ASP?cmsID=221&LANG=en&directory=en/ecofin/&fileName=100885.pdf

MEPs to vote on help for young farmers:
http://www.europarl.europa.eu/news/public/story_page/032-30511-156-06-23-904-20080530STO30464-2008-04-06-2008/default_en.htm

Trade: The EU's renewed Market Access Strategy, one year on: http://ec.europa.eu/trade/issues/sectoral/mk_access/pr040608_en.htm

5 JUNE

Commission proposes a simpler approach to technical measures: http://ec.europa.eu/fisheries/press_corner/press_releases/2008/com08_43_en.htm

Lisbon Treaty at the heart of reports on CFSP and ESDP:
http://www.europarl.europa.eu/news/expert/infopress_page/030-30972-156-06-23-903-20080605IPR30971-04-06-2008-2008-true/default_en.htm

6 JUNE

2874th Environment Council meeting:
http://www.consilium.europa.eu/cms3_applications/applications/newsroom/loadDocument.ASP?cmsID=221&LANG=en&directory=en/envir/&fileName=100984.pdf

2873rd Justice and Home Affairs Council:
http://www.consilium.europa.eu/cms3_applications/applications/newsroom/loadDocument.ASP?cmsID=221&LANG=en&directory=en/jha/&fileName=100983.pdf

9 JUNE

2875th 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=101008.pdf

Lisbon Strategy must focus more on young people's employability and social inclusion:
http://www.cor.europa.eu/pages/PressTemplate.aspx?view=detail&id=787dd8f2-a608-4759-a8eb-23734928bdbc

OECD countries commit to open climate for Sovereign Wealth Funds: http://ec.europa.eu/trade/issues/sectoral/investment/pr060608_en.htm

10 JUNE

2876th 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=101031.pdf

Eurostat Press Release: An EU27 surplus in trade in goods with the USA of more than 80 bn euro in 2007:
http://epp.eurostat.ec.europa.eu/pls/portal/docs/PAGE/PGP_PRD_CAT_PREREL/PGE_CAT_PREREL_YEAR_2008/PGE_CAT_PREREL_YEAR_2008_MONTH_06/6-09062008-EN-AP.PDF

Internalisation of transport external costs:
http://ec.europa.eu/transport/costs/handbook/index_en.htm

Study catalogues impact of manmade climate change:
http://ec.europa.eu/research/infocentre/article_en.cfm?id=/research/headlines/news/article_08_06_09_en.html&item=Infocentre&artid=7373

11 JUNE

Stem cells self renew:
http://ec.europa.eu/research/infocentre/article_en.cfm?id=/research/headlines/news/article_08_06_11_en.html&item=Infocentre&artid=7375

12 JUNE

EU allocates €1.4 million for child protection programmes in Serbia: http://www.ear.europa.eu/news/news.htm

Stability, Growth Pact and Fiscal Policy - Latest Commission recommendations and action:
http://ec.europa.eu/economy_finance/thematic_articles/article12722_en.htm

13 JUNE

Commission joins the celebrations of the World Day Against Child Labour:
http://ec.europa.eu/employment_social/emplweb/news/news_en.cfm?id=414

16 JUNE

2877th 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=101093.pdf

17 JUNE

Less waste and cleaner water in Europe by 2020?: http://www.europarl.europa.eu/news/public/story_page/064-31732-168-06-25-911-20080616STO31731-2008-16-06-2008/default_en.htm

Contract notice: advice and consultancy services in accounting and financial IT systems: http://ec.europa.eu/budget/other_main/call_tenders_en.htm

18 JUNE

Eco-management also applies to Parliament: http://www.europarl.europa.eu/sides/getDoc.do?pubRef=-//EP//TEXT+IM-PRESS+20060124STO04628+0+DOC+XML+V0//EN

19 JUNE

Fifth interim report on economic and social cohesion: http://ec.europa.eu/regional_policy/sources/docoffic/official/reports/interim5_en.htm

20 JUNE

MEPs adopt legislation on higher safety standards for road infrastructure: http://www.europarl.europa.eu/news/expert/infopress_page/062-32290-168-06-25-910-20080619IPR32289-16-06-2008-2008-true/default_en.htm

23 JUNE

Consolidated versions of the annexes of the Directive 2005/36/EC: http://ec.europa.eu/internal_market/whatsnew_en.htm

Gap between domestic and cross-border e-commerce grows wider, says EU report: http://europa.eu/rapid/pressReleasesAction.do?reference=IP/08/980&format=HTML&aged=0&language=EN&guiLanguage=en

24 JUNE

European-wide network of people smugglers dismantled: http://www.eurojust.europa.eu/press_releases/2008/23-06-2008.htm

Agriculture and Fisheries Council meeting: http://www.consilium.europa.eu/ueDocs/cms_Data/docs/pressData/en/agricult/101422.pdf

25 JUNE

European Union Agency for Fundamental Rights: http://www.eumc.europa.eu/eumc/index.php?fuseaction=content.dsp_cat_content&catid=9

