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Dear readers,

The economic crisis that has set in is manifesting itself in the worsening financial results of the member states, as well as in their minimal medium-term perspectives. Losses in tax earnings and subsequent expenses designated for social compensation and economic recovery are contributing to the deterioration of budget deficits. This trend was also one of the topics discussed by the European Commission over the course of the past weeks. In the case of certain member states (some of which served as an example of budget restraint only a few short months ago), the Commission was forced to issue a warning with regard to excessive deficits and especially dismal anticipations for growth.

Although the Czech Republic is among the more moderate countries, the risk of a worsened deficit is significant. In our specific case, this might impact the speed of our entry to the Eurozone, a path along which Poland has set out during this uncertain period. The European Commission has praised us, stating that our anti-crisis strategy is in line with the European Renewal Plan. At the same time, it has also called upon us to implement measures that will lead to a continuing reduction in budget expenses (when the economic situation makes it possible) and, most importantly, to implement pension and health insurance reform, pointing out that in our country the ageing population is a serious problem.

Over the longer timeframe, one way out of the crisis could be the use of EU funds – both within the framework of the rules for this period through taking advantage of the “redefining”, as well as at the time the rules for the Union’s cohesion policy for the post-2013 period are defined, i.e., a topic to which the Czech presidency is also devoting much attention.

At key informal meeting of the European Council, which was dedicated to the implementation of the European Economic Recovery Plan, its fulfilment in individual countries, the prevention of protectionism, and the support of cohesion - not the fragmentation of the Union, there was plenty of behind the scenes speculation that the countries of Central and Eastern Europe will not emerge with flying colours or a clean slate.

The adolescent bickering as to who actually convened the summit and at whose instigation it actually occurred confirmed that fairly well executed tasks within the framework of the presidency’s daily agenda do not necessarily lead to attaining respect and acknowledgment. Apparently no one doubts that, aside from certain manifestations of a greenhorn’s inexperience, Czech representatives are proceeding in a very honourable and competent manner. Nevertheless, especially from the French side, we can hear a number of commentaries such as those one might expect from pseudo-intellectual café voyeurs about how weak and unconvincing we are, in addition to being inflexible and incapable of taking action. At several fora that were held over the course of the past weeks I had the opportunity to be convinced of the exact opposite.

Petr Zahradník

The Chamber of Deputies of the Parliament of the Czech Republic approved the Lisbon Treaty by a constitutional majority. In order for it to be ratified definitely, the Treaty still requires the Senate's approval and the President's signature. Representatives from Europe's G20 group agreed that one of the consequences of the current financial crisis will be stricter regulation and monitoring of the financial market.

POLITICS

Chamber of Deputies Approves Lisbon Treaty

On 18 February the Chamber of Deputies of the Parliament of the Czech Republic **approved the Lisbon Treaty.** Of the 197 lawmakers present, 125 voted in favour of the treaty. The Czech Republic was the last member state in which the decision-making process for the treaty had yet to start.

In order for the Lisbon Treaty to enter into force, it must be ratified by all EU member states. Thus far, twenty-three member states have completed the ratification process. In **Poland and Germany,** the treaty is awaiting the president's signature. In addition, in Germany the treaty is being discussed by that country's Constitutional Court.

The ratification process was also significantly slowed down due to the **negative results of the referendum held in Ireland** last June. However, Irish citizens will be deciding on the Lisbon Treaty once again, most likely this October.

Last April, ODS senators in the Czech Republic submitted a petition to the Czech Constitutional Court to review the Lisbon Treaty's conformance with the constitutional order of the Czech Republic. The Constitutional Court's verdict confirmed that **the treaty is not in conflict with the Constitution.** The court, however, left the door open for the submission of subsequent petitions, as it did not make a decision on the treaty as a whole, but solely on the provisions that were challenged by the senators.

The concurrent opinion of the Chamber of Deputies is, however, only the first step in the ratification process. **Now it is up to the Senate,** where the future of the voting is much more uncertain. First, certain amendments to the Rules of Procedure for both the Chamber of Deputies as well as the Senate must be approved. These contain a "special mandate", which would not allow the government to agree with any future transfer of legal power to the European level unless Parliament's blessing is obtained beforehand.

Some senators are considering submitting another petition on the Lisbon Treaty to the Constitutional Court, which would **further delay the approval process.** President Václav Klaus, who has to confirm the treaty with his signature, will have the final word.

http://www.vlada.cz/cz/evropske-zalezitosti/aktualne/prohlaseni-vicepremiera-alexandra-vondry-k-souhlasu-poslanecke-snemovny-s-ratifikaci-lisabonske-smlouvy-53835

ECONOMY AND EURO

Commission Gives Czech Convergence Programme Positive Marks

The European Commission accepted the updated Convergence Programme submitted by the Czech Republic in a positive manner. The Convergence Programme is the documentary material that EU member states which are not in the Eurozone submit to the Commission every year. The documents address the medium-term sustainability of public finances in each of the applicable member states and also provide information on the country's anticipated path towards adopting the euro.

In its assessment of the programme, the Commission also devoted time to looking at **the package of supportive fiscal measures recently adopted by the Czech Republic.** According to the European Commission's report, "this package is in line with the EU Recovery Plan, in being timely and well-targeted to sectors of the economy likely to be most severely affected by the slowdown. It will be important to reverse them once economic conditions improve."

Taking the assessment into consideration and given the need to ensure sustainable convergence, the European Commission calls upon the Czech Republic to:

a) implement the measures in line with the **European Economic Recovery Plan** (the "EU Support Package") as planned;

b) **reverse the adverse budgetary impact** of the fiscal stimulus once the economy recovers and back-up the budgetary strategy with specific measures for reducing expenditure in 2010 and 2011; and

c) given the projected increase in expenditures related to an ageing population, **continue with the necessary pension** and health care reforms in order to ensure the long-term sustainability of public finances.

CR's Convergence Programme (updated 11/2008)

in %	2007	2008	2009	2010	2011
GDP growth	6.6	4.4	3.7	4.4	5.2
Inflation	3.0	6.4	2.9	3.0	2.5
Public budget def.[1)]	-1.0	-1.2	-1.6	-1.5	-1.2
Public debt [1)]	28.9	28.8	27.9	26.8	25.5

Source: European Commission, 1) as of GDP

The Czech Republic's Convergence Programme was created in November 2008 and, from today's perspective, some of the budgetary objectives appear to be too optimistic. Nevertheless, within the overall European

context, we are one of the countries that have better fiscal prospects.

http://europa.eu/rapid/pressReleasesAction.do?reference=IP/09/273

INTERNAL MARKET

EU Approves Support for Automobile Manufacturers During Crisis

The European automotive sector is one of the most significant industries, which, thanks to its links to other sectors, affects millions of employees in all of the EU member states. For this reason, the European Commission has published materials in which it defends proactive support for automobile manufacturers with the goal of weathering the crisis, softening its negative impacts and ensuring long-term competitiveness for the sector. The primary mission behind the document is **to define the boundaries** within which the European Commission will assess the degree to which supportive instruments implemented by individual member states comply with the basic principles of a single internal market and fair competition within the EU.

The published communication is based on the European Commission's stimulus package and contains **a wide array of allowable supportive measures** that will improve access to financing, increase demand through special programmes (e.g., "scrapping schemes"), minimising social expenses, maintaining a qualified work force, and, not lastly, protecting equality with regard to competition within the single EU internal market environment.

Special **attention is devoted to scrapping schemes**, which more and more countries are implementing in their national legislation for the purpose of boosting purchases of new vehicles. This is a bonus paid by the state at the time a new vehicle is purchased if, for example, the purchaser lets the old vehicle be scrapped at the same time.

The most fundamental condition for the Commission's approval of this form of support is the fact that **it cannot function as protectionism or on a national base.** The scrapping bonus that is paid out cannot thus be paid out on the basis of purchasing an automobile of domestic origin. An additional requirement for receiving the bonus is that the liquidation of the old vehicle must be unambiguously proven. In the Commission's opinion, member states should also consider establishing a minimum timeframe within which the owner must have owned the older vehicle in order to prevent speculative activity.

At the end of February, **scrapping schemes had been implemented in nine of the EU member states.** A scrapping scheme has not been implemented in the Czech Republic, as this is not one of the most effective ways of battling the crisis. The reason is the fact that domestic automobile manufactures are focused primarily on exporting abroad and thus it would not truly work towards boosting domestic demand.

