



# EU News

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Dear readers,

When commenting on or interpreting events taking place in the European integration process in January from an engaged Czech viewpoint, one has to do so from the context of our presidency of the Council of the European Union. After the first month, it can be said that Czech politicians and experts have responded in a serious and professional manner to major EU challenges such as the gas shortage, the escalation of the political conflict in the Near East, or finding a way out of the current economic crisis.

It is not surprising that most media attention in relation to Presidency has focused on work of art called Entropa, displayed in the atrium of the building of the key decision-making institution of the EU. The circumstances of its creation brought about numerous expressions of both positive and negative emotions.

A series of documents published by the European Commission in January is worth mentioning, some of which reflect the crisis and appear in the sessions of the Council, as well as other institutions such as e.g. the Economic and Social Committee or the Committee of the Regions. Papers dealing with issues such as the weakening economic sentiment towards future development, competitive strength development concepts for the whole Union as well as its individual members, strategic overview of the improvement of the EU regulatory environment, or a report on the innovation potential fulfilment in the respective EU countries are rich in information and warnings at the same time. Small and medium-sized businesses, which are now striving to find specific forms of support so as to overcome the impact of the crisis are likely to find the innovative EU financial support portal focusing on this particular sector beneficial.

Nevertheless, the latest extraordinary economic development forecast is a warning: The Directorate-General for Economic and Financial Affairs of the European Commission estimates that the EU-27 economy will show a drop of 1.8% in 2009 compared with the previous year, with an almost imperceptible indication of upturn (+0.5%) manifesting itself in the subsequent year, which again we will not be able to identify before early 2011. The private sector, however, finds the Commission's view too optimistic.

January had a specific importance for Slovakia, which gained its first experience with the euro as its legal currency. On the 1st day of this year, the tenth anniversary of introducing the euro was commemorated with justifiable pride.

Česká spořitelna took an active approach to providing information on the Czech presidency in January, too. We have innovated the newly established section of our website devoted exclusively to this important event (see [www.csas.cz/predsednictvi-eu](http://www.csas.cz/predsednictvi-eu)), adding topical news relating to the presidency taken over from the official presidency portal [www.eu2009.cz](http://www.eu2009.cz) on a daily basis. I wish you pleasant reading.

Petr Zahradník

Acting President of the Council of the EU and Czech Prime Minister Mirek Topolánek presented the priorities of the Presidency at the European Parliament. These can be expressed as the three Es: economy, energy and EU in the world. The Commission published a sombre economic prognosis by the year 2010. According to its prognosis, the EU economy will fall by 1.8%, which will be accompanied by a deterioration of public finance, increasing unemployment rate and decreasing inflation.

## POLITICS

### Prime Minister Topolánek Presents Czech Presidency Priorities

Acting President of the Council Mirek Topolánek addressed the plenary session of the European Parliament and presented the priorities and programme of the Czech presidency to the members of the Parliament.

#### Presidency motto

The motto of our presidency is “**Europe without Barriers**” and “**Europe of Rules**”. It is based on the conviction that the full development of European potential is being hampered by a large number of internal barriers: the remaining obstacles to the full application of the four basic freedoms in the EU, excessive bureaucracy burdening entrepreneurs or insufficient interconnection of energy distribution networks. The elimination of internal barriers, however, must go hand in hand with a protection against illegal activities, in other words – rules.

#### Priorities of the Presidency: Three “Es”

##### 1. Economy

The Czech presidency will promote the proper implementation of the conclusions of the G20 Summit Declaration of November 2008 and the conclusions of the European Council of December 2008. The key precondition of success is seen to lie in the **prevention of excessive regulation and protectionism**.

From a long-term perspective, this applies primarily to the **enhancement of the competitive** strength of the EU and the full enforcement and application of the four principal freedoms. Attention will also be paid to investments in education, research, development and innovations, improvement of the regulatory environment and lessening of administrative burden.

##### 2. Energy

The presiding country will definitely “continue the efforts for securing a safe, competitive and sustainable energy management for Europe”. Another assignment in this field will consist of **diversifying the supply and transport routes**, dealing seriously with the question of constructing the Nabucco gas transmission line and promoting the construction of new oil pipe lines.

This question is also closely related to the **climate protection issue**. In this field, the presidency will aim at reaching a globally acceptable agreement regarding the setting of reduction commitments after the year 2012 and

preparing the way to reaching wide international consent in Copenhagen towards the end of 2009.

##### 3. European Union in the World

The first events of the Czech presidency showed the necessity of an active attitude of the EU itself, as well as the **co-ordination with major global and regional players**.

Another task of our presidency in the field of foreign-policy relations will also consist of the **preparation of the Eastern Partnership** presupposing an enhancement of the co-operation with the countries of that region, primarily the Ukraine. The strengthening of transatlantic relations will be accentuated, too.

[http://www.europarl.europa.eu/news/expert/infopress\\_page/004-46092-012-01-03-901-20090113IPR46091-12-01-2009-2009-false/default\\_en.htm](http://www.europarl.europa.eu/news/expert/infopress_page/004-46092-012-01-03-901-20090113IPR46091-12-01-2009-2009-false/default_en.htm)

### Winds of Change Begin to Blow in Brussels

The future European Commission may have as many as **twenty new faces**, as most of its current members are expected to leave the EU executive on their own initiative or as a result of political changes in their respective states.

While there seems to be no serious alternative for Commission President **José Manuel Barroso**, himself keen to stay in the post, many others are expected to be called back home.

According to sources available to the EurActiv portal, just five other commissioners are likely to stay for a second term:

- **Antonio Tajani** of Italy – Transport Commissioner
- **Siim Kallas** of Estonia – Administration and Anti-fraud
- **Olli Rehn** of Finland – Enlargement
- **Viviane Reding** of Luxembourg – Information Society and Media
- **Meglana Kuneva** of Bulgaria – Consumer Protection

According to the sources, **Janez Potočnik** of Slovenia (science and research) and **Andris Piebalgs** of Latvia (energy) may also have a chance of being offered a second mandate.

While others may also wish to continue, they still lack backing from their own governments.

Martin Schulz, a German MEP and the leader of European socialists may become the **next President of the European Parliament** for two-and-a-half years, followed for another two-and-a-half years by the current Chairman of the Parliament’s Foreign Affairs Committee, centre-right Polish MEP Jacek Saryusz-Wolski, former chief negotiator for Poland’s EU accession.

According to persistent rumours, Tony Blair may be on track to become the **first Permanent President of the European Union**. This office is to be created by the Lisbon Treaty, which, however, has not yet come into force. He is said to have the backing of key EU statesmen, including French President Nicolas Sarkozy.

## Composition of European Commission

<b>José Manuel Durão Barroso</b> President	<i>Portugal</i>
<b>Margot Wallström</b> Vice President, Institutional Relations and Communication Strategy	<i>Sweden</i>
<b>Günther Verheugen</b> Vice President, Enterprise and Industry	<i>Germany</i>
<b>Jacques Barrot</b> Vice President, Justice, Freedom and Security	<i>France</i>
<b>Siim Kallas</b> Vice President, Administrative Affairs, Audit and AntiFraud	<i>Estonia</i>
<b>Antonio Tajani</b> Vice President, Transport	<i>Italy</i>
<b>Benita Ferrero-Waldner</b> External Relations and European Neighbourhood Policy	<i>Austria</i>
<b>Louis Michel</b> Development and Humanitarian Aid	<i>Belgium</i>
<b>Androulla Vassiliou</b> Health	<i>Cyprus</i>
<b>Vladimír Špidla</b> Employment, Social Affairs and Equal Opportunities	<i>CR</i>
<b>Mariann Fischer Boel</b> Agriculture and Rural Development	<i>Denmark</i>
<b>Olli Rehn</b> Enlargement	<i>Finland</i>
<b>Stavros Dimas</b> Environment	<i>Greece</i>
<b>László Kovács</b> Taxes and Custom Union	<i>Hungary</i>
<b>Charlie McCreevy</b> Internal Market and Services	<i>Ireland</i>
<b>Andris Piebalgs</b> Energy	<i>Latvia</i>
<b>Dalia Grybauskaitė</b> Financial Programming and Budget	<i>Lithuania</i>
<b>Viviane Reding</b> Information Society and Media	<i>Luxembourg</i>
<b>Joe Borg</b> Maritime affairs and fisheries	<i>Malta</i>
<b>Neelie Kroes</b>	<i>Netherlands</i>

Competition	<i>Poland</i>
<b>Danuta Hübner</b> Regional Policy	
<b>Jan Figel'</b> Education, Training, Culture and Youth	<i>Slovakia</i>
<b>Janez Potocnik</b> Science and Research	<i>Slovenia</i>
<b>Joaquin Almunia</b> Economic and Monetary Affairs	<i>Spain</i>
<b>Catherine Ashton</b> Trade	<i>UK</i>
<b>Leonard Orban</b> Multilingualism	<i>Romania</i>
<b>Meglena Kuneva</b> Consumer Affairs	<i>Bulgaria</i>

Dutchman Jaap de Hoop Scheffer, currently NATO's Secretary-General, may become the **first "EU High Representative for Foreign Affairs and Security Policy"**. The post is another one of the new positions introduced under the Lisbon Treaty, merging the current positions of External Relations Commissioner, held by Benita Ferrero-Waldner at present, and EU High Representative for Foreign Affairs and Security Policy, currently held by Javier Solana.

