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Dear readers,

In the past, we have used this spot to mention the fact that the course of European integration events could be considered abrupt, hectic, shocking and surprising. From the perspective of the Czech Republic though, anything that met these characteristics in the past does not come even partially close to the events we witnessed in March.

Let us start out positively though… March was filled with an entire list of events – both directly as well as indirectly related to finding a way out of the economic crisis. Over the course of the month, we took note of such things as the European Council's traditional Spring Summit. The heads of EU states and governments attempted to draft a common platform for anti-crisis measures at the Union-wide level. To a certain degree, they gave up their ambitions to implement their own individual national packages, which are at variance with those of other states, and adopted a common line consisting of threads and connectors that might assist us in getting through the crisis period.

The news of the no-confidence vote against the Czech executive branch flew through the systematic debate that was underway, competently moderated by the Czech Presidency, not quite like a thunderbolt from the sky but definitely in a surprising manner. As a result of this decision, our country suffered a sizable blow to its international reputation. In addition, a "transformation" process in the midst of performing any sort of function is a further complication and is symptomatic of a waste of human resources – the time and energy of these people who have been preparing for years, for only one reason: to pass the test and not disappoint.

It is truly sad that those who saw to, or "merely" made possible, the government's fall right at this particular time, thus causing irrecoverable damage to the Czech Republic's European reputation, not to speak of undermining the potential benefits that we could have enjoyed, either directly or indirectly, seem to undervalue or not fully comprehend the consequences of their actions. It is that much sadder that many of them consider themselves to be devoted supporters of European integration, yet at such a critical time as this they fail and give reason to petty and negligible objections on the part of the Czech periphery, the significance of which entirely fades just one single metre beyond the Czech borders. If one were to look back through the recent past to find only one example of political sabotage and an entirely incompetently managed task within the framework of providing public service, this would be the one.

Let us hope that for the remainder of the Presidency the significant respect for the Czech executive branch and the valuable performance it has provided up until this point is at least maintained and there are no further displays of futility and anxiety, thus making it possible to turn over the staff of authority to the seemingly serious Swedish side at the mid-year point in at least somewhat of a dignified atmosphere.

Petr Zahradník

The fall of Mirek Topolánek's government after receiving a no-confidence vote from the Chamber of Deputies is the main internal political event of this March, which, due to the Czech Presidency of the Council of the EU, unfortunately also has significant European impact. The EU Spring Summit in Brussels can be said to have ended successfully. Leaders of the member states agreed on providing financial support to the member states that have been afflicted by the financial crisis.

POLITICS

Government Falls during Czech EU Presidency

The Chamber of Deputies expressed no confidence in Mirek Topolánek's government at a time when the Czech Republic is presiding over the European Union. Mirek Topolánek subsequently submitted his resignation to Václav Klaus in accordance with the Czech Constitution.

This is the **first time in Czech modern history** that the government has fallen on the basis of a no-confidence vote on the part of the Chamber of Deputies. Even two members of ODS, the strongest government party, specifically Jan Schwippel and Vlastimil Tlustý, voted against the cabinet together with former members of the Green Party Olga Zubová and Věra Jakubková. The government received only 96 out of a total of 197 votes.

Mirek Topolánek's **government has already survived four non-confidence votes** in the past. Prior to the start of the Czech Presidency, discussions were underway for concluding a "ceasefire" between the government and the opposition in order to avoid this particular situation at the time that the Czech Republic stands at the helm of the EU. Needless to say, these negotiations were not successful.

In the past, the governments of the presiding countries have been replaced during their presidency more than once (e.g., Denmark in 1993 and Italy in 1996), however the **EU was never in such a severe economic situation** that agreements on compromise solutions are nothing less than a life necessity in the opinions of many. And specifically negotiations and the preparation of compromises just happen to be the task of the presiding country.

Toppling the government in the midst of the relatively successful Czech Presidency of the Council of the EU, especially in the face of the most severe economic crisis since the 1930s, is an irresponsible step into the unknown. Even more so as thus far **no "Plan B" has been brought to the table**. At the time this issue of the EU News Monthly Journal was put to bed, ODS, ČSSD, KDU-ČSL and the Green Party had agreed on an official cabinet under the leadership of ČSÚ head Jan Fischer. First however, he must actually be named Prime Mister by the President of the Czech Republic and then he, together with his team, must obtain the confidence of the Chamber of Deputies.

No matter how the negotiations on the official government end, the **Czech Republic's position in the EU will be shaken significantly**. Believing that such leading political players such as Nicolas Sarkozy, Angela Merkel or Gordon Brown would respect unknown official experts, in addition with the current sustaining mandate, is illusory to say the least. Quite to the contrary, this situation will only strengthen the opinions that certain new members states of the EU who have a weak political culture do not yet have what it takes to lead the European Community.

http://www.eu2009.cz/en/news-and-documents/news/response-of-czech-prime-minister-mirek-topolanek-to-no-confidence-vote-13407/

ECONOMY AND EURO

EU Summit Approves Recovery Plan

The regular European Council Spring Summit, which **took place under the leadership of the Czech Presidency** for the first time, ended with what can be called almost surprisingly specific results.

At the EU Summit, the heads of government of the EU-27 reached an agreement and approved the provision of **support totalling EUR 100 billion to countries that have been affected by the global recession**. Amongst other things, the EU leaders also agreed on increasing the Union's "crisis" fund, which will be available only to countries outside the Eurozone, from EU 25 billion to EUR 50 billion. This EU mechanism, which has been in existence since 1988, was used in the case of Hungary in October 2008, when the economic crisis hit the country with full force (Budapest received aid totalling EUR 6.5 billion). Since that time, the resources were increased from EUR 12 billion to EUR 25 billion. Latvia was the next country that took advantage of this mechanism, when it received a loan of EUR 7.5 billion, which, in addition to this EU fund, was partially funded by the International Monetary Fund, the World Bank and some other EU member states, including the Czech Republic.

Increasing the contribution to the International Monetary Fund by a total of EUR 75 billion was yet another important success of the Summit. Of the EU member states that are facing the greatest economic problems, Romania will benefit the most from this move. On Wednesday, 25 March, the IMF delegation announced in Bucharest that an agreement on a rescue package has been reached with the Romanian side. The total loan of 20 billion will consist of a contribution of 12.9 billion on the part of the IMF, 5 billion from the European Commission and 1.5 billion from the World Bank, with the remaining billion provided by other financial institutions.

The two-day European Summit also approved a **plan for public investment totalling EUR 5 billion**, which should be targeted primarily at the energy infrastructure, high-speed Internet connection and restructuring agriculture.

One of the most successful Czech negotiation successes was the fact that they were able to reinstate the **Nabucco gas line on the list of supported energy projects**.

The EU Summit also brought important conclusions outside the economic sphere. It is definitely worth mentioning the **Eastern Partnership project**, which aims to strengthen ties between the EU and Armenia, Azerbaijan, Belarus, Georgia, the Republic of Moldova, and Ukraine.

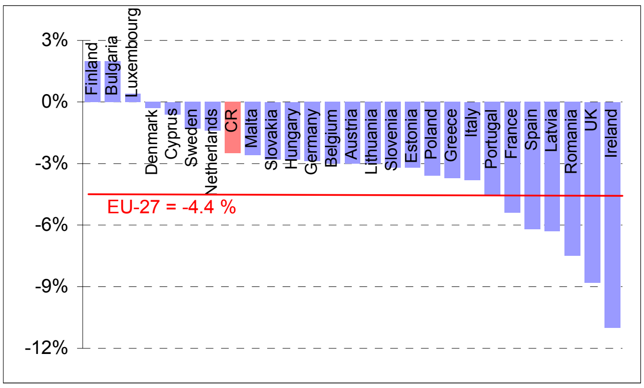
http://www.consilium.europa.eu/uedocs/cms_data/docs/pressdata/en/ec/106809.pdf

Commission Sounding Alarm Due to Budget Deficits

Last year, five European Union countries were guilty of exceeding the maximum threshold for their public budget deficits, specifically a level of 3% of GDP. These are **France, Greece, Ireland, Spain, and the United Kingdom**.