Scrapping Schemes in the European Union

Country	Incentive in €	Vehicle age	Duration
Austria	1 500	> 13 years	IV/09-XII/09
Cyprus	257-1 710	> 15 years	continuous
France	1 000	> 10 years	XII/08-XII/09
Germany	2 500	> 9 years	I/09-XII/09
Italy	1 500-5 000	> 9 years	II/09-XII/09
Luxembourg	1 500-2 500	> 10 years	I/09-XII/09
Portugal	1 000-1 250	> 10 years	I/09-XII/09
Romania	850	> 10 years	II/09-XII/09
Spain	Interest-free loan up to 10 000	> 10 years or > 250 000 km	XII/08-VII/10

Source: Communication from the Commission (25.9.2009)

http://europa.eu/rapid/pressReleasesAction.do?reference=IP/09/318

http://ec.europa.eu/enterprise/automotive/pagesbackground/competitiveness/com_2009_0104.pdf

FINANCE

EU to Promote Financial Regulation at G20 Summit

Representatives from the European members of the G20 group met in Berlin during the second half of February in order to unify **their approach prior to the G20 Summit** that will be held in April. The prime ministers and presidents from Great Britain, Spain, Italy, France and the Netherlands participated in the meeting. Jean-Claude Juncker, who is Luxembourg's Prime Minister, as well as the president of the Eurogroup (i.e., the group comprising the ministers of finance from the Eurozone), European Commission President José Manuel Barroso, European Central Bank President Jean-Claude Trichet, and Czech Prime Minister Mirek Topolánek, representing the country presiding over the EU, also participated.

After long discussions on the part of the invited leaders, the adopted document was presented. It is intended to become **the foundation for a common stance on combating the financial crisis** that German Chancellor Angela Merkel plans to introduce at the G20 Summit in London.

An expert group appointed by the European Commission has proposed a new semblance for EU banking supervision. It is founded on the establishment of two new European supervisory bodies. The European Commission has published guidelines for evaluating a support measure adopted by member states for resolving the issue of toxic assets held by certain banks. The European Commission's analysis implies that the situation on the EU labour market is continuing to deteriorate.

"We are convinced that **we will all survive the crisis only if we cooperate.** We want to ensure that we come out of the crisis stronger, with a new financial architecture," said Merkel.

The states agreed on the necessity to implement **stricter monitoring over financial institutions,** took a stand against tax havens and jointly refused protectionism. The document states, "All financial markets, products and participants must be subject to checks and regulations, without exception and without regard to country of origin." The checks should primarily pertain to hedge funds which represent systematic risk. The leaders also agreed on doubling IMF financial resources.

Even this meeting of EU leaders has confirmed that one of the most visible adopted measures for preventing similar crises in the future will be **the stricter regulation of the financial sector.**

http://www.eu2009.cz/en/news-and-documents/news/g20-in-berlin-10464/

Experts Propose New Semblance of EU Banking Supervision

A high-level group of experts, led by former IMF Managing Director Jacques de Larosière, published **a report that proposes a new semblance for supervision of the EU financial market.** The report was prepared on the basis of a request submitted by the European Commission, which appointed the eight-member panel of experts in reaction to the escalating financial crisis. Amongst the other conclusions specified in the report, it recommends the establishment of two new European supervisory bodies.

Based on Czech News Agency information, the report prepared by the group of European experts recommends creating a decentralised European-wide network of financial supervisory bodies **(ESFS – European System of Financial Supervisors).** The role of national central banks and other authorities that are currently involved in the supervision of bank functionality would not be limited in any obvious manner. In addition, they would also perform "day-to-day supervision".

In addition to the ESFS, yet another supervisory institution should be established, which would preside over the European Central Bank and whose members would include representatives from the supervisory bodies of individual EU member states. According to the Czech News Agency, this institution would serve to evaluate the risks for the entire financial system – as is implied by its name: **European Systemic Risk Council (ESRC).**

Jacques de Larosière, the chairman of the expert group, indicated that the proposed institutions **could be just an interim measure,** whereby its situation would be comparable to that of the original European Monetary Institute, which was transformed into the European Central Bank of today.

The financial crisis has proven that, in the current globalised world, which is emphasised in the EU by a single internal market and the free movement of capital, financial supervision founded **on purely national solutions is not an effective enough model.** Seemingly though, a large battle is yet to be fought with regard to the final semblance that any future innovated model will take.

Even the opinion of our domestic supervisor of the financial market – the Czech National Bank – provides evidence of this fact. Vladimír Tomšík, one of the members of the CNB's banking council, has already justifiably pointed out that, although supervisory power would be partially shifted over to the European level, **the responsibility would continue to lie with the institutions in individual member states.**

http://ec.europa.eu/internal_market/finances/docs/de_larosiere_report_en.pdf

Commission Publishes Rules for Handling Toxic Assets

The European Commission has published guidelines for evaluating the support measures implemented by the member states **for resolving the problem of toxic** (i.e., impaired) **assets held by banks.** This pertains to the category of investments in which banks will more than likely report losses.

The European Commission believes that it is necessary to attain a common European procedure that will allow for effectively coping with the problem of toxic assets in order to allow banks to continue **using their capital for providing credit** into the economy. At the current time, they often need this capital to cover their losses from bad investments.

"We have already taken important steps towards financial stability through bank rescues and recapitalisation. Now, we need transparency, disclosure and correct valuation of impaired assets in order to **clean the balance sheets** of banks and address the root cause of lack of confidence," explained European Competition Commissioner Neelie Kroes.

The European Commission mentions various methods for resolving the problem of impaired assets, including **their sale to special institutions** – so-called **"bad banks"** (comparable to our Consolidation Bank) or the provisions of guarantees for these assets (i.e., "asset insurance"). The

Commission is studying the fiscal and regulatory impacts of each of the methods being considered, as well as their compliance with the rules for minimising distortion of economic competition in the EU. The Commission is providing methodology pertaining to the valuation of toxic assets, which is of key importance for resolving this issue. No matter which scenario is adopted by a member state, the banks themselves will have to also participate in it from the perspective of financing.

The assessment of individual support methods on the part of the European Commission will be based on individual objective evaluation criteria with the objective of ensuring that **the single internal market is not distorted** and that common rules of the game are maintained.

Direct cleaning of bank balance sheets is an exhaustingly expensive solution; in certain cases however, it might **be the only effective one.** It is good that the European Commission is defining the rules it will apply for evaluating support actions in advance.

http://europa.eu/rapid/pressReleasesAction.do?reference=IP/09/322

EMPLOYMENT AND SOCIAL AFFAIRS

EP Approves Sanctions for Employers of Illegal Immigrants

The European Parliament has adopted a directive that implements **sanctions against those who employ illegal immigrants.** The approved text should serve as a supplement to other legislative acts, such as the directive on returning illegal immigrants and the directive on implementing a "blue card" for highly-qualified immigrants. The objective behind this proposal is to strengthen the battle against illegal immigration and pave the road for legal immigration.

The "Sanctions Directive" will establish **minimum penalties** at European level **for those who employ illegal immigrants,** such as fines, being ordered to pay wages in arrears or even being banned from bidding for public sector contracts – whether at national or European level – for a period of up to five years.

The amount of the fine that is imposed will be graduated **according to the number of illegal immigrants that are employed.** In addition, the employer will have to pay an amount corresponding to the social security and taxes that would have had to be paid if the immigrant in question were employed legally as well as any expenses associated with the illegal immigrant's return.

The proposed directive establishes **criminal sanctions** for very serious offences. These primarily include repetitively breaching legal regulations, employing a large number of illegal immigrants, providing work conditions that border on exploitation, employing individuals who are victims of human trafficking, and employing minors.

If the employer who commits an offence is a sub-contractor, **the business that used the sub-contractor's services will bear partial liability.** If it is proven that the management of the business was aware of the illegal situation of the employee it hired through the sub-contractor, the business will bear full liability.

The adopted directive is an additional tool for eliminating the grey area of the economy and should contribute to higher transparency on the European labour market.