## ECONOMY AND EURO

### Commission's Prognosis: EU Economy will Fall by 1.8%

According to the prognosis of the European Commission, the GDP of the European Union will **fall by 1.8% this year** before recovering moderately to +0.5% in 2010. This is the result of the impact on the real economy caused by the intensified financial crisis, the ensuing global downturn manifested in the severe contraction of world trade and manufacturing output and, in some countries, housing-market corrections. Government consumption and public investment, however, will provide relief.

The fact that inflationary pressures have eased also contributes to private consumption. The discretionary fiscal measures announced since August 2008 will limit the contraction in GDP growth by about ¼ pp. this year. **The severity of the economic downturn** will have a significant impact on employment and public finances over the forecast horizon.

The Commission's advanced interim forecast indicates that economic growth dropped to about 1% in 2008 in both the EU and the euro area, from just below 3% in 2007. The drop



# Events

Finance Minister Miroslav Kalousek enforced a proposal for the consolidation of public finance as soon as the crisis is over. The euro has been in use in Slovakia for more than a month. Our eastern neighbours managed the changeover from the crown to the euro without any problems. Last year, the Czech Republic transferred CZK 22.8 billion less to the common budget than it obtained from it. In addition, our net position towards the EU budget was most favourable since our accession in 2004.

intensified in the last quarter of 2008. The recent survey data and incoming orders indicate that this short-term weakness is likely to **persist until the summer of 2009**. The first perceptible marks of revival are not likely to be observed by the latter half of this year.

The decrease in economic activity is accompanied by a **worsening labour market situation**. The European Commission expects that employment growth will turn negative this year, with EU losing 3.5 million jobs. As a result, the unemployment rate is expected to increase to 8.7% in the EU in 2009, with a further increase in 2010.

A similarly pessimistic outlook is also expected in public finances, which will suffer from generally **poorer tax incomes and increased expenses** resulting from the measures adopted by member states to deal with the crisis. According to the Commission, the headline deficit in the EU is expected to more than double this year to 4.4% in 2009.

### Forecast of key macroeconomic indicators

in %	EU-27 (EC's forecast)			CR (EC's forecast)			CR (CS's forecast)		
	08	09	10	08	09	10	08	09	10
GDP	1.0	-1.8	0.5	4.2	1.7	2.3	3.8	1.3	2.3
Unempl <sup>1)</sup>	7.0	8.7	9.5	5.0	5.7	6.6	5.5	6.4	7.2
Inflation	3.7	1.2	1.9	6.3	2.6	2.3	6.3	2.1	1.8
Deficit <sup>2)</sup>	-2.0	-4.4	-4.8	-1.2	-2.5	-2.3	-0.5	-2.3	-2.1

Source: European Commission (EC's outlook), Česká spořitelna / Research (CS's forecast), 1) Unemployment rate, 2) Public budget deficit

The economic depression accompanied by a global fall in commodity prices and a deterioration of labour markets will result in a **fall of inflation**. The prognosis of the European Commission envisages that inflation will drop from 3.7% in 2008 in the EU to 1.2% in 2009 and just below 2% in 2010.

As far as the Czech economy is concerned, the EC's estimation is slightly more positive. The **GDP growth is expected to remain positive (+1.7%)** and the average unemployment rate in the Czech Republic (5.7%) will be lower than in the EU. The public finance deficit is expected to oscillate around 2.5% of the GDP, with the inflation rate decreasing to 2.6%.

<http://europa.eu/rapid/pressReleasesAction.do?reference=P/09/67>

### Fast Consolidation Must Follow Coordinated Aid

Czech Minister of Finance Miroslav Kalousek, who currently presides over the ECOFIN Council, called upon EU member

countries to **return to the consolidation of public finance** as soon as possible. The proposal was backed by the EU ministers but no exact date was specified.

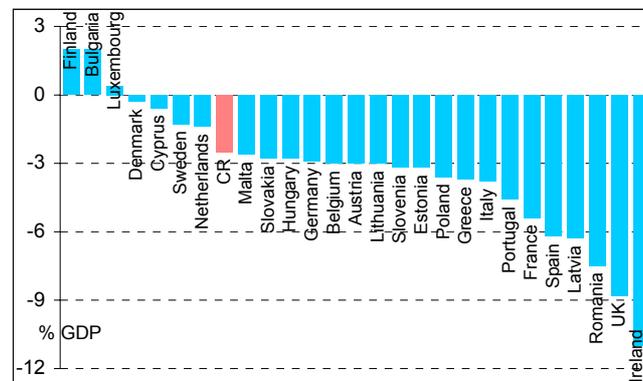
The EU ministers of finance met only a day after the European Commission had published its sombre prognosis of the European economic development for this year (see the news above). In addition to poor economic performance, the prognosis envisages a **major deterioration of public finance**.

Public finance deficits are rising due to the general economic slowdown, as well as **extensive salvage measures** adopted by the member states' governments. In addition, the member states agreed on a coordinated plan worth EUR 200 billion at the end of last year, aiming at overcoming the economic crisis.

Although government packages and growing public expenses intended to stimulate economies in recession were not supported by all the member states at the beginning of the crisis, it can be said today that almost all **European countries have adopted some stimulus measures**.

In spite of this, Europe remains divided with some countries taking the rise of public finance deficits easy and others calling for the fastest possible consolidation. This fact seems to be reflected in the conclusions adopted by the Council of Ministers: the member states were able to agree on the proposal presented by Minister Kalousek according to whom "co-ordinated fiscal stimulation should be followed by **co-ordinated consolidation**", but they failed to specify a concrete date of resuming the policy of decreasing deficits.

### Public finance deficit - 2009 forecast



Source: European Commission forecast

Kalousek called the ministers' attention to the fact that the question of the extent to which member states may increase their respective deficits may not depend only on them. AFP cited the Minister: "It is not just a question of the willingness

of these governments but **how willing the markets** are going to be to keep lending to governments.”

In a medium to long-term perspective, the success of the euro project is truly connected with the proper condition of public finance in member states. From this viewpoint, the initiative of Minister Kalousek is really meritorious. On the other hand, we probably find ourselves in the deepest economic crisis since the establishment of the European Community. Under the current circumstances, **fiscal injections are justifiable**.

[http://www.eu2009.cz/en/news-and-documents/news/ecofin\\_en-6820/](http://www.eu2009.cz/en/news-and-documents/news/ecofin_en-6820/)

## Slovakia Manages Euro Adoption

The introduction of the euro in Slovakia, including the initial 16-day period of dual euro/crown currency, took place **without any serious problems**.

On this occasion, the government's euro co-ordinator Igor Barat stated that the euro was now being used in Slovakia quite **normally in both cash and non-cash systems** of payment. There is no shortage of euro banknotes or coins. Co-ordinator Barat emphasised the positive role of the banking sector and retail traders, recognizing their ability to prepare themselves in a due manner and time, to obtain a sufficient quantity of euro cash and to communicate quality information to their clients and customers. According to Barat, there are no indications of any unjustified increase of prices in relation to the euro changeover. The dual currency period expired on Friday 16 January and since then only the euro has been accepted for payment transactions in Slovakia. The exchange of crown notes and coins will be possible:

- **in commercial banks:** coins by 30 June 2009, banknotes by 31 December 2009;
- **in the National Bank of Slovakia (NBS):** coins by 31 December 2013, no deadline was specified for banknotes.

According to the information provided by NBS, **79% of cash in crowns was withdrawn** at the moment of the dual currency termination on 16 January.

The Business and Travel Trade Association of the Slovak Republic stated that the retail sector played a key role in withdrawing crown cash from circulation. According to the Association's sources, **60% of crown cash was withdrawn through retail trade**.

The representatives of the Slovak Bank Associations as well as the Central Bank informed that Slovak banks **had coped with the introduction of euro successfully**. Since 5 January, they have provided full-value services to their clients. Their services (e.g. electronic banking) were partly

restricted on the last day of the previous year due to the euro changeover. It seems highly probable that our eastern neighbours have managed the technical and organizational aspects of the euro changeover perfectly. In the long-term view, it will be interesting to observe the **impact of the euro on key macroeconomic variables** such as e.g. the GDP, inflow of foreign investments, travel trade indicators, inflation etc.