Europe to make researchers' lives easier: launch of a user-friendly web portal for Researchers: http://ec.europa.eu/research/index.cfm?pg=newsalert&lg=en&year=2008&na=na-240608

Quarterly report on the euro area - June 2008: First Annual Report: http://ec.europa.eu/economy_finance/thematic_articles/article12806_en.htm

26 JUNE

EU in the World: Enlargement: Commission opens up new prospects for transport links with the Western Balkans: http://europa.eu/rapid/pressReleasesAction.do?reference=IP/08/997&format=HTML&aged=0&language=EN&guiLanguage=en

27 JUNE

Information Society: Need help? Call a 116 number: http://ec.europa.eu/information_society/newsroom/cf/itemdetail.cfm?item_id=3921

Rural development programme for the period 2007-2013 agreed: http://europa.eu/rapid/pressReleasesAction.do?reference=IP/08/1010&format=HTML&aged=0&language=EN&guiLanguage=en

30 JUNE

Internet phone calls getting popular in European homes: http://europa.eu/rapid/pressReleasesAction.do?reference=IP/08/1049

The share of households with no fixed line and mobile phone

Romania	20%	UK	2%
Bulgaria	10%	Germany	2%
Portugal	9%	Austria	2%
Lithuania	9%	Malta	1%
Hungary	8%	Greece	1%
Slovakia	7%	Finland	1%
Poland	5%	Slovenia	1%
Latvia	5%	Ireland	1%
Belgium	4%	France	1%
Spain	4%	Luxembourg	0%
CR	4%	Netherlands	0%
EU-27	3%	Sweden	0%
Italy	3%	Denmark	0%
Estonia	3%	Cyprus	0%

Source: European Commission

The main even in June that will overshadow the upcoming months which has attracted the attention of all those interested in European affairs, was the Irish rejection of the Lisbon Treaty in a national referendum, and the ensuing consequences. For this reason, it is not surprising that we dealt with this topic in a greater detail in our analysis. Although it is a serious snub to the European integration process, when looking in the past we can establish that it is not such a unique occurrence.

THE IRISH REJECT THE LISBON TREATY IN THEIR REFERENDUM

On Friday, June 13, the results of the Irish referendum on the Lisbon Treaty that aims to reform the EU's institutional structure were announced. 53% of the Irish voters participated, of which **53.4% said NO to the Treaty** (862,415 people); on the other hand, 46.6% of the Irish (752,451 voters) said YES. Ireland was the only EU Member State where the decision on the Lisbon Treaty was made by the citizens directly. Other Member States opted for ratifying the Treaty by their parliaments.

What were the Irish motives?

The Eurobarometer public opinion survey shows that most of the respondents who voted "yes" did so out of their belief that adopting the Treaty was in Ireland's interest, and that Ireland profits from its membership in the EU, with its economy being boosted as a result. The opponents of the Treaty had a much wider range of reasons for their decision. A quarter of them **did not support the Treaty due to a lack of information**, and twelve percent wanted to protect the Irish identity. Those in favour the Lisbon Treaty were mainly retired seniors, managers and professionals from various fields. Unemployed and women were mostly among those who voted against.

Most respondents voting both in favour for and against the Treaty stated the **campaign of the Treaty opponents was convincing**. Although some of their arguments, e.g. that once the Lisbon Treaty has been adopted, the EU would be able to force the Irish to pass liberal abortion legislation or to raise their attractive low corporate tax rate, are not true.

What next with ratification?

Although Ireland is the only Member State that rejected the Treaty of Lisbon, the "no" poses a difficult obstacle. The **Treaty cannot come into force** even if just a single contracting party disapproves it. Not even the June summit of the European Union brought a clear agreement on how to proceed with the ratification process. Top representatives of Member States agreed that they would wait with resolving the issue of the Lisbon Treaty's fate until the October summit of the EU. Ireland should by then propose options how the situation could be resolved.

The ratification process **in the remaining seven Member States will continue**; the Czech Republic is waiting for the Constitutional Court's decision on whether the Treaty is in line with the country's constitution.

If the Irish remain isolated with their NO to the Treaty, **the national referendum might be repeated** in the first half of 2009. Nonetheless, the Treaty would be amended with a protocol or declaration that would explicitly guarantee Ireland neutrality, autonomy in direct taxes and inviolability of religious values.

The Treaty would most likely be **definitively buried if another Member State would reject it**. This could happen with Poland, whose President Lech Kaczynski stated that he is not going to sign the Treaty for the time being. Both houses of the Polish parliament had already approved the Treaty in April.

In such a case, the **dangerous vision of a two-tier Europe** would probably be revived. Apart from the core of pro-European countries that wish to reach an agreement and continue their integration, there would be a group of Member States on the periphery of European affairs. As a result, the political and economic position of the entire EU would weaken.

The chance that the Treaty would be re-opened and once again thoroughly discussed or that negotiations would begin on a new analogous document is **rather a less likely alternative**. Nobody wants to go that way after the laboriously achieved compromise.