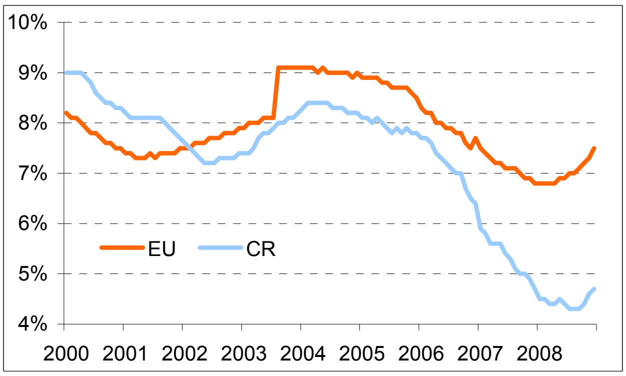
http://www.europarl.europa.eu/news/expert/infopress_page/018-48323-033-02-06-902-20090204IPR48320-02-02-2009-2009-false/default_en.htm

Commission Anticipates Increased EU Unemployment in Future

Yesterday, the Commission published the first of this year's **analyses of the labour market** in member states, which is being impacted by the global economic crisis.

In its November 2008 communication, the Commission decided to prepare monthly analyses of the situation on the EU labour market in relation to the global economic crisis. An analysis of the social situation will be performed on a quarterly basis. The objective behind these regular reports is to inform the member states of the manner in which the situation is developing and **thus contribute to establishing additional appropriate anti-crisis measures.**

Unemployment rate development in the EU and the CR



Source: Eurostat

The EU is trying **to proceed against the economic crisis in a unified manner.** Evidence of this fact can be seen in,

Olli Rehn, the European Commissioner for Enlargement, stated that if Iceland shows interest, that country could increase the ranks of the European Union in a relatively short period of time together with Croatia. A report published by the European Commission shows that the greatest enlargement in EU history, which took place in 2004 and 2007, is an economic success. This applies to both the new, as well as the original member states.

amongst other things, the European Recovery Plan that has been adopted and the Commission's efforts to adjust the functionality of the European Social Fund and the European Globalisation Fund in a manner whereby they can help alleviate the impact of the crisis more effectively. As a result of a recommendation made by Commission President José Manuel Barroso, an extraordinary EU summit on the social situation will be held in Prague this May.

The published analysis of the situation on the EU labour market focuses on the situation in the large member states. It implies that **the labour market's reaction to the crisis is more significant than originally expected.** The decrease in the number of jobs is a reaction to economic decline. At the end of 2008, unemployment in the EU was 7.5% and the Commission estimates that it will grow by an additional 2.5 percentage points over the course of the next two years.

The sectors that **have been impacted by the crisis most severely include machine building, financial services and the automobile industry.** The last of these has been hit hardest. Production is being halted and employees are being laid off. The groups that are most at risk are young people with temporary employment contracts, elderly people and foreign nationals. The economic crisis will also affect the social situation of households in the lowest income level groups.

http://europa.eu/rapid/pressReleasesAction.do?reference=MEMO/09/68

ENLARGEMENT

Commission: 2004 and 2007 Enlargement Can be Seen as a Success

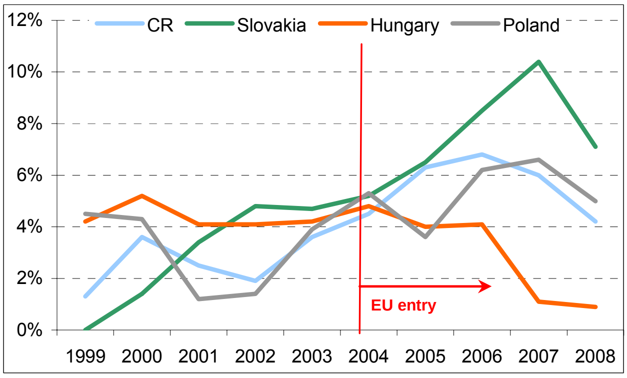
According to a report published by the European Commission, **the enlargement of the EU to include ten new member states in 2004 and an additional two in 2007 can be considered successful.**

The fears voiced by certain member states with regard to the influx of new workers from the new members were not confirmed. In the majority of host member states, the foreign work force did not exceed 1% of the local population and thus made it possible to **only fill available employment positions.**

To the contrary, enlargement encouraged the economies in both the old, as well as the new member states. In the case of the old member states, enlargement resulted in better access to new export markets. Thanks to its enlargement, the EU became the strongest economic community in the world and has a thirty-percent share of the entire world's GDP. The standard of living **in the new member states is growing quickly** and the old member states have improved export and investment opportunities.

Based on an analysis performed by the Commission, **the economy in the new member states grew 1.75% faster than would have been the case if they had remained outside of the Union**. In the case of some member states, however, entry into the EU also brought negative results and these were made even worse by the current global economic crisis. Overall though, Europe after enlargement is better prepared to face the challenges of globalisation.

GDP growth in CEE region



Source: Eurostat, 2008 is an estimate by EC from 01/2009

From the perspective of the Czech Republic, entry into the European Union was truly a significant milestone, which **is reflected positively in all relevant macroeconomic indicators.** Full access to an almost half-billion value, barrier-free single internal market, the adoption of standard (West) European legislation and the increased credibility of our economy, all in combination with the associated mass influx of foreign investors are the main factors behind our economy's acceleration after our accession to the EU.

http://europa.eu/rapid/pressReleasesAction.do?reference=IP/09/300

Iceland and Accession to the Union? Most Likely in Record Time

Iceland, which has been sorely tested by the economic crisis, **might enter the European Union as early as 2011, together with Croatia,** in spite of the fact that its application for membership has not yet reached Brussels. This was confirmed by Olli Rehn, the EU Commissioner for Enlargement. The island state, where premature elections will be held in May, is also considering entry to the Eurozone.

If one were to point out the one country in Europe that has been impacted the most by the turbulence on the financial

market, they could do nothing else than name Iceland, which is facing **the collapse of the Icelandic crown and serious banking system problems.** In order to ensure rescue, it became necessary to nationalise three of the country's largest financial institutions and the nation had to request a multi-billion loan from the International Monetary Fund.

Apparently, the difficulties suffered by Iceland's economy significantly influenced the opinion of Icelanders – declared conservatives – with regard to the issue of European integration. Based on the most recent surveys, **almost two-thirds of the respondents are in favour of joining the union** and only 20% are against.

A welcoming voice can be heard from Brussels. In an interview for The Guardian, the EU's Commissioner for Enlargement Olli Rehn stated, "the EU prefers two countries joining at the same time rather than individually. If Iceland applies soon and the negotiations are rapid, **Croatia and Iceland could join the EU in parallel.**" Given Iceland's membership in the European Economic Area and the fact that the majority of its norms are in line with Union regulations, there should truly be no significant issues. The only "snag" that might make Iceland's path into the Union a bit less pleasant is the country's stance on whale hunting (which is banned in the EU) and the protection of its territorial waters from the entry of foreign vessels.

There are however more significant obstacles when it comes to adopting the common European currency. We cannot imagine **how Iceland's unsettled public finances could fulfil the Maastricht criteria**. Iceland's adoption of the euro is thus not foreseeable in the near future.

As far as possible membership in the EU is concerned, **the stance taken by Iceland's new political representation** after May's elections will be decisive. The possibility that the Union's ranks might soon be strengthened by Iceland cannot be excluded.

http://ec.europa.eu/external_relations/iceland/index_en.htm

EXTERNAL RELATIONS

EU Considering Inclusion of Belarus in the Eastern Partnership

At their regular February meeting within the General Affairs and External Relations Council (GAERC) framework, the EU's foreign ministers also discussed the possible forms that the EU Eastern Partnership might assume. The Commission presented its proposal last December and it should include the former Soviet republics of **Georgia, Armenia, Azerbaijan, Moldova and Ukraine. Thus far the inclusion of Belarus** is not certain, as the Union has made participation in the partnership conditional on the democratisation of that country's regime.

In October 2008, the EU decided **to relax the sanctions imposed on Belarus** and, in mid-April, it will have to consider whether to rescind the ban on travelling to EU territory that is in place for President Lukashenko and other Belarusian representatives entirely or to extend it. Consequently, it seems that Belarus will become a test of EU unity. On the one hand, any tightening of the sanctions might mean a repeated inclination towards Moscow on the part of Minsk; on the other, it is not clear whether the EU will be able to agree on a unified stance with regard to Belarus.

According to GAERC President-in-Office and Czech Foreign Minister Karl Schwarzenberg, **the question of inviting Lukashenko to the kick-off summit for the Eastern Partnership is open** and it only depends on how the Belarusian president "will behave and what the developments in Belarus itself will be". The situation would also become a bit more complicated if Belarus recognises the independence of South Ossetia and Abkhazia.