<http://www.euromena.sk/>

## BUDGET

### Net Position of the Czech Republic Towards the EU Budget Breaks Record Again

Last year, the net position of the Czech Republic towards the EU budget again achieved **the best result since our accession to the EU**. The sum obtained by the Czech Republic from the budget exceeded the sum transferred to the budget by CZK 22.8 billion. From this perspective, the second most successful year was 2007, when our net position towards the joint European budget reached CZK +15.2 billion. Since our accession to the EU, the aggregate net position has amounted to CZK 54 billion.

In 2008, the Czech Republic **obtained a total of CZK 58.3 billion from the EU budget**, while transferring CZK 35.4 billion to the budget. The key role in our positive balance was played by receipts obtained within the framework of the European regional policy. We obtained subsidies from **structural funds and the Cohesion Fund** amounting to CZK 41.9 billion in total, which represented almost three quarters of the aggregate receipts from the European budget. The second most important item on the list of Czech allotments from the European budget was represented by the means allocated to the **Common Agricultural Policy**, amounting to CZK 14.6 billion. Most of the financial means coming from this source were used for direct payments to farmers, followed by grants intended for rural development.

Among our contributions to the EU budget, the key role is traditionally played by payments on the basis of the gross national product, **amounting to CZK 21.6 billion** and representing 61% of our total payments.

The monitoring of our net position towards the EU budget is a discipline that is very attractive for media and whose importance is overestimated. The advantages and disadvantages of our participation in the European integration process absolutely **cannot be measured according to the accounting principles** of credit and debit. Nevertheless, the positive balance exceeding 20 billion is a good result. According to our estimates, it is likely



## Events

Serbian Minister for Foreign Affairs Vuk Jeremic confirmed that Serbia intended to submit its official application for accession to the European Union during the Czech presidency. The three-week military conflict between Israel and Palestinian group Hamas died out. The European delegation led by Czech Foreign Affairs Minister Karel Schwarzenberg played its role in negotiating ceasefire, too.

that our net position will continue to improve by the end of the current 2007-2013 programme period.

[http://www.mfcr.cz/cps/rde/xchg/mfcr/xsl/tiskove\\_zpravy\\_45297.html](http://www.mfcr.cz/cps/rde/xchg/mfcr/xsl/tiskove_zpravy_45297.html)

### ENERGY AND TRANSPORT

#### Gas Supply from Russia to Europe Resumed

After more than two weeks of interrupted supply of Russian gas to Europe, the **situation was resolved successfully**. Ukraine and Russia concluded and fulfilled their mutual agreement, enabling the supply to resumed.

The agreement grants Kiev a **20% discount on Russian gas compared with European market prices** (USD 450 per 1,000 m<sup>3</sup>). In the meantime, Russia announced that it would continue to pay USD 1.7 per 1,000 m<sup>3</sup> per 100 kilometres of gas transit through Ukrainian gas pipelines. The European Union was more or less capable of coping with the crisis due to its mutual solidarity. Such countries as Slovakia, Austria, Hungary, Slovenia, Poland and even Croatia were able to “compensate the missing supply” through the assistance of other EU member states including the Czech Republic. Bulgaria was most affected by the crisis.

Among the factors leading to the resumption of the gas supply was also **joint pressure exerted by the European Union** in which the Czech Republic took an active part as the presiding state.

The statement of the Czech presidency reads: “The resumption of supply is a result of long-term political pressure exerted by the Czech presidency and the European Commission **fully supported by other member states of the EU**. The agreement between Russia and Ukraine was achieved thanks to a clear and uniform attitude of the European Union, which was speaking in one voice in the course of the entire duration of the dispute. Nevertheless, trust in both the countries was shaken due to their bilateral dispute.”

Though Russia may seem to be the current winner of the crisis thanks to the increase of sales prices in Ukraine, the **both eastern neighbours of the EU have suffered loss in the long-term perspective**. Alternatives of Russian gas are being discussed in more concrete terms in Europe: the Nabucco gas pipeline for transporting gas from the Caspian region, promotion of nuclear energy development, further support for savings and renewable sources, construction of liquidized gas terminals etc.

<http://www.eu2009.cz/en/news-and-documents/news/contract-signed-between-gazprom-and-naftogaz--6662/>

### AGRICULTURE

#### Legislation Package Focusing on the Use of Pesticides

The European Parliament has approved a legislation package **promoting considerate use of pesticides**. As an agreement with the Council has been reached for both the motions, the package will be able to come into effect as soon as possible

The first part of the package includes a directive on **introducing pesticides on the market**, amending the current European regulations in this field and introducing the condition of obligatory licensing. It is based on a list of active substances contained in pesticides to be approved by the EU. Should safer alternatives to some products exist, such dangerous products are to be replaced.

Member states will be able to license pesticides on the basis of their national procedures or a system of mutual recognition. The EU will be divided into three geographic zones (north, centre and south) with compulsory mutual recognition within each zone as the basic rule. This will make it **easier for manufacturers to gain approval for their products across borders** (within a given zone).

Another legislative motion in the field concerned is a directive on the **sustainable use of pesticides**. The provisions introduced by it include the creation of national action plans specifying quantitative goals, concrete measures and implementation schedules, the aim being to reduce risks to human health and the environment.

**Aerial spraying will be banned by the directive**. Under certain conditions, however, exceptions may be granted. With a view to protecting water courses, drinking water supplies and aquatic organisms against the impacts of pesticides, the directive includes a proposal for the establishment of so-called “buffer zones” where no use or storage of pesticides is to be allowed. Protective zones will also have to be established along roads and railways.

The newly adopted legislation also envisages that the **use of pesticides will have to be minimised or prohibited** in areas used by the general public, residential areas, parks, public gardens, sports and recreation grounds, school grounds and playgrounds and in the close vicinity of healthcare facilities.

[http://www.europarl.europa.eu/news/expert/infopress\\_page/066-45937-012-01-03-911-20090112IPR45936-12-01-2009-2009-false/default\\_en.htm](http://www.europarl.europa.eu/news/expert/infopress_page/066-45937-012-01-03-911-20090112IPR45936-12-01-2009-2009-false/default_en.htm)



## ENLARGEMENT

### Serbia Plans to Bid for EU Membership

Serbian Minister of Foreign Affairs Vuk Jeremic confirmed during the negotiations between the EU and Serbia that Serbia plans **to bid for EU membership during the Czech Presidency**.

Last April, Serbia and the EU signed the **Stabilization and Association Agreement** forming the initial step towards the full EU membership. Nevertheless, the EU's precondition for Serbia's application is full co-operation with the International Criminal Tribunal for the Former Yugoslavia (ICTY). Serbian Deputy Prime Minister for European Integration Bozidar Djelic visited Prague to discuss the possibility of advancing the accession of Serbia to the EU. According to him, Serbia could be able to apply for EU membership during the Czech presidency. At the same time, Belgrade plans to take further steps towards advancing the accession process such as e.g. the initiation of negotiations on eliminating visa requirements for Serbian citizens or enhancement of economic co-operation with the EU. According to Djelic, Serbia will be technically prepared for membership in 2012.

The Commission's evaluating report states that Serbia is still facing a **high level of corruption**. Judicial reform is also necessary.

Bringing the Western Balkan closer to the EU is **among the foreign policy priorities of the Czech presidency**. In addition to the Serbian application to the EU, accession negotiations with Croatia may also be concluded successfully in the course of the Czech presidency. In this respect, a territorial dispute between Croatia and Slovenia lasting since 1991, the year that the former Yugoslavia split up, remains to be the principal problem. Last month, Slovenia blocked 10 of 35 chapters of the accession negotiations with Croatia due to the existing dispute.

We expect that Croatia could join the EU by 2012. Other Balkan states – including Serbia – are not likely to join the EU **before the latter half of the second decade**.

<http://www.eu2009.cz/en/news-and-documents/news/serbia-plans-to-bid-for-eu-membership-during-czech-presidency-7490/>

## EXTERNAL RELATIONS

### Ceasefire in Gaza Achieved

After a **three-week military conflict between Israel and Palestinian militant group Hamas**, the fighting finally

ended. Israel attacked Hamas positions in the Gaza strip with aircraft on 27 December, and continued the attack with ground combat forces later on. The goal of the Israeli army was to prevent Hamas militants' missile strikes on Israeli territory. Palestinians suffered more than 1,300 casualties during the conflict. Israel announced that ten Israeli soldiers and three civilians died in connection with the conflict.

The Israeli government decided to **terminate the operation on 17 January**. Later on, Hamas issued a declaration stating that it would join the unilateral cessation of hostilities only in the event that Israel withdrew its forces from the Gaza strip. Following this, Israel actually began withdrawing its troops and Hamas agreed with the ceasefire.