The EU Will Go On Even Without The Lisbon Treaty But …

Even if the Lisbon Treaty does not eventually come into force, the European integration process would not collapse since it has a **sufficient legal basis in the form of the Nice Treaty**. Although the rules from that document, which are designed for 15 Member States, are rather ineffective and obsolete with the number of Member States nearly doubled, the EU can live and operate with them.

However, the existing legislative structure of the EU **does not allow for any further enlargement**. Croatia, knocking on the Union's door, is not likely to become another Member State if the Lisbon Treaty is not ratified, not to mention any of the other Balkan countries or Turkey.

The Lisbon Treaty rejection is a **major complication to the European integration process**, which the French will have to deal with during their six month EU Presidency. The issue will also affect the Czechs, who will take over the EU Presidency in January 2009. The motto of our Presidency, "Europe Without Barriers", is thus likely to remain on paper only. Instead of opening the doors to competition and further market liberalisation, the main agenda items of our negotiators will be issues connected with the Lisbon Treaty and the form of the integration process as such.

July is the last month before the regular August break taken by key European institutions. As a result, there is a high frequency of various formal and informal meetings of Member States' ministers. The Ecofin meeting will be key for our eastern neighbours, which should definitely confirm the replacement of the Slovak crown by the Euro, the single European currency. The financial markets will eagerly await the conversion rate value, an unknown variable that the ministers of finance are to define at the meeting.

Meeting of the key EU institutions

3.-5.7.2008 **Paris, France**
- Informal meeting of the ministers for the environment

7.-8.7.2008 **Cannes, France**
- Informal meeting of ministers of justice and home affairs

7.-10.7.2008 **Strasbourg, France**
- EP Plenary

8.7.2008 **Brussels, Belgium**
- Economic and Financial Affairs Council

10.-11.7.2008 **Chantilly, France**
- Informal meeting of ministers of Employment, Social Policy, Health and Consumer Affairs

15.7.2008 **Brussels, Belgium**
- Agriculture and Fisheries Council

17.7.2008 **Brussels, Belgium**
- Economic and Financial Affairs Council

22.-23.7.2008 **Brussels, Belgium**
- General Affairs and External Relations Council

24.-25.7.2008 **Brussels, Belgium**
- Justice and Home Affairs Council

Public consultation on EU legislation

Topic of the consultation	Organiser	Deadline
Establishing the Committee of European Securities Regulators	DG MARKT	18.7.2008
The revision of the CO2 /cars "labelling" Directive 1999/94/EC	DG ENV	28.7.2008
PSI - Raw Material for New Information Services and Products	DG INFSO	31.7.2008
The Regulation on the protection of animals during transport	DG AGRI	7.8.2008
Deforestation and its impact on climate change and biodiversity	DG ENV	22.8.2008

In the last June issue of our EU News Monthly, the Topic column offered a brief overview of the key development trends in the EU labour market. In this loose follow-up, we will in a greater detail examine differences among the EU Member States in meeting the Lisbon and Stockholm targets.

EMPLOYMENT TRENDS IN THE EU FROM THE VIEWPOINT OF THE LISBON AND STOCKHOLM TARGETS

OVERALL PROGRESS IN RELATION TO THE LISBON AND STOCKHOLM TARGETS

In the first half of this decade, the EU continued its positive progress toward the Lisbon and Stockholm employment targets. Nonetheless, except for the employment of seniors, the progress in some criteria has been rather modest.

Having admitted a limited progress toward attaining these targets, in 2005 the European Council decided to re-focus on the content of the Lisbon strategy and concentrate on key factors influencing economic growth and employment. As part of this approach, in July 2005 the EU Council adopted a new set of employment policy principles for 2005 – 2008, which reflected the new focus on job creation. At the same time, it formed a part of a package of "integrated principles", adopted also in 2005, which defined an integrated strategy in macroeconomic and microeconomic policy and employment policy, which should help Europe turn around its insufficient growth performance and inadequate job creation. The employment principles continue to reflect the EU's overall goal in attaining a full employment, labour quality and productivity, social and territorial cohesion, and defend access to work in terms of lifecycle and dealing with the challenges faced by all age groups. The employment principles are thus divided into three broad areas on which the actions taken should focus:

- Attract and win more people to the status of the employed, increase the labour force supply and modernise the social security system;
- Improve the adaptability of workers and firms;
- Invest more in human capital by means of better education and qualification.

It is estimated that in the second half of this decade (2005 – 2010), employment of the productive age population would need to grow by some 21 million people so that the overall target for 2010 can be attained. This corresponds to an equivalent employment growth rate of more than 2% a year. This data should be viewed in the context of increasing employment among the productive age population, which reached 8 million people in the first half of the decade, as well as in the light of the fact that the employment growth in 2006 – 2007 led to the creation of some 3.6 million new jobs.

Analogously, attaining the employment rate targets for women and senior citizens should raise the employment by some 6.5 million people in each of these sub-groups although medium-term trends in employment rate growth for these sub-groups show that the chance of attaining or at least getting significantly close to the relevant targets in 2010 is fairly encouraging. Since 2000, the employment rate for women has on average increased by more than 3 percentage points per year, and for seniors this growth rate was around 6 percentage points – regardless of the fact that this period was mostly marked by generally low economic growth.