Commissioner for External Relations Benita Ferrero-Waldner says that the follow-through of the Eastern Partnership is **in the life interest of the Union.** According to the Commissioner, the problems in Eastern Europe have a direct impact on the situation in the EU. In relation to the worsening situations in these countries as a result of the global financial crisis, the Commission thus recommends increasing the amounts that the countries participating in the Eastern Partnership will have available by almost one-half to EUR 600 million.

The foreign ministers agreed that neither **Turkey nor Russia should be excluded** from the discussions that take place within the framework of the Eastern Partnership. Either or both of these countries could participate as a third party.

http://europa.eu/rapid/pressReleasesAction.do?reference=MEMO/08/762

INFORMATION SOCIETY

Presidency Seeking Compromise on Telecommunications Package

Reaching an agreement **on the disputed telecommunications package** has moved one step forward. The Czech presidency has obtained approval from the member states to negotiate with European Parliament.

The European Commission presented the telecommunications package in 2007. It came up with a proposal **to establish a European telecommunications**

Under the leadership of the Czech Presidency, the European Union is considering whether or not to invite Belarus to participate in the Eastern Partnership project that is being prepared. As the EU's presiding country, the Czech Republic is striving to reach an agreement on the disputed telecommunications package, the primary objective of which is to reform the regulation of this particular sector.

regulator who would report directly to the Commission, functionally divide significant telecommunications operators (according to the Commission's original concept, this would result in dividing a company into two divisions – one would be dedicated to network administration and the other to offering services) and implement changes to the system for allocating radio frequencies that are freed up thanks to the conversion from analogue to digital broadcasting.

The Commission, however, ran into a brick wall – both with regard to the member states as well as in relation to European Parliament. At the time the package was being discussed, Parliament refused the creation of a European regulator and significantly weakened the proposals for the **functional division of operators and allocation of the radio spectrum.**

On the part of the member states, they do not like the proposed European Commission's right to veto a decision made by national regulators in the event that the decision in question would endanger the functionality of the European internal market. The majority of member states do not, however, **want to relinquish their rights with regard to regulation.** Two possible solutions have been laid on the table – either the Commission's veto would have to be founded on the agreement of an association of European telecommunications regulators or the Commission will continue to submit only a recommendation.

As far as the allocation of radio spectrum frequencies that are freed up as a result of the conversion from analogue to digital broadcasting is concerned, there still has been no agreement reached on the manner **in which the freed-up frequencies should be assigned** to new applicants of if this area should be regulated by the member states or by the EU.

Given the upcoming July elections for the European Parliament, **the prospects for finding a compromise resolution very soon are very uncertain.**

http://www.eu2009.cz/en/news-and-documents/news/functional-internal-market-and-quality-regulatory-framework-are-conditions-of-future-development-of-eu-telecoms-9972/

Analogue Television Broadcasting in EU to be Switched Off by 2012

The European Commission anticipates that the European Union's established goal – **specifically switching off analogue television broadcasting by 2012** – will be achieved in almost all of the member states.

Digital broadcasting provides **better image and sound quality,** improved mobile reception, more television and radio channels, and, not lastly, better information services (such as on-screen programme guides). As digital broadcasting uses the radio spectrum more efficiently, capacity for new uses will be freed up, e.g., high-resolution television, mobile communications and wireless broad-band connections in rural areas. This should stimulate innovation and opportunities for growth in the telecommunication and media sectors, thus also contributing towards European efforts to revive the economy.

Terrestrial digital television broadcasting **has already been implemented in twenty-one member states** (Austria, Belgium, Bulgaria, the Czech Republic, Denmark, Germany, Estonia, Greece, Spain, France, Hungary, Italy, Lithuania, Luxembourg, Latvia, Malta, the Netherlands, Finland, Sweden, Slovenia, and the United Kingdom) and covers portions of internal territories. An additional five member states (Cyprus, Ireland, Poland, Portugal, and Slovakia) have announced that they will provide digital services by no later than 2010. Romania has not yet submitted its plans.

All member states plan on converting from analogue to digital television broadcasting by **no later than 2012.** Only Poland has been granted an exception and it will take this step by no later than 2015.

Planned Conversion from Analogue to Digital Television Broadcasting

Group	Member States
A (switch-off complete)	Belgium (Flanders), Germany, Finland, Luxembourg, the Netherlands, Sweden
B (switch-off date: end of 2010 or earlier)	Austria, Denmark, Estonia, Spain, Malta, Slovenia
C (switch-off date: end of 2012 or earlier)	Belgium (Brussels capital area), Bulgaria, Cyprus, the Czech Republic, Greece, France, Hungary, Italy, Lithuania, Latvia, Portugal Romania, Slovakia, the United Kingdom

"Europe's switchover is going according to plan and is well on track, especially when compared to other countries around the world… This means that an important amount of fresh spectrum **will become available for new TV and wireless service,**" said Viviane Reding, the EU Telecoms and Media Commissioner.

Outside of the EU, **the United States is furthest along in this direction and the date on which analogue broadcasting will be switched off has been moved back to 12 June 2009.** Japan is preparing to switch off in July 2011, South Korea at the end of 2012, Australia in 2013 and both India as well as Russia in 2015.

http://europa.eu/rapid/pressReleasesAction.do?reference=IP/09/266

The European Parliament is promoting that labour intensive services (restaurants, cosmetic salons, housekeeping, repairs, etc.) be subject to a lower VAT rate after 2010. In reaction to the economic crisis, the European Commission has extended the timeframe for using EU funds for the 2004 to 2006 period by six months, i.e., up to 30 June 2009. The Czech Republic will also make use of this advantage. Based on Eurostat statistics, the largest European ports are Rotterdam, Antwerp and Hamburg.

2 FEBRUARY

The Labour-Market Integration of Young People: A Challenge for Europe: http://ec.europa.eu/social/main.jsp?langId=en&catId=89&newsId=448&furtherNews=yes

Commercial road transport: an important step towards harmonised rules on enforcement: http://europa.eu/rapid/pressReleasesAction.do?reference=IP/09/197

3 FEBRUARY

Commission proposes measures to allow better cooperation between tax authorities: http://europa.eu/rapid/pressReleasesAction.do?reference=IP/09/201

MEPs debate sanctions against employers of undeclared workers: http://www.europarl.europa.eu/news/public/story_page/018-47948-033-02-06-902-20090202STO47913-2009-02-02-2009/default_en.htm

4 FEBRUARY

Statistics: Maritime transport of goods and passengers 1997-2007: http://epp.eurostat.ec.europa.eu/cache/ITY_OFFPUB/KS-SF-09-006/EN/KS-SF-09-006-EN.PDF

Top 20 cargo ports in 2007

Port (country)	Weight	Port (country)	Weight
Rotterdam (NL)	353,6	Taranto (IT)	50,9
Antverpy (BE)	151,7	Dunkerque (FR)	50,4
Hamburg (DE)	115,5	Tees & Hartlepool (UK)	53,3
Marseille (FR)	96,5	Valencia (ES)	40,7
Le Havre (FR)	70,0	Constanta (RO)	42,9
Immingham (UK)	64,0	Trieste (IT)	44,6
Amsterdam (NL)	56,8	Genova (IT)	44,4
Algeciras (ES)	60,0	Southampton (UK)	40,6
Bergen (NO)	67,9	Bremerhaven (DE)	40,3
London (UK)	51,9	Wilhelmshaven (DE)	43,1

Source: Eurostat, in million tonnes

High quality industrial relations can help EU face crisis: http://ec.europa.eu/social/main.jsp?langId=en&catId=89&newsId=449&furtherNews=yes

5 FEBRUARY

Over 1 billion EUR of guarantees for small businesses: http://www.eif.org/guarantees/news/2009-EIF-sign-over-1-billion-of-guarantees-under-CIP.htm

European Investment Fund supports German small and medium sized businesses: http://www.eif.org/venture/news/2009-Pinova-Fund-1.htm

Trans-European transport networks: towards a new policy for meeting future challenges: http://europa.eu/rapid/pressReleasesAction.do?reference=IP/09/208

Member States agree to compulsory origin labelling for virgin and extra virgin olive oil: http://ec.europa.eu/agriculture/newsroom/en/325.htm

6 FEBRUARY

Commission moves to protect sharks: http://ec.europa.eu/fisheries/press_corner/press_releases/2009/com09_02_en.htm