A **fragile ceasefire continues in the area**, disregarding several Hamas missile attacks and Israeli air force response.

Representatives of international organizations claim that it is necessary to **prevent arms smuggling into Gaza**, withdraw Israeli troops and open border crossings for humanitarian aid to maintain peace between Israel and Hamas in a medium-term perspective. In the long-run, however, the cessation of the conflict in the Near East will be contingent upon the establishment of an independent Palestinian state.

The key role in extinguishing the conflict was probably played by **Egypt where breakthrough negotiations were conducted**. Nevertheless, the Czech presidency of the European Union played a certain role, too. Disregarding the initial failure, significant credit for the agreement on ceasefire and opening humanitarian corridors in the Gaza strip was finally ascribed to the delegation led by Foreign Minister Schwarzenberg.

<http://www.eu2009.cz/en/news-and-documents/cfsp-statements/eu-presidency-statement-6547/>

## ENVIRONMENT

### EU Pressures Developing Countries to Reduce Emissions

At the end of January, the European Commission presented a proposal for a **global agreement to replace the Kyoto Protocol on climatic changes**, urging fast developing countries such as China or India to accept their share in the responsibility for decreasing the emissions of greenhouse gases. The strategy suggests that global investments increase to EUR 175 billion per year by 2020. More than half of this sum should be invested in the developing world.



The European Commission presented a draft agreement to replace the Kyoto Protocol on climatic changes. The European Parliament supported a revision of a regulation laying down biometric elements to be included in passports. According to the new motion, children under 12 years of age should no longer have their fingerprints included on their passports.

The global community will meet in Copenhagen in December to **negotiate a new international treaty on climate changes** to replace the Kyoto Protocol expiring in 2012.

According to the European executive, activities pursued by developed countries of OECD will not suffice, given that the emissions produced by developing countries are growing rapidly and endangering their efforts. Considering this, the EU suggests that developing countries including China and India (but with the exception of the least developed African countries) **limit growth in their emissions by 15 to 30% by 2010**. The recipe lies in extensive low-emission strategies using domestic sources and regulations helping to mobilize and target private sector investments towards cleaner technologies. Co-financing by the international community is also envisaged.



According to the Commission's concept, developed countries must continue to fight climate changes **by limiting their emissions by 30% by 2020** (compared with 1990). With Australia and New Zealand having joined the emission ceiling system (cap-and-trade) and the United States being prepared to propose a similar plan, the EU suggests that a wide emissions market at the OECD level be established. Developing countries could join the market later on.

The strategy of the European Commission will be discussed by the EU Environment Council and, what is even more important, the Summit of the European Union held in Brussels in March.

<http://europa.eu/rapid/pressReleasesAction.do?reference=P/09/141>

## JUSTICE AND HOME AFFAIRS

### Biometric Passports Without Fingerprints for Children Under Twelve

The European Parliament supported a revision of a 2004 regulation outlining **biometric features to be included in passports and other travel documents**, including the holder's fingerprints. According to an agreement reached by the Parliament and the Council, children under twelve should no longer have their fingerprints included on their passports; nevertheless, they should have their own passports so as to combat kidnapping and trafficking in children.

**Biometric passports will be introduced in the whole EU, Iceland, Norway and Switzerland** on 29 June.

In the aftermath of the events of 11 September 2001, the European Commission was asked by member states to take **immediate action to improve document security**. The European Union therefore decided to integrate biometric elements in European passports. These identifiers comprise a facial image and fingerprints, the reason being to combat fraud and falsification more effectively.

These regulation, which has already been adopted and will come into force in June, establishes technical specifications such as: **additional security features in passports** with a view to combating counterfeiting and falsification, storage medium and its security, common quality requirements for the facial image and the fingerprints.

However, during pilot projects carried out in some EU member states, it was found that **children's fingerprints are not of sufficient quality**, especially those of the youngest children, which can change greatly as they grow older. In its draft text, the European Commission therefore suggested introducing an exemption for children which are under twelve years old. A similar exemption was agreed for people deemed physically unable to give fingerprints.

Countries already taking fingerprints from children (above 6 years of age), can continue this practice for four years. **In cases where it is impossible to take fingerprints**, member states may issue temporary passports with a validity of twelve months or less.

[http://www.europarl.europa.eu/news/expert/infopress\\_page/019-46172-012-01-03-902-20090114IPR46171-12-01-2009-2009-false/default\\_en.htm](http://www.europarl.europa.eu/news/expert/infopress_page/019-46172-012-01-03-902-20090114IPR46171-12-01-2009-2009-false/default_en.htm)



# Diary

Following the recent decline in prices of milk and milk products, Mariann Fischer Boel, Commissioner for Agriculture and Rural Development, promised the introduction of new measures supporting the milk and milk products market. The European Parliament supports directives aiming at simplifying public orders in the field of defence and security and opening the defence goods market in the EU. According to the Eurostat statistics, Heathrow airport in London is the busiest European airport.

## 5 JANUARY

Economic slowdown hits labour market:

<http://ec.europa.eu/social/main.jsp?langId=en&catId=89&newsId=441&furtherNews=yes>

Publications: Bulletin EU 9-2008:

<http://europa.eu/bulletin/en/200809/somma00.htm>

## 6 JANUARY

A single certificate for safer navigation on European inland waterways: <http://europa.eu/rapid/pressReleasesAction.do?reference=IP/09/5>

Official launch of the European Year of Creativity and Innovation 2009: <http://europa.eu/rapid/pressReleasesAction.do?reference=IP/09/3>

## 7 JANUARY

Antitrust: Commission confirms inspections in the smart card chip sector:

<http://europa.eu/rapid/pressReleasesAction.do?reference=M/EMO/09/1>

First European SME Week:

<http://ec.europa.eu/enterprise/policies/entrepreneurship/sme-week/index.htm>

EU-China Regulatory Cooperation:

[http://ec.europa.eu/enterprise/international\\_relations/cooperating\\_governments/china/index\\_en.htm](http://ec.europa.eu/enterprise/international_relations/cooperating_governments/china/index_en.htm)

## 8 JANUARY

New EU rules for safe toys for our children:

[http://ec.europa.eu/enterprise/newsroom/cf/itemlongdetail.cfm?item\\_id=1996](http://ec.europa.eu/enterprise/newsroom/cf/itemlongdetail.cfm?item_id=1996)

Commission seeks more evidence for decision on proposed Finnish broadband deregulation:

<http://europa.eu/rapid/pressReleasesAction.do?reference=IP/09/11>

## 9 JANUARY

Four more countries lift labour market restrictions for Bulgarian and Romanian workers:

<http://ec.europa.eu/social/main.jsp?langId=en&catId=89&newsId=442&furtherNews=yes>

## 12 JANUARY

Cinema: EU film support goes global:

<http://europa.eu/rapid/pressReleasesAction.do?reference=IP/09/26>

## 13 JANUARY

Euro coin counterfeiting in 2008:

<http://europa.eu/rapid/pressReleasesAction.do?reference=M/EMO/09/7>

European Commission adopts the National Programme for Albania: [http://ec.europa.eu/enlargement/press\\_corner/what\\_snew/albania\\_en.htm](http://ec.europa.eu/enlargement/press_corner/what_snew/albania_en.htm)

Extraordinary session Energy Council:

[http://www.consilium.europa.eu/ueDocs/cms\\_Data/docs/pressData/en/trans/105292.pdf](http://www.consilium.europa.eu/ueDocs/cms_Data/docs/pressData/en/trans/105292.pdf)

## 14 JANUARY

Consumers: European Commission adopts EU standard for baby walkers to prevent infant accidents:

<http://europa.eu/rapid/pressReleasesAction.do?reference=IP/09/45>

Statistics: Air passenger transport up by 7% in 2007:

[http://epp.eurostat.ec.europa.eu/pls/portal/docs/PAGE/PGP\\_PRD\\_CAT\\_PREREL/PGE\\_CAT\\_PREREL\\_YEAR\\_2009/PGE\\_CAT\\_PREREL\\_YEAR\\_2009\\_MONTH\\_01/7-13012009-EN-AP.PDF](http://epp.eurostat.ec.europa.eu/pls/portal/docs/PAGE/PGP_PRD_CAT_PREREL/PGE_CAT_PREREL_YEAR_2009/PGE_CAT_PREREL_YEAR_2009_MONTH_01/7-13012009-EN-AP.PDF)

## Top airports in the EU27 in terms of total passengers handled

1. London Heathrow	67 852	11. London Stansted	23 759
2. Paris/Ch.D.Gaulle	59 550	12. Milano	23 632
3. Frankfurt	53 854	13. Dublin	23 204
4. Madrid/Barajas	51 208	14. Palma de Mall.	23 167
5. Amsterdam	47 757	15. Manchester	21 891
6. London Gatwick	35 166	16. København	21 293
7. München	33 813	17. Wien	18 719
8. Barcelona	32 743	18. Stockholm	17 904
9. Roma	32 404	19. Dusseldorf	17 780
10. Paris/Orly	26 416	20. Bruxelles	17 745

