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Dear readers,

It is no surprise that following the avalanche of major events this spring, July was much calmer in terms of EU integration. This should not imply that nothing happened in the EU in July. Simply looking at the compendium of decisions adopted, proposals or analytical and political data published, we can see that the beginning of summer in the EU was not idle.

One of the key events was the ultimate confirmation of Slovakia as the sixteenth country of the euro area, which Slovakia will join on 1 January 2009. The ultimate confirmation by the ECOFIN Council also included the determination of the final conversion coefficient of 30.126 SKK/EUR.

The European institutions also flexed their muscles.. In an unusually harsh manner, the Commission criticized Bulgaria and partially also Romania for not adopting sufficient measures for implementing efficient anti-corruption activities and instruments against organized crime. The European executive does not have many efficient instruments which can force these countries to remedy the situation. Except for a review of the export quotas for commodities that are significant in terms of export from those countries outside the EU, the most efficient and strict sanction possible is to suspend financial flows to those countries from the EU budget in the form of the European funds. Therefore, a portion of the total amount of EUR 7 billion available to Bulgaria for this programming period could be distributed with a delay or may not be allocated at all.

France took over the EU Presidency in a resolute manner in July. At the plenary meeting of the European Parliament, French President Sarkozy made a very convincing effort to present France’s objectives concerning the current Presidency, which should mainly focus on climate protection, energy policy, agricultural policy, immigration and defence.

France used its power in the EU to push for the establishment of the Mediterranean Union, which is the first clear result of the so-far thirteen-year Barcelona process, which aimes to provide closer partnerships between the EU and countries in the Mediterranean.

With regard to the package of research reports and political documents, we could mention the paper on the inflation threat in the EU, many positive examples of how the European Fund for Regional Development was used in innovative projects, or an outline of current labour conditions in the EU..

Due to the August holidays in the EU, we have left our regular section “Information Service” out of the current issue of the Monthly Journal because it always focuses on the monitoring of key European institutions in the month to come.

We wish you a pleasant beginning of the second half of summer while contemplating the EU events,

Petr Zahradník

According to a Eurobarometer survey, nearly two thirds of Czech citizens believe that our membership in the EU is advantageous and brings benefits. The EU Ministers of Finance finally approved the accession of Slovakia to the euro zone from January 2009. The conversion rate was stipulated at the central parity in ERM II, i.e. 30.1260 SKK/EUR. In the first six months of this year the Czech Republic received 26.2 billion Czech crowns more from the EU budget than it paid.

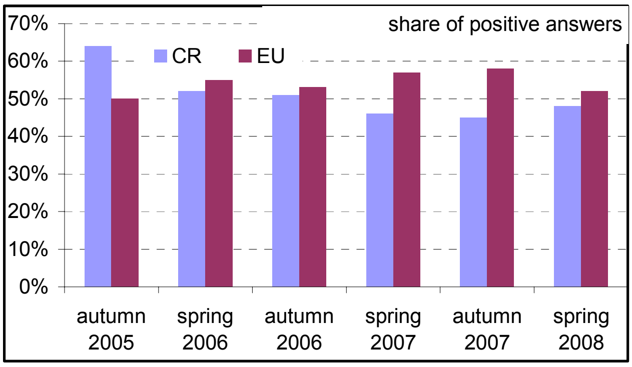
POLITICS

Eurobarometer: Advantages of EU Membership Beat Disadvantages

The Representation of the European Commission in the Czech Republic has published the **Eurobarometer survey** in which Czech citizens assessed various aspects of our membership in the EU.

Some **48 % of Czech citizens deem our membership in the EU a good thing**, 11 % deem it a bad thing. In the EU, the average number of positive responses is 27.52 %. Czech voters of right wing parties tend to support our membership in the EU more than those of the left wing. Our membership is deemed a good thing by 64 % of the right wing voters and by 39 % of left wing voters.

Is the membership in the EU a good thing?



Source: Eurobarometer, spring 2008

Most citizens believe that our membership in the European Union brings **mainly benefits and advantages**. Two thirds of Czech citizens (64 %) believe that our membership is advantageous and only one quarter think that there are no advantages or benefits for the Czech Republic related to our EU membership. Advantages of our EU membership are generally appreciated by young educated people, and also by right wing voters, as is the case with the general assessment of our membership.

The main reason for believing that there are no advantages related to our EU membership is **dissatisfaction with the EU decision-making process**. Nearly half of Czech citizens (47 %) believe that people have only limited means enabling them to affect decisions adopted at the EU level.

In terms of the common monetary policy in the EU, **the Euro is supported by 53 % of Czech** citizens, while in the EU as a whole it is 60 % of citizens. Also in this case we can see "euro-optimism" mainly in the right wing supporters. Two thirds of the right wing supporters and only 42 % of the left wing supporters approve the common currency. The Euro is generally supported by self-employed persons, managers and other "white collar" professions. Also people in the 15-24 year age bracket generally support the European Monetary Union in the Czech Republic, and **education is also an important aspect**. The Euro is supported by 29 % of people with primary education, half of the people with secondary education and 61 % of university graduates. Support of the Euro is the highest among students, i.e. 80 %.

http://ec.europa.eu/ceskarepublika/news/080714_eurobarometr69_cs.htm

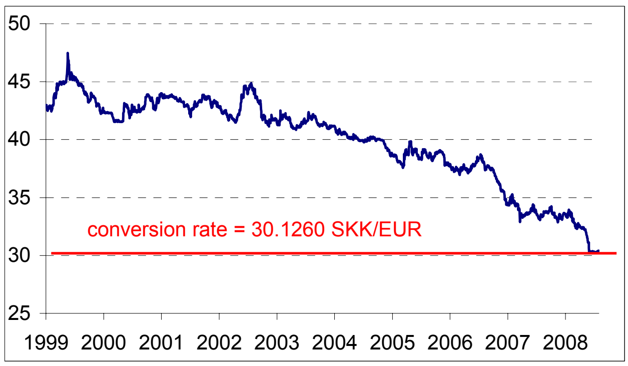
ECONOMY AND EURO

Accession of Slovakia to the Euro Zone Officially Approved

Slovakia has taken the last formal step on its way to the Euro zone. At their July meeting, the Ministers of Finance of the EU Member States officially approved that **the Slovak crown would be replaced by the single European currency from 1 January 2009**. The result is not surprising; high probability of the Euro changeover in Slovakia was advised in the European Commission's and the ECB's recommendation already in May. Both institutions recommended the changeover to the Euro in Slovakia in their Convergence Reports.

Only the rate for the conversion of the Slovak crown into the Euro remained unknown. The rate was eventually determined by the Ministers of Finance of the EU Member States at the level of the central parity of the current ERM II currency system – i.e. in the amount of **30.1260 SKK/EUR**.

Exchange rate SKK/EUR



Source: ECB

In the remaining months of the year Slovakia may focus on **implementation of technical and practical preparations**

to the Euro changeover so that the conversion actually happens in a smooth and trouble free manner on 1/1/2009.

Both currencies will be used in Slovakia until 16 January, while shopkeepers will **give back only euro coins and notes**. All commercial banks and the National Bank of Slovakia will have changed crowns to euros by the end of 2009 and by January 2010, respectively.

The changeover to the Euro in Slovakia is a positive step for Slovakia's economy, which will give a further **impulse to foreign trade and the influx of foreign investors**. The temporarily faster inflation which could increase by several percentage points may, however, be seen as negative. The level of prices in Slovakia was 63 % of the average prices in the European Union in 2007. After the changeover to the Euro the convergence of price levels will be marked only by higher inflation in Slovakia and not by the firming rate of the Slovak crown.

The decision to adopt the Euro in Slovakia was evaluated by the Fitch rating agency, which **increased Slovakia's rating of long-term foreign currency debt** by one grade to A+. This was justified by the accession of Slovakia to the euro area, which will protect Slovakia's economy against financial shocks and currency crises.

The changeover to the Euro in the Czech Republic is expected in approximately 2014.

http://europa.eu/rapid/pressReleasesAction.do?reference=IP/08/1113

BUDGET

Record Net Position of the Czech Republic Regarding the EU Budget

During the first half of 2008 the Czech Republic received in total 44.4 billion crowns from and paid 18.2 billion crowns to the EU budget. Our net position in terms of the EU budget in the amount of 26.2 billion crowns for the first six months is the **highest since our accession to the European Union** in 2004. The second best result was recorded in the last year when our annual positive balance was 12.5 billion crowns.

The key factor in the positive balance was the **income from the Structural Funds and the EU Cohesion Fund**. The total income for the cohesion policy including advance payments for 2007-2013 reached 32.8 billion crowns and formed nearly three quarters of the overall income of the Czech Republic from the EU budget. Another important part of our income from the EU budget was the funds for the Common Agricultural Policy in the amount of 11.7 billion crowns. A significant part was direct payments (CZK 8.5 billion in total) from the previous year that are always paid in the first quarter of the following year.

On the other hand, expenses were dominated by **levies on the basis of gross national income** in the amount of 10.8 billion crowns.

Due to the accelerating use of subsidies from the Structural Funds and the Cohesion Fund and due to increase of direct payments to farmers, the **positive net balance** in terms of the EU budget may be expected to keep increasing until 2013 at least. It is likely that from 2013, because of improvement of the Czech economy (measured by the GDP per capita indicator), the positive balance should be reduced significantly and it may even turn negative.

Our positive net position in terms of the EU budget is a pleasant addition to other advantages resulting from our EU membership. Its **significance, however, should not be overestimated** – the amount of 26.2 billion crowns corresponds roughly to 1.7 % of the gross domestic product of the Czech Republic (the half-year net position related to the expected half-year GDP).