9 FEBRUARY

Working Time Directive: Commission Opinion on EP amendments: http://ec.europa.eu/social/main.jsp?langId=en&catId=89&newsId=453&furtherNews=yes

Cohesion Policy - helping Europe to bounce back: http://ec.europa.eu/regional_policy/newsroom/index_en.htm

Ombudsman ensures more transparent selection procedures for EU jobs: http://www.ombudsman.europa.eu/press/release.faces/en/3768/html.bookmark

10 FEBRUARY

What impact will sites like Facebook and YouTube have in the EP elections?: http://www.europarl.europa.eu/news/public/story_page/039-48545-040-02-07-906-20090205STO48542-2009-09-02-2009/default_en.htm

Eurogroup and ECOFIN ministers meetings: http://ec.europa.eu/economy_finance/thematic_articles/article13925_en.htm

Commission Expert Group calls for removing barriers to electronic invoicing: http://ec.europa.eu/enterprise/newsroom/cf/itemlongdetail.cfm?item_id=2193

11 FEBRUARY

Economic and Financial Affairs Council meeting: http://www.consilium.europa.eu/ueDocs/cms_Data/docs/pressData/en/ecofin/106007.pdf

Spanish car workers to get help from EU Globalisation Fund: http://ec.europa.eu/social/main.jsp?langId=en&catId=89&newsId=455&furtherNews=yes

12 FEBRUARY

112 The European emergency number now works in all Member States: http://ec.europa.eu/information_society/newsroom/cf/itemdetail.cfm?item_id=4726

Diary

European security architecture needs to be improved: http://www.consilium.europa.eu/showFocus.aspx?id=1&focusId=346&lang=en

Commission approves Swedish scheme to recapitalise banks: http://europa.eu/rapid/pressReleasesAction.do?reference=IP/09/241

13 FEBRUARY

Economic and Financial Affairs Council meeting: http://www.consilium.europa.eu/ueDocs/cms_Data/docs/pressData/fr/ecofin/106013.pdf

Entropa: provocative art or artistic provocation?: http://www.europarl.europa.eu/news/public/story_page/037-48734-040-02-07-906-20090206STO48713-2009-09-02-2009/default_en.htm

Commission re-launches Europe Direct information network: http://europa.eu/rapid/pressReleasesAction.do?reference=IP/09/256

16 FEBRUARY

Thoughts on a strategic partnership with Russia: http://www.europarl.europa.eu/news/expert/infopress_page/030-48801-040-02-07-903-20090209IPR48762-09-02-2009-2009-false/default_en.htm

Commission approves German real economy crisis measure: http://europa.eu/rapid/pressReleasesAction.do?reference=IP/09/260

17 FEBRUARY

Education, Youth and Culture Council meeting: http://www.consilium.europa.eu/uedocs/cms_data/docs/pressdata/en/educ/106094.pdf

18 FEBRUARY

Provisional Application of the Anti-Fraud Agreement with Switzerland: http://www.consilium.europa.eu/uedocs/cms_data/docs/pressdata/en/er/106097.pdf

ERASMUS for young entrepreneurs takes off: http://www.erasmus-entrepreneurs.eu/index.php?lan=en

19 FEBRUARY

Setting up of European Asylum Support Office proposed by the Commission: http://europa.eu/rapid/pressReleasesAction.do?reference=IP/09/275

20 FEBRUARY

MEPs set to back VAT cut for everyday items: http://www.europarl.europa.eu/news/public/story_page/044-49491-047-02-08-907-20090213STO49400-2009-16-02-2009/default_en.htm

Commission outlines policy priorities for 2010: http://europa.eu/rapid/pressReleasesAction.do?reference=IP/09/277

Transport, Telecommunications and Energy Council Meeting: http://www.consilium.europa.eu/uedocs/cms_data/docs/pressdata/en/trans/106225.pdf

Strategy for a strong and competitive EU chemicals industry: http://ec.europa.eu/enterprise/newsroom/cf/itemlongdetail.cfm?item_id=2497

23 FEBRUARY

Energy security - an imperative for the EU: http://www.consilium.europa.eu/showFocus.aspx?id=1&focusId=349&lang=cs

Europe's recovery plan: cities and regions call for more money, now: http://www.cor.europa.eu/pages/PresentationTemplate.aspx?view=detail&id=e0b58537-cfe8-449c-9453-23e75abcadbe

24 FEBRUARY

General Affairs and External Relations Council Meeting: http://www.consilium.europa.eu/uedocs/cms_data/docs/pressdata/en/gena/106332.pdf

http://www.consilium.europa.eu/uedocs/cms_data/docs/pressdata/en/gena/106331.pdf

Commission focuses on disaster prevention and reduction of risks at home and abroad: http://europa.eu/rapid/pressReleasesAction.do?reference=IP/09/303

25 FEBRUARY

Bulletin of the European Union - October 2008: http://europa.eu/bulletin/en/200810/sommai00.htm

Commission increases flexibility of structural funds in response to financial crisis: http://europa.eu/rapid/pressReleasesAction.do?reference=IP/09/310

26 FEBRUARY

EU support to fight the crisis in the automotive sector: http://ec.europa.eu/enterprise/newsroom/cf/itemlongdetail.cfm?item_id=2567&lang=en

27 FEBRUARY

Justice and Home Affairs Council Meeting: http://www.consilium.europa.eu/uedocs/cms_data/docs/pressdata/en/jha/106371.pdf

Enterprise and Industry: ePractice portal launched: http://www.epractice.eu/index.php?page=home

The most important March event in the EU is the traditional European Council Summit. This time around the Czech Republic will preside over it in the person of Mirek Topolánek. As far as interesting topics are concerned, there will be more than enough. We can definitely assign the first place on the list to finding a solution to the most acute (and not only European) problem, specifically the financial and economic crisis, lessening its impacts and adopting system measures for the future.

Meeting of the key EU institutions

1.3.2009	**Brussels, Belgium**	- Informal Meeting of Heads of State and Government
2.3.2009	**Brussels, Belgium**	- Environment Council
5.-6.3.2009	**Brussels, Belgium**	- Competitiveness Council
9.3.2009	**Brussels, Belgium**	- Employment, Social Policy, Health and Consumer Affairs Council (EPSCO)
9.-12.3.2009	**Strasbourg, France**	- EP Plenary Session
10.3.2009	**Brussels, Belgium**	- Economic and Financial Affairs Council (ECOFIN)
12.-13.3.2009	**Prague, Czech Republic**	- Informal Meeting of Defence Ministers
16.-17.3.2009	**Brussels, Belgium**	- General Affairs and External Relations Council (GAERC)
19.-20.3.2009	**Brussels, Belgium**	- European Council
22.-23.3.2009	**Prague, Czech Republic**	- Informal Meeting of Ministers for Education
23.-24.3.2009	**Brussels, Belgium**	- Agriculture and Fisheries Council
23.-26.3.2009	**Strasbourg, France**	- EP Plenary Session
27.-28.3.2009	**Hluboká n. Vltavou, Czech Republic**	- Informal Meeting of Ministers of Foreign Affairs (Gymnich)
30.-31.3.2009	**Brussels, Belgium**	- Transport, Telecommunications and Energy Council

The Czech presidency and accompanying activities reflect a significant and valued effort with regard to the future of EU cohesion policy, specifically the form it will take, the rules that will be applied, its priorities, and the volume of financing that it will be possible during the next period in the form of resources from the structural funds and the cohesion fund. The related problems and issues are the main theme of this issue of the EU News Monthly Journal.

EU COHESION POLICY AND ITS FUTURE DIRECTION

At this time it is already possible to take note of a number of opinions with regard to the shape which EU cohesion policy will take after 2013, as well as to identify the concepts of the various players, actors and stakeholders in this particular area. Debates on the purpose, justification and "philosophy" behind this policy appear to be the most dominant. Conversely, the methodological, technical and procedural details, which are most problematic for applicants and grant recipients, are practically not mentioned at all within the framework of this discussion.

Quite to the contrary, the discussion is characterised by an almost unlimited list of challenges and needs that future cohesion policy should fulfil. For example, emphasis is placed on the need to create a clear and undistorted picture of the actual shape of regions and their real needs, which is necessary in order to ensure that the application of cohesion policy is truly effective, namely that it is used to meet actual priorities.

Within the current contextual focus of the debate, another thought that is loudly voiced pertains to the future of the "regions of tomorrow". These are regions that have been able to overcome their economic backwardness within a relatively short time as a result of significant contributions of cohesion policy. However, due to the level of development they have already attained, they will have only limited access to further support from structural funds during the next period, eventhough their development potential has not yet been fully met.