Source: Eurostat

## 15 JANUARY

.eu domain passes the 3 million mark:

<http://europa.eu/rapid/pressReleasesAction.do?reference=IP/09/48>

Open access broadband picks up speed:

[http://ec.europa.eu/research/headlines/news/article\\_09\\_01\\_15\\_en.html](http://ec.europa.eu/research/headlines/news/article_09_01_15_en.html)

## 16 JANUARY

Commission proposes additional measures to help dairy sector: <http://europa.eu/rapid/pressReleasesAction.do?reference=IP/09/57>

## 19 JANUARY

Europeans ever more worried about money:

[http://www.europarl.europa.eu/news/expert/infopress\\_page/](http://www.europarl.europa.eu/news/expert/infopress_page/)



# Diary

[008-46506-012-01-03-901-20090116IPR46503-12-01-2009-2009-false/default\\_en.htm](http://ec.europa.eu/governance/better_regulation/index_en.htm)

## 20 JANUARY

Agriculture and Fisheries Council Meeting:

[http://www.consilium.europa.eu/ueDocs/cms\\_Data/docs/pressData/en/agricult/105379.pdf](http://www.consilium.europa.eu/ueDocs/cms_Data/docs/pressData/en/agricult/105379.pdf)

European Financial Integration Report 2008:

<http://europa.eu/rapid/pressReleasesAction.do?reference=P/09/68>

## 21 JANUARY

Economic and Financial Affairs Council Meeting:

[http://www.consilium.europa.eu/ueDocs/cms\\_Data/docs/pressData/en/ecofin/105390.pdf](http://www.consilium.europa.eu/ueDocs/cms_Data/docs/pressData/en/ecofin/105390.pdf)

Defence: New rules should bring better value for money:

[http://www.europarl.europa.eu/news/public/story\\_page/031-46533-019-01-04-903-20090115STO46438-2009-19-01-2009/default\\_en.htm](http://www.europarl.europa.eu/news/public/story_page/031-46533-019-01-04-903-20090115STO46438-2009-19-01-2009/default_en.htm)

Regional Policy: Migration plays a key role for population growth in European regions:

[http://ec.europa.eu/regional\\_policy/newsroom/index\\_en.htm](http://ec.europa.eu/regional_policy/newsroom/index_en.htm)

## 22 JANUARY

Europe to penalise employers of illegal immigrants:

[http://www.europarl.europa.eu/news/expert/infopress\\_page/018-46697-019-01-04-902-20090120IPR46696-19-01-2009-2009-false/default\\_en.htm](http://www.europarl.europa.eu/news/expert/infopress_page/018-46697-019-01-04-902-20090120IPR46696-19-01-2009-2009-false/default_en.htm)

The Commission presents the strategic goals for European maritime transport policy up to 2018:

<http://europa.eu/rapid/pressReleasesAction.do?reference=P/09/84>

## 23 JANUARY

Find out all about the 2009 European Elections 19-01-2009:

<http://www.europarl.europa.eu/elections2009/default.htm?language=en>

Substantial progress on innovation in Europe:

[http://ec.europa.eu/enterprise/newsroom/cf/itemlongdetail.cfm?item\\_id=2087](http://ec.europa.eu/enterprise/newsroom/cf/itemlongdetail.cfm?item_id=2087)

## 26 JANUARY

European portal for SMEs: EU funding:

[http://ec.europa.eu/enterprise/sme/funding\\_en.htm](http://ec.europa.eu/enterprise/sme/funding_en.htm)

## 27 JANUARY

The Commission adopts the third Strategic Review on Better Regulation in the EU:

[http://ec.europa.eu/governance/better\\_regulation/index\\_en.htm](http://ec.europa.eu/governance/better_regulation/index_en.htm)

General Affairs and External Relations Council

meeting: [http://www.consilium.europa.eu/ueDocs/cms\\_Data/docs/pressData/en/gena/105561.pdf](http://www.consilium.europa.eu/ueDocs/cms_Data/docs/pressData/en/gena/105561.pdf)

[http://www.consilium.europa.eu/ueDocs/cms\\_Data/docs/pressData/en/gena/105560.pdf](http://www.consilium.europa.eu/ueDocs/cms_Data/docs/pressData/en/gena/105560.pdf)

Member States reinforce European Commission efforts to fund infrastructure projects in the EU neighbourhood:

<http://europa.eu/rapid/pressReleasesAction.do?reference=P/09/128>

## 28 JANUARY

Debate green investment: one solution for two crises?:

[http://www.europarl.europa.eu/news/public/story\\_page/064-47102-026-01-05-911-20090126STO47092-2009-26-01-2009/default\\_en.htm](http://www.europarl.europa.eu/news/public/story_page/064-47102-026-01-05-911-20090126STO47092-2009-26-01-2009/default_en.htm)

Cutting administrative burden under full steam:

<http://europa.eu/rapid/pressReleasesAction.do?reference=MEMO/09/30>

Commission proposes a review of the VAT rules on invoicing:

<http://europa.eu/rapid/pressReleasesAction.do?reference=P/09/132>

## 29 JANUARY

The Commission proposes € 5 billion new investment in energy and Internet broadband infrastructure in 2009-2010:

<http://europa.eu/rapid/pressReleasesAction.do?reference=P/09/142>

Towards a European maritime transport area without barriers:

<http://europa.eu/rapid/pressReleasesAction.do?reference=P/09/85>

## 30 JANUARY

European Ombudsman criticises Commission for inadequate register of documents:

<http://europa.eu/rapid/pressReleasesAction.do?reference=EO/09/2>

Radical simplification of EU law continued in 2008:

<http://europa.eu/rapid/pressReleasesAction.do?reference=MEMO/09/31>

Citizens have their say on future priorities in the area of freedom, security and justice:

[http://ec.europa.eu/justice\\_home/news/intro/news\\_intro\\_en.htm](http://ec.europa.eu/justice_home/news/intro/news_intro_en.htm)

Though the expectations were not very high, the Czech Republic has been relatively successful as the leader of the European Union so far. The most time-consuming tasks fulfilled by Czech diplomacy included the extinguishing of the military conflict between Israel and Hamas and the mediation of an agreement between Russia and Ukraine regarding the gas crisis. However, for many ordinary EU citizens, the controversial sculpture “Entropa” will be the most prominent feature of our presidency.



## THE FIRST MONTH OF THE CZECH EU PRESIDENCY

The Czech Republic has completed the first month of its presidency of the Council of the EU, the key decision-making body of the European Union. Although the expectations were not high, the Czech Republic seems to have managed its role well so far. And there have been plenty of issues to be managed.

At the very turn of the year, a military conflict between Israel and Palestinian militant group Hamas broke out. Responding to long-term missile strikes aimed at its towns and cities, Israel initiated an air force operation immediately followed by a ground forces operation in the Gaza strip.

The Czech presidency took the initiative and sent a diplomatic mission to the region led by Czech Foreign Affairs Minister Karel Schwarzenberg. In addition to that, some member states conducted separate negotiations and mediation sessions.

Later on, President of the Council and Czech Prime Minister Mirek Topolánek joined their efforts, too, attending the extraordinary summit in Sharm el-Sheikh in Egypt. It is Egypt that is ascribed credit for playing the key role in concluding the ceasefire agreement between the enemies. Activities pursued by the Czech Republic as the presiding country played a role, too, and the CR proved itself.

At the beginning of the year, the Czech Republic passed another difficult test as the presiding country, acting as a mediator in a dispute over the gas supply between Russia and the Ukraine. In consequence of the dispute, Russia turned off its taps and the supply of gas to Europe was completely interrupted. The situation took two weeks to resolve, Bulgaria and Slovakia were hit most severely by the gas crisis.

Representing the Czech presidency, Minister of Industry and Trade Martin Říman took an active part in the negotiations leading to the resumption of gas supply. Prime Minister Topolánek also conducted negotiations with the highest Russian and Ukrainian representatives, mediating an agreement between Russia and the Ukraine. Disregarding the one-week delay, the agreement established a basis for the full resumption of gas supplies to European customers.

Although the resolving of the military conflict in the Gaza strip and the interruption of the supply of Russian gas to Europe were the most widely covered events which the Czech presidency had to handle, numerous other activities are also worth mentioning.

At the first session of EU interior and justice ministers held under the Czech leadership, Minister Ivan Langr proposed the completion of a new generation of the Schengen Information System (so-called SIS II).

As the EU presiding state, the Czech Republic also hosted a session of EU member states' experts in climate changes aiming at coordinating their course of action during the negotiations on the new international treaty on climate protection to be adopted at the summit held in Copenhagen in December.