Net Position of the CR to the EU Budget in 1H 2008

Pre-accession Instruments	-0.05
Agriculture	11.67
Market Operations	*1.01*
Direct Payments	*8.51*
Rural Development	*2.14*
Structural Actions	32.76
Structural Funds	*18.78*
Cohesion Fund	*13.97*
Total income from the EU budget	**44.37**
Traditional Own Resources	2.68
Source based on VAT	3.18
Source based on GDP	10.82
UK Correction	1.49
Total payment to the EU budget	**18.16**
Net balance to the EU budget	**26.24**

Source: Ministry of Finance

http://www.mfcr.cz/cps/rde/xchg/mfcr/xsl/tiskove_zpravy_41182.html

TAXATION AND CUSTOM UNION

EU Considers Reducing VAT

The European Commission presented a proposal to thoroughly revise the policy regarding the value added tax.

The European Commission presented a proposal of the VAT system review according to which the Member States could apply a reduced tax rate for a number of labour-intensive services. The most recent survey of DG Markt confirmed that the Czech Republic is the worst in implementing the Internal Market Directives into national legislation.

The new rules would enable the Member States to apply **reduced VAT rates (at least 5 %) to a number of labour-intensive services**, such as hairdressing, cleaning services and renovation of flats, car repairs or restaurant services.

The measures would also cover products such as **children's nappies** but not environmental products such as energy saving bulbs or low emission vehicles. The proposal to create a "green tax" based on a joint British and French initiative from last year will, however, be included in the second package, which the Commission anticipates will be prepared in the autumn.

List of VAT rates applied in EU member states in %

Member States	Standard Rate	Reduced Rate
Belgium	21	6 ; 12
Bulgaria	20	7
CR	19	9
Denmark	25	-
Germany	19	7
Estonia	18	5
Greece	19	4,5 ; 9
Spain	16	4 ; 7
France	19,6	2,1 ; 5,5
Ireland	21	4,8 ; 13,5
Italy	20	4 ; 10
Cyprus	15	5 ; 8
Latvia	18	5
Lithuania	18	5 ; 9
Luxembourg	15	3 ; 6 ; 12
Hungary	20	5
Malta	18	5
Netherlands	19	6
Austria	20	10 ; 12
Poland	22	3 ; 7
Portugal	20	5 ; 12
Romania	19	9
Slovenia	20	8,5
Slovakia	19	10
Finland	22	8 ; 17
Sweden	25	6 ; 12
UK	17,5	5

Source: European Commission, as of 1st of July 2008, 0 % rates are not included

At present, **only 18 Member States** may apply reduced VAT rates to certain goods (i.e. lower than the basic rate of the minimum of 15 %) and only in selected sectors. László Kovács, Commissioner for Taxation, would like to harmonize the rules throughout the whole EU and create equal conditions for all countries by the end of 2010, when the existing measures will cease to exist.

According to Miroslav Kalousek, Minister for Finance, the **Czech Republic will not block the European Commission's initiative** but it will not take advantage of the proposed option to change the rate applicable to certain services from the basic VAT rate to the reduced VAT rate.

The VAT rates system in the EU could actually do with **introducing more comprehensive and fair rules**. Commissioner Kovács is right when he says that "there is no reason why restaurant services, for example, should be allowed to benefit from a reduced rate in one half of the EU but not in the other half."

Because the tax issues are subject to unanimous approval by the Member States, and each **Member State protects its partial interests** as demanded by their national lobbies, adoption of the new fair rules will be a hard nut to crack. This is also implied by a statement of Peer Steinbrück, German Minister for Finance, who believes the proposal is not a good thing.

http://europa.eu/rapid/pressReleasesAction.do?reference=IP/08/1109

Commission Plans to Increase Taxation on Cigarettes

The European Commission presented a proposal to **increase the bottom level of the excise duty on tobacco**. The current level is 57 % of its price (applicable to all excise duties) and it must be at least 64 euros per thousand cigarettes. This principle was set already in the 70s and it concerned the "most popular price category", i.e. the most popular cigarette brand in individual countries. At that time the tobacco market, however, was different – national markets were dominated by a single cigarette brand that was clearly the "most popular". Nowadays, such system is rather unclear and therefore the Commission proposed replacing it with another system of determining the tax base: the average price of all cigarettes in the country.

The Commission proposes to increase the bottom level of taxation to **63 % and to 90 euros per 1,000 cigarettes**, calculated from all cigarettes. The increase is expected to take place gradually by 2014 or 2016 in certain countries where the increase would result in a massive rise in prices.

The proposal also **updates the definitions of tobacco products** since various categories are subject to various taxes. Therefore, some products (cigarettes, fine-cut tobacco) are designated as cigars, pipe tobacco etc. by the producers. For example, hand-rolled cigarettes cost two thirds of the price of regular cigarettes. That is why the Commission intends to adjust the lowest tax on fine-cut tobacco to the lowest tax on cigarettes.

The pan-European **increase of excise duties may not affect the final prices in the Czech Republic**. Due to the recent unprecedented firming of the Czech crown, the duty rates reach approximately 90 euros per 1,000 cigarettes and this together with VAT represents nearly 70 % of the final price.

As with adoption of other tax proposals in the EU, each Member State has the right of veto. Decisions on tobacco taxes, however, **should not be as controversial** as those on VAT.

http://europa.eu/rapid/pressReleasesAction.do?reference=IP/08/1149

INTERNAL MARKET

We are the Worst at Implementing the Internal Market Rules

The European Commission gave an unflattering report on the Czech Republic. Out of all the EU 27 we are the **worst at implementing the Internal Market Directives** in the national legislation. By mid-May 2007, 42 directives for which the implementation deadline has passed are not implemented into our legislation, i.e. 2.5 % of the legislative regulations. The EU average is 1 %.

There are also some positive aspects in the case of the Czech Republic. Six months ago we still had 66 directives to implement into our national legislation. This **positive development** was also noted by Charlie McCreevy, Internal Market Commissioner, who appreciated the improved situation in the period before our EU Presidency: "The Czech Republic improved by 0.9 % prior to its Presidency in the next year. This is very encouraging."

Development throughout the European Union is also positive, as the transposition deficit was 1.2 % last December. There are, however, significant differences between individual states. **Bulgaria was the only state** to achieve the implementation of all the Internal Market Directives.

Also the assessment of various areas is interesting. The highest number of directives that has not yet been implemented (7.9 %) involves the **free movement of persons**, and the second highest number, i.e. 4.5 %, involves the EU regulations on financial services.

The number of infringement proceedings regarding the internal market remained almost unaltered compared to six months ago. On average, the European Commission initiated **48 proceedings regarding incorrect implementation of the Internal Market Directives** per Member State. Italy accounts for the highest number of cases, i.e. 127 of such proceedings, while the Czech Republic with 31 cases ranks among the relatively successful Member States.

The highest number of cases involves regulations on the environment, and on taxation and customs.

http://europa.eu/rapid/pressReleasesAction.do?reference=IP/08/1122

FINANCE

Mobile Payment Services in the EU to be Introduced Soon

The **use of mobile phones for direct payments** for goods and services may become routine since the GSM Association of GSM mobile phone operators announced commencement of its cooperation with the European Payments Council, which represents European banks.

Contactless mobile payment services are already widely used in some countries, particularly in Japan and Korea. **In Europe, the service has not yet been provided** even though some banks already issue contactless payment cards and some shops are equipped with reading technologies.

Introduction of contactless mobile payments is enabled under the **Payment Services Directive**, which was adopted last autumn and has to be implemented in national legislation by November 2009.

The first European country to offer such payment services to its citizens **will probably be France**, where pilot tests of the new required technology have already started.

According to a joint plan of the GSMA and the European Payments Council, the mobile payments shall be facilitated by the "**trusted services managers**" who are to be the facilitators between the bank and the mobile operator. Such facilitators are necessary because telecommunication companies in a number of countries cannot provide direct payment services.

The contactless mobile payment project is supported by the leading mobile phone producers such as **Nokia, Samsung**

The German government will open its labour market to highly skilled workers from the new Member States. Restrictions will apply to less skilled workers until 2011. When discussing the liberalisation of the European gas markets, the European Parliament supported two possible scenarios: full separation of production and transmission in terms of ownership, and the option with an independent transmission operator (ITO).

and Motorola, and **Visa and MasterCard** payment card associations. In order to speed up the service in some countries, those associations undertook to provide subsidies for the new reading terminals to retailers.

http://www.gsmworld.com/news/press_2008/press08_45.shtml

EMPLOYMENT AND SOCIAL AFFAIRS

Germany to Open its Labour Market to Skilled Workers

The German government decided to partially open its labour market to **highly skilled workers from the new Member States**. However, the doors will remain closed to other workers. Germany also intends to take advantage of the last transition period ending in 2011.

Germany and Austria are the last Member States that **prevent complete opening of their labour markets** to workers from the new Member States. In 2004, when the Czech Republic joined the EU together with another nine countries, only three Member States opened their labour markets – Ireland, the United Kingdom and Sweden. Other countries have followed their example gradually even though they were rather careful in the beginning. The most recent to open its labour market was France on 1 July 2008.

The German government responded to the complaints of domestic companies that face **lack of a labour force in terms of highly skilled jobs**. Moreover, if companies wish to employ a worker from a new Member State they have to prove that the job cannot be filled by any worker from Germany or another country of the EU-15. From 1 January 2009 all barriers should be removed and workers with university degrees will be able to find a job in Germany without any restrictions.

The partial opening of the labour market will not apply to workers from **Romania and Bulgaria**, i.e. countries for which the German labour market will not open earlier than in 2012.

We do not believe that opening of the German labour market to skilled workers from the new Member States would result in a **massive influx from the Czech Republic**. The rapidly firming Czech crown partially compensates the higher level of average salaries in Germany. Furthermore, highly skilled specialists needed by German companies, are already working in Germany legally.