At this point, we should be clear in what we want and how to react given the economic crisis at hand: whether, for example, cohesion policy should possibly be redefined for "better times". We should also answer the question of how long a financial perspective we actually need, and what this policy is really about – whether it should help remove existing disparities or if it should serve to eliminate risk and prevent the occurrence of new disparities.

The starting definition of "a cohesion policy for the future" is also of key importance, especially clarification of its newest element – "territorial cohesion", which has been interpreted differently in different languages. As a result, there are various levels of expectations with regard to this concept. This is another reason why it would be worthwhile to determine what territorial cohesion is not. It should not be an anachronistic compensation mechanism for the handicapped. It should also not be a brand new concept or an attempt to amass competence in the hands of the EU executive branch with regard to land use and spatial planning. To the contrary, important elements for territorial cohesion appear to be: overcoming differences for the natural co-existence of regions and ensuring close ties and cooperation between them, which should become one of the pillars for territorial cohesion in the form of *territorial co-operation* (the Baltic Cooperation programme is an excellent example and the Danube Cooperation Process shows significant potential); taking advantage of more flexible and functional access to *geographically close elements* with an accent on *local development*, including the development of municipalities while respecting rural development as a factor; ensuring *co-ordination between sectoral and territorial policies*; *monitoring* and subsequently *comprehending territorial trends* (with regard to the allocation of finances).

Objectives of Cohesion Policy in 2007-2013

The rationale of the **Convergence objective** is to promote growth-enhancing conditions and factors leading to real convergence for the least-developed Member States and regions. In EU-27, this objective concerns 84 regions with per capita GDP at less than 75 % of the Community average, and – on a "phasing-out" basis – another 16 regions with a GDP only slightly above the threshold, due to the statistical effect of the larger EU. The amount available under the Convergence objective is EUR 282.8 billion, representing 81.5 % of the total.

The **Regional Competitiveness and Employment objective** aims at strengthening competitiveness and attractiveness through a two-fold approach. First, development programmes will help regions to anticipate and promote economic change through innovation and the promotion of the knowledge society, entrepreneurship, the protection of the environment, and the improvement of accessibility. Second, more and better jobs will be supported by adapting the workforce and by investing in HR. In EU-27, a total of 168 regions will be eligible. Within these, 13 regions represent so-called "phasing-in" areas due to their former status as "Objective 1" regions. The amount of EUR 55 billion represents just below 16% of the total allocation.

The **European Territorial Co-operation objective** will strengthen cross-border co-operation through joint local and regional initiatives, trans-national co-operation aiming at integrated territorial development, and interregional co-operation and exchange of experience. All EU regions and citizens are covered by one of the existing 13 transnational co-operation areas. The allocation is EUR 8.7 billion (2.5 % of the total).

After 2013, the role of EU institutions in defining cohesion policy should then consist primarily of motivating, informing and providing strategic instructions. Especially valuable would be a guideline provided in the form of uniformly conceived integrated regional strategies, which will allow regions to better recognise themselves and concurrently compare their real, as well as anticipated, productivity in relation to other regions.

A discussion on the form of the general rules that future cohesion policy will apply should be led in a comparable spirit. In which directions, at least for the time being, are the very differing special interest proposals and cohesion policy concepts headed? For example, one of the directions monitors – within the framework of the newly adopted concept of territorial cohesion (and in addition to economic and social cohesion) – the need to eliminate obstacles and complications across national borders, which, in spite of all formal steps, are still visible or perceived. In order to focus cohesion policy in the direction of removing obstacles and barriers to cross-border development, a Green Paper was prepared. A positive example of the removal of real borders between states is the Nisa Euroregion, where no communication or cooperation used to exist, but now – step by step – a systematic approach to overcoming this is underway. This is a good example of applying territorial cohesion in areas where there used to be an “iron curtain”.

The second proposed direction strongly enforces the need to apply cohesion policy at the “urban dimension” level, which is supported mainly by representatives of large municipal areas. As far as the European continent is concerned, a pertinent comparison at the regional level is that of the Île-de-France region, whose population consists primarily of the wider Paris metropolitan area. On the one side, municipal areas display significantly specific social and economic development needs. In addition, in certain regions there are so-called “seams”, i.e., connections between urban and rural zones. To complicate the situation even more, at the outer edges of municipal cadastres – especially in the case of large municipalities – there are areas that have requirements that are rural in nature. The precise definition and support of these needs on the part of cohesion policy are monitored through this direction.

The third direction might seem very suggestive: it offers the possibility of identifying integration and cohesion policy symbols with the course of a river. For this purpose, the Danube has been proposed as a symbol, whereby cohesion procedures based on the Baltic Sea territories example would be applied. (These procedures allowed the territories to come closer together in a mutual manner and develop their historic potential.) Within the framework of Danube cooperation, the concept of cross border aspects of cohesion policy is also proposed. One of the reasons might be that a number of the relevant regions would not have a chance of attaining subsidy support under the current rules but, under the guise of “Danube territorial cohesion”, they might be successful. Supporters of this channel are very active and industrious, as can be seen in some of their activities (the Danube Conference, the Danube Summit in Ulm and the activities scheduled to take place during the Hungarian presidency in 2011).

The fourth – currently highly accented – channel promotes the priority of monitoring not only economic and business criteria, but primarily ecological issues and the environment. This direction is in line with solutions adopted at both the EU level as a whole, as well as in individual national states for overcoming the economic crisis. The area pertaining to such things as “green factories”, “green jobs” and “green technologies” is also proposed for receiving support within the framework of future cohesion policy.

If we continually follow the direction promoted by the fourth channel, we will reach another general basic and widespread thought with regard to future cohesion policy. This is its need to reflect challenges:

- globalisation,
- energy,
- climate and the environment,

as well as the opinion that cohesion policy should not have only one objective, specifically per capita GDP. The fact that now is the first time in history that the largest proportion of the EU budget, as expressed in percent, has been allocated for cohesion and competitiveness is an indication. It is also proposed that the key criteria for cohesion policy be established as knowledge (in order to protect our position with regard to access to knowledge). Our countries are too small when considered at the global level and can loose their position very quickly. If we do not combine cohesion policy with knowledge, research and development, we will lose our position.. The need for complementarity with the instruments provided by the EIB, EIT, CIP, 7FP and others is also often emphasised, as is the development of clusters and strengthening a horizontal and integrated approach.

Such debates on the future of cohesion policy and its funds are now being heard in the EU under the conductor’s baton of the Czech presidency. The conferences that are being prepared on this theme in March, as well as one other date during this year’s first quarter will also significantly contribute to this debate. This discussion will not come to an end with the presidency, but will continue for at least an additional two years. The ultimate goal is to take this wide

channel of opinions, representing the most various of interests and motivation, and put it together in a manner whereby it contributes towards removing not only territorial and administrative obstacles, but also those barriers that exist in our minds, and not to prevent the further development of European integration, which seems to be entering a difficult period.

The Dilemma of Discussing the Future of Cohesion Policy

Opinion by Jan Olbrycht, an influential member of European Parliament and specialist on cohesion policy

As far as the theme of the future of cohesion policy in and of itself is concerned, we face two main dilemmas. The first is the need to be aware of what we really mean by cohesion policy. Are we dealing with a political philosophy, of priorities, of primary objectives, of policy results and how to measure them? Or are we speaking of the methods and political technologies? Are we discussing policy effectiveness, problems associated with measuring policy efficiency and ongoing monitoring of policies through their processes? This is a true dilemma. Either we will speak of one or the other. It is extremely important to clarify this in advance. Of course, we will discuss both, but in fact it seems that all of the discussions up until now have been turning around only one of these two levels.

Whenever we start discussing priorities, we realise that, in actuality, the discussion will drift more towards technology. For example, in Parliament, during presentations made by representatives from the Court of Auditors, we hear primarily about errors. This is understandable, as this is the mission of the Court of Auditors. However, the question still remains – what is the error? Does this then mean that goals were poorly defined? Or does it mean that the policy is good, the policy is effective, and simple its implementation is accompanied by unavoidable errors? Therefore, in this case, we are dealing with procedures.