Nonetheless, the ongoing growth in the economic activity of women and seniors will be crucial in reaching the employment growth needed to attain the target, together with improving job opportunities for low-qualified workers. In light of this, it is imperative to remove the remaining obstacles to women's employment, that structural reforms continue to focus on winning senior citizens for the labour process for a longer period of time, and to raise the general qualification level, in particular that of the less qualified. Effort is also required to improve the integration of the youth in the labour market in line with the European Youth Pact, as adopted by the European Council in March 2005.

Lisbon and Stockholm employment rate targets and the re-launch of the Lisbon Strategy

The 2000 Lisbon summit of the European Council set a strategic goal for the 2000 – 2010 decade in that the EU should "become the most competitive and dynamic knowledge-based economy in the world capable of sustainable economic growth with more and better jobs and greater social cohesion". It specifically defines that the overall employment and economic policy goal should bring the employment rate to a level as close as possible to 70% in 2010, and raise the employment rate for women to more than 60% in the same year. Last but not least, the sustainability of social protection systems should further be strengthened. Apart from the Lisbon target set for 2010, the European Council's summit in Stockholm in 2001 set forth a new target in terms of raising the average EU employment rate for seniors (aged 55 – 64) to 50% by 2010.

EMPLOYMENT RATE DEVELOPMENT IN MEMBER STATES

Significant disparities still remain in employment rates among the EU Member States. In the first half of this decade, the rates ranged between 53% in Poland and 76% in Denmark.

In line with the overall improvement of employment rates on the EU level, employment rates rose in most Member States compared to the decade beginning – primarily in Estonia, Ireland, Latvia, Lithuania, Luxembourg and Poland, where the employment level rose by more than 1 percentage point a year, and in particular in Spain where the growth was over 2 percentage points a year. The only Member States where the employment level showed a significant decline were Cyprus and Portugal.

Employment rates in EU member states

	Total	of women	of old people
Belgium	61.1	53.8	31.8
CR	64.8	56.3	44.5
Denmark	75.9	71.9	59.5
Germany	65.4	59.6	45.4
Estonia	64.4	62.1	56.1
Greece	60.1	46.1	41.6
Spain	63.3	51.2	43.1
France	63.1	57.6	37.9
Ireland	67.6	58.3	51.6
Italy	57.6	45.3	31.4
Cyprus	68.5	58.4	50.6
Latvia	63.3	59.3	49.5
Lithuania	62.6	59.4	49.2
Luxembourg	63.6	53.7	31.7
Hungary	56.9	51.0	33.0
Malta	53.9	33.7	30.8
Netherlands	73.2	66.4	46.1
Austria	68.6	62.0	31.8
Poland	52.8	46.8	27.2
Portugal	67.5	61.7	50.5
Slovenia	66.0	61.3	30.7
Slovakia	57.7	50.9	30.3
Finland	68.4	66.5	52.7
Sweden	72.5	70.4	69.4
UK	71.7	65.9	56.9
EU-15	65.2	57.4	44.1
EU-25	63.8	56.3	42.5
2010 goal	**70%**	**more than 60%**	**50%**

Source: European Commission, Eurostat

Among big countries, such as France, Italy and the UK, the employment levels basically remained unchanged, while Germany recorded a growth rate of 0.4 percentage points.

Except for Estonia, Finland and Sweden, the employment rate for women in the EU Member States remained considerably lower than for men. Regardless of the continuously diminishing disparity between the employment of men and women on the EU level, significant gender differences of more than 20 percentage points still remained in Cyprus, Greece, Italy and Spain, whereby in Malta this gap was even 40 percentage points, reflecting the fact that only one of three women in the productive age in that country is employed.

Significant disparities prevail within the EU in the employment rates of various gender and age groups of the economically active population. The employment level among the youth (aged 15 – 24) was at 36.8% for the EU overall, ranging from some 25% and lower in Greece, Hungary, Lithuania, Luxembourg and Poland to more than 65% in the Netherlands. Similar differences exist in the employment rates for seniors (aged 55 – 64), ranging from 27% in Poland to nearly 70% in Sweden. Nevertheless, if the employment rates for seniors have significantly increased over the recent years in nearly the entire EU; in contrast, the employment rates for the youth have considerably dropped in a great majority of Member States, which partially reflects the recent trend of youth pursing education.