A partial opening of the German labour market may be perceived as the first step in the right direction. Unless the barriers are removed fully, the notion of **two categories of European citizens** remains on the table.

ENERGY AND TRANSPORT

MEPs Backed an Alternative for Gas under Strict Conditions

MEPs backed an alternative for liberalizing the gas market under which gas companies **will not have to separate their production and transmission activities in terms of ownership**. The MEPs require that the independent transmission operator (ITO) should be subject to stricter conditions than those required by the Member States.

According to the Commission's original plan, the total ownership separation of production and transmission activities (the **ownership unbundling**) should happen in the electricity and gas industry, with the aim of enhancing competitiveness

The proposal of full ownership unbundling, however, does not appeal to a number of Member States. Therefore, the Commission introduced an alternate proposal of an **independent system operator** (ISO option) under which companies would not be obliged to separate their assets but an independent operator would be charged with the management of transmission activities who would also be responsible for all investment and business related decisions.

At its recent plenary session in Strasbourg,, the European Parliament supported two alternatives of the gas market liberalization: **ownership unbundling and ITO based** on the third way proposed by France and the United Kingdom. The ISO option was rejected in the voting.

The European Parliament added several other "insurances" to the conditions applicable to independent ITO operators. One such insurance will be the establishment of an "**independent administrator**" whose task will be the protection of "the asset value of the transmission system operator".

Such an administrator will also be a member of the supervisory board comprising of gas company representatives, transmission network representatives and representatives of other parties concerned. The supervisory board will decide the cases that may have "a **significant impact on the value of the assets of the shareholders**". The independent administrator could veto the decisions of the supervisory board under certain conditions.

EU energy markets liberalization is an important topic that has to be approved by the European Parliament together

with the Member States representatives. Therefore, there is a chance for Czech politicians and mediators to bring the difficult negotiations to an acceptable compromise **during the Czech Republic's Presidency**.

http://www.europarl.europa.eu/news/expert/infopress_page/051-33700-189-07-28-909-20080708IPR33699-07-07-2008-2008-false/default_en.htm

Member States Will Be Allowed to Increase Road Tolls

The European Commission put forward a proposal to **review the "Eurovignette" directive** which seeks to enable the prices for heavy vehicles (more than 3.5 tons) to more accurately reflect the actual expenses of the companies to gradually reduce damage to the environment and traffic jams. The proposal makes it easier for the Member States to introduce efficient road tolls for lorries that take into account environmental needs. The income will be used to reduce environmental impacts from transport and cut traffic jams.

"The package is about tackling pollution and climate change, and making sure the polluter and **not the taxpayer pays** for environmental damage," said Antonio Tajani, Vice-President of the European Commission responsible for transport.

The revised directive on the charging of heavy vehicles on roads (i.e. the "Eurovignette" directive on the European road charging) should provide an **instrument for the Member States to calculate variable tolls** according to the air and noise pollution from traffic considering peak-hour congestion levels. This will encourage freight transport operators to buy cleaner vehicles and improve their logistics and route planning.

The tolls will be collected using electronic systems and any revenue will be used in **projects to alleviate the negative impacts of transport** (e.g. research and development on cleaner and more energy efficient vehicles).

At first sight, the proposal is in accordance with the logical process of **internalization of external costs** under which the polluters should pay. It will be important, however, to ensure that the taxation and charging of heavy vehicles does not become prohibitive.

Whether the directive will be adopted remains uncertain because freight transport operators hold a strong political position in a number of countries. The directive will come into force upon a joint decision of the Council and the European Parliament.

http://europa.eu/rapid/pressReleasesAction.do?reference=IP/08/1119

AGRICULTURE AND FISHERY

EU Backs Higher Consumption of Fruit and Vegetables in School Children

The voluntary "**School Fruit Scheme**" aims to provide regular distribution of fruit and vegetables to schools in the EU countries. This will have an immediate effect, i.e. higher consumption of healthy fruit and vegetables by children, as well as a long-term effect, i.e. to teach good eating habits which the children will carry into later life, claims the Commission.

In January last year, Brussels proposed a **reform of the common market for fruit and vegetables**. The proposal includes a possible manner of use of potential residues by their distribution to schools, hospitals and charitable organizations free of charge, fully funded by the Union, up to 5 % of the volume put into the market by producer organizations. Now the vision has been specified in the "School Fruit Scheme".

Funds worth 90 million euros every year will be allocated to the purchase of fresh fruit and vegetables from the EU budget. Member States that decide to use the programme will co-finance the purchase by 50 %. The convergence regions with low GDP per capita will co-finance the purchase in the proportion 25:75.

If the Council and the European Parliament approve the Commission's proposal, the first fruit and vegetable distribution to school children free of charge could **start in the 2009/2010 school year**.

We believe that this seemingly constructive programme completely **lacks any European added value**. The fact that support of fruit and vegetable consumption in elementary schools should be organized and (co-)financed by the European Union cannot be deemed has having added value. On the contrary: similar initiatives are used by the European integration critics to argue that the EU is a bureaucratic machine dealing with completely unimportant issues and creates more and more unnecessary new projects.

First, however, an approval of the Council and the Parliament is required.

http://europa.eu/rapid/pressReleasesAction.do?reference=IP/08/1116

The Ministers of Foreign Affairs of the Member States agreed to sign an Association Agreement with Ukraine. The agreement should enable further cooperation but the accession of Ukraine will not be on the agenda for several years to come. The MEPs approved the inclusion of aviation in the CO2 emissions trading system by 2012.

Ministers for Fuel Aid to Fishermen, against Agricultural Subsidies Reform

The ministers of agriculture of the EU Member States supported the payment of **2 billion euros to help fishermen** cope with soaring fuel prices. A large majority of ministers criticized the Commission's plans to reduce the subsidies for farmers.

"Political agreement was reached by a qualified majority on urgent measures for the fishing sector", the spokesperson of the French presidency said after the ministers' meeting on 15 July.

The measures offer the governments the opportunity to lift the aid limit for fishing boats up to 100,000 euros over three years, which is a significant increase compared to the current 30,000 euros. Also actions for reducing overcapacity of fishing fleet and fuel dependency and for raising the sale value of the fish were approved. The ministers' decision was adopted **after massive strikes of fishermen** took place across the EU.

Many ministers expressed their negative opinion on the plan presented last May by Mariann Fischer Boel, European Commissioner for Agriculture, which aims at establishing the **maximum level of aid for the largest farms** and the transfer of money from subsidies to production and support of prices for rural development.

Ministers from France, Italy, Germany, the United Kingdom, Luxembourg, the Czech Republic and other countries announced that if the Commission's proposals were implemented, the production would not increase; on the contrary, there would be a **risk that farmers could be hurt**.

The common fishermen policy issue is very similar to the agricultural one. Also the fishery rules in the EU **do not have many things in common with the market environment**. Increased subsidies for fishermen due to increased petrol prices worldwide represent a non-systematic step that may analogically result in requirements on state aid from farmers, transport operators of any kind, individual drivers, travel agencies, etc.

http://www.eu2008.fr/PFUE/lang/en/accueil/PFUE-07_2008/PFUE-15.07.2008/conseil_agriculture_et_peche

EXTERNAL RELATIONS

Optimism Ruled the EU Mediterranean Summit

French President Nicolas Sarkozy hosted a meeting of 43 delegations from the Mediterranean and the EU in Paris which gave rise to a **new institution – the Mediterranean Union**. This should become a platform for resolving the key issues of the region. This mainly involves the peace process between Israel and Palestine but also immigration, pollution, lack of energy, terrorism and many other problems.

The meeting of top politicians in France was unique especially due to the number of people they represented. They represented approximately **756 million people** and provided for a meeting between representatives of not only Israel and Palestine, but also Greece, Turkey, Morocco and Algeria. Only Libyan leader Gaddafi did not appear as he deemed the created Mediterranean Union an attempt at ongoing colonialism.

The summit was held in high spirits supported by proclamations of French President Sarkozy who, for instance, said that the Mediterranean Union is "**love and understanding instead of war**" for all citizens of the region. "As we promoted peace in Europe yesterday, we will achieve the same in the Mediterranean tomorrow." Israeli Prime Minister Ehud Olmert was also moved by the optimistic atmosphere as he said that "the Jewish and the Palestinian people have never been so close to a peace agreement."

Regardless of doubts as to whether such objectives may be reached at all, the popular project **could also face a lack of funds**. According to chairman Barosso, the Commission could allocate only 50 million euros in the framework of the "European Neighbourhood Policy". The funding of one of the main EU projects to clean the Mediterranean alone will require over 2 billion euros. The implementation of other plans supporting solar energy, creation of roads or establishment of a new Euromed university will require further billions of euros. Nobody has so far expressed any intention to meet those obligations.

The Union has already once failed in international cooperation with Mediterranean states. The **Barcelona Process commenced in 1995** had similar objectives, which, however, remained on paper in many cases.

http://www.ue2008.fr/webdav/site/PFUE/shared/import/0713_declaration_de_paris/Joint_declaration_of_the_Paris_summit_for_the_Mediterranean-EN.pdf

EU Offers Ukraine Partnership, but Not Membership

The EU Ministers of Foreign Affairs agreed to sign an **Association Agreement with Ukraine** that would go beyond the current partnership agreement but stop short of offering the country an EU membership perspective.

The current wording of the new agreement was the main controversy in the ministers' debate. In fact, the term "association" was also used for agreements signed with the Central and European countries that joined the EU in 2004, as well as for countries with clear perspectives such as **Croatia and Serbia**. Some EU states intended to avoid such a similarity in wording.