The Commission has commenced an "**excessive deficit procedure**" with each of these states for breaching one of the rules of the Stability and Growth Pact and has recommended appropriate tools that they can use to decrease the deficit as well as the deadlines by which this task must be completed successfully.

Expected deficit of public finance in 2009



Source: Internal outlook by European Commission made in January 2009

Once their stabilisation programmes (and in the case of the UK, its convergence programme) are approved by the Council, the aforementioned states **must submit a plan for correcting their excess deficits**. Greece must rectify its deficit (3.7% of GDP in 2008) by 2010; France (3.4% and Spain (3.4%) by 2010 Ireland (6.3%) by 2013; and Great Britain by no later than the 2013-2014 timeframe.

The original rules of the Stability and Growth Pact stated that the states of the EU-27 must **maintain their budget deficits below 3% of GDP**. At the turn of the millennium however, even the greatest propagators started facing problems with fiscal principles – specifically the Germans, who, together with the French, put through a relaxation of Pact rules in 2005. The revised treaty expanded the range of situations during which it is possible to "condone" lack of fiscal discipline and significantly extended the timeframes for implementing corrective measures.

During this time of economic recession, the **pressure on relaxing the Pact is the strongest it has been since 1997**. After initial hesitancy though, the Commission, supported by the Czech Presidency, made it evident that it will continue to require member states to maintain deficits not exceeding 3% of GDP over the medium timeframe. This might however create a problem, as this year will be even worse than the last from the perspective of public finances.

The rules of fiscal prudence that are embedded in the Pact are one of the key instruments that stand behind the success of the euro as the common European currency and it must retain its binding nature over the medium timeframe. Nevertheless now, at a time when the greatest economic crisis of the past more than seventy years is underway, **unconditionally focussing on its principles would have counterproductive results**.

http://europa.eu/rapid/pressReleasesAction.do?reference=IP/09/458

TAXATION AND CUSTOMS UNION

ECOFIN Approves VAT Decrease

Under the pressure exerted by the economic crisis, the ministers of finance have agreed on a **permanent reduction to value added tax rates for certain services**, such as catering, hairstyling and repair services. This step is an attempt to help small and medium-sized enterprises find a way out of the crisis.

At the current time, the rules pertaining to VAT rates that are in force in the Union designate that member states must place a VAT rate of at least 15% on products and services. However, exceptions to this basic principle do exist for certain basic commodities and services to which **members of the EU-27 can apply a decreased five-percent rate**. The main problem of the current structure is its non-uniform nature – not all countries applied decreased rates to the same products and services and certain countries have derogations from

The Czech Presidency accomplished a tour de force when, after several years of fruitless discussions, it successfully negotiated a compromise agreement that will allow all member states to apply permanently a decreased VAT rate to labour intensive services performed at a local level. European Commissioner for Economic and Monetary Affairs Joaquín Almunia allowed for the possibility that bonds could be issued at European Union level. Given opposition to this action it will not be the order of the day in the near future.

applying the basic VAT rate up through the end of 2010. For this specific reason, last July, Eurocommissioner László Kovács proposed that the member states make their VAT rates consistent with regard to services.

List of VAT rates applied in EU member states in %

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

Source: European Commission, as of 1st of January 2009, 0 % rates are not included

The turnaround agreement reached by the ministers of finance defines a list of activities to which the member states have the ability to lower VAT to the decreased 5% rate. This primarily pertains to **labour-intensive services** that are demanding on the local workforce. For example, the list includes:

- public food services;
- repairs for bicycles,
- shoes and clothing;
- window cleaning and housekeeping;
- hairstyling;
- childcare renovation of housing;
- books.

The European Commission and various business associations are calling for this measure to be applied as quickly as possible. Some member states however want to **postpone the formal decision to 1 January 2011**, rather than the declared summer of this year.

After several years of unfruitful discussions, the EU will have a **simpler, fairer and more transparent VAT system**. The compromise that was adopted balances slight concessions towards individual member states (e.g., the lower tax rates can be applied to bottled gas supplies in Cyprus, bridge tolls in Portugal and audio books in Sweden).

http://www.eu2009.cz/en/news-and-documents/news/third-ecofin-council-presided-by-czech-finance-minister-kalousek--11709/

FINANCE

EU Reaches Agreement on Electronic Money and Solvency II

The Czech Presidency found a successful consensus on the final version of two key standards within the area of financing, specifically:

- the **directive on issuing electronic money** and the supervision of electronic money institutions; and
- the **Solvency II Directive**.

The most fundamental change that will be brought about by the new directive on issuing of electronic money and the supervision of electronic money institutions is a **decrease in the regulatory burden placed on electronic money institutions** and the fact that their legal position will be closer to that of payment institutions as provided by the Payment Services Directive. As far as capital requirements are concerned, start-up capital will be reduced from the current EUR 1,000,000 to EUR 35,000.

A significant change as compared to the current provisions is the possibility to establish **hybrid electronic money institutions**, which, in addition to issuing electronic money, also perform other activities. This is of great importance, especially for such entities as mobile operators, who will be able to develop their services within a clearly defined legal environment.

The Czech Presidency also succeeded in completing negotiations with regard to the Solvency II Directive, which establishes the **capital requirements for insurance**

companies and which has been the subject of EU discussions for the past two years.

Two primary very sensitive issues were resolved. As far as the first is concerned – **the group support regime** – a compromise was reached whereby this particular point will not be incorporated in the directive and will be readdressed after a period of several years.

The second issue, specifically the treatment of equity risk, includes a "**duration approach**". It will only be possible to apply this procedure if the member state incorporates it in its legislation and only for explicitly defined live insurance products.

In order for the pre-negotiated compromise versions of both the aforementioned directives to enter into force, they **must be approved by European Parliament and the Council of the EU**.

http://www.eu2009.cz/en/news-and-documents/press-releases/czech-presidency-reaches-agreement-on-proposal-for-a-directive-on-electronic-money-13433/

http://www.eu2009.cz/en/news-and-documents/news/czech-presidency-finalises-negotiations-on-solvency-ii-directive-13531/

Eurocommissioner Almunia in Favour of Issuing EU Bonds

According to Joaquín Almunia, EU Commissioner for Economic and Monetary Affairs, providing assistance to EU countries who face difficulties through the **issuance of European Union bonds** is "possible and reasonable" but not realistic in the short run.

Until now, the Commissioner has avoided making any specific comments with regard to the issuance of joint government obligations by groups of member states and used the **disagreement of member states such as Germany, France and the Netherlands** as a supporting argument.