SPECIFIC SITUATIONS OF MEMBER STATES WITH REGARD TO THE LISBON AND STOCKHOLM TARGETS

While the Lisbon and Stockholm employment rate targets are collective targets for the EU as a whole, it may be interesting to look in greater detail at the position of each of the Member States in relation to the collective targets set for 2010. In terms of the employment rates attained to date during this decade, we can summarize the status as follows:

- Only four Member States (Denmark, Netherlands, Sweden and the United Kingdom) have already fulfilled the overall target for 2010 in terms of the employment rate at 70% and show stable trends in this indicator, with promising outlooks for its sustainability. Five other countries (Austria, Cyprus, Finland, Ireland and Portugal) are not more than 3 percentage points from reaching the target. Nonetheless, a significant gap of over 10 percentage points remains in the case of five Member States, including big countries such as Italy and Poland, which are now 12 and 17 percentage points, respectively, below the EU target. Spain has achieved the greatest improvement in the overall employment rate since the beginning of the Lisbon strategy, where the rate increased by 7 percentage points. On the other hand, the employment rate also declined in some Member States, most significantly in Poland;

- Nine Member States already fulfill the 2010 employment rate target for women, and six other are within 3 percentage points under the target level, including France and Germany. From the remaining Member States, Greece, Italy and Poland still face a gap of 10 or more percentage points, and Malta has a true abyss of 26 percentage points. Since 2000, significant growth in the employment of women has been achieved in Cyprus, Estonia, Latvia and Italy, where the employment rates for women grew by some 5 percentage points or more in each of the countries, and particularly in Spain (+10 percentage points);
- In terms of the 2010 employment rate target for seniors, eight Member States already meet the required level, but only two other countries are within the 3-percentage-point range below the target. If many other Member States still show major gaps between their current employment levels and the target value (in nine cases ranging between 15 and 25 percentage points below the set target), since 2000, on the other hand, a significant progress has been made by many Member States toward attaining the target. Specifically, 16 Member States have achieved a growth of 5 or more percentage points, with particularly strong growths (over 10 percentage points) recorded in Finland, Hungary and Latvia. Only Poland and Portugal saw their employment rates for seniors decline during the period under review (since 2000) although for Portugal the employment rate is already high and above the target value set for 2010.

ECONOMIC ACTIVITY RATES

Irrespective of the recent improvement in the EU labour market performance, the continuing slow down in economic growth, compared with other developed economies, is partially due to the fact that the labour force entering the labour market remains relatively low. In 2005 the economic activity rate in the EU (a proportion of the total population aged 15 – 64 that is economically active – employed or unemployed) was on average at 70.2%, about 5 percentage points below the US level and nearly 11 percentage points below that of Switzerland.

That shows the EU has a considerable gap of unused labour with significant room for further employment growth, in particular among women, seniors and the youth. The employment rates growing toward the targets sets by the Lisbon Council rely on reduced unemployment and/or increased activity on the labour market. In line with that, the key element of “Integrated Guidelines for Growth and Jobs”, adopted by the Council in July 2005, focuses on taking the steps necessary to attract more people to the labour market and to create more jobs.

The overall economic activity rate for the EU continued to grow and during the second half of the decade it increased by some 0.5 percentage points annually. This result was mainly driven by strong growth in Austria, Germany, Ireland, Spain and Sweden. The economic activity rate for specific Member States ranges roughly from 58% in Malta, with Hungary, Italy and Poland also showing rates significantly below the EU average (by 5 or more percentage points), over to nearly 80% in Denmark. Whereas the economic activity rates for men and women are very close in some Member States (Finland, Sweden), considerable gaps remain in other countries, mainly in Greece, Spain, Italy and particularly in Malta. This shows that there is a great potential for increasing the economic activity of women in many Member States.

The economic activity rates in the EU are extremely age and gender specific. Youth (15 – 24) and senior citizens (55 – 64) show economic activity rates of 45% on average, which is dramatically less than the 84% of economic activity rate for workers in the primary productive age (25 – 54). The main reason for the economic inactivity of the youth is their participation in education, while retirement is the main reason for the seniors’ economic inactivity. The likelihood of inactivity is much higher for women than for men in all age groups across all Member States except for Finland and Sweden. The reason behind this situation is that women assume household and family duties, as shown by studies on the labour force published by the European Commission. At the beginning of the second half of this decade, the difference between the economic activity rate of men (77.8%) and women (62.5%) in the EU reached 15.3 percentage points on average, which is basically a stagnation or a slight decline compared to the situation five years ago. This so far only indicates a very slowly developing trend toward closing this gap, which is mostly induced by the slightly growing economic activity of women.

Continued growth in economic activity started in the mid 1990s, and since 2000 this rate has grown by 1.5 percentage point across the entire EU. This development was primarily driven by the growing activity of women, which has grown by up to 2.5 percentage points, compared to the growth for men (+0.4 percentage points).

The economic activity rate growth can in particular be attributed to women in the primary productive age and senior women aged 55 – 64. In the case of men, the only significant boost came from the age group of seniors, with the economic activity rate for men in the primary productive

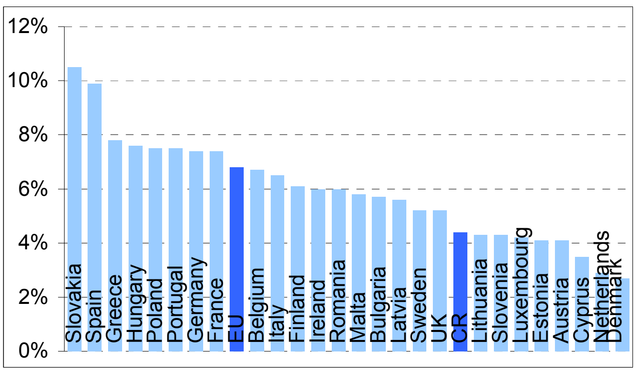
age virtually unchanged since 2000 and even declining for young men.