Finance Minister Miroslav Kalousek also took an active approach to his presidential role at the Ecofin meeting, inviting the member states to re-adopt public finance consolidation policies as soon as possible after overcoming the crisis.

The informal session of ministers of labour and social affairs in Luhačovice was the first session at the highest political level held in the Czech Republic outside Prague. The main item on the session's agenda was employee mobility. There was also an initiative of the Minister of Labour and Social Affairs Petr Nečas who has already declared that he will strive for resolving disputes between member states and the European Parliament with regard to the controversial working hours directive regulating the maximum length of the workweek.

During the first month of this year, the Czech presidency agreed on holding the EU and China summit at the highest political level in Prague. Our capital is also awaiting a visit by Russian Prime Minister Vladimir Putin, who has accepted Prime Minister Topolánek's invitation. However, the expected visit by American President Barack Obama in Prague is not likely to take place.

The Czech presidency assumed the leadership of the European Union in one of the toughest periods in the European integration process in general. In addition to the above-mentioned problems, it will have to deal primarily with the elimination of the impacts of the economic crisis, desirable modification of the regulatory framework of the financial system, completion of the Lisbon Treaty ratification and coordination of the joint position of the EU at the Copenhagen climate protection conference.

For many ordinary citizens, however, the controversial sculpture called Entropa displayed in the building of the Council of the European Union in Brussels for six months will remain as the most prominent feature of our presidency.



# Information service

A series of sessions of Councils of the EU under the presidency of Czech ministers will be held in February. The preparation for the European Council in March will be on the agenda of most of these sessions. In the light of the deepening economic crisis, the negotiations of finance ministers will be closely watched as they are expected to discuss instruments for overcoming the current impacts of the crisis, as well as proposals for tightening financial regulation in future.

## Meeting of the key EU institutions

<b>2.-5.2.2009</b> - EP Plenary	<b>Strasbourg, France</b>
<b>4.-5.2.2009</b> - Meeting of EU ministers for Family Affairs	<b>Prague, Czech republic</b>
<b>9.2.2009</b> - Eurogroup	<b>Brussels, Belgium</b>
<b>10.2.2009</b> - Economic and Financial Affairs Council	<b>Brussels, Belgium</b>
<b>12.-21.2.2009</b> - CzechReg Days	<b>Brussels, Belgium</b>
<b>16.2.2009</b> - Education, Youth and Culture Council	<b>Brussels, Belgium</b>
<b>18.-19.2.2009</b> - EP Plenary	<b>Brussels, Belgium</b>
<b>19.2.2009</b> - Transport, Telecommunications and Energy Council	<b>Brussels, Belgium</b>
<b>23.-24.2.2009</b> - General Affairs and External Relations Council	<b>Brussels, Belgium</b>
<b>23.-24.2.2009</b> - Agriculture and Fisheries Council	<b>Brussels, Belgium</b>
<b>26.-27.2.2009</b> - Justice and Home Affairs Council	<b>Brussels, Belgium</b>

## Public consultation on EU legislation

<b>Topic of the consultation</b>	<b>Organiser</b>	<b>Deadline</b>
<a href="#">Alternative Dispute Resolution in the area of financial services</a>	DG MARKT	27.2.2009
<a href="#">Green Paper on Territorial Cohesion</a>	DG REGIO	28.2.2009
<a href="#">Control structures in audit firms</a>	DG MARKT	28.2.2009
<a href="#">The review of the Prospectus Directive</a>	DG TREN	10.3.2009



## Main topic

According to numerous indicators, the current economic crisis is the worst one since the 1930s. It is even possible that – due to the fact that the economy has never before been so globally interconnected – the world economy is facing the most serious crisis intervention in its modern history. That is why we have chosen the adoption of anti-crisis approaches in Europe and the United States as our leading topic.

# CONCEPTS FOR RESOLVING THE FINANCIAL CRISIS IN THE EU: A COMPARISON OF APPROACHES IN THE EU COUNTRIES AND THE USA

## INTRODUCTION

The deepening economic crisis and the uncertainties in the energy sector are, without a doubt, the key problems of our time. These are key issues that the EU's decision-making bodies, led by the Council under the current Czech presidency, cannot avoid addressing. There have, however, been significant breakthroughs with these issues which reflect the priority scenarios that will influence future economic and social development in the Union, both in the Euro-Atlantic framework, as well as within the global context. The starting point of a crisis usually predetermines the course of long-term social development. The depth of the current crisis shows that, specifically at this point, we have the opportunity of deciding how to proceed.

It is possibility that the economic crisis could return or bring the course of social development closer to its roots and its foundations and return some semblance of humanity. Or, on the contrary, it could introduce reason for ignoring the warning signals and continue along the path towards insatiable consumption. It could result in the adoption of measures that will only strengthen the current frantic trend of the virtualisation and automation of society, which is gradually starting to escape the bounds of reason which are defined by a balanced combination of healthy prosperity, social equilibrium and ecological sustainability.

It is not by coincidence that both in Europe and in the USA, the set of measures that are intended to rescue us from the crisis, contain an abundant number of the most varied projects that are “green”, educational or focused on social cohesion.

From this perspective, we are standing at a crossroads and our future direction will be linked to far-reaching consequences – both positive as well as negative. There is no doubt that reasonable and sustainable economic prosperity must be renewed as soon as possible. Nevertheless, over the course of this renewal, it would be wise to ask twice whether some of the processes for jump-starting prosperity and the models for energy development will not eventually lead to further deepening of the rifts and creating barriers and obstacles between us, which might culminate in some sort of subsequent crisis – one that is not only economic, but also social and ecological.

The above is yet one more reason why it is of such critical importance to prepare as carefully as possible for the Copenhagen Summit, the theme of which is the climate and

energy package. It is one more reason why it is key to adopt an economic plan for renewal along with an effective set of rules for the financial market, which will make the economic and financial world more accessible and transparent for the majority and also make it much more credible to that same majority.

## The Roots of the Problem

According to observations and conclusions that have been made so far, it is obvious that the hotbed of the current financial and subsequent economic crisis first flared on the American mortgage market amongst insolvent debtors and, through less transparent and difficult to read products, which originated within the framework of a dynamic financial innovation process. These loss-making assets contaminated other branches of the US financial system and permitted channels between individual countries (as the antithesis to the previous strict currency exchange and capital rules in place for international transactions) and insufficiently effective system regulation, to spread the virus into other components of the global economy.

The weakening and partial paralysis of the financial system can thus be considered as a certain type of system failure, which only contributed towards speeding up “standard” cyclical crises after practically all components of the global economy which, up until that time, were reporting an almost extremely pronounced economic growth.

“Only” the course of this cyclical crisis heightened this failure into a form that, in this scope, has not been observed for a period of at least seventy years. It is even possible that – thanks to the fact that the economy was never as interlinked at the global level as it is currently – the world economy is facing what is the most serious crisis intervention of its contemporary and pertinent history.

Maybe for this reason it makes sense to look at the manner in which anti-crisis approaches in Europe and the United States are developing.

## Europe's characteristics

In this respect, Europe is characteristic due to the fact that it comprises sovereign member states of the Union (and a number of states that are not members of the EU), which, in addition to a common plan for economic recovery, are also applying their own national concepts. The European Union is thus “two-pronged” and, in addition to the union tangent (which consists not only of the European Economic



## Main topic

Recovery Plan, but also the adoption of a large quantity of new and amended legislation of an economic and financial nature) it appears in a number of specific national actions in direct relation to the level to which an individual country has been impacted by the crisis.

An extremely key question in relation to Europe is then whether specific national anti-crisis activities will be at least minimally in compliance with those at the Union-wide level and whether there will be any cohesive binding material present in the form taken by the measures implemented in each of the individual European states.

These measures will either bring them closer together, or forces that reflect national interests and which do not take European integration needs into consideration (from the EU perspective, forces that are more centrifugal), could tend to dominate.

### USA's characteristics

In comparison, the characteristic feature with regard to the USA is the change in the top political post. Until now, newly-elected President Obama could only create and fine-tune the form of his anti-crisis package, without the ability to implement it which, to a certain degree, differs from European reality, where the first traces of implementation have already taken place. On the other hand, certain radical rescue steps (which resulted in either the nationalisation of certain symbols of the American financial market or their complete demise), already took place at the close of Bush's presidency.

Once it was completely clear that the crisis was spreading throughout the financial sector (at that point, there was not yet any statistical proof of the impact on the actual economy), the common denominator of all the first reactions proved to be a series of strong political declarations, which were intended to calm the situation, strengthen the confidence of entrepreneurs, investors, and consumers and limit a chain reaction of panic.