On the other hand, the European Union has also signed association agreements with a number of its trading partners such as **Chile and Egypt**.

During an official meeting with the Ukrainian president in Kiev, German Chancellor Angela Merkel made it clear that Ukraine was still a long way from joining the EU and the new agreement **should not be interpreted as a possibility of entering the Union**.

"This is an agreement to deepen relations considerably – **trade, economic relations and legal structures**," Merkel said. It brings Ukraine closer to the EU but clearly does so within the context of the neighbourhood policy which governs the EU relations with 16 countries from Eastern Europe and the Southern Mediterranean, such as Libya and Israel.

France, which currently holds the EU Presidency, was among the countries to push hardest for the signature of the new agreement. President Nicolas Sarkozy had repeatedly called for **Ukraine to be granted a "privileged status"** in the EU relations with its neighbours without, however, going as far as actual membership.

Considering potential membership of Ukraine in the European Union, we are rather pessimistic. We believe that **Ukraine will not gain access to the EU by 2020**.

http://www.consilium.europa.eu/ueDocs/cms_Data/docs/pressData/en/gena/101956.pdf

ENVIRONMENT

Airlines to be Included in the Emissions Trading System from 2012

An overwhelming majority of MEPs supported the proposed compromise on **including aviation in the emissions trading system** from 2012. In the rapidly developing aviation sector the system should reduce the greenhouse gas emissions.

The European Commission proposed to include aviation in the emissions trading system, which currently involves mainly power stations and large industrial businesses, **as soon as in 2006**. The Parliament and the Member States however, disagreed on how rigorous the system should be.

Following protracted negotiations, the MEPs eventually supported a compromise proposed by Slovenia at the end of its Presidency in June. From 2012, **all airlines taking off or landing in the territory of the European Union** – including international flights – will have to be included in the European emissions trading system.

According to the proposal, airlines will be entitled to receive emission **allowances of 97 % of the carbon dioxide emissions** in 2012, compared to 2004-2006. From 2013, the share of allocated emission allowances should be further reduced to 95 % provided no change is adopted during the negotiations on the second stage of the emissions trading system (EU ETS) that is to commence in 2013.

According to the compromise, airlines will get **85 % of the emissions allowances free of charge** and the remaining 15 % will have to be purchased. The revenues from the emission allowances auctions may be used by the Member States at their own discretion, but only in the following areas:

- Climate change mitigation,
- Research on more environmental technologies in aviation,
- Support to low-emission transport,
- Measures against deforestation in the developing world.

Thanks to the compromise already negotiated by the Slovenia's Presidency, the **approval of the proposal by the Council seems to be just a formality**.

Adoption of the compromise is a rational logical decision. There was not a single reason for the aviation sector, with a dynamically increasing share in the CO2 emissions, to be excluded from the emission trading system in a long term perspective.

In mid July, the Commission concluded discussions with the Czech Republic on the Research and Development for Innovations Operational Programme. The Programme should eventually be approved by the end of October.

http://www.europarl.europa.eu/news/expert/infopress_page/064-33577-189-07-28-911-20080707IPR33572-07-07-2008-2008-false/default_en.htm

REGIONAL POLICY

Negotiations on the Research and Development for Innovations OP Completed

On Thursday 17 July the Commission concluded its negotiations with the Czech Republic on the Research and Development for Innovations Operational Programme (RDI OP). The Programme focuses on **enhancing the research, development and pro-innovative potential** of the Czech Republic, particularly through universities, research institutions and their cooperation with the private sector.

It supports fitting research institutions with modern technology, creating new research sites and increasing the capacity of tertiary education. Its managing authority is the Ministry of Education, Youth and Sports.

RDI OP is the programme that **became the most delayed during the approval process**. The majority of other programmes were signed between the Czech Republic and the Commission already at the turn of 2007 and 2008.

The Commission will finally approve the RDI OP **by the end of October at the latest**, which means that researchers could apply for subsidies from the EU structural funds within the RDI OP framework already in November. The Czech Republic still has to complete the assessment of the RDI OP impact on the environment and process the last comments of the Commission.

RDI OP ranks among medium volume programmes. Within the programme, domestic entities **will receive 2.07 billion euros** (49.7 billion Czech crowns), i.e. 8 % of all resources that the Czech Republic will be entitled to receive from the EU funds in 2007-2013.

It is an embarrassment that the Research and Development for Innovations Operational Programme has not yet been approved, i.e.18 months after the beginning of the new programming period. The fault, however, is not on the side of the current management of the education sector as the delay was taken over from their predecessors. Due to the N+2 rule, **funds from the programme may be used by 2015**. Therefore we are not worried that the initial delay could make it impossible to use this subsidy programme.

http://www.msmt.cz/pro-novinare/technicka-jednani-o-op-vavpi-uzavrena

EU Funds Subsidies to be More Transparent

The EU regional policy should become more transparent with the help of a new website that publishes a list of beneficiaries from the European funds. The new portal links the Commission's website with websites of individual NUTS II regions in the EU Member States, where such **beneficiaries are published**.

Thus, the Commission **complies with the regulatory framework** on structural and cohesion funds adopted in 2006. The framework requires each Member State to set up a database that the public can access on a specific website and that identifies names of the beneficiaries, names of the projects and the overall allocation for the implementation of the project.

The regulatory framework requires that the Member States, apart from creating databases, **should promote** the use of finances from the European funds to a larger extent.

The European Commission also presented a new initiative to provide **further support to small and medium-sized enterprises** (SME) in terms of the European regional policy. This step was taken one day after the Commission had promised a reduction of taxes and wider flexibility for the state aid rules application with the aim of supporting the SME growth.

Support of "local actions", creation of clusters network, support of diversification and innovation and particularly **facilitation of finances** are the regional policy means that Commissioner Danuta Hübner intends to use as a "springboard" to revitalize 23 million SMEs in the EU that represent 99 % of all EU entrepreneurial activities and two thirds of jobs in the private sector.

Regional programmes such as micro-loans represent the key part of the Commission's proposal and should commence in September in cooperation with the European Investment Bank.

The Member States' attitude will be the key factor for increasing the transparency of allocation of subsidies from the EU funds. The Commission's new portal currently contains information on beneficiaries and projects **only in seven Member States** and several other NUTS II regions. We may be pleased that the Czech Republic is among the first "magnificent seven".

http://europa.eu/rapid/pressReleasesAction.do?reference=IP/08/1103

http://europa.eu/rapid/pressReleasesAction.do?reference=IP/08/1121

The expert group dealing with electronic invoicing established by the European Commission stated in its report that there is no future for paper invoices. Commissioner Viviane Reding said that the cross-border prices for SMS and data mobile services are overcharged. The EC is said to consider a price regulation similar to roaming charges regulation. Czech citizens rank among the most diligent workers in the EU with their working week of 41.7 hours. It is only Greek citizens who work for more hours a week.

1 JULY

EU signs agreement on cooperation in the regulation of civil aviation safety with the United States of America: http://www.consilium.europa.eu/ueDocs/cms_Data/docs/pressData/en/er/101572.pdf

The EU Roaming Regulation: one Year On: http://europa.eu/rapid/pressReleasesAction.do?reference=MEMO/08/457&format=HTML&aged=0&language=EN&guiLanguage=en

2 JULY

Erasmus Mundus: "be curious and don't hesitate": http://www.europarl.europa.eu/news/public/story_page/008-32908-182-06-27-901-20080627STO32885-2008-30-06-2008/default_en.htm

Expert study says: there is no future for paper invoices!: http://ec.europa.eu/enterprise/newsroom/cf/itemlongdetail.cfm?item_id=1605

3 JULY

The strengthening Euro - is it good or bad for Europe's economy?: http://www.europarl.europa.eu/news/public/story_page/043-32905-182-06-27-907-20080627STO32879-2008-30-06-2008/default_en.htm

Commission wants a web that is better enabled for the disabled: http://europa.eu/rapid/pressReleasesAction.do?reference=IP/08/1074

4 JULY

Climate Change package 2020: the EU's Emission Trading System's 3rd Phase: http://www.europarl.europa.eu/news/public/story_page/064-32904-182-06-27-911-20080627STO32878-2008-30-06-2008/default_en.htm

The Council adopts a Regulation on putting European satellite radio navigation systems in place: http://www.consilium.europa.eu/ueDocs/cms_Data/docs/pressData/en/misc/101606.pdf

7 JULY

Paris Declaration on the future role of customs: http://circa.europa.eu/Public/irc/taxud/cu_40_frenchpres/library?l=/declaration_customs&vm=detailed

Budget: The European Court of Auditors 2006 annual report: http://ec.europa.eu/budget/budget_detail/latest_discharge_en.htm

Energy and Transport: Energy: Second Strategic Energy Review: http://ec.europa.eu/yourvoice/ipm/forms/dispatch?form=StratgyReviewII

8 JULY

Ombudsman: Late payment by Commission: http://europa.eu/rapid/pressReleasesAction.do?reference=EO/08/10

Budget: Budget report 2007 confirms better management but warns time is running out for unspent funds: http://europa.eu/rapid/pressReleasesAction.do?reference=IP/08/1044

9 JULY

Telecoms package: better protection for users' rights: http://www.europarl.europa.eu/news/expert/infopress_page/058-33621-189-07-28-909-20080707IPR33620-07-07-2008-2008-false/default_en.htm

Council Conclusions on Transparency and Rating agencies: http://www.consilium.europa.eu/ueDocs/cms_Data/docs/pressData/en/ecofin/101734.pdf

10 JULY

2882nd Council meeting Economic and Financial Affairs: http://www.consilium.europa.eu/ueDocs/cms_Data/docs/pressData/en/ecofin/101742.pdf