This leads to the question of when is a policy “good”. Is it good if it is effective? Or is it good when all procedural requirements have been met in full? In theory, we can surely find very effective policies which, however, bring along many errors. Their goal and contents are so demanding that errors are simply unavoidable. Let’s take the area of innovation as an example. When we are discussing innovations, we must be aware that the level of errors in this area will be higher. If there were no dangers or risks involved in this area, then it wouldn’t truly be an innovation. These things simply belong together. Conversely, when dealing with technical infrastructure, the error level is lower. Public contracts are implemented; rules are established for them, etc.

We ultimately reach a point where we are able to envision a highly effective policy that also contains a number of errors. At the same time, we can have a policy, which was implemented without a single error, but is fundamentally not very effective. It is solely something traditional and thus it involves nothing more that outlaying further expenses. A key question is: Do we want the effective policy or do we want to prove to statisticians that the number of errors we made is very low? This is something we must ponder. We must decide what we really want to do. How we want to function. If anyone starts on an innovation, the level of risk involved is truly high and there is a danger of failure. Does this mean that the person will give up beforehand or not? Another example from real life can be seen in the recent packages for economic recovery in a time of crisis. We ask ourselves: How should we spend money during a crisis? On the traditional infrastructure or rather on something that has a higher level of associated risk? Commission President Barosso calls it intelligent investing – focusing on innovation. However, we must of course be aware that it is always more risky.

In relation to local and regional authorities, the future of cohesion policy cannot simply pertain only to technology. We must think over this policy as such. We are going through a crisis and a crisis is the appropriate moment for reworking something in full; as the context is changing, the entire situation is different. Paradoxically then, a crisis can help us in that we will define the policy differently – define it for the future.

The question for us as far as the future of cohesion policy is concerned is thus: What is this policy about? Is it about the fact that we want to decrease the differences between regions and the level of per capita GDP? Should cohesion policy be designated for the poorest regions so that they can catch up with the wealthier ones, or should it be designated for all subjects in the EU because, simply stated, challenges and tasks are changing? We are facing new tasks. New disparities are appearing. Cohesion policy is a toll we can use to react to them. These are phenomena that quite possibly we could not even imagine a year ago. The truth is, we don’t even know what Europe will look like after 2013 – where the most significant differences between its regions will lie.

Is cohesion policy necessary in order to strengthen administrative bodies, such as the regional authorities and local authorities or should it be focused more on resolving problems? It is not that important who will be implementing the policy. This is why we now have an interesting opportunity to reconsider what cohesion policy should actually look like.

If we enter into a discussion on territorial cohesion, then it looks like something artificial – something along the lines of "Eurobabble", i.e., speaking about everything and nothing at the same time. However, anyone who understands it knows what lies behind it and sees a very interesting discussion. How can balance between various types of territories be ensured? If we are to take territorial cohesion seriously, we will reach the conclusion that this policy must be designated for all. It cannot pertain to only a part of Europe – it must pertain to all of Europe. The logical result of territorial cohesion is cooperation between various levels of public matters – multilevel governance.

The European Commission supports new regional programmes, such as the Baltic Sea Strategy. What should we make of this? The Commission started defining regional policy for an era of globalised economy. In this case, a region is not considered from the perspective of being an administrative unit, but rather as a territory within Europe – in this specific case, the Baltic Sea region. We see that it does not concern any sort of change in technology or methods for implementing cohesion policy, but that it pertains much more to a change in philosophy. It is truly necessary to promote the administration of public affairs at more levels, in order to resolve a territory's problems. In actuality, it is a return to the traditional regional policy of the 60s and 70s, whereby we are trying to concentrate on a specific problem and not, for example, on individual administrative units. Of course it will not be easy for the Committee of the Regions to accept this perspective. It actually means that local and regional authorities will suddenly become partners in a very complicated game. In a game that is much more complex than just today. It can be expected that future policies will be more flexible, more open and it will not be cast in stone that such-and-such region will receive this or that amount. In reality, it will be money for an entire wider area. It is right now and right here that we are discussing some very interesting proposals put forth by the European Commission, which also pertain to changes in procedures and their simplification. It is truly very interesting. These are proposals that modify cohesion policy from the philosophical perspective.

The Five Pillars of Territorial Cohesion

Opinion by Katarína Mathernová a high-ranking European Commission employee, focused on the future of Cohesion Policy

The starting point for the discussion is the actual core of territorial cohesion policy and its very definition. In autumn 2008, the European Commission presented a Green Paper on territorial cohesion. As far as territorial cohesion is concerned, there remains one open issue. Thus far, even the Green Paper has not resolved it. The question stands: What does territorial cohesion truly mean? In individual translations, the word "territory" does not mean exactly the same thing. Thus it is very difficult to comprehend this concept in any simple manner. Therefore, we are currently pondering over what territorial cohesion actually is and what factors it encompasses.

The Green Paper is somewhat of an overview of possible definitions. It speaks of territorial cohesion as a concept of how to ensure the harmonised development of locations that have differing characteristics and particulars and how to ensure that inhabitants will be able to take advantage of the characteristics of the applicable territory. Of course, at the same time we support the diversity of territories and want to make it possible to always take advantage of the potential of the territory in question.

We approach this diversity, this variability of territories as an advantage. We also acknowledge that economic growth within a global economy often interconnects various levels and territories. This means that no area can be considered as an isolated island, because the links between European territories are of extreme importance.

What – at least according to the European Commission's opinion – does territorial cohesion not mean? According to the first results, the range of expectations from this concept is truly quite wide and varied. One direction speaks of the fact that territorial cohesion policy should be sort of a compensation mechanism for certain especially disadvantaged territories. This is, however, a perspective with which the Commission does not identify. To the contrary, it believes that cohesion policy as such contains more concepts that allow national and regional authorities to consider the various particulars of different regions within their programmes. A certain anachronism exists in the fact that specific problems of a specific territory would be resolved.

Secondly, with regard to the theme of what territorial cohesion is not: territorial cohesion is not a new concept; it is a concept that, in principle, is closely associated with the primary focus of cohesion policy. If the Lisbon Treaty is adopted, then even territorial cohesion will have a greater legal value together with economic and social cohesion. This particular agenda is truly interlinked with cohesion policy as a whole, even in the manner in which financial resources are allocated, the planning process, programme preparation, etc.

Thirdly, as far as what territorial cohesion is not: it is not an attempt on the part of the Commission or the Union to assume legal powers with regard to land use and spatial

planning. In 1999, the process of the European perspective of territorial development, spatial development started. In principle, this pertained to the issue of land use and spatial planning. There were efforts in this area to strengthen co-operation between territories in a manner that is basically the goal of cohesion policy. The excellent research programme ESPON was created. These are all good results of a process that is still underway and will remain at an inter-governmental level. It is thus not considering territorial cohesion from the macro-perspective, as the issues related to land use and spatial planning for some specific smaller area.

Conversely, which aspects are considered to be important for territorial cohesion? Firstly, it includes renewed emphasis on territorial co-operation. This can even be seen from the perspective of overcoming the consequences of the Iron Curtain. This is definitely the case with regard to the areas incorporated within the framework of cross-border cooperation. It can be assumed that in the future, territorial co-operation will be strengthened to an even higher degree. It would then be possible to even implement projects that will make it possible to renew the close ties between European territories.

The first support point for territorial cohesion should thus consist of strengthening territorial co-operation. Some examples of this include the Baltic Sea strategy or the future Danube River strategy, especially as evidence of looking outside the framework of legal borders. It consists of identifying functional territories, functional areas, for which specific themes can be found, specific socio-economic challenges – and then searching for answers to these challenges. The Baltic Sea Strategy and future Danube River strategy have the opportunity of becoming the model paths that will demonstrate the manner in which territorial co-operation in Europe can be strengthened and made better and how mutual ties can be improved.

The third pillar consists of supporting local development, whether in urban or rural areas. There are a number of examples of positive experiences with the URBAN and LEADER community initiatives. Specifically these programmes have entered into the mainstream of cohesion policy. This has however led to the disappearance of certain activities to which we were accustomed. The third pillar of territorial cohesion is specifically emphasis on the local level, whether in urban or rural areas, and the support of initiatives at the local level.