Only after a mass run was averted and many politically motivated "first aid" rescue actions were not implemented (as their purpose was already fulfilled on the basis of only mentioning the intent), did the time come for rational consideration and the ensuing concepts for measures that are short-term, medium-term and long-term in nature.

## PROPOSED SOLUTIONS AT THE EU LEVEL

### The European Economic Recovery Plan

The European Economic Recovery Plan, prepared at the end of November 2008 and accepted by the European

Council in December 2008, can be considered as the foundation for the Union approach to find measures that will overcome the crisis. This document can be viewed as the basic platform for coordinating the EU's efforts to find a way out of the crisis while, at the same time, offering individual member states a menu of mechanisms and measures that best correspond to their "crisis appetite". The European Economic Recovery Plan can thus be considered as a very flexible instrument, the outputs of which can be categorised as:

- short-term and mid-term fiscal stimuli, primarily of a temporary nature; and
- long-term measures of a structural nature that will be applied permanently even in the post-crisis period and targeted at supporting competitiveness, fulfilling innovative potential and emphasising the qualitative aspect of entrepreneurial activities with the abundant use of the term "Smart investments".

A fundamental challenge for the Czech presidency over the Council is to bring the European Recovery Plan framework to the implementation phase in the form of regular monitoring processes and establish a mix of short-term and mid-term macroeconomic and structural policies that should allow the fastest possible and least expensive adaptation to current shocks and fulfilling growth potential in the future.

Emphasis placed on fiscal restraint in the form of compliance with the rules of the Stability and Growth Pact is very important, although for the time being these rules will be interpreted in a more flexible and tolerant manner in relation to operations that will have significant influence on overcoming the crisis status but, at the same time, will also be more demanding on the use of public expenses.

In this regard, the requirement for restraint seems to be fully justified and reflects reality. During the period from 1 October 2008 to 14 January 2009 alone, the Competition Directorate General of the European Commission registered fifty-eight requests placed on the part of the governments of member states or submitted directly by private finance companies asking for an exception in relation to the provisions of state assistance, the sum of which has reached a total of almost EUR 7,000 billion. The Czech Republic is thus one of a definite minority of member states that has not yet requested this type of short-term interim stimulus. In certain cases, the state aid took on the form of nationalisation, which opened a far-reaching general discussion on the topic of responsibility within a market economy (this debate, which could even lead to a radical re-evaluation of value priorities and introspection on the

purpose of the current economic and social system, has developed to an even greater extent overseas).

From this perspective, the implementation of EU cohesion policy will be of great importance, not only over the course of the current programme period, but primarily from the perspective of its preparation for the post-2013 period. It will be essential to ensure that, during the current period, the themes of the individual calls for projects included in individual Operational Programmes within the framework of the existing cohesion policy system are monitored to ascertain that they are in line with the key contextual points of the European Recovery Plan and thus contribute towards the further strengthening of cohesion policy efficiency.

The European Economic Plan also considers measures related to exercising European Central Bank monetary policies, as well as those in place at individual national central banks (for the set of members states that are outside of the Eurozone) to be complementary – which is apparent in the significant relaxation of monetary policies.

According to them, effective as of 21 January 2009, the base interest rate in the Eurozone decreased by an additional 0.5 of one percentage point to 2%; and efforts to create a “new financial architecture”, i.e., a newly-conceived more effective framework of rules and regulatory activities towards the financial brokering sector in the most comprehensive sense of the word. In relation to this, a wider range of cooperation exceeding EU dimensions is also anticipated, the main platform for which will be the G-20 countries (after the autumn summit held in Washington, the next meeting is being organized and will be held in April 2009 in London).

The subject of this agenda consists primarily of issues pertaining to:

- the revised directive on capital adequacy for investment companies and loan institutions – the purpose of which is to ensure that, even within the light of the crisis, the institutions in question are capably equipped in a manner that is commensurate to the type and scope of their activities and can prevent situations in which any insufficient capital on the part of these institutions would lead to their paralysis or irresponsible high-risk activities that would have a significant domino effect);
- negotiating the directive establishing the regulatory framework and rules for the insurance industry,
- the regulation on rating agency activities and the directive on electronic money institutions.
- the review of the directive on payments made in euros.

In addition, this group of topics must include the future of the institution of deposit insurance (which, at the very start of the crisis, was one of the decisive elements used for ensuring credibility in the financial system and was an effective safety catch against the threatened run on banks; however, it was applied differently in various countries and, in spite of the fact that an agreement was reached on unifying the rules, the debate pertaining to this topic of systematic compatibility with other measures was scheduled to continue) and, not lastly, satisfactorily ending the debate that has started with regard to a concept for monitoring the European financial market as it undergoes a unification process.



The measures that are to be brought to life have their own strong fiscal dimension and impact. Nevertheless, it is necessary to differentiate as to which of them take on the semblance of tax incentives (and thus provide key actors with the freedom to decide on their cash flow when investing or purchasing) and which are expenses in the form of subsidised support (the dominant intent of which is primarily observed in completing primarily public and non-profit activities). It is also impossible not to mention various guarantee plans and investment offers, which can be perceived as a combination of income and expense instruments. The “reprogramming” of structural funds within the framework of approved rules is another possibility.

Within such a generous and comprehensive conceptualisation, there is no comparable precedent in existence amongst the European countries with regard to fulfilling “green programmes”. Nevertheless, even these complex solutions must respect the rules of fiscal discipline and restraint. The form taken on by anti-crisis measures is also significantly targeted at ensuring (and protecting) employment and supporting the business sector.



## Main topic

Supportive “green programmes” should also be aimed in this direction. It is also possible that the current period represents a certain break from the perspective of allocating investments, which might influence the future. Some examples that can be mentioned include projects for supporting energy efficiency and increasing energy efficiency during construction of newly acquired and existing structures from the perspective of adopting “green products”.

Requisition calls and stimuli to ensure that private and social housing satisfy the highest possible efficiency standards should be created. At the same time, it is possible to consider using such things as property tax instruments (and their reduction) for promoting constructions that support energy savings. More generally, in relation to all types of “green investments”, it is appropriate to consider tax bonuses and allowances in the case of direct taxes.

On the other end of the spectrum, as far as consumption is concerned, VAT instruments (and reduced VAT rates) can be used for stimulating demand for “green products and services”, also leading in the above-specified direction (e.g., the acquisition of energy efficient household appliances and lighting). The time has come to further expand the space for partnerships between the public and private sectors, for example in the area of developing clean technologies. Such things as an initiative to create “factories of the future”, an initiative for energy-efficient buildings and an initiative for environment-friendly automobiles can all be mentioned.

### Development of Clean Technologies

For the purpose of supporting innovation in the processing industry, namely the automobile industry and construction, which have been severely impacted by weakening demand as a result of the crisis and which are now facing sizable challenges to transfer to a “green economy”, it has been proposed that three types of partnerships be established between the public and private sectors.

In the case of the automobile industry, there is the Green Car Initiative, which includes research into a wide range of technologies and infrastructure for “smart energy”, which are of great importance in order to achieve a breakthrough when it comes to using renewable and non-polluting energy sources, safety and continuity of traffic.

The partnership is financed by the European Community, the EIB, the industry sector and contributions from the member states that, when combined, amounted to at least EUR 5 billion. Within this context, the EIB would secure a loan for automobile manufacturers and their suppliers for financing innovations, especially technologies that improve

safety and environmental characteristics, such as electric cars. Demand measures such as those decreasing registration and transfer taxes, fees for cars with low emission levels and efforts for liquidating old vehicles could also be integrated within this initiative.

In addition, the European Commission will support the development of public tenders at the level of regional and local authorities for supporting calls for bids for economical buses and other means of transport that are environmentally friendly.

When it comes to construction, there is the Initiative for Energy Efficient Buildings, which is intended to support green technologies and the development of energy-efficient systems and materials in new and refurbished buildings with the aim of radically reducing their energy consumption and carbon dioxide emissions. The initiative would have significant regulatory and standardising components and would also include public tenders at the level of regional and local authorities. The anticipated budget for this partnership is EUR 1 billion.

As far as technologies used in the processing industry are concerned, there is the Factory of the Future Initiative, which is intended to provide aid to the EU’s processing industry across all sectors. This is especially targeted at small and medium-sized enterprises for adapting to global pressures, primarily through increasing the technology base in place for the EU’s processing industry. The subject of this initiative should include technologies and their development with regard to adaptable machinery and equipment, the development of new industrial processes and procedures, information and communication technologies, and the use of advanced materials. The anticipated investment amount is EUR 1.2 billion.

### Actual Instruments of the EIB

The European Investment Bank and its group have put together a package of EUR 20 billion to be used for loans to small and medium-sized enterprises in all twenty-seven EU member states (which on average amounts to EUR 1.1 billion for every EU member). Due to existing crisis circumstances, the package was increased by an additional EUR 10 billion above the standard loan framework for this sector.