ECB: Review of the international role of the euro: http://www.ecb.int/press/pr/date/2008/html/pr080709.en.html

11 JULY

Energy and Transport: Transport: Commission approves French aid scheme boosting inland waterway transport: http://europa.eu/rapid/pressReleasesAction.do?reference=IP/08/1083&format=HTML&aged=0&language=EN&guiLanguage=en

14 JULY

Sarkozy sets out priorities for French EU presidency: http://www.europarl.europa.eu/news/public/story_page/008-32913-189-07-28-901-20080627STO32900-2008-07-07-2008/default_en.htm

Eurostat Press Release: Tourism in the EU27 in 2006 Nearly 40% of all trips of four nights or more are made abroad: 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_07/4-11072008-EN-AP.PDF

15 JULY

Environment: Water resources management-Protecting water resources in the Mediterranean: http://ec.europa.eu/europeaid/case-studies/documents/pdf/meda_water-programme_en.pdf

16 JULY

2884 Meeting Agriculture and Fisheries Council: http://www.consilium.europa.eu/ueDocs/cms_Data/docs/pressData/fr/agricult/101853.pdf

Information Society: Roaming: High Prices of SMS & Data Services: http://europa.eu/rapid/pressReleasesAction.do?reference=MEMO/08/505&format=HTML&aged=0&language=EN&guiLanguage=en

17 JULY

Penalties for employers of illegal immigrants debated by MEPs: http://www.europarl.europa.eu/news/expert/infopress_page/018-34092-196-07-29-902-20080714IPR34091-14-07-2008-2008-false/default_en.htm

Eight agricultural product names registered: http://ec.europa.eu/agriculture/newsroom/en/295.htm

18 JULY

Consumer protection: Consumers: EU clampdown on ring-tone scams: http://europa.eu/rapid/pressReleasesAction.do?reference=IP/08/1169

European Investment Fund and Latvia sign the first Funding Agreement in the Baltic States under the European Commission's JEREMIE initiative: http://www.eif.org/jeremie/news/2008_jeremie_latvia_fundingagmt.htm

22 JULY

First Annual Activity Report of the European Court of Auditors: http://europa.eu/rapid/pressReleasesAction.do?reference=ECA/08/15&format=HTML&aged=0&language=EN&guiLanguage=en

Global Food Price Rise: Commission proposes special financing facility worth €1 billion to help developing country farmers: http://europa.eu/rapid/pressReleasesAction.do?reference=IP/08/1186&format=HTML&aged=0&language=EN&guiLanguage=en

23 JULY

2885 and 2886 General Afffairs and External Relations Council Meeting: http://www.consilium.europa.eu/ueDocs/cms_Data/docs/pressData/fr/gena/101918.pdf

Annual review of working conditions in the EU 2007–2008: http://www.eurofound.europa.eu/pubdocs/2008/53/en/1/ef0853en.pdf

Usual hours worked per week, 2nd quarter 2006

Greece	42.7	Portugal	39.1
CR	**41.7**	Lithuania	38.7
Latvia	41.6	Italy	38.6
Bulgaria	41.3	France	38.0
Slovakia	41.0	**EU-27**	**37.9**
Poland	40.9	Finland	37.8
Romania	40.8	Luxembourg	37.5
Hungary	40.3	UK	36.9
Cyprus	40.2	Belgium	36.7
Slovenia	40.2	Sweden	36.5
Estonia	39.8	Ireland	36.4
Spain	39.3	Germany	35.6
Austria	39.2	Denmark	35.5
Malta	39.2	Netherlands	30.8

24 JULY

2887 Justice and Home Affairs Council Meeting: http://www.consilium.europa.eu/ueDocs/cms_Data/docs/pressData/fr/jha/101974.pdf

25 JULY

The EU improves access to air transport for people with reduced mobility: http://europa.eu/rapid/pressReleasesAction.do?reference=IP/08/1204

28 JULY

New Figures Show: Almost two thirds of EU television time is "Made in Europe": http://europa.eu/rapid/pressReleasesAction.do?reference=IP/08/1207

European Commission launches new promotional campaign for organic food and farming: http://europa.eu/rapid/pressReleasesAction.do?reference=IP/08/1209

30 JULY

The Council recommends that the United Kingdom take action to put an end to its excessive deficit: http://europa.eu/rapid/pressReleasesAction.do?reference=PRES/08/203

31 JULY

Analysis of structural reforms MICREF - The database on microeconomic reforms: http://ec.europa.eu/economy_finance/thematic_articles/article13026_en.htm

Ownership of a bank transaction account, credit card, basic savings or chance to overdraw one's account in case of need represent important attributes of successful life in modern society. Unbanked persons are under threat of living on the edge of society, the European Commission's report points out. Will the situation be resolved by adopting legislative regulations by the EU? Or is it more efficient to leave the problem to the financial institutions within the framework of self-regulation?

EUROPEAN COMMISSION WARNS AGAINST FINANCIAL EXCLUSION

In the new EU Member States, 34 % of citizens live in "financial exclusion". These citizens lack access to basic financial products such as a transaction account, bank savings, overdraft account or credit card loans.

In the Czech Republic, the percentage of such citizens is 17 %. In this respect, our situation is the same as in Portugal, and only 8 Member States of the EU-25 are in a worse position (Bulgaria and Romania are not included in the survey).

An indirect proportion between economic development assessed by GDP per capita and the number of citizens who lack access to basic financial services is probably not surprising. In economically developed EU countries the percentage of financially excluded persons is lower.

Those data were published in the European Commission's report in spring 2008. However, the report was based on surveys conducted about four years ago and therefore the report admits that due to rapid development of banking services the current situation in several new Member States may have improved – pointing out in particular the Czech Republic.

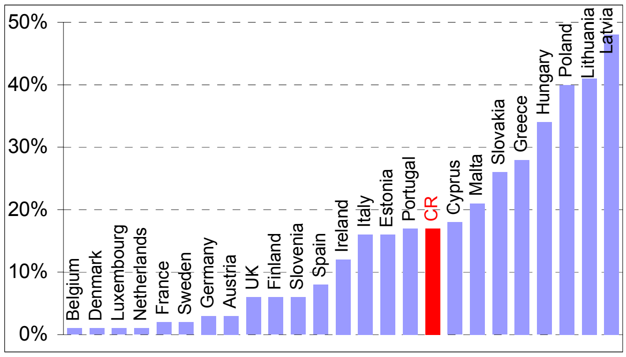
Financial exclusion definition

The term "financial exclusion" was first used in the mid 90s to refer to limited geographical availability of financial services due to closures of bank branches in the United Kingdom and the US. Approximately at the turn of the millennium, the term gained wider meaning and corresponds to the limited access of certain groups of citizens to basic financial services. Financial exclusion is tightly linked to social exclusion.

Financial exclusion is a situation when a person is without a bank account or possibility of overdraft from a current account or credit card, according to the European Commission's report. This definition is applied hereinafter.

Apart from the aggregate term "financial exclusion", also the data regarding separate basic banking services are available. The percentage of "unbanked" citizens is the lowest in the Netherlands. The main objective of the European Commission's report, however, is not to present statistical data on the use of banking services; the objective is to point out the danger of close relation between unbanked citizens and living on the edge of society. Indeed, successful life in Europe at the beginning of 21st century requires that postal money orders are paid by bank transfers, shopping is paid for by payment cards, there is a possibility to overdraw your account in case of short-term lack of funds, or receive your salary on your bank account.

Share of financially excluded persons



Source: European Commission

Citizens who do not use such products face a number of disadvantages and risks directly in the financial sphere as well as indirectly in the social sphere. Cash payments of postal money orders are more expensive and time consuming than bank transfers, mostly via internet banking. Some companies in network sectors offer bonuses to their services if payments are directly collected from the customer's account (e.g. the Vodafone mobile operator in the Czech Republic). There is a higher risk related to the keeping of cash since the savings under the mattress may be lost easily compared to having them deposited safely in a reputable bank within the deposit insurance system guaranteed by the state.

Refusal to allow for a fast flexible overdraft or credit card use forces clients to turn to unreliable non-banking companies or money lenders in case of need, and the costs related to the loan may thus represent several hundred percent per year (according to the annual average cost rate indicator). Lack of a bank account may also represent a barrier on the labour market; few employers are willing to pay salaries in cash.

Generally, financial exclusion threatens low income citizens, the unemployed, single mothers or handicapped people. In the EU-15, another significant unbanked group involves immigrants whose documents are often not in order and therefore they cannot use banking products. In the EU-10, the jeopardized group comprises pensioners due to their unfavourable financial situation as well as inability to adjust to new banking products.

There is also a tight link between education and use of financial services. Persons with higher education are in a better economic situation and they are able to assess the advantages of separate banking products, and that is why

they use the basic banking services to a larger extent compared to less educated people. No differences were identified in terms of gender, but still there a higher percent of unbanked women than men.

While in the original EU Member States there is the same number of unbanked people in rural areas and in cities, in the new Member States the situation is different as clearly there are more unbanked people in rural areas.

The reason for financial exclusion identified as the most common was age. Elderly people simply cease to orientate in the current financial environment full of innovations. Another significant factor, paradoxically, is the labour market reforms.

Making the often narrow-minded systems more flexible and desirable resulted in an increase of flexibility and, at the same time, less stable labour conditions which are deemed negative by bank risk managers. Rules applicable to risk management of banking services are considered one of the most important barriers preventing access to banking products. Conservative assessment of client related risks by banks means that some products are not available to clients with a short credit history or problems with loan repayment.

There are a number of people who are not interested in certain banking products because they fear that their bank liabilities could grow too much, or – because of marketing campaigns – they believe that such products are not intended for them. Marketing campaigns pursued in the wrong way may unintentionally result in loss of potential clients.