The fourth pillar, or element, of territorial cohesion that is considered to be of significance consists of improved co-ordination between sectoral and territorial policies, whether at the EU level or at national and regional levels. There are a number of examples wherein quite often, in some specific territory, sectoral policies not only do not have a synergetic effect but actually are mutually against each other. Unfortunately, this happens all too often. It is thus necessary to increase awareness of territories at the time policies are created and to ensure a certain level of co-ordination and possibly even the integration of individual sectoral policies that have significant territorial impact. The fifth element that is considered to be very important is monitoring and understanding of the developmental tendencies for a given territory. Cohesion policy has clear numeric keys for determining financial allocations, and these most likely will not disappear in the near future. These included the criterion of per capita GDP in combination with such things as unemployment levels and additional elements such as population density, etc. It is desirable to retain all of this in order to ensure the existence of sufficiently clear keys for determining financial allocations. In addition to this however, it is still necessary to devote quite a bit of hard work toward creating indicators and statistics, which will make it possible to comprehend the developmental tendencies for a given territory and, as a result, be able to create a more detailed developmental map for the given territory that will better help understand its developmental tendencies.

Europe Needs a Strategy to Overcome the Consequences of the Iron Curtain

Opinion by František Štangl, Member of the Council for the South Bohemian Region

Opinion on the future of cohesion policy: After World War II, Europe was torn into two parts. This can be compared to breaking a dish or even amputating a limb. After the fall of the Iron Curtain, this limb was sewn back to the body. Now it is alive and warm, but not yet fully functional. It was possible to reattach the bones and gradually the arteries, veins, muscles, tendons, and main nerves are being connected. However the tissues of small capillaries, blood channels and nerves are still waiting to be joined.

What actually happened at the site of the amputation? In a large part of the Czech border areas, the German-speaking inhabitants were expatriated and the area was subsequently repopulated by Czech families from the country's interior. After that, barbed wire barriers were built along the borders and subsequently Czech citizens were moved out of that protected frontier zone and the settlements destroyed. Two generations on both sides of that border grew up separated by a fence and practically without contact. Today we are facing a situation where, at the point of reattachment, we don't have the required nerves and small capillaries and, in addition, we have to battle other complications, such as a language barrier.

We are all a part of the Euro-Atlantic civilization and acknowledge the same values. We all want a Europe without barriers, with the free movement of goods, capital, people and services. We all want prosperity and especially stability. In order for European integration to succeed, we all have a lot of work to do. For us, this means primarily working at the site of reattachment – the site where the Iron Curtain used to be. The area offers the Commission an opportunity to prepare an EU strategy to help remove the consequences of the Iron Curtain in a manner comparable to that used for preparing the strategies for the Baltic Sea and Danube River regions.

Regions, Euro-regions and cities in the European Union – at the level of associations, institutions and even individuals – are all prepared to work towards removing the consequences of the Iron Curtain. It is necessary to ensure institutional, as well as the related financial support. It is necessary to ensure the existence of options for support, and that the regions in question acquire the tools necessary for a purposeful and reasonable cohesion policy, primarily at that point of reattachment – in the border areas where the Iron Curtain used to stand.

Allocation of structural actions to the EU member state (EUR, bn, current prices)

	Convergence			**Regional Competitiveness and Employment**		**European Territorial Cooperation**	**Total**
	Cohesion Fund	Convergence	Statistical phasing-out	Phasing-in	Competitiveness		
Belgium			0.638		1.425	0.194	2.258
Bulgaria	2.283	4.391				0.179	6.853
Czech republic	8.819	17.064			0.419	0.389	26.692
Denmark					0.510	0.103	0.613
Estonia	1.152	2.252				0.052	3.456
Finland				0.545	1.051	0.120	1.716
France		3.191			10.257	0.872	14.319
Ireland				0.458	0.293	0.151	0.901
Italy		21.211	0.430	0.972	5.353	0.846	28.812
Cyprus	0.213			0.399		0.028	0.640
Lithuania	2.305	4.470				0.109	6.885
Latvia	1.540	2.991				0.090	4.620
Luxembourg					0.050	0.015	0.065
Hungary	8.642	14.248		2.031		0.386	25.307
Malta	0.284	0.556				0.015	0.855
Netherlands					1.660	0.247	1.907
Germany		11.864	4.215		9.409	0.851	26.340
Poland	22.176	44.377				0.731	67.284
Portugal	3.060	17.133	0.280	0.448	0.490	0.099	21.511
Austria			0.177		1.027	0.257	1.461
Romania	6.552	12.661				0.455	19.668
Greece	3.697	9.420	6.458	0.635		0.210	20.420
Slovakia	3.899	7.013			0.449	0.227	11.588
Slovenia	1.412	2.689				0.104	4.205
Spain	3.543	21.054	1.583	4.955	3.522	0.559	35.217
Sweden					1.626	0.265	1.891
UK		2.738	0.174	0.965	6.014	0.722	10.613
EU-27	**69.578**	**199.322**	**13.955**	**11.409**	**43.556**	**8.723**	**347.410**

Source: European Commission

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	XI-08	XII-08	I-09	XI-08	XII-08	I-09
Belgium	1.7	2.8	2.7	3.0	3.3	3.3	7.1	7.1	7.2	3.2	2.7	2.1
Bulgaria	6.2	6.3	6.2	-11.5	-16.3	-22.0	5.2	5.4	5.3	8.8	7.2	6.0
CR	6.4	6.4	5.8	-2.3	-3.1	-2.4	4.6	4.7	5.0	4.1	3.3	1.4
Denmark	2.5	3.9	1.8	4.4	2.6	1.1	3.7	4.0	4.3	2.8	2.4	1.7
Germany	0.8	2.9	2.5	4.7	5.2	6.9	7.2	7.2	7.3	1.4	1.1	0.9
Estonia	10.2	11.2	7.1	-10.1	-15.7	-15.7	7.2	7.7	8.6	8.5	7.5	4.7
Ireland	6.0	5.7	5.3	-3.5	-4.2	-5.0	7.9	8.3	8.8	2.1	1.3	1.1
Greece	3.8	4.2	4.0	-13.4	-14.4	-16.2	na	na	na	3.0	2.2	2.0
Spain	3.6	3.9	3.8	-7.5	-8.8	-10.0	13.7	14.3	14.8	2.4	1.5	0.8
France	1.7	2.0	1.9	-1.7	-2.2	-2.6	8.1	8.2	8.3	1.9	1.2	0.8
Italy	0.6	1.8	1.5	-1.2	-2.0	-1.7	na	na	na	2.7	2.4	1.4
Cyprus	3.9	4.0	4.4	-5.9	-5.9	-7.3	4.0	4.2	4.3	3.1	1.8	0.9
Latvia	10.6	11.9	10.2	-12.5	-22.5	-22.9	9.3	10.6	12.3	11.6	10.4	9.7
Lithuania	7.9	7.7	8.8	-7.2	-10.5	-13.8	7.2	8.2	9.8	9.2	8.5	9.5
Luxembourg	5.0	6.1	5.2	10.9	10.3	9.1	4.7	4.9	5.1	2.0	0.7	0.0
Hungary	4.1	3.9	1.3	-6.8	-6.5	-5.0	8.3	8.5	8.6	4.1	3.4	2.4
Malta	3.4	3.4	3.8	-8.8	-8.3	-5.5	5.9	5.8	6.0	4.9	5.0	3.1
Netherlands	1.5	3.0	3.5	7.1	7.6	8.4	2.8	2.8	2.8	1.9	1.7	1.7
Austria	2.0	3.3	3.4	3.0	3.5	4.7	3.9	4.0	4.0	2.3	1.5	1.2
Poland	3.6	6.2	6.5	-1.6	-3.1	-3.7	6.6	6.6	6.7	3.6	3.3	3.1
Portugal	0.9	1.3	1.9	-9.8	-9.8	-9.8	7.8	7.9	8.1	1.4	0.8	0.1
Romania	4.2	7.9	6.0	-8.9	-10.4	-13.9	na	na	na	6.8	6.4	6.8
Slovenia	4.1	5.7	6.1	-2.0	-2.8	-4.8	4.7	4.6	4.9	2.9	1.8	1.4
Slovakia	6.6	8.5	10.4	-8.5	-7.7	-5.4	9.4	9.5	9.8	3.9	3.5	2.7
Finland	2.8	4.9	4.4	3.9	4.9	4.4	6.5	6.6	6.6	3.5	3.4	2.5
Sweden	3.3	4.1	2.6	6.1	8.5	6.5	7.0	7.1	7.4	2.4	2.1	2.0
UK	1.8	2.9	3.1	-2.5	-3.9	-4.2	6.2	na	na	4.1	3.1	3.0
EU	1.9	3.0	2.9	-0.4	-0.9	-0.9	7.3	7.5	7.6	2.8	2.2	1.7

	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*