The economic activity rate among youth has declined by 1.3 percentage points since 2000, with the decline being more or less equal for men and women. This reflects – at least to some extent – their greater participation in education (in the EU the proportion of students aged 15 – 24 grew from 56.4% in 2000 to 61.6% in 2006). This may be viewed as a positive development in the context of creating a competitive, knowledge-based economy and improving the qualification and skills of the youth, increasing their chances of finding a job. Moreover, in contrast to the declining trend during the previous years, the economic activity rate for seniors (55 – 64) has dramatically risen since 2000, on average by 6 percentage points, with a heavy growth in the years of 2004 – 2006 (by 2.3 percentage points).

UNEMPLOYMENT

According to the latest data for May 2008, the unemployment rate in the EU-27 slightly grew compared to April 2008 (from 6.7% to 6.8%); compared to May 2007 it actually declined from 7.2%, which confirms the positive trend of declining unemployment rate. In 2005, the unemployment rate was at 8.7%, the year before at 9.1%, and in the mid 1990s it mostly averaged significantly above 10%. The unemployment rate in the Eurozone is slightly higher than the EU average, in May 2008 it reached 7.2%, remaining at the level of the month before, and being 0.3 percentage points lower than in the same month of 2007.

Unemployment Rate in the EU



Source: Eurostat, figures for 05/2005

In absolute terms, the May unemployment rate translates to 16.171 million unemployed people, of which 11.199 million lived in the Eurozone. Compared to April, this figure was higher by 42,000 and 67,000 respectively. In contrast, when compared to May 2007, the number of unemployed people declined by 0.9 and 0.2 million respectively.

The lowest unemployment rate in the EU was again recorded in Denmark (2.7%) and the Netherlands (2.9%), whereas Slovakia (10.5%) and Spain (9.9%) showed the highest rates.

Over the past year, 21 EU Member States have seen their unemployment rates decline while the rate was on the rise in the six remaining countries. The greatest unemployment rate decline was reported in Poland (from 9.8% to 7.5%) and Bulgaria (from 7.1% to 5.7%); on the other hand, the highest growth was recorded in Spain (from 8.1% to 9.9%) and Ireland (from 4.8% to 6.0%). The difference between the countries with the highest and the lowest unemployment rates remained the same for the past year (at 7.5 percentage points), and even the countries that reported these values have not changed – Denmark and Slovakia.

The unemployment rate for men in the EU-27 remained stable at 6.6% in May of 2008 as well as 2007; however, in the Eurozone this rate declined by 0.3 percentage points to 6.3% over the same period of time. The unemployment rate for women in the Eurozone declined from 8.5% to 8.0% over the same period, and for the entire EU the decline was from 7.9% to 7.3%.

This year in May the unemployment rate for the youth under 25 reached 15.0% in the Eurozone and 14.9% in the EU-27, whereas the year before these values were at 14.8% and 15.5% respectively. The lowest unemployment rate for the youth was reported from the Netherlands (5.6%) and Denmark (5.8%), while the highest figures came from Spain (23.9%), Greece (22.7%) and Italy (20.8%).

CONCLUSION: EU EMPLOYMENT TRENDS IN THE COURSE OF THE DECADE

In spite of slow economic growth in the course of this decade, which has seen a brief period of acceleration only to be followed by slowdown or even decline in many EU countries, employment in the EU has increased since 2000 and acquired some qualitative attributes. However, this employment growth was definitely not uniform or compact, both in terms of gender differences and age and job type. In fact, different trends can be seen in the labour market performance and development for various groups of the population in the productive age.

In conclusion, we have summarized the situation in the following paragraphs:

A trend of long-term declining unemployment rate

The declining unemployment rate represents a long-term trend, observed in particular after the European Commission and specific Member States adopted key labour market reform measures in the mid 1990s, which resulted in the EU unemployment rate falling to nearly a half over more than 10 years. Long-term and structural unemployment rates have also significantly decreased although they still remain high in some countries.

Growing economic activity of women

Looking at gender, women contributed to the greatest employment growth both in relative and absolute terms. Overall, employment growth for women was more than double than that for men. This reflects the recent trend of women getting more involved in the labour market. Just over the first half of this decade, their economic activity rate rose from 60% to 62.5%, compared to the growth of merely 0.4% percentage points in the employment of men.

Growing economic activity of the 55 – 64 age group

When compared to employment levels at the beginning of this decade, the highest employment growth was recorded for the age group of 55 – 64, in which the employment grew roughly by one quarter. Even those over 65+ showed a significant relative growth. Moreover, the growth for people aged 55 – 64 was also very sharp in absolute terms, representing nearly a half of the total employment growth and nearing the overall employment growth recorded for the entire age group of the primary productive age (25 – 54).