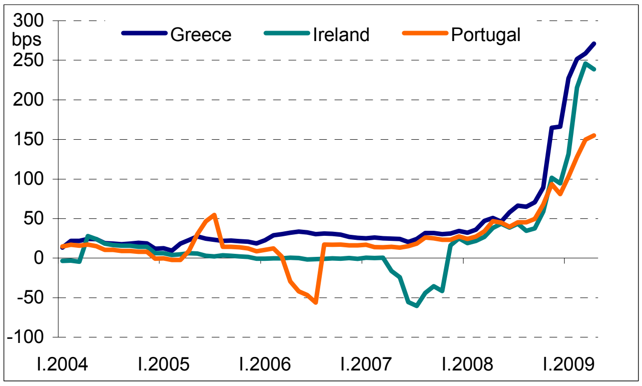
Almunia's current step is a reaction to the **ever-increasing difficulties some member states are facing when it comes to borrowing funds** on the financial markets under acceptable interest conditions, as is evidenced by the increase in risk spreads between the earnings on German national bonds and the bonds issued by certain states that have lower credibility, such as Greece, Ireland, Italy and Portugal. One alternative could be to include the European Central Bank, which could purchase government bonds from the member states directly. This is however not allowed by the current EU Treaty.

In yet another key statement Almunia said that the EU does have a back-up strategy to **help Eurozone members that find themselves in serious economic difficulties**. His words were confirmed by Peer Steinbrück, Germany's Minister of Finance, according to whom Berlin is willing to hurry to the aid of any Eurozone member who finds itself in difficulty.

During a time of crisis, the European Union is showing that, for its own interests, it **is capable of maintaining solidarity with higher risk members** through loans made amongst member states mutually, through the EU's special crisis fund and/or the International Monetary Fund. However, the idea of issuing common obligations at the European Union level is not reasonable at a time when fiscal policy remains in the hands of individual member states.

http://www.epc.eu/en/er.asp?TYP=ER&LV=293&see=y&t=2&PG=ER/EN/detail&l=&AI=893

Spreads of 10Y Government Bonds against Germany



Source: Bloomberg

ENERGY AND TRANSPORT

Parliament Voices Support for "Eco-Tolls" on Lorries

Members of European Parliament have approved a **proposed directive (Eurovignette Directive) on collecting fees** for the use of surface roads by heavy cargo vehicles. This would allow member states to impose further charges on cargo vehicles and lorries based on the noise pollution, environmental damage and traffic congestion they cause. The rules are not binding, but aim at establishing common European standards for those states that decide to implement additional ecological charges.

The Eurovignette Directive includes a calculation method proposed in a manner whereby it would **adjust the amount of the tolls according to the environmental standards** in

European Parliament representatives reached an agreement with the Czech Presidency on unblocking the liberalisation of the energy sector. Member states should be able to independently choose one of three possible options for opening the energy market (full unbundling is one of them). The EU has agreed on combining air space which up until now has been divided along national boundaries, as a result of which flight paths should become more direct and flight times shorter throughout Europe.

place for vehicles (i.e., Euro 0 through Euro VI), the type of roadway and the timeframe during which the roadway is used.

If a member state does decide to implement these charges, according to the calculation method the additional average expenses for road users should **increase by only 3%.** Vehicles that cause heavy pollution would be charged more, as compared to environment-friendly vehicles, which would pay either very little or nothing at all.

In the opinion of MEPs, member states should be obligated to **invest the income from these charges in plans for improving environmental standards** for vehicles and creating alternative transport infrastructures.

The rules of the Eurovignette Directive in force at the current time pertain only to roadways that are a part of the Trans-European Network and only to vehicles above 12 tonnes. According to the proposed amendment, the rules would apply to all trans-European networks and other roadways that are often used for international goods transport. In addition, starting in 2012, **all vehicles over 3.5 tonnes would be charged**.

In order for the directive to enter into force, the consent of the Ministers of Transport of the member states must be obtained. As far as this is concerned, there are **still sizable conflicts between transit countries and the countries that are situated at the outer edges** of the EU, as the latter fear that they will lose their competitiveness if further charges are placed on cargo transport.

http://www.europarl.europa.eu/news/expert/infopress_page/062-51411-068-03-11-910-20090310IPR51410-09-03-2009-2009-false/default_en.htm

Energy Liberalisation Gets Green Light

Members of European Parliament have agreed with the Czech Presidency with regard to the **path that should be taken towards liberalising the energy market**. The Czech Presidency's negotiators successfully convinced MEP representatives to step back from the requirement for the full separation (ownership unbundling) of electricity distribution and its production.

The Commission's original proposal relied on liberalising the energy market solely in one way – **full ownership unbundling**. Under pressure placed by certain countries, the Commission then presented a compromise proposal that makes allowances for a second alternative: energy companies would not have to sell a large portion of their shares, but control over their distribution networks would be taken over by an **Independent System Operator** (ISO). The primary opponents to unbundling – the French and the Germans – have come up with a "third path" towards liberalising energy, which relies on establishing an **Independent Transmission Operator** (ITO), who would take charge over the distribution network with the difference that the original owner would maintain a portion of its influence.

Ultimately, the MEPs gave way to the member states and agreed that each of the EU-27 states will be able to **decide amongst the above-specified three options**, both for natural gas, as well as in the case of electricity. This is of course only a preliminary agreement, which is yet to be approved by the Parliament and the Council; nevertheless, even now it is considered as a true breakthrough with regard to the liberalisation of the energy market and meeting one of the mail goals of our presidency.

One of the concessions that the MEPs obtained successfully consists of the inclusion of a clause that will ensure **better consumer rights and will also improve the transparency of supervision over energy giants**. Europeans will thus have the right to change their gas and/or electricity suppliers in the very near future – free of charge and within three weeks, as well as the right to receive compensation in the event that an energy company does not meet its obligations.

http://www.europarl.europa.eu/news/expert/infopress_page/051-52439-083-03-13-909-20090324IPR52438-24-03-2009-2009-false/default_en.htm

Travelling by Air in the EU will be Faster

At the end of March, the European Parliament and Council voiced their agreement with a legislative proposal that establishes the **Single European Sky** (SES) and expands the competence held by the European Aviation Safety Agency (EASA). As a result, air transport in the EU should be cheaper, faster and more environment-friendly.

Up until now, **EU air transport has been separated amongst 27 different national systems**, thus leading to non-uniform aviation management and the resulting time and financial losses.

The concept of a Single European Sky simplifies air transport by implementing **Functional Airspace Blocks** (FAB). These replace national "blocks" and, independent of national borders, maximise capacity and the effectiveness of how air transport is organised. It used to be that the transfer of international flights from the hands of one national aviation control entity into the hands of another caused delays, which forced airlines to use more fuel and decreased air safety.

Petr Bendl, the Czech Minister of Transport, who presided over the meeting of the ministers of transport from the 27 EU member states, praised the agreement and said, “The new rules should result in **cutting the durations of flights and reducing the consumption of fuel** and production of emissions.” Flights will be faster and cheaper, as aircraft will no longer have to “zigzag” through the air.

The implementation of the new common rules will be within the **competence of the European Aviation Safety Agency**.

The approval of this proposal is considered to be one of the **successes of the Czech Presidency**, as the creation of a Single European Sky was one its priorities – exactly in the spirit of the Presidency’s motto of “Europe without Barriers”.

http://www.eu2009.cz/en/news-and-documents/news/accomplishments-of-the-czech-presidency-in-the-area-of-air-transport--13386/

ENLARGEMENT

Montenegro to Start Accession Talks as Early as Next Year

Mirek Topolánek , the Czech Prime Minister and President of the Council of the EU, visited Macedonia (FYROM) and Montenegro during the first half of March and expressed full **support for their integration in Euro-Atlantic structures**. Accession of the countries of the Western Balkan just happens to be one of the foreign policy priorities of the Czech Presidency.

