



# EU News

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Dear readers,

For the most part, November's integration events continued in the same vein as the preceding months of this year, that is to say, they were extraordinarily hectic. Furthermore, the progress of very important longer-term processes continued to be monitored. There is an indication that this tempo will slow down for at least a few weeks during the Advent and Christmas season and then will – hopefully – resume in a more dynamic fashion in the New Year.

At the very start of November, the Czech Republic was once again in the European spotlight when, according to some, the very impenetrable President Klaus undertook a step that was apparently very difficult for him and became the last EU head of state to add his signature to the text of the Lisbon Treaty, albeit in an atmosphere of great silence and discretion. Immediately afterwards – on 1 December – the Treaty came into force. The only remaining open questions are why did it take so long and why did we cause so many complications during its ratification and thus attract such a large number of critics? In what way is the Czech Republic so different, so divergent, from the other 26?

The ratification of the Lisbon Treaty immediately triggered the concurrent preparations for its definitive launch in December – at least with regard to the top positions, whereby the Belgian politician Herman Van Rompuy was chosen as the historic first President of the European Council. Catherine Ashton of Britain was selected as the High Representative of the Union for Foreign Affairs and Security Policy, and will also hold the position of Vice-President of the European Commission.

Another notable event in November was the appointment of individuals to the positions in the newly established European executive branch. After this summer's confirmation of José Manuel Barroso as the head of the European Commission, the gloomy autumn days witnessed the creation of his future team consisting of both familiar faces from the past, as well as a number of newcomers. The approval process will continue up till the end of January, when the new Commission will immediately start its work.

This November we celebrated the twentieth anniversary of the revolutionary events in many of the countries in Central and Eastern Europe. It was a great honour for our country that Václav Havel was invited as one of the symbolic figures to give a speech within the framework of the European Parliament's commemoration events.

As far as the financial sector is concerned, new legal provision for payment services and cross-border payments entered into effect – the SEPA direct debit system – together with principles for transferring bank accounts.

A number of new incentives are also appearing in relation to cohesion policy, which remains an area where a complex debate on its future form continues to flourish.

Petr Zahradník



The leaders from the member states decided that the current Belgian Prime Minister Herman Van Rompuy will be the first permanent President of the European Council. The position of HR of the Union for Foreign Affairs and Security Policy will be taken on by British Eurocommissioner Catherine Ashton. European Commission President José Manuel Barroso introduced the new composition of his team. This might see small changes, as every nominated commissioner must undergo a hearing before European Parliament.

## POLITICS

### Herman Van Rompuy Selected as First “Euroresident”

At an extraordinary summit held in Brussels, the leading representatives of the member states and governments decided that the historic first permanent **President of the European Council will be the current Belgian Prime Minister Herman Van Rompuy**. Baroness Catherine Ashton, the British Eurocommissioner, will assume the post of High Representative of the Union for Foreign Affairs and Security Policy.

This extraordinary summit, which had the task of selecting the names to fill the two new top posts introduced by the recently ratified Lisbon Treaty, finished unexpectedly early. After several weeks and months, during which the European statesmen were constantly coming up with more and more new names, the leaders of the EU-27 needed less than two hours to give their assent to the motion put forward by the Swedish Presidency, which proposed Belgian Prime Minister Herman Van Rompuy for the post of “Euroresident” and Eurocommissioner Catherine Ashton as the European “Minister of Foreign Affairs”.



**Former British Prime Minister Tony Blair had long been mentioned** in connection with the position of the permanent President of the European Council and was considered by Lisbon Treaty supporters to be a good fit for the role of a strong European leader. But, starting with the time when Blair lost the support of French President Nicolas Sarkozy, his star started to burn less brightly. Other names began to be mentioned, such as Luxembourg’s current Prime Minister

Jean-Claude Juncker or Dutch Prime Minister Jan Peter Balkenende. After voices in Brussels started calling for the appointment of a woman to some of the new posts, the name of Latvian Prime Minister Vaira Vike-Freiberg was also brought up.

The leaders of the member states decided otherwise and elected the thus far not very well known Belgian Prime Minister Van Rompuy. **He is called a master of compromise** and is generally valued for the fact that, as head of state, he succeeded in toning down the consistent bickering between the Flemish and the Walloons. The name of Baroness Catherine Ashton, who held the position of EU Trade Commissioner in the previous European Commission, is also not on the list of most known personalities. Her appointment can, to a certain degree, be considered as in deference to Great Britain, which stepped back from promoting Tony Blair to the presidential post and made it possible for Herman Van Rompuy to be elected.

The appointment of not very well known politicians to the newly created key positions in the EU bodies confirms that the Union has not become a “superstate” even after the adoption of the Lisbon Treaty. **The main decision makers in the EU remain the representatives of the member states**, who, with their choices, have made it symbolically clear that they do not want the newly appointed president or “foreign minister” to overshadow the EU.

[http://www.se2009.eu/en/meetings\\_news/2009/11/19/top\\_posts\\_filled](http://www.se2009.eu/en/meetings_news/2009/11/19/top_posts_filled)

### Barroso Introduces New European Commission

The new European Commission headed by José Manuel Barroso consists of a **total of twenty-seven members, thirteen of which are new faces**. There are also two entirely new portfolios – Innovation and Climate Action. The new Commission includes nine women, which is more than was the case during the preceding five years.