As a result, the overall growth in economic activity for this age group reached more than 6 percentage points. This can be attributed to the recent adoption of reforms, which focused on changing pension system parameters, particularly on increasing the retirement age set by law, and generally reducing options for early retirement. All this contributed to a turnaround in the declining economic activity of seniors in many EU Member States.

Declining youth employment

For the older age groups we have established a significant growth of employment; however, the (15 – 24) age group showed a decline in employment by some 5% and a decrease in the rate of economic activity from 46.5% to some 45%. This development can be explained by the greater participation of the youth in education (the higher the number admitted to schools, the lower the labour market participation). The young people who remain in the labour market tend to be in lower qualified jobs. In the long run, greater participation in education should improve human capital and have a positive effect on employment and the economy as a whole.

Growing share of part-time and temporary employment

Since 2000, there has been a significant increase in the number of part-time and temporary jobs, with both types of employment up by some 20% over the said period. The greater availability of temporary jobs make it easier for women to become economically active and enable them to better combine their professional and personal lives. Nonetheless, part-time jobs may bring fewer or limited fringe benefits, advantages and professional career development options compared to full-time jobs, and can reflect the difficulty of taking up a full-time job.

Although the shift toward part-time jobs may reflect personal preferences and help people enter or re-enter the labour market, great differences exist between the genders in terms of the proportion of people working on a part-time basis. This points to differences in how women and men use their time, including the greater level of difficulty that women face when trying to combine work and their private life.

Improved labour force qualification structure

Since the beginning of this decade, there has been a visible decline in the proportion of people with the lowest qualification in the productive age group (from 36.2% in 2000 to some 32% today), while the proportion of medium and highly qualified people has grown (from 46.3% to some 47.5%, and from 17.6% to more than 20%, respectively). This change in the qualification structure of the population in the productive age also contributes to a higher employment by means of creating a better employable labour force.

Other factors contributing to the better development of employment in the EU over the recent years include a lower number of obstacles to work, which were built in tax systems and systems of social benefits, a stronger emphasis on active policies in the labour market, a certain tax burden reduction for the labour force (mainly for the low qualified) and wider wage restraints.

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 %	2005	2006	2007	2005	2006	2007	III-08	IV-08	V-08	III-08	IV-08	V-08
Belgium	1.7	2.8	2.7	3.0	3.3	3.3	6.8	6.8	6.7	4.4	4.1	5.1
Bulgaria	6.2	6.3	6.2	-11.5	-16.3	-22.0	6.1	5.7	5.7	13.2	13.4	14.0
CR	6.4	6.4	5.8	-2.3	-3.1	-2.4	4.4	4.4	4.4	7.1	6.7	6.8
Denmark	2.5	3.9	1.8	4.4	2.6	1.1	2.9	2.7	2.7	3.3	3.4	3.6
Germany	0.8	2.9	2.5	4.7	5.2	6.9	7.4	7.4	7.4	3.3	2.6	3.1
Estonia	10.2	11.2	7.1	-10.1	-15.7	-15.7	4.2	4.2	4.1	11.2	11.6	11.4
Ireland	6.0	5.7	5.3	-3.5	-4.2	-5.0	5.7	5.8	6.0	3.7	3.3	3.7
Greece	3.8	4.2	4.0	-13.4	-14.4	-16.2	7.8	n/a	n/a	4.4	4.4	4.9
Spain	3.6	3.9	3.8	-7.5	-8.8	-10.0	9.4	9.6	9.9	4.6	4.2	4.7
France	1.7	2.0	1.9	-1.7	-2.2	-2.6	7.5	7.5	7.4	3.5	3.4	3.7
Italy	0.6	1.8	1.5	-1.2	-2.0	-1.7	6.5	n/a	n/a	3.6	3.6	3.7
Cyprus	3.9	4.0	4.4	-5.9	-5.9	-7.3	3.7	3.6	3.5	4.4	4.3	4.6
Latvia	10.6	11.9	10.2	-12.5	-22.5	-22.9	6.0	5.5	5.6	16.6	17.4	17.7
Lithuania	7.9	7.7	8.8	-7.2	-10.5	-13.8	4.5	4.4	4.3	11.4	11.9	12.3
Luxembourg	5.0	6.1	5.2	10.9	10.3	9.1	4.1	4.2	4.2	4.4	4.3	4.8
Hungary	4.1	3.9	1.3	-6.8	-6.5	-5.0	7.6	7.6	7.6	6.7	6.8	6.9
Malta	3.4	3.4	3.8	-8.8	-8.3	-5.5	5.7	5.7	5.8	4.3	4.1	4.1
Netherlands	1.5	3.0	3.5	7.1	7.6	8.4	2.9	2.9	2.9	1.9	1.7	2.1
Austria	2.0	3.3	3.4	3.0	3.5	4.7	4.1	4.1	4.1	3.5	3.4	3.8
Poland	3.6	6.2	6.5	-1.6	-3.1	-3.7	7.5	7.6	7.5	4.4	4.3	4.3
Portugal	0.9	1.3	1.9	-9.8	-9.8	-9.8	7.4	7.4	7.5	3.1	2.5	2.8
Romania	4.2	7.9	6.0	-8.9	-10.4	-13.9	6.0	n/a	n/a	8.7	8.7	8.5
Slovenia	4.1	5.7	6.1	-2.0	-2.8	-4.8	4.7	4.3	4.3	6.6	6.2	6.2
Slovakia	6.6	8.5	10.4	-8.5	-7.7	-5.4	10.3	10.5	10.5	3.6	3.7	4.0
Finland	2.8	4.9	4.4	3.9	4.9	4.4	6.3	6.2	6.1	3.6	3.3	4.1
Sweden	3.3	4.1	2.6	6.1	8.5	6.5	5.6	5.4	5.2	3.2	3.2	3.9
UK	1.8	2.9	3.1	-2.5	-3.9	-4.2	5.2	n/a	n/a	2.5	3.0	n/a
EU	1.9	3.0	2.9	-0.4	-0.9	-0.9	6.7	6.7	6.8	3.7	3.6	4.0