Of the two countries that were visited, **Macedonia is a step ahead**, as it has held candidate country status since 2005. Accession talks have not yet commenced however. In addition to the slow progress of reforms, their start has also been held up by the dispute between Greece and Macedonia with regard to the country’s name. Skopje is promoting that the name be changed to the Republic of Macedonia, which however Athens considers to be a direct reference to the Greece’s northernmost province. A potential dispute on state borders also hangs in the air. Due to the mutual dispute, Greece has already blocked Macedonia’s entry to NATO. According to Topolánek, this dispute is purely of a bilateral nature and the EU can do no more than act as a go-between. Further cooperation with Macedonia is expected to start no later than at the start of next year, at which time the visa requirement for Macedonian citizens travelling to the EU will be abolished.

The second of the countries to be visited was **Montenegro, which, after Kosovo, is Europe’s second youngest state**. A referendum was held in May 2006, during which the citizens voted in favour of breaking away from Serbia. In October 2007, the EU signed a Stabilisation and Association Agreement (SAA) with Montenegro, which is the required preliminary step on the road to full Union membership. At this point in time Montenegro does not even hold official candidate country status, but Topolánek, according to whom official accession talks with Montenegro could start as early as 2010, pumped new optimism into its veins.

As far as the issue of further enlargement is concerned, we remain pessimistic. We believe that **by 2014 the only new member of the European Union will be Croatia**, subsequently followed by a pause of several years in the enlargement process.

http://www.eu2009.cz/en/news-and-documents/press-releases/presidency:-montenegro-has-a-chance-to-become-eu-member-state-11779/

http://www.eu2009.cz/en/news-and-documents/news/presidency-supports-eu-accession-by-former-yugoslav-republic-of-macedonia--11707/

ENVIRONMENT

Say Farewell to Classic Light Bulbs

The European Commission has prepared proposals for two regulations, on the basis of which all **non-efficient light bulbs will be replaced by ecological alternatives by 2012**.

"By replacing last century lighting products with more efficient technologies, European homes, buildings and streets will keep the same quality of lighting, while saving energy, CO2 and money", said Energy Commissioner Andris Piebalgs with regard to the new regulations, the text of which the Commission negotiated in advance with European Parliament. **Only efficient bulbs** (which use up to 75% less energy than classic bulbs and that the majority of consumers know and use today) **and halogen bulbs** (which use 25-50% less energy and are fairly new) **will be available for sale**.

The Commission claims that once the new measures are implemented, the Union overall will save almost as much energy as is used in all of Belgium today. The replacement of old bulbs with new will result not only in **lower energy bills for households** but will also contribute towards climate protection.

The new approved regulations are a **part of fulfilling the Ecodesign Directive**, which is meant to ensure that every appliance is designed from the perspective of its environmental impact, which should be at a minimum during

The European Commission, following the initiative of some other countries, has proposed a ban on the sale of non-efficient traditional light bulbs. As a result, starting in 2012 only energy-efficient bulbs and halogen bulbs will be allowed on the European Union market. European Commissioner for Information Society Viviane Reding has outlined an ambitious goal, whereby all EU citizens would have the ability to change their telephone operator – fixed or mobile – in one single day.

all stages of the product's existence – starting with the acquisition of materials for its production, during production and distribution, over the course of its use, and at the time that its useful value comes to an end.

Whether the regulations will actually be adopted relied only on the opinion of the member states in the Council.

The wave of gradual bulb replacement of bulbs that provide more heat than light is sweeping the world. The pioneers of this direction include **Australia, New Zealand and California**. Of the EU member states, Great Britain was already in the process of preparing a proposal.

http://europa.eu/rapid/pressReleasesAction.do?reference=IP/09/411

Use of Substances that Deplete the Ozone Layer to End in 2020

Under the leadership of the Czech Presidency, the member states and European Parliament have agreed on an amendment to European legislation, which aims to **ban the use of substances that deplete the ozone layer** as well as the trading of any such substances.

The amendment clarifies the current somewhat confusing rules that are in place with regard to the use of substances that damage the ozone, removes some old standards and **brings the Union's rules into conformance with those that exist at an international level**.

The 1987 Montreal Protocol requires a gradual ban on the use of substances that deplete the ozone layer. Within its own regulations, the European Union went even further and ordered that those substances which are the greatest contributors to the depletion of the ozone layer be pulled even earlier than the timeframe requested by the Protocol (this consists of the almost complete removal of "hard CFCs" and the quicker withdrawal of "soft CFCs").

In spite of the fact that the majority of substances that are damaging to the ozone layer are no longer used in new products, there are still **tons of these substances in existing equipment and structures**.

The amendment to the applicable regulations contains primarily a clarification of some of the exceptions that exist with regard to the ban on substances that damage the ozone layer and the conditions in place for trading these substances. It also contains a requirement to withdraw "soft CFCs" at a **faster rate and a full ban on substances for which alternatives already exist**. Further, it requires limiting the use of methyl bromide, which is used to a high degree in pest repellent products.

Finally, the resulting compromise establishes a **full ban in "soft CFCs" in 2020**. The use of methyl bromide will already come to an end in 2010. The formal agreement on the proposal should be adopted even prior to the time our presidency ends.

http://www.eu2009.cz/en/news-and-documents/press-releases/czech-presidency-leads-eu-to-ozone-protection-deal-13298/

INFORMATION SOCIETY

Changing Mobile Operators in One Day?

Viviane Reding, the European Union Commissioner for Information Society, called upon the Council and European Parliament to adopt new rules for the communications sector. "I want all **Europeans to be able to switch their phone operator** – whether mobile or fixed – **within one single day**, as it is already the case in Ireland and in Malta," said Viviane Reding in a video message published on her website.

Inhabitants of all the EU-27 have been **able to change operators while retaining their original number since 2003**, however a problem still lies in the fact that this action still requires an average of 7.5 days on the part of mobile operators and even one day more when it comes fixed line operators. The Irish and the Maltese have it the best – the standard there is one day, as compared to the Poles who have to wait the longest (an average of 38 days) and the Italians (15 days).

When changing mobile operators, Czechs are completed with the change in approximately 5 days, which **places them fifth in the Commission's rating**. When it comes to fixed lines however, the situation in the Czech basis is not that favourable by far – with an average of 15 days, we share second-to-last place with the Swedes.

Over the past 6 years, over 60 million Europeans have taken advantage of changing their mobile operator and 24 million have changed the operator of their fixed line.

Commissioner Reding argues that the process of changing operator whilst retaining the same number is not all that demanding from the technical and organizational perspectives and it is in the interest of the European Union to ensure that the actual time required is as short as possible. As an example for the Europeans, she mentions **Hong Kong, where this type of operation takes 2 hours**.

http://ec.europa.eu/commission_barroso/reding/video/text/message_20090323.pdf

A new directive on capital requirements is currently being discussed by European Parliament. It is intended to improve transparency and make banking supervision more efficient, with the goal of preventing the occurrence of a similar financial crisis in the future. Based on a report published by the European Commission, the telecommunications sector has not fallen victim to an economic decline as of this point: the use of mobile services is increasing and consumer prices are decreasing.