The EIB will also increase the annual volume of loans to medium-sized companies – the key sector of the EU economy – by EUR 1 billion. The European Investment Funds will also receive an additional EUR 1 billion contribution from the EIB for the benefit of its mezzanine finance facility.



## PROPOSED SOLUTIONS IN THE INDIVIDUAL MEMBER STATES

In addition to the joint coordination at EU level, individual states have also started applying their own national recovery programmes which, having a similar structure to the European plan, are nevertheless adapted to the specific needs of each country. The level to which they comply with the general EU framework will only become apparent once they are fully implemented. Even at the level of the individual national states, we can see both a list of measures that are of a structural nature, as well as one of those that mobilise public and private resources for the purposes of resolving the most acute symptoms of the crisis. If all of the member states, without exception, have committed themselves to the declaration of structural measures, the subsequently released fiscal rescue support has appeared in the majority of them, however not in all.

The common denominator of all the structural measures lies primarily in the creation of various types of investment offers and motives and the removal of obstacles that prevent smooth financial flows, particularly those directed at small and medium-sized enterprises. A number of projects and concepts are of an ecological nature or involve activities that save the environment and are otherwise environmentally friendly. Very open economies in particular see another instrument in the form of strengthening support for exporters.

Measures pertaining to employment policy are very significant in this respect, primarily to the benefit of various forms of flexible work time and using the available space for improving the education and skills of the HR.

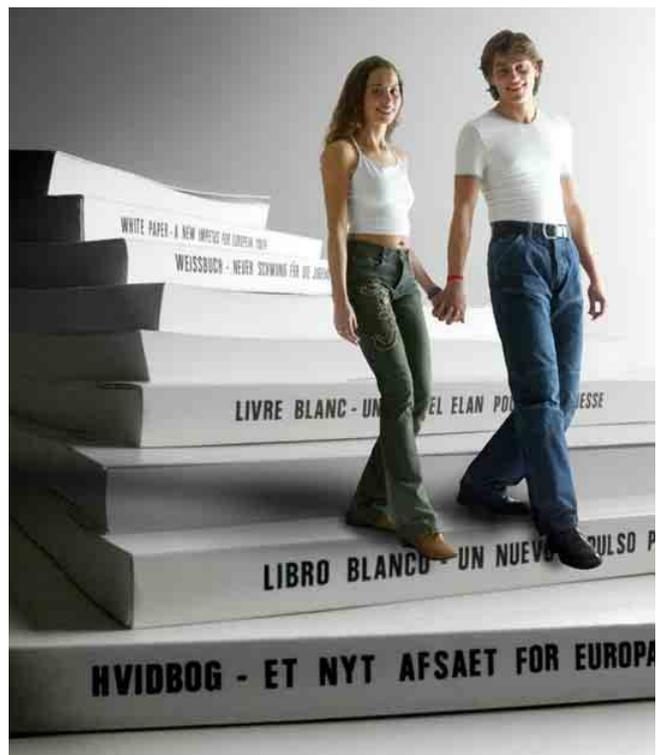
## PROPOSED SOLUTIONS IN THE USA

In the case of the United States, the current plan prepared by Obama and Biden is not only extraordinarily demanding from a fiscal perspective, but also contextually overloaded with all aspects of life, the economy and business. It can be viewed as the gold coin of the American reaction to the crisis situation. This particular concept is not one that can be considered typical for the North American continent over the past few decades. Its scope, however, confirms the fact that the epicentre of the crisis is located in the USA, as well as the fact that the depth and extent of the crisis are truly significant.

The aforementioned plan is characterised by very serious, suggestive, and almost exaggerated rhetoric that is authentically attempting to bring to light and provide a reminder of the severity of the situation. Its key economic

section consists of a set of measures for creating new jobs (recently, the unemployment level in the USA exceeded a rarely seen 8%) through various forms of tax advantages and other stimuli mechanisms. Another emphasised priority is business investment, especially for the benefit of small and medium-sized enterprises (this area also includes very generous fiscal participation).

The need to develop public infrastructure, particularly road networks and the rescue of one of the symbols of the American economy, i.e., the automobile industry, are also emphasised. A very important point of the entire programme is the policy of granting relief to families and households, which will make it easier for them to survive the crisis period. The plan also includes a number of activities that are focused on the long-term, for example, the further simplification of conditions for international trade.



In comparison to the European concepts, the American plan thus contains a higher number of urgent measures as a way out of the existing unfavourable status compared to measures that are of a more long-term nature. In addition, the level of involvement for resolving the crisis on the part of American public financing appears to be unusually high, not to mention the fact that several well-known private corporations were nationalised during the early phases of the crisis period.



# Statistical window

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

## Key macroeconomic indicators

in %	GDP growth y-on-y			Current account to GDP*			Unemployment rate			Inflation y-on-y average		
	2005	2006	2007	2005	2006	2007	X-08	XI-08	XII-08	X-08	XI-08	XII-08
Belgium	1.7	2.8	2.7	3.0	3.3	3.3	7.1	7.0	7.1	4.8	3.2	2.7
Bulgaria	6.2	6.3	6.2	-11.5	-16.3	-22.0	5.3	5.3	5.4	11.2	8.8	7.2
CR	6.4	6.4	5.8	-2.3	-3.1	-2.4	4.4	4.5	4.7	5.7	4.1	3.3
Denmark	2.5	3.9	1.8	4.4	2.6	1.1	3.8	4.1	4.5	3.8	2.8	2.4
Germany	0.8	2.9	2.5	4.7	5.2	6.9	7.1	7.1	7.2	2.5	1.4	1.1
Estonia	10.2	11.2	7.1	-10.1	-15.7	-15.7	7.8	8.5	9.2	10.1	8.5	7.5
Ireland	6.0	5.7	5.3	-3.5	-4.2	-5.0	7.4	7.9	8.2	2.7	2.1	na
Greece	3.8	4.2	4.0	-13.4	-14.4	-16.2	na	na	na	4.0	3.0	2.2
Spain	3.6	3.9	3.8	-7.5	-8.8	-10.0	13.1	13.7	14.4	3.6	2.4	1.5
France	1.7	2.0	1.9	-1.7	-2.2	-2.6	7.8	7.9	na	3.0	1.9	1.2
Italy	0.6	1.8	1.5	-1.2	-2.0	-1.7	na	na	na	3.6	2.7	2.4
Cyprus	3.9	4.0	4.4	-5.9	-5.9	-7.3	3.9	4.0	4.2	4.8	3.1	1.8
Latvia	10.6	11.9	10.2	-12.5	-22.5	-22.9	8.3	9.2	10.4	13.7	11.6	10.4
Lithuania	7.9	7.7	8.8	-7.2	-10.5	-13.8	6.4	7.1	8.0	10.7	9.2	8.5
Luxembourg	5.0	6.1	5.2	10.9	10.3	9.1	4.6	4.6	4.8	3.9	2.0	0.7
Hungary	4.1	3.9	1.3	-6.8	-6.5	-5.0	8.0	8.2	8.5	5.1	4.1	3.4
Malta	3.4	3.4	3.8	-8.8	-8.3	-5.5	5.7	5.8	5.7	5.7	4.9	5.0
Netherlands	1.5	3.0	3.5	7.1	7.6	8.4	2.8	2.8	2.7	2.5	1.9	1.7
Austria	2.0	3.3	3.4	3.0	3.5	4.7	3.8	3.8	3.9	3.0	2.3	1.5
Poland	3.6	6.2	6.5	-1.6	-3.1	-3.7	6.5	6.5	6.5	4.0	3.6	3.3
Portugal	0.9	1.3	1.9	-9.8	-9.8	-9.8	7.8	7.8	7.9	2.5	1.4	0.8
Romania	4.2	7.9	6.0	-8.9	-10.4	-13.9	na	na	na	7.4	6.8	6.4
Slovenia	4.1	5.7	6.1	-2.0	-2.8	-4.8	4.3	4.3	4.3	4.8	2.9	1.8
Slovakia	6.6	8.5	10.4	-8.5	-7.7	-5.4	9.1	9.2	9.4	4.2	3.9	3.5
Finland	2.8	4.9	4.4	3.9	4.9	4.4	6.5	6.5	6.5	4.4	3.5	3.4
Sweden	3.3	4.1	2.6	6.1	8.5	6.5	6.6	6.9	6.9	3.4	2.4	2.1
UK	1.8	2.9	3.1	-2.5	-3.9	-4.2	6.1	na	na	4.5	4.1	na
EU	1.9	3.0	2.9	-0.4	-0.9	-0.9	7.2	7.3	7.4	3.7	2.8	2.2

in %	Public budget to GDP*			Public debt to GDP			GDP per capita to Ø EU			Price level to Ø EU		
	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

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