Some unbanked citizens also stated that they understand their money in their purse or shoe box better than the “virtual” money at bank accounts.

A large number of unbanked citizens in the EU represent a problem for the whole society since it currently results in their marginalization. Step by step, banks that are engaging in corporate social responsibility are responding to the situation.

Certain banks, often in cooperation with non-profit organizations or the state sector, have developed special banking products – most often cheap transaction accounts – for people with low or unstable income. The Die Zweite Sparkasse project established by Erste Foundation in Austria, may serve as an example.

In the new Member States, financial education and counselling provided to clients is a popular activity with the aim of increasing their ability to orientate in a wide offer of financial services, or extricate themselves from debts in case of difficulties. In the Czech Republic, the first example of a similar type is the Counselling Centre for People with Financial Problems (Poradna při finanční tísni) established last year with the aim of assisting debtors in resolving their debt issues and helping them avoid becoming socially excluded. The Centre was established by Česká spořitelna in cooperation with the Czech Consumers Association (Sdružení českých spotřebitelů). The partners of the Centre include ČSOB, Komerční banka, Raiffeisenbank, Stavební spořitelna České spořitelny, Poštovní spořitelna and Unicredit Bank.

Die Zweite Sparkasse

An Austrian alternative bank has been established by the Erste Stiftung foundation, a leading Erste Bank shareholder. Zweite Sparkasse defines itself as “the bank for people without a bank” and focuses on citizens experiencing financial difficulties who have no other access to banking services.

The bank offers current accounts without overdraft options. Accounts may be opened only by citizens who closely cooperate with social welfare institutions such as Charity and the debt counselling services. Thanks to this complex support, the clients of Die Zweite Spakasse are likely to get a chance to extricate themselves from their financial difficulties and be able to use services of common commercial banks.

The bank charges only 9 europs per quarter to maintain a special bank account, though the charge could be understood as a deposit – the charges paid by the client are paid back when the client opens an account in a regular bank. The clients may use Maestro debit payment cards and make permanent charging orders free of charge. As soon as the client overcomes his/her financial difficulties, he/she opens an account at a regular bank and the account at Die Zweite Sparkasse is closed.

Also the European Commission intends to act and would like to develop a policy of financial inclusion of unbanked citizens in cooperation with the Member States. However, no strict legislation applicable to banks has been proposed yet. “After a series of consultations with persons concerned and various impact studies it is possible to issue a recommendation,” said Charlie McCreevy, Commissioner for the Internal Market. The recommendation is not legally binding and it points out how certain issues should be dealt with in the future according to the European Commission.

The European Commission’s report states that the future EU interventions in this area should also involve soft instruments including the arrangement of the system of unified indicators of financial exclusion assessment throughout the EU, the development of consumer financial education and support for corporate social responsibility in banking services.

In the current programming period that will last until 2013, the Czech Republic is among the most profiting beneficiaries of aid from the EU Structural Funds and the Cohesion Fund. However, what will the situation be like from 2014? There have already been many discussions backstage on the regional policy parameters for 2014-2020. The most likely scenarios of future development of the policy that will have direct impacts on the volume of subsidies paid from the EU funds form the main topic of this Monthly Journal.

ON THE PARAMETERS OF THE EU COHESION POLICY FUTURE AFTER 2013

The EU Cohesion Policy (or the regional policy) represents one of the most pronounced and most discussed aspects of the European integration process due to allocation of European funds. It represents an instrument intended to help to fulfil the development potential of regions that were unable to manage this objective via their own means. Since the implementation of the Cohesion Policy becomes more and more financially demanding and its funding shows a considerable level of solidarity of the developed and rich EU countries with underdeveloped EU regions by means of the EU budget, it is also clear that the Cohesion Policy is becoming the subject of fierce debates and often distinctive opinions regarding its meaning, efficiency and usefulness held by countries that are net payers on one hand and net beneficiaries on the other hand.

The meaning of the debate on the future Cohesion Policy development is, from our point of view, further intensified by the fact that the discussions concerning the future EU fiscal framework are becoming more intense, with the Cohesion Policy being one of their most important chapters. Furthermore, this agenda will indeed be one of the priorities especially during the period of the Czech Presidency of the Council.

The forming of national positions of individual Member States regarding the Cohesion Policy rules and parameters after 2013 takes place in a number of Member States and is carefully monitored by the EU key executive body – the European Commission. The objective is to discuss the preferred factual areas on which the Cohesion Policy may focus after 2013, and also to establish the funding model including determination of decisive criteria regulating the allocation of the European budgetary means to separate Member States and their regions.

The beginning of the debate, which could be concluded, including the adoption of final conclusions, in two or maybe three years' time, focuses on a discussion of currently acceptable scenarios of the future arrangement of the Cohesion Policy.

1st scenario

The first possible scenario is proposed by the developed and rich countries. It says that the Cohesion Policy with funds determined on national levels should be replaced by a model in which the projects of individual countries and regions would compete with each other throughout the EU. Obviously, this model is not welcomed in the new Member States and there is only a slight chance that it would be adopted because it is far from solidarity and cohesion; however, considering the preferred selection of the best project and therefore using the European funds in an efficient manner, this model seems to be the most fair.

2nd scenario

The second proposal considers keeping the existing parameters of the Cohesion Policy, under which over 80 % of funds allocated to the Policy focuses on the convergence (adjusting) purpose. Due to the fact that in the meantime prior to the commencement of the new financial framework, i.e. by the time the basic points for this programming period are determined, the majority of the current new Member States will have undergone rather dynamic development that will further make them closer to the EU average, and because a number of their regions will not be included in the convergence objective for the next period, the proposal will be of a rather selective nature. Mainly the least developed regions in need would be supported within its framework, and the cohesion need factor would become the main factual motif which should also take into account the cohesion need resulting from the expected enlargement of the EU by 2020. Modifications of this proposal may include for instance further toughening of the current convergence objective to a level below 75 % of GDP per capita compared to the average EU value, which would increase the need accent. This other proposal would probably be more welcomed by the poorest countries and regions within the EU.

3rd scenario

And finally, the third proposal that is currently under debate accommodates in particular the new Members, especially from 2004, whose economy is dynamically developing. Its main purpose is to ensure that the level of assistance provided under the Cohesion Policy in the period after 2013 would not result in significant reduction of financial means compared to the current programming period. This proposal could for instance rely on the fact that the major base for using the funds within the convergence objective would grow from the existing 75 % of GDP per capita compared to the EU average to for example 90 %; a possible solution would be to transfer the total volume of funds intended for the current convergence objective to the current

competitiveness objective. And finally, even the inclusion of the current objective of territorial cooperation into both current targets with the option to increase the total amount for the purposes of international partnership within the EU, may comply with such requirement. Needless to say, this model is likely to be required also by the majority of regions in the Czech Republic.

The following text focuses on detailed specification of those ideas and outlines certain other ideas related to the given topic.

INTRODUCTION

Although we may objectively and truthfully claim that the 2007-2013 programming period has not commenced yet in terms of all related procedures, or that it is still in its early stage, the time comes – not only in the Czech Republic but also in the European Union as a whole – to consider the EU Cohesion Policy after the end of the current period, i.e. after 2013. It also becomes legitimate to ask the question of whether the Cohesion Policy in its current form will exist at all.

Danuta Hübner, Commissioner responsible for Regional Policy, stressed the need to focus on the issue in May 2007 when the 4th Report on Economic and Social Cohesion titled “Growing Regions, Growing Europe” was presented, and as a result of the organization of the 4th European Cohesion Forum in September last year, a platform for debating potential possibilities was created. The Czech Republic should familiarize itself with some basic answers to those questions as this is related to our EU Presidency in the first half of next year when the EU fiscal framework will be one of its priorities.

The issue has also been discussed in the European Parliament and it was included in the additional conferences and programmes during Slovenia’s Presidency.

In the second half of this year, we will impatiently await the principal document to be introduced by the European Commission in relation thereto: it is expected to publish an analytical document with the proposed strategy for European regions until 2020.

NATIONAL PREFERENCES

With respect to the future of the EU Cohesion Policy, we may assume that the Czech Republic will mainly focus on the following two issues for the period after 2013:

1. To ensure that the overall volume of future allocations is not significantly reduced compared to the current period 2007-2013 (as currently noted by many EU-15 countries compared to the previous period); it is highly probable that considering the foreseen development of the Czech economy and its regions on one hand, and the other EU parts on the other hand, at least three out of seven convergence regions in the Czech Republic (provided the currency continues to firm and the economic growth remains high above the average, this could be even more than three) will exceed the current benchmark of 75 % of the average GDP per capita in the EU. The objective should be to increase the level of the benchmark or “increase competencies” of the regions phasing-in and phasing-out so that the reduction of amounts allocated to the Czech Republic is not significant. Compare, for example, the allocations for Ireland in 1994-1999, when Ireland was a typically cohesive country, to 2000-2006, when Ireland became a dynamic rich country, and finally to the current period, when Ireland is a rich country with slowed dynamics; during this period, Ireland lost approximately 92 % of the funds compared to the funds allocated in the 90s. We should try to avoid this “blow” because a number of regional entities would not be able to cope with such a sudden cut in subsidies.
2. To ensure that the Czech Republic is able to use and implement better quality projects, often of a “soft” nature, and to a larger extent better quality resulting in a clear improvement of evaluation indicators. There is still a mass demand for typically convergent catching up projects at various levels (from paving sidewalks in towns to construction of motorways within the TEN networks); on the other hand, projects focused on efficient technological transfer, know-how transfer, as well as projects actually focusing on human resources education and development as a real long-term source of prosperity, seem to be difficult to handle and result in risky implementation and often have very bad results (the criterion then becomes the “use of subsidies” itself regardless of the purpose of the project, which usually terminates after the subsidies have been used).