2 MARCH

MACMIC - Database of simulations and estimates of the macroeconomic impact of microeconomic reforms: http://ec.europa.eu/economy_finance/thematic_articles/article14094_en.htm

The Commission obtains guarantees from the French government on the absence of protectionist measures in the French plan for aid to the automotive sector: http://europa.eu/rapid/pressReleasesAction.do?reference=MEMO/09/90

3 MARCH

Environment Council Meeting: http://www.consilium.europa.eu/uedocs/cms_data/docs/pressdata/en/envir/106430.pdf

Commission gets rid of accounting requirements for micro enterprises in major burden reduction for the EU's smallest companies: http://europa.eu/rapid/pressReleasesAction.do?reference=IP/09/328

4 MARCH

Green measures to tackle the economic crisis: http://www.consilium.europa.eu/showFocus.aspx?id=1&focusId=353&lang=en

EU launches campaign to tackle gender pay gap:

http://ec.europa.eu/social/main.jsp?langId=cs&catId=89&newsId=467&furtherNews=yes

Gender Pay Gap

Estonia	30.3%	Ireland	17.1%
Austria	25.5%	Hungary	16.3%
Slovakia	23.6%	France	15.8%
Netherlands	23.6%	Latvia	15.4%
CR	23.6%	Romania	12.7%
Cyprus	23.1%	Bulgaria	12.7%
Germany	23.0%	Luxembourg	10.0%
UK	21.0%	Belgium	9.1%
Greece	20.7%	Slovenia	8.3%
Lithuania	20.0%	Portugal	8.3%
Finland	20.0%	Poland	7.5%
Sweden	17.9%	Malta	5.2%
Denmark	17.7%	Italy	4.4%
Spain	17.6%		

Source: European Commission, for the same job

5 MARCH

Publication of the General Report on the EU's activities in 2008: http://europa.eu/rapid/pressReleasesAction.do?reference=IP/09/348

6 MARCH

Competitiveness Council Meeting: http://www.consilium.europa.eu/uedocs/cms_data/docs/pressdata/en/intm/106517.pdf

E-commerce in the EU: http://europa.eu/rapid/pressReleasesAction.do?reference=MEMO/09/95

Coordinated EU approach can mitigate social impact of the crisis: http://ec.europa.eu/social/main.jsp?langId=en&catId=89&newsId=469&furtherNews=yes

9 MARCH

Competitiveness Council Meeting: http://www.consilium.europa.eu/uedocs/cms_data/docs/pressdata/en/intm/106538.pdf

How to support the European car industry?: http://www.consilium.europa.eu/showFocus.aspx?id=1&focusId=354&lang=cs

The economic crisis and pensions in the EU: http://europa.eu/rapid/pressReleasesAction.do?reference=MEMO/09/99&format=HTML&aged=0&language=EN&guiLanguage=en

10 MARCH

Employment, Social Policy, Health and Consumer Affairs Council Meeting: http://www.consilium.europa.eu/uedocs/cms_data/docs/pressdata/en/lsa/106560.pdf

New rules for banks to avoid a future financial crisis: http://www.europarl.europa.eu/news/expert/infopress_page/042-51298-068-03-11-907-20090309IPR51297-09-03-2009-2009-false/default_en.htm

Statistics: Half a ton of municipal waste generated per person in the EU27 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_03/8-09032009-EN-BP.PDF

11 MARCH

Economic and Financial Affairs Council Meeting: http://www.consilium.europa.eu/uedocs/cms_data/docs/pressdata/en/ecofin/106576.pdf

12 MARCH

Energy savings: Member States support rules to reduce the energy use of industrial motors: http://europa.eu/rapid/pressReleasesAction.do?reference=IP/09/391

13 MARCH

2008 progress reports on Croatia, Turkey, and FYROM: EP sets out its views: http://www.europarl.europa.eu/news/expert/infopress_page/027-51429-068-03-11-903-20090310IPR51427-09-03-2009-2009-true/default_en.htm

16 MARCH

Informal meeting with EU ministers on the situation of GM: http://ec.europa.eu/social/main.jsp?langId=en&catId=89&newsId=476&furtherNews=yes

17 MARCH

General Affairs and External Relations Council Meeting:

http://www.consilium.europa.eu/uedocs/cms_data/docs/pressdata/en/gena/106692.pdf

http://www.consilium.europa.eu/uedocs/cms_data/docs/pressdata/en/gena/106691.pdf

18 MARCH

How open should our borders be?: http://www.europarl.europa.eu/news/public/story_page/018-51869-082-03-13-902-20090316STO51822-2009-23-03-2009/default_en.htm

Commission publishes prospects for agricultural markets and income 2008-2015: http://ec.europa.eu/agriculture/newsroom/en/331.htm

19 MARCH

European Budget - where should we invest our money?: http://www.europarl.europa.eu/news/public/story_page/034-51872-082-03-13-905-20090316STO51823-2009-23-03-2009/default_en.htm

Commission well on the way to meeting target to reduce admin burden in agriculture by 25 percent by 2012: http://europa.eu/rapid/pressReleasesAction.do?reference=IP/09/409

20 MARCH

Consumer protection - look back at some EP measures: http://www.europarl.europa.eu/news/public/story_page/063-51875-082-03-13-911-20090316STO51829-2009-23-03-2009/default_en.htm

23 MARCH

Brussels European Council – Presidency Conclusions: http://www.consilium.europa.eu/uedocs/cms_data/docs/pressdata/en/ec/106809.pdf

Customs: the European Commission proposes a waiver for customs security checks between the EU and Switzerland: http://europa.eu/rapid/pressReleasesAction.do?reference=IP/09/449

24 MARCH

Agriculture and Fisheries Council Meeting: http://www.consilium.europa.eu/uedocs/cms_data/docs/pressdata/en/agricult/106902.pdf

25 MARCH

MEPs approve new rules on safer cosmetics: http://www.europarl.europa.eu/news/expert/infopress_page/066-52333-082-03-13-911-20090323IPR52331-23-03-2009-2009-true/default_en.htm

26 MARCH

MEPs call for measures to support job creation in the car industry and encourage the development of green technologies: http://www.europarl.europa.eu/news/expert/infopress_page/052-52482-082-03-13-909-20090324IPR52481-23-03-2009-2009-true/default_en.htm

Mobile use up, consumer prices down: Europe's telecoms sector weathering economic downturn, says Commission report: http://europa.eu/rapid/pressReleasesAction.do?reference=IP/09/473

27 MARCH

Commissioners keen to help small businesses to grasp trade opportunities: http://europa.eu/rapid/pressReleasesAction.do?reference=IP/09/482

A closer and deeper strategic partnership with the USA: http://www.europarl.europa.eu/news/expert/infopress_page/030-52609-082-03-13-903-20090325IPR52608-23-03-2009-2009-true/default_en.htm

30 MARCH

Statistics: Nearly one third of individuals in the EU27 shopped on the internet in 2008: 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_03/4-27032009-EN-BP.PDF

31 MARCH

Transport, Telecommunications and Energy Council Meeting: http://www.consilium.europa.eu/uedocs/cms_data/docs/pressdata/en/trans/106977.pdf

Commission welcomes today's decision of the Council to adopt a new Directive on clean vehicles used by public authorities: http://europa.eu/rapid/pressReleasesAction.do?reference=IP/09/503

Let us speculate a bit about how the Czech Presidency's performance might be covered by football commentators: Contrary to all pre-game predictions, the Czech team has managed to win over viewer sympathies thanks to its active offensive play. Now, it seems as if a collapse is imminent. Just before half-time and during the greatest onslaught we managed to score an own goal. Now we don't even know the team formation that will take to the field during the second half.

BUILDING RESPECT AT THE HEAD OF THE EU IS THREATENED

Unifying VAT Rules

During the third month of holding the presidential function, our top leaders devoted their time primarily to anti-crisis measures and extinguishing the economic conflagration overall. A grand tour de force can be added to the accomplishments that can be credited to Minister of Finance Miroslav Kalousek, as, under his leadership, the Economic and Financial Affairs Council (ECOFIN) finally reached an agreement on reforms to the VAT system after several years of discussion. The current system of applying decreased tax rates was rightfully criticised for its level of complexity full of the most various exceptions, which should all end by no later than the start of 2011.