	Public budget to GDP*			Public debt to GDP			GDP per capita to Ø EU			Price level to Ø EU		
in %	2005	2006	2007	2005	2006	2007	2004	2005	2006	2004	2005	2006
Belgium	-2.3	0.3	-0.2	92.1	88.2	84.9	121.2	121.3	120.0	106.7	106.0	106.2
Bulgaria	-3.6	-2.7	-1.6	29.2	22.7	18.2	33.9	35.4	36.8	42.0	43.1	44.8
CR	-3.6	-2.7	-1.6	29.7	29.4	28.7	75.4	76.7	78.7	55.4	58.4	61.5
Denmark	5.0	4.8	4.4	36.4	30.4	26.0	126.1	126.8	126.0	139.6	139.6	139.2
Germany	-3.4	-1.6	0.0	67.8	67.6	65.0	116.8	115.3	114.3	104.7	103.7	103.3
Estonia	1.8	3.4	2.8	4.5	4.2	3.4	57.0	63.0	68.5	63.0	64.6	66.5
Ireland	1.6	3.0	0.3	27.4	25.1	25.4	142.1	143.9	145.7	125.9	124.8	124.9
Greece	-5.1	-2.6	-2.8	98.0	95.3	94.5	94.0	96.3	97.4	87.6	88.4	89.1
Spain	1.0	1.8	2.2	43.0	39.7	36.2	101.4	103.1	105.1	91.0	92.0	93.3
France	-2.9	-2.4	-2.7	66.4	63.6	64.2	110.5	112.1	111.1	109.9	107.4	107.3
Italy	-4.2	-3.4	-1.9	105.8	106.5	104.0	107.1	105.3	103.5	104.9	104.0	104.1
Cyprus	-2.4	-1.2	3.3	69.1	64.8	59.8	90.6	92.7	92.1	91.2	89.7	90.1
Latvia	-0.4	-0.2	0.0	12.4	10.7	9.7	45.8	50.0	54.2	56.1	57.1	60.6
Lithuania	-0.5	-0.5	-1.2	18.6	18.2	17.3	50.6	53.2	56.2	53.5	55.1	56.6
Luxembourg	-0.1	1.3	2.9	6.1	6.6	6.8	253.6	264.6	279.6	103.0	102.7	103.2
Hungary	-7.8	-9.2	-5.5	61.6	65.6	66.0	63.4	64.3	65.0	62.0	63.5	60.0
Malta	-3.0	-2.5	-1.8	70.4	64.2	62.6	76.9	77.5	77.0	73.2	73.1	73.4
Netherlands	-0.3	0.5	0.4	52.3	47.9	45.4	129.7	131.3	130.8	106.1	104.5	103.9
Austria	-1.5	-1.5	-0.5	63.5	61.8	59.1	129.0	128.9	127.7	103.3	101.9	101.2
Poland	-4.6	-3.8	-2.0	47.1	47.6	45.2	50.8	51.3	52.5	53.2	61.3	62.1
Portugal	-6.1	-3.9	-2.6	63.6	64.7	63.6	74.9	75.5	74.6	87.4	85.3	85.7
Romania	-1.2	-2.2	-2.5	15.8	12.4	13.0	34.1	35.5	38.9	43.3	54.3	57.0
Slovenia	-1.5	-1.2	-0.1	27.5	27.2	24.1	85.4	87.0	88.0	75.5	75.8	75.3
Slovakia	-2.8	-3.6	-2.2	34.2	30.4	29.4	57.3	60.6	63.8	54.9	55.8	58.3
Finland	2.9	4.1	5.3	41.3	39.2	35.4	116.7	115.3	117.1	123.8	123.3	121.7
Sweden	2.2	2.3	3.5	50.9	45.9	40.6	125.2	123.9	124.8	121.4	117.9	117.5
UK	-3.4	-2.6	-2.9	42.1	43.1	43.8	122.2	119.4	118.1	108.5	110.2	110.8
EU	-2.5	-1.4	-0.9	62.6	61.3	58.7	100.0	100.0	100.0	100.0	100.0	100.0

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