SCOPE OF COHESION POLICY OBJECTIVES

Already in the previous programming period 2000-2006, the Cohesion Policy faced significant reduction and clarification of its objectives, which were further intensified in the current programming period by excluding the agricultural aid from the Cohesion Policy framework and providing for it from another budget chapter.

Further reduction of the current three objectives is obviously not desirable, though there is a legitimate question as to whether the territorial cooperation objective could or could not be integrated into both dominant objectives, i.e. convergence and competitiveness, in a more efficient manner.

We believe that even in the context of the need for overall reform of the EU fiscal system, the scope of the Cohesion Policy objectives will more and more often be in conflict with the competitiveness objectives within the current first chapter of the New Financial Perspectives framework (the financial framework for 2007-2013; chapter 1a. compared to chapter 1b.). For example, the more the Member States that acceded to the EU in 2004 develop economically (measured by GDP per capita in the standard purchasing power), the smaller the space for typical Cohesion Policy will be (with the exception of a number of regions in Poland and perhaps also eastern Slovakia or Hungary). We believe that the objectives of the actual Cohesion Policy in terms of approaching, catching up and removing past burdens will much better fit regions in Romania and Bulgaria and probably also regions of some candidate countries, most likely Croatia and Macedonia. The criterion of need mentioned above will thus apply best to those regions.

On the other hand, a number of current areas of the Cohesion Policy support – qualitative, not quantitative – have already started to blend with the content of sub-chapter 1a. within the support to competitiveness. In fact, the only difference relates to the manner of redistribution of funds (nationally determined vs. direct community programmes and grants) and the nature of the projects (regionally and locally orientated vs. projects of international cooperation or significance).

This should be kept in mind when formulating the Cohesion Policy objectives. Regarding the nature of the changes made in a number of typical cohesion countries it may be suitable to consider an increase of the total percentage weight of the objective now entitled competitiveness to a higher level, and also the objective entitled convergence to a lower level.

The forming of general objectives of the Cohesion Policy is, in our opinion, adequate even in terms of the current division. The change in the conditions between the two major objectives mentioned above would better correspond to the social and economic nature of the period after 2013. Such situation would correspond to the social and economic development of the EU (successful convergence game for the majority of new Member States from 2004; the need to ensure convergence for Romania, Bulgaria, Croatia and perhaps Macedonia; only relations with Turkey would result in a need to principally adjust those parameters after the key year of 2015, see below).

Future specification of the current competitiveness objective should become much more complementary to the programmes funded under the current chapter 1a. Competitiveness for Growth and Employment in chapter 1. Sustainable Growth. If no logical order is introduced, there may be a system failure meaning that similar or identical programmes will be funded from two resources under two different sets of rules and principles.

The question is whether such approach is correct over setting an optimal position for the Czech Republic; and we may sense a visible contrast. A considerably more correct system would be a system of funding in which competitiveness development projects would compete with each other throughout the EU (similar to direct community programmes and grants), at least from the point of view of efficient allocation of public funds to the benefit of the best prepared projects of the highest quality. On the other hand, it is clear that the policy of nationally determined fund redistributed through operational programmes within the Cohesion Policy would better ensure the volume of received and used funds.

The current objective of regional cooperation may seem slightly unclear. Due to the nature of cross-border programmes that result in partnerships across the EU, this may also be included in the group of direct programmes. Its low range also results in the need to be included in a relatively large unit. Furthermore, compared to the other two objectives that logically complement each other, this represents some kind of a non-systematic appendix. It may be proposed that the current objective of regional cooperation "dissolves" in the two dominant objectives, provided it would be possible to consider more generous financial support within their framework.

The regional cooperation objective is furthermore modified by the wording of the Reform Lisbon Treaty. The Treaty sets out territorial cohesion (together with economic and social cohesion) as an objective of the Cohesion Policy, and shared competency between the EU and the Member States. On this occasion, the Green Paper on territorial cohesion is to be published by the European Commission soon. The action programme on the implementation of the EU territorial agenda should be created at the Council level.

VOLUME OF FUNDS

The volume of funds within the Sustainable Growth budget chapter may be expected to further grow, considering the development of the Common Agricultural Policy reform and

the de facto substitution effect between those chapters in terms of budget expenses demands. Nowadays, the New Financial Perspective already includes natural growth of funds for the benefit of sustainable growth, to the detriment of agriculture and natural resources protection and administration.

A preferred solution may be as follows: sustainment (non-growth) of the EU budget volume towards GDP on an approximately constant level; within this level a significant increase of funds for sustainable growth.

For this purpose it is necessary – within the Common Agricultural Policy and fiscal system reforms – to perform a detailed audit of items in those key chapters and evaluate whether they really fall under the covering headline chapter. Should this condition be met, we would prefer the procedure mentioned above.

The volume of expenses for the Cohesion Policy within the existing programming period is 35.7 % (347.41 billion euros). The question therefore is, whether at least relative allocation of the Cohesion Policy weight for the coming period will be sufficient. The European Commission's proposal, to be prepared in the future, is likely to present an increase of the total amount of the budget framework; this is the case of the current programming period. Negotiations of the Council of the EU, however, resulted in certain reduction of the overall volume of the EU budget in relation to the EU gross domestic product (finally again slightly increased by the European Parliament).

The existing discussion points to a single outcome: except for the European Parliament, no other EU institution has voiced its opinion. Only the European Parliament has again recently noted that:

"... fair and efficient cohesion policy will not be possible without an increase of the EU expenses to 1.18 % of the EU gross national income".

Since the position of net payers is rather strong (and more and more uncompromising), no significant growth in the volume of expenses for the Cohesion Policy can be expected. At present, there is a clear effort to define the Cohesion Policy against the Common Agricultural Policy (and it becomes more important in relation to that) as a substitution, not absolutely.

RE-NATIONALIZATION OF THE COHESION POLICY

In relation to the Cohesion Policy after 2013, there is increasing talk of re-nationalization and we are not convinced that there is a need for this. The Cohesion Policy should correspond to its classification in the group of coordinated shared policies. We believe that the rate of nationalization is considerably high as evidenced by significant diversity between the number and nature of the Operational Programmes between the Member States.

In this context we may express a general consent with the opinion of the European Commission and of the European Parliament, which however is not likely to be shared at the domestic national or regional level. Several statements originating from the European Parliament on one hand represent the need to reject any attempts to transfer the Cohesion Policy back to the national level. On the other hand, there is also the demand to apply this policy in a differentiated manner throughout the territory of the EU as a whole.

Furthermore, net payers should monitor where their taxes are relocated to within the EU and struggle to receive a portion of their funds back.

If this was to be the agenda, we would propose – on a voluntary basis – enhancing direct links between the regions and the EU (in terms of the Commission's execution) within the meaning of the title Regional Policy of the EU.

We would definitely not be in favour (and we are not sure whether this will be advantageous for us – probably it will be) of defining only vague framework rules at the EU level and leaving all the remaining issues, including checks, in the competence of national authorities. We are fundamentally convinced that the feedback and checks by the competent EU institutions is and will be considerably desirable.

SUPPORT OF COMPETITIVENESS AGAINST COHESION

The key problem of the future period will focus on the precise definition of the terms cohesion and convergence, and the financial framework that should be based on elimination of content overlaps between both terms. In other words, the precise definition of the terms cohesion and convergence with regard to the expected future development in the second half of the next decade will therefore be the key task of the debate on the efficiency and meaning of the Cohesion Policy.

If the answer is provided in a precise manner, it should solve the dilemma of which areas should become the priorities of the aiming of the structural funds.

It will help us answer the question of whether the beneficiaries should be entities solely in the poorest or "only" poor regions, or whether the beneficiaries may be entities from all EU regions that comply with the definition of

the given problem (e.g. social exclusion, structural unemployment or the need to revitalize an obsolete unused factory).

We are not sure if the the answer to this question was provided by Commissioner Hübner at a recent conference on the future of the Cohesion Policy during Slovenia's Presidency, when she said: "Cohesion Policy should further develop so as to ensure the progress of the growth and jobs agenda across the EU (the Lisbon Strategy) and to support the internal regional development. Therefore, the reform implemented in 2007-2013 shifts the Cohesion Policy towards investments with the highest return possible in terms of competitiveness of European regions."

The presently prevailing opinion regarding this issue is that the Cohesion Policy should cover all regions of the whole EU territory and does not have to focus on the poorest areas or the least developed regions. Convergence and competitiveness are mainly perceived as complementary phenomena.

Further challenges that will surely be linked to the final version of the Cohesion Policy after 2013:

Cohesion Policy as an Instrument to Achieve the Lisbon Objectives

We may approve of this conception; there is also a need for clear complementary definition with supports in the framework of sub-chapter Competitiveness. The European Commission estimates that in the current programming period, approximately 64 % of the Cohesion Policy funds allocated to the convergence objective, and 80 % to the competitiveness objective, are expenses supporting compliance with the Lisbon Strategy.

The prevailing opinion in Europe is that the Cohesion Policy is a competent and strategic policy with its own objectives and that it cannot be seen only as an instrument for achieving other policies and strategies.

Furthermore, the Lisbon Strategy horizon in its current version will expire in 2010 while the next period of the Cohesion Policy framework will commence three years later. On the other hand, however, the prevailing opinion in Europe nowadays is that to make the Cohesion Policy more "Lisbon" is the correct procedure.

Urban Dimension and Leipzig Charter Implementation

We believe this is a typical cohesion task which is estimated to be urgent not only in countries and regions of the new Member States but also in the original Member States.