The ministers of finance from the member states reached a consensus on a brief list of primarily locally provided labour-intensive services (e.g., restaurants, hairstyling, minor repairs, and others), whereby all of the member states should acquire the permanent option of applying a decreased VAT rate.

First EU Summit under Our Direction

During the second half of March, the European Union's regular Spring Summit was presided over by the Czech Republic for the first time in history. The primary topic consisted of searching for a joint resolution to the financial and economic crisis. The conclusions from this meeting of the government leaders and heads of state of EU members are slightly positive. EU leaders agreed to increase resources for both the IMF as well as the special Union fund to help countries afflicted by the crisis, thus confirming that European solidarity truly does function during difficult times and those member states that face the greatest problems will not be left in the lurch.

The Czech Republic also successfully promoted significant steps with regard to two of its other priorities – energy and external relations. The newly approved EUR 5 billion package, aimed at improving the EU's energy security and supporting innovations, also includes a contribution towards starting off the Nabucco gas line, which should ensure European countries with access to the energy resources located in the Caspian Region. Another success can be seen in the adoption of the Eastern Partnership project, including a corresponding budget, the goal of which is strengthen relations with Armenia, Azerbaijan, Belarus, Georgia, the Republic of Moldova, and the Ukraine.

Other Important Points on the Agenda

Over the course of April, Czech negotiators also reached agreements on a number of other topics for which compromise solutions had been unsuccessfully searched for over several months, or even longer. The most significant of these are:

- **Third Energy Package** – addresses the rules for how the energy market functions, establishes clearer conditions for investments in the energy sector, network connectivity, and improves the position of consumers;
- **Air Transport Package** – removes the barriers that currently exist with regard to air transport in the EU, shortens flight length and time; decreases fuel consumption and CO_2 emissions, and removes one of the causes of flight delays, thus also creating space for decreasing final air ticket prices; and
- **Solvency II Directive** – A key standard, which replaces legislation that is three decades old and makes fundamental changes to the form of the insurance sector. It has been the subject of negotiations for a number of years. The primary benefit it brings is the fact that it increases the capital adequacy requirements for insurance companies and implements a timely warning system with regard to a lack of capital that could ultimately damage the insured.

Road to Hell

In addition to the above-specified events, the greatest attention was drawn by a statement made by Mirek Topolánek, Prime Minister of the Czech Republic and current President of the European Council, who, more than likely still under the influence of AC/DC's Prague concert and one of their greatest hits, compared the American style of resolving the crisis to the "road to hell". Mirek Topolánek is well-known for his sharp tongue, but in this case he more than likely should have swept his own doorstep first. The Prime Minister's statement would be more fitting to the current political situation in the Czech Republic:

A government crisis caused by the fall of the government during what is the greatest economic recession since the 1930s as well as the historic occasion of our leadership of the European Community, which is characterised by half a billion inhabitants and the largest single market in the world.

April will see more informal meetings of the ministers from the member states than formal meetings held within the framework of the Council of the EU. In mid-April, the ministers of the environment will hold an informal meeting. The main topic will address fine-tuning the EU's position prior to the December summit in Copenhagen, which will address the battle against climate change after 2012.

Meeting of the key EU institutions

1.-2.4.2009	**Brussels, Belgium**
- EP Plenary Session	
3.-4.4.2009	**Prague, Czech Republic**
- Agriculture and Fisheries Council	
6.-7.4.2009	**Luxembourg, Luxembourg**
- Justice and Home Affairs Council	
14.-15.4.2009	**Prague, Czech Republic**
- Informal Meeting of Ministers for the Environment	
21.-24.4.2009	**Strasbourg, France**
- EP Plenary Session	
22.-24.4.2009	**Mariánské Lázně, Czech Republic**
- Informal Meeting of Ministers for Regional Development	
23.-24.4.2009	**Luxembourg, Luxembourg**
- Agriculture and Fisheries Council	
27.-28.4.2009	**Luxembourg, Luxembourg**
- General Affairs and External Relations Council	
27.-28.4.2009	**Luxembourg, Luxembourg**
- Association Council EU – Egypt	
28.-30.4.2009	**Litoměřice, Czech Republic**
- Informal Meeting of Transport Ministers	

Public consultation on EU legislation

Topic of the consultation	Organiser	Deadline
The future of financial services supervision in the EU	DG MARKT	10.4.2009
Green Paper "TEN-T	DG TREN	30.4.2009
European Foundation	DG MARKT	15.5.2009
Administrative Burdens Reduction	DG ENTR	running

Seemingly there does not seem to be any topic in the European Union at this time that is more important than the fight against the economic crisis and establishing a regulatory architecture for the future that will be able to prevent a similar situation re-occurring. The most significant anti-crisis measures adopted within the framework of EU policies and the manner in which they are linked to the agenda and conclusions from the summit of G20 just happen to be the main topic of this issue of the EU News Monthly Journal.

ANTI-CRISIS MEASURES WITHIN EU POLICIES

ADOPTED SOLUTION AT THE EU LEVEL

The second half of March and the very start of April significantly contributed towards helping the EU member states establish a common stance with regard to finding solutions to the problems that have arisen as a result of the current economic crisis. This same approach is subsequently applied not only within the framework of related internal EU policies and measures, but also as the EU's contribution to the global discussion, whereby at this second level the approaches of the remaining G20 members display a certain degree of variance.

The EU's stance is characterised by a regard for the reality of balanced symbiotic measures within the framework of a "four-pillar approach", whereby the four pillars can be defined as follows:

- supporting financial stability and renewing the credibility of financial markets;
- implementing supportive measures through the use of fiscal stimuli for the purpose of reviving economic growth;
- enforcing structural measures for the benefit of growth and employment; and
- promoting global limits that limit protectionist reflexes and provide security for global business and investment flows.

Social and employment dimensions are horizontally intertwined through all of the aforementioned pillars.

Strengthening Financial Stability

The EU's efforts with regard to financial stability and renewing credibility of financial markets became apparent in some of the measures that have been adopted and which have gradually evolved out of the conclusions of the summit held in Berlin on 22 February and the ministerial meeting of the G20 that was held in London on 14 March.

It is possible to differentiate amongst the measure implemented for supporting financial stability. The measures that were adopted the most urgently pertained to guarantees and recapitalisation and were implemented on the basis of common principles. Nevertheless, in addition to these most urgent measures, it is necessary to adopt further related measures in order to renew the functionality of credit flows in the real economy – including a resolution to the issue of devalued bank shares on the basis of their full publication in relation to supervisory authorities. For this purpose it is appropriate to adopt an approach that is coordinated among the member states and respect the rules for economic competition. In the case of the banking sector, it is explicitly emphasised that support for parent banks should not be combined with any limitations on the activities of subsidiary companies in host EU countries.

A more comprehensive examination of the causes and manifestations of the financial crisis will eventuate into the need to reform both the regulatory framework for the financial markets as well as overall global macroeconomic management. The rules for prudential performance on the financial market, mechanisms for crisis management and the supervisory framework should be strengthened at the level of the individual EU member states, the Union-wide level and the global level. Financial regulation should dampen the development of the economic cycle and not exacerbate it. Appropriate and feasible recommendations are primarily expected from the Forum for Financial Stability, the Basel Committee for Banking Supervision and the European Commission. One of the components that should be included in these measures us a review of international accounting standards. Legislative standards pertaining to ratings agencies, the solvency of insurance companies, capital requirements for banks, cross-border payments, and electronic money are at a high degree of preparedness.

The primary information resource for improving the EU's regulatory rules for financial institutions and the supervision that is maintained over them is the report published by the High-Level Group for Financial Supervision under the leadership of Jacques de Larosière. The goal is to adopt the first decision ensuing from this document as early as this June. Additional and more detailed legislative proposals should follow in autumn (provisions on hedge fund activities and private equity; compensation for top-level management; further strengthening of capital requirements).

Fiscal Stimuli for Reviving the Real Economy

Measures focused on supporting the revival of the real economy make up a significant portion of the European Economic Recovery Plan introduced in December 2008. The scope of fiscal measures, i.e., "fiscal stimuli", is anticipated to be at a level equal to 3.3% of the EU GDP (in absolute terms, an amount of more than EUR 400 billion) and should be aimed primarily at supporting investment demand, creating new jobs and implementing environmentally focused measures. Steps associated with supporting energy projects, further development of

broadband internet and Common Agricultural Policy have already been implemented in practice.

At the EU level, there was a concurrent mobilisation of additional and existing financial resources. Currently, there are explicitly EUR 30 billion in EU sources available for supporting anti-crisis measures, associated with allocations on the part of the European Investment Bank.

Within the framework of the process for pre-programming cohesion policy instruments, the European Council made it possible to shift resources originally intended for the more distant timeframe of the current programme period and use them in relation to the present time and called for the publication of calls that are directly related to the anti-crisis nature of supported projects. Within this particular framework, there were also advances made with regard to the initial payments that are made when support is provided from the structural funds and the Cohesion Fund. Specific initiatives were created, especially with regard to small and medium-sized enterprises and their access to financing within the cohesion policy framework.

This particular set of measures is specifically focused on supporting the real economy and employment, whereby a number of them are of a targeted and temporary nature and are founded on the following principles:

- maintaining a high level of economic openness – both within the framework of the Single Internal Market (at the EU level) and the framework of EU Common Commercial Policy in relation to third countries;
- not allowing discrimination against products and services from other member states;
- ensuring compliance with long-term reform objectives;
- implementing fiscal stimulus measures in conformance with the principle of maintaining a healthy level of public finances and the framework set forth by the Stability and Growth Pact.

As far as supporting balance of payment policy in the member states that are not yet in the Eurozone is concerned, the limit of the support system was increased to a level of up to EUR 50 billion.

Space for Structural Reform

Anti-crisis measures are not however represented only by those that are an immediate reaction to the most visible manifestations of the crisis. The crisis period is indeed the appropriate time for strengthening more time-demanding structural reform processes, the need for which is significant without regard to the fact that a crisis occurred. It can be construed that the updated Lisbon Strategy (the one that has undergone the "Kok Review") introduces an effective framework for applying structural reforms aimed at supporting balanced economic development and employment.

In accordance with structural reforms, primarily the following areas are considered to be urgent:

- removing existing obstacles and avoiding the occurrence of new ones, in order to attain a fully functional Single Internal Market;
- continuing to decrease administrative burden;
- improving the framework conditions for industry in the interest of sustaining a strong industrial base for business activities, with special focus placed on small and medium-sized enterprises and innovation;
- supporting partnerships between business, research, education, and professional preparation; and
- improving the quality of the investments made into research, knowledge and education.

Battling Protectionism

Free and just trade is a key element to ensure the recovery of the global economy. This is one more reason why the EU is striving for the quicker conclusion of bilateral trade negotiations and especially negotiations with the Word Trade Organisation (WTO) within the framework of the Doha Development Agenda (the "Qatar Round").

EU POSITION FOR THE G20 SUMMIT

I. Lead in the implementation of international measures required for attaining sustainable economic growth as quickly as possible

- Continue international coordination of fiscal stimulus measures; Implement planned fiscal stimulus packages swiftly;
- Give priority to restoring the functionality of credit markets and facilitate credit flow within the economy, which is a crucial for ensuring the effectiveness of fiscal stimuli; Act in a timely and coordinated manner in order to safeguarding a level playing field;
- Ensure the compatibility of fiscal measures with long-term objectives, such as sustainable public finances, improved productivity and resolving the challenges presented by an ageing population and climate change;
- Maintain the openness of markets and avoid all forms of protectionist measures (prevent new barriers to investment and trade and any new export restrictions); Strive to swiftly reach an agreement on the conditions for the Doha Development Agenda with an ambitious and balanced outcome; and

- Support multilateral initiatives for trade financing, as a decline in trade financing contributes to exacerbating a decline in world trade; Support efforts to ensure that trade financing is accessible quickly to all businesses, in both the developed as well as the developing world and including small and medium-sized enterprises, without causing any distortion of the market.

II. Improve the ability to face the crisis at a global level and implement preventive measures

- Entrust the International Monetary Fund (IMF) with the task of monitoring and promoting the G20 Action Plan adopted at the G20 Washington summit in November 2008; In relation to financial regulation; the IMF should work closely with the Financial Stability Forum (FSF);
- Improve IMF monitoring instruments with the goal of strengthening its key role in crisis prevention; Strengthen cooperation between the IMF and the FSF with the goal of identifying system risks and deficiencies that originate in the financial sector and regulation; Ensure that members implement corrective measures;
- Increase IMF resources in a very substantial manner so that the Fund can help its members quickly and flexibly if they experience balance of payments difficulties; Streamline and adjust the IMF lending framework in order to strengthen the IMF's ability to prevent and respond to crises; Ensure that EU member states are prepared to voluntarily provide temporary support in the form of a loan for the benefit of the IMF's lending capacity
- Support administrative reforms and reforms to the management of international financial institutions; Implement the changes to IMF quotas and vote requirements as quickly as possible; Implement IMF reforms so that it better reflects relative economic weights for its members within the framework of the world economy; and
- Strive to find a consensus with regard to the Global Charter for Sustainable Economic Activity, which is based on market principles but capable of preventing excesses, as a first step towards defining a set of global administration and management standards.

III. Strengthen regulation of financial markets

- Improve transparency and accountability with the goal of avoiding the pitfalls of the past; Incorporate prudential supervision at the micro level as a standard component of supervision;
- Ensure appropriate regulation and effective supervision of all financial markets, products and participants that might present a system risk, without exception and without regard to their country of domicile; This especially applies to private capital pools, including hedge funds, private equity and alternative investment vehicles;
- Implement due regulation for rating agencies to proper regulation and supervision over them in a manner that is consistent at the international level in order to ensure the transparency of ratings and avoid conflicts of interest;
- Improve the transparency and resilience of credit derivatives markets, especially by promoting the standardisation of contracts and the use of central clearing counterparties, subject to effective regulation and supervision;
- Exert determined effort to fight tax evasion, financial crime, money laundering and terrorist financing as well as any threats to financial stability and market integrity; Protect the financial system against non-transparent, non-cooperative and loosely regulated jurisdictions, including extraterritorial finance centres, i.e., "off-shore companies"; Request listings of any such jurisdictions and, taking most recent developments into consideration, develop a set of sanctions that allows appropriate, graduated and effective procedural measures to be applied; It is recommended that this activity be coordinated by the Financial Action Task Force, the OECD and the FSF;
- Adopt sound common principles for corporate administration, management and remuneration practices, with the goal of preventing compensation schemes from providing an incentive to take excessive risks; Supervisory bodies should review compensation schemes while being able to rely on an effective enforcement regime;
- Improve supervisory cooperation, especially through the rapid establishment of collegiums of supervisory bodies prior to the end of 2009 for all the most significant financial institutions operating at the international and cross-border levels The supervisory bodies should exchange proven procedures and promote the global convergence of supervisory procedures;
- Improve regulations pertaining to banking capital in order to ensure that banks build additional "reserve buffers" during times of prosperity, which will subsequently make them better prepared to face more difficult times; Encourage working groups and institutions active in this field to submit appropriate recommendations as soon as possible, taking into consideration the effectiveness of existing rules (e.g., Basel II);

- Improve rules of prudence and accounting standards with the goal of mitigating their pro-cyclical effects and strengthen the liability of the International Accounting Standard Board, through reforming its management and mandate; and
- Implement rigorous enforcement of financial regulation and transparency, supported by effective, proportionate and dissuasive sanctions, with the goal of promoting integrity on the financial markets; In order to protect markets and investors, review the rules of conduct for operating on financial markets as well as the rules that pass across different sectors and markets.