Rural policy in the Context of Agricultural and Cohesion Policy

In our opinion the trend introduced during the creation of the New Financial Perspective should culminate: splitting the agriculture and rural development from the Cohesion Policy. Within this process it is however appropriate to ensure elimination of differences by means of support depending on the size of the respective community.

We believe that the supportive instruments should mainly accept the principle that rural areas do not always mean agriculture; that rural areas should involve a diversity of economic activities out of which only one – and not necessarily the main one – may be agriculture.

Cohesion Policy and Further Enlargement

The pre-accession instruments will surely belong to the Cohesion Policy as long as the EU keeps enlarging by even poorer countries. If a miracle happens and the EU enlarges by welcoming Switzerland, Norway, Iceland or Lichtenstein any time in the future, those instruments would obviously not apply.

Another dimension of the relationship between the Cohesion Policy and the enlargement process is the involvement of new EU members in the EU standard instruments which, in the case of certain current candidates, may completely reverse the Cohesion Policy parameters. This surely does not apply for the hottest candidate – Croatia. Due to its accession, the GDP per capita in the EU would drop to 0.6 % (the EU population would grow by 0.9 % and its area by 1.3 %). On the other hand, this would surely apply to the less sure candidate – Turkey. Turkey's accession to the EU would result in the GDP per capita dropping to frightening 10.5 % and the area would grow by 18.3 % and the population by nearly 15 %.

If the Cohesion Policy rules would not be altered and the current rules would be applied to the hypothetical current model including Croatia, Macedonia and Turkey (i.e. the potential EU-30), Turkey would allocate more than 63 % of all the EU funds under the Cohesion Policy.

CONCLUSION

The aim of this paper was to outline some problematic issues and debates related to the future EU Cohesion Policy after 2013, and to present our opinion and statements regarding some of them. Undoubtedly, as the discussion proceeds, there will be more specific topics and issues, more alternative scenarios with specific and feasible solutions offered.

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	IV-07	V-08	VI-08	IV-07	V-08	VI-08
Belgium	1.7	2.8	2.7	3.0	3.3	3.3	6.9%	6.8%	6.8%	4.1%	5.1%	5.8%
Bulgaria	6.2	6.3	6.2	-11.5	-16.3	-22.0	5.7%	5.7%	5.7%	13.4%	14.0%	14.7%
CR	6.4	6.4	5.8	-2.3	-3.1	-2.4	4.4%	4.4%	4.3%	6.7%	6.8%	6.6%
Denmark	2.5	3.9	1.8	4.4	2.6	1.1	2.7%	2.7%	2.6%	3.4%	3.6%	4.2%
Germany	0.8	2.9	2.5	4.7	5.2	6.9	7.4%	7.4%	7.3%	2.6%	3.1%	3.4%
Estonia	10.2	11.2	7.1	-10.1	-15.7	-15.7	4.2%	4.1%	4.1%	11.6%	11.4%	11.5%
Ireland	6.0	5.7	5.3	-3.5	-4.2	-5.0	5.3%	5.5%	5.7%	3.3%	3.7%	3.9%
Greece	3.8	4.2	4.0	-13.4	-14.4	-16.2	n/a	n/a	n/a	4.4%	4.9%	4.9%
Spain	3.6	3.9	3.8	-7.5	-8.8	-10.0	10.0%	10.4%	10.7%	4.2%	4.7%	5.1%
France	1.7	2.0	1.9	-1.7	-2.2	-2.6	7.5%	7.5%	7.5%	3.4%	3.7%	na
Italy	0.6	1.8	1.5	-1.2	-2.0	-1.7	n/a	n/a	n/a	3.6%	3.7%	4.0%
Cyprus	3.9	4.0	4.4	-5.9	-5.9	-7.3	3.7%	3.6%	3.6%	4.3%	4.6%	5.2%
Latvia	10.6	11.9	10.2	-12.5	-22.5	-22.9	5.6%	5.6%	5.7%	17.4%	17.7%	17.5%
Lithuania	7.9	7.7	8.8	-7.2	-10.5	-13.8	4.5%	4.4%	4.3%	11.9%	12.3%	12.7%
Luxembourg	5.0	6.1	5.2	10.9	10.3	9.1	4.0%	4.1%	4.1%	4.3%	4.8%	5.3%
Hungary	4.1	3.9	1.3	-6.8	-6.5	-5.0	7.5%	7.6%	7.6%	6.8%	6.9%	6.6%
Malta	3.4	3.4	3.8	-8.8	-8.3	-5.5	5.7%	5.8%	5.8%	4.1%	4.1%	4.4%
Netherlands	1.5	3.0	3.5	7.1	7.6	8.4	2.9%	2.9%	2.8%	1.7%	2.1%	2.3%
Austria	2.0	3.3	3.4	3.0	3.5	4.7	4.2%	4.1%	4.1%	3.4%	3.7%	4.0%
Poland	3.6	6.2	6.5	-1.6	-3.1	-3.7	7.6%	7.5%	7.3%	4.3%	4.3%	4.3%
Portugal	0.9	1.3	1.9	-9.8	-9.8	-9.8	7.4%	7.5%	7.4%	2.5%	2.8%	3.4%
Romania	4.2	7.9	6.0	-8.9	-10.4	-13.9	n/a	n/a	n/a	8.7%	8.5%	8.7%
Slovenia	4.1	5.7	6.1	-2.0	-2.8	-4.8	4.3%	4.3%	4.2%	6.2%	6.2%	6.8%
Slovakia	6.6	8.5	10.4	-8.5	-7.7	-5.4	10.5%	10.5%	10.5%	3.7%	4.0%	4.3%
Finland	2.8	4.9	4.4	3.9	4.9	4.4	6.3%	6.3%	6.3%	3.3%	4.1%	4.3%
Sweden	3.3	4.1	2.6	6.1	8.5	6.5	5.5%	5.3%	5.1%	3.2%	3.9%	4.1%
UK	1.8	2.9	3.1	-2.5	-3.9	-4.2	5.1%	n/a	n/a	3.0%	3.3%	3.8%
EU	1.9	3.0	2.9	-0.4	-0.9	-0.9	6.8%	6.8%	6.8%	3.6%	4.0%	4.3%

	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	2005	2006	2007	2005	2006	2007
Belgium	-2.3	0.3	-0.2	92.1	88.2	84.9	121.0	119.6	118.1	106.0	106.2	105.4
Bulgaria	1.8	3.0	3.4	29.2	22.7	18.2	35.3	36.7	38.1	43.1	44.8	46.0
CR	-3.6	-2.7	-1.6	29.7	29.4	28.7	76.5	78.5	82.0	58.4	61.5	62.6
Denmark	5.0	4.8	4.4	36.4	30.4	26.0	126.5	125.6	122.8	139.6	139.2	136.9
Germany	-3.4	-1.6	0.0	67.8	67.6	65.0	115.0	114.0	113.2	103.7	103.3	103.2
Estonia	1.8	3.4	2.8	4.5	4.2	3.4	62.8	68.3	72.1	64.6	66.5	71.3
Ireland	1.6	3.0	0.3	27.4	25.1	25.4	143.6	145.3	146.3	124.8	124.9	126.0
Greece	-5.1	-2.6	-2.8	98.0	95.3	94.5	96.1	97.2	97.9	88.4	89.1	88.6
Spain	1.0	1.8	2.2	43.0	39.7	36.2	102.9	104.8	106.9	92.0	93.3	93.0
France	-2.9	-2.4	-2.7	66.4	63.6	64.2	112.3	111.8	111.3	107.4	107.3	106.7
Italy	-4.2	-3.4	-1.9	105.8	106.5	104.0	105.1	103.2	101.4	104.0	104.1	102.9
Cyprus	-2.4	-1.2	3.3	69.1	64.8	59.8	92.5	91.8	92.7	89.7	90.1	87.7
Latvia	-0.4	-0.2	0.0	12.4	10.7	9.7	49.9	53.6	58.0	57.1	60.6	65.0
Lithuania	-0.5	-0.5	-1.2	18.6	18.2	17.3	53.1	56.1	60.3	55.1	56.6	59.7
Luxembourg	-0.1	1.3	2.9	6.1	6.6	6.8	264.0	278.9	276.4	102.7	103.2	105.1
Hungary	-7.8	-9.2	-5.5	61.6	65.6	66.0	64.1	64.9	63.5	63.5	60.0	65.7
Malta	-3.0	-2.5	-1.8	70.4	64.2	62.6	77.4	76.9	77.1	73.1	73.4	73.2
Netherlands	-0.3	0.5	0.4	52.3	47.9	45.4	131.0	130.4	130.9	104.5	103.9	103.1
Austria	-1.5	-1.5	-0.5	63.5	61.8	59.1	128.7	127.4	128.2	101.9	101.2	100.0
Poland	-4.3	-3.8	-2.0	47.1	47.6	45.2	51.2	52.4	53.6	61.3	62.1	63.4
Portugal	-6.1	-3.9	-2.6	63.6	64.7	63.6	75.4	74.4	74.7	85.3	85.7	84.6
Romania	-1.2	-2.2	-2.5	15.8	12.4	13.0	35.4	38.8	40.7	54.3	57.0	64.7
Slovenia	-1.5	-1.2	-0.1	27.5	27.2	24.1	86.8	87.7	88.8	75.8	75.3	76.9
Slovakia	-2.8	-3.6	-2.2	34.2	30.4	29.4	60.5	63.6	68.6	55.8	58.3	63.0
Finland	2.9	4.1	5.3	41.3	39.2	35.4	115.1	116.8	116.2	123.3	121.7	121.4
Sweden	2.2	2.3	3.5	50.9	45.9	40.6	123.6	124.4	126.2	117.9	117.5	116.4
UK	-3.4	-2.6	-2.9	42.1	43.1	43.8	119.1	117.8	115.9	110.2	110.8	112.3
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*