IV. Support to developing countries in their reactions to the impacts of the crisis

- Promote global development as part of the solution to the global crisis and as a foundation for stability and preventing the possible escalation of conflicts;
- Honour commitments to increase development assistance, meet development goals and support trade; Provide the least developed countries with customs-free and quota-free access to the market;
- Make full use of other official sources for financing, such as export credits, investment guarantees and development-oriented support for research and technology, peace and security, migration, and climate change. Strengthen the effectiveness and coordination of instruments and resources; and
- Allow international development banks to help find solutions to the impacts the crisis has had on developing countries, specifically with regard to the position of the poorest and most vulnerable population groups.

AMBITIOUS G20 SUMMIT CONCLUSIONS

The G20 Summit in London was an eagerly anticipated expert political platform for presenting the concepts of the anti-crisis measures that have been implemented at the global level, although there were fears that, due to the different interests of the various actors, the results might be formal, protectionist in nature and, all-in-all, a document without any firm conclusions. The actually reality might have surprised even the proverbial optimist, as the conclusions from the Summit are packed full of tasks that should help the global economy find its way out of the current crisis, whilst concurrently applying a system that would ensure that it will be much easier to avoid falling into a similar crisis in the future but, if the threat of such a crisis were to actually arise, there would be warning mechanisms in place that would provide all interested parties with a timely signal that a crisis is on the way.

At the start of the summit, there were some obvious chasms between its key actors. On the one side, Continental Europe arrived with the position that the regulatory and supervisory framework that exists over the financial market should be tightened and adapted in a resounding manner with the prudent use of fiscal stimuli in the form of support measures, primarily with the goal of reviving stagnant global demand. On the other hand, the American, Japanese and partially even the British approach relied on the fact that the scope of these fiscal stimuli would be significant and that interference in the regulation of the world's financial architecture would not be as radical as it ultimately became.

The approach that ultimately led to the final conclusions was not based on a trail of concessions made by both key sides, but rather an ambitious and, at the same time, prudent acceptance of all their primary concepts and requirements.

The final result is an ambitious programme, based on much of the EU's four-pillar concept and founded on the balanced perception of regulatory, stimulatory structural, and anti-protectionist elements, which should provide the global economy with relief from the crisis. Many have been heard to say that this situation is revolutionary. Most likely they are correct, as never before have the countries that contribute 83% of the world's total GDP been able to agree on a document, whereby they would bring a new order to business life and performing on the financial markets. They have made it more difficult to take advantage of tax havens and less transparent territories to perform even less transparent transactions. They have significantly strengthened the role the International Monetary Fund plays as the key stabiliser of economic and monetary conditions with the greatest level of professional competence. At the same time, they have also taken care to ensure that problem countries adopt strict reform programmes as a condition for receiving these quite sizeable resources and these countries were able to accept an obligation to maintain "non-protectionism".

Now nothing more remains than for us to believe – to believe that the cumulative goals ensuing from a fundamental agreement reached amongst the political leaders of the world's economic elite will not run into a dead end. The G20 is an authoritative political forum, not a central planner that can order all participants how to act. The participants have placed their political and professional honour on the line, which might appear to be the most that they could offer. There is however no mechanism in existence that can force them to ensure that all will actually come to pass.

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	XII-08	I-09	II-09	XII-08	I-09	II-09
Belgium	1.7	2.8	2.7	3.0	3.3	3.3	6.8	7.0	7.1	2.7	2.1	1.9
Bulgaria	6.2	6.3	6.2	-11.5	-16.3	-22.0	5.3	5.3	5.5	7.2	6.0	5.4
CR	6.4	6.4	5.8	-2.3	-3.1	-2.4	4.6	4.9	4.9	3.3	1.4	1.3
Denmark	2.5	3.9	1.8	4.4	2.6	1.1	4.1	4.4	4.8	2.4	1.7	1.7
Germany	0.8	2.9	2.5	4.7	5.2	6.9	7.2	7.3	7.4	1.1	0.9	1.0
Estonia	10.2	11.2	7.1	-10.1	-15.7	-15.7	8.4	9.1	9.9	7.5	4.7	3.9
Ireland	6.0	5.7	5.3	-3.5	-4.2	-5.0	8.7	9.3	10.0	1.3	1.1	0.1
Greece	3.8	4.2	4.0	-13.4	-14.4	-16.2	7.8	na	na	2.2	2.0	1.8
Spain	3.6	3.9	3.8	-7.5	-8.8	-10.0	14.3	14.8	15.5	1.5	0.8	0.7
France	1.7	2.0	1.9	-1.7	-2.2	-2.6	8.3	8.5	8.6	1.2	0.8	1.0
Italy	0.6	1.8	1.5	-1.2	-2.0	-1.7	6.9	na	na	2.4	1.4	1.5
Cyprus	3.9	4.0	4.4	-5.9	-5.9	-7.3	4.2	4.3	4.5	1.8	0.9	0.6
Latvia	10.6	11.9	10.2	-12.5	-22.5	-22.9	11.4	13.0	14.4	10.4	9.7	9.4
Lithuania	7.9	7.7	8.8	-7.2	-10.5	-13.8	9.7	11.6	13.7	8.5	9.5	8.5
Luxembourg	5.0	6.1	5.2	10.9	10.3	9.1	5.5	5.7	5.9	0.7	0.0	0.7
Hungary	4.1	3.9	1.3	-6.8	-6.5	-5.0	8.4	8.4	8.7	3.4	2.4	2.9
Malta	3.4	3.4	3.8	-8.8	-8.3	-5.5	6.0	6.3	6.4	5.0	3.1	3.5
Netherlands	1.5	3.0	3.5	7.1	7.6	8.4	2.7	2.7	2.7	1.7	1.7	1.9
Austria	2.0	3.3	3.4	3.0	3.5	4.7	4.2	4.3	4.5	1.5	1.2	1.4
Poland	3.6	6.2	6.5	-1.6	-3.1	-3.7	7.0	7.1	7.4	3.3	3.2	3.6
Portugal	0.9	1.3	1.9	-9.8	-9.8	-9.8	8.0	8.1	8.3	0.8	0.1	0.1
Romania	4.2	7.9	6.0	-8.9	-10.4	-13.9	5.8	na	na	6.4	6.8	6.9
Slovenia	4.1	5.7	6.1	-2.0	-2.8	-4.8	4.1	4.3	4.6	1.8	1.4	2.1
Slovakia	6.6	8.5	10.4	-8.5	-7.7	-5.4	9.2	9.5	9.8	3.5	2.7	2.4
Finland	2.8	4.9	4.4	3.9	4.9	4.4	6.6	6.7	6.8	3.4	2.5	2.7
Sweden	3.3	4.1	2.6	6.1	8.5	6.5	7.0	7.2	7.5	2.1	2.0	2.2
UK	1.8	2.9	3.1	-2.5	-3.9	-4.2	6.4	na	na	3.1	3.0	na
EU	1.9	3.0	2.9	-0.4	-0.9	-0.9	7.6	7.7	7.9	2.2	1.7	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*