European Commission President José Manuel Barroso had his hands full with the task of selecting his new team for the coming five years. The Commission’s president, who was selected by the member states with the approval of the European Parliament, is responsible for managing the entire process and it is up to him to work in **conjunction with the member states and select the remaining members of the European Commission**.

According to behind the scenes information, during the final few hours the negotiations regarding the composition of the new Commission were played out primarily amongst the Union’s largest states, which attempted to obtain the most

lucrative areas. In the end, Barroso decided that **German Commissioner Günther Oettinger** would be responsible for the energy sector and **Frenchman Michel Barnier** will administer the portfolio for the internal market, including financial services.

## Responsibilities of the Commissioners-designate:

Joaquín ALMUNIA	Competition. Vice-President of the Commission
László ANDOR	Employment, Social Affairs and Inclusion
Baroness Catherine ASHTON	HR of the Union for Foreign Affairs and Security and Vice-President of the Commission
Michel BARNIER	Internal Market and Services
Dacian CIOLOS	Agriculture and Rural Devel.
John DALLI	Health and Consumer Policy
Maria DAMANAKI	Maritime Affairs and Fisheries
Karel DE GUCHT	Trade
Štefan FÜLE	Enlargement and European Neighbourhood Policy
Johannes HAHN	Regional Policy
Connie HEDEGAARD	Climate Action
Maire GEOGHEGAN-QUINN	Research and Innovation
Rumiana JELEVA	International Cooperation, Humanitarian Aid and Crisis Response
Siim KALLAS	Transport. Vice-President of the Commission
Neelie KROES	Digital Agenda. Vice-President of the Commission
Janusz LEWANDOWSKI	Budget and Financial Programming
Cecilia MALMSTRÖM	Home Affairs
Günter OETTINGER	Energy
Andris PIEBALGS	Development
Janez POTOČNIK	Environment
Viviane REDING	Justice, Fundamental Rights and Citizenship. Vice-President of the Commission
Olli REHN	Economic and Monetary Affairs
Maroš ŠEFČOVIČ	Vice-President of the Commission for Inter-Institutional Relations and Administration
Algirdas ŠEMETA	Taxation and Customs Union, Audit and Anti-Fraud
Antonio TAJANI	Industry and Entrepreneurship. Vice-President of the Commission
Androulla VASSILIOU	Education, Culture, Multilingualism and Youth

Spain and Italy also did not lose out during the reassignment of important posts. **Joaquín Almunia of Spain** will be responsible for economic competition and **Antonio Tajani of Italy** was entrusted with the administration of industry and entrepreneurship. Another important post, specifically Eurocommissioner for Economic and Monetary Affairs, was assigned to **Olli Rehn of Finland**, who deserves this appointment primarily thanks to his successful performance up till now as Eurocommissioner for Enlargement.

The European Commission's Czech representative, former Minister for European Affairs **Štefan Füle**, **will be responsible for the enlargement and neighbourhood policy portfolio.**

**The future Eurocommissioners will now have to face a “grilling session” before the European Parliament**, which is scheduled to take place at the start of this coming January. The MEPs will question each nominated commissioner separately and will then vote on the Commission as a whole. There is a possibility that the MEPs will not accept some of the proposed commissioners and the final composition of the Commission could see some changes.

By assigning the quite prestigious enlargement portfolio (**now expanded to also include neighbourhood policy**) to the Czech Republic, EC President Barroso refuted certain speculations that the EU will “punish” Prague for the complicated course of the Czech Presidency of the EU and for the delays with the ratification of the Lisbon Treaty.

<http://europa.eu/rapid/pressReleasesAction.do?reference=P/09/1837>

## ECONOMY AND EURO

### EC: EU Economy on the Way to Gradual Recovery

**The EU economy**, which has been experiencing the deepest and longest recession in its history, **has now reached the turning point.** There has been a significant improvement in the economic situation and financial conditions over the past few months, particularly as a result of the unprecedented fiscal and monetary measures which were implemented.

According to the Commission's autumn forecast, **during the second half of the year the EU's economy pulled out of the recession**, but nevertheless the GDP for all of 2009 will reflect a decrease of 4.1%. A gradual recovery is expected for the coming years, with anticipated GDP growth of 0.7% in 2010 and approximately 1.5% in 2011. The recovery



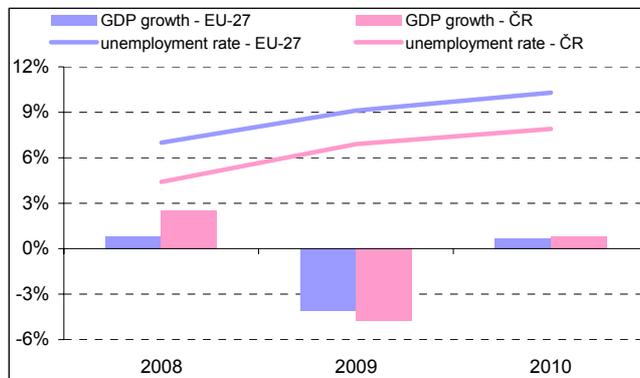
The lax approach some of the member states have had up until this point with regard to a delay in the implementation of the key Services Directive has triggered displeasure on the part of the European Parliament. The Ministers of Finance of the member states have agreed to increase the minimum excise tax on cigarettes and other tobacco products as of 2014.

ensues from the positive development that has taken place in the external environment and financial conditions, as well as to the significant fiscal and monetary policy measures that were newly implemented.

During the coming period, a number of factors will **reduce demand in the private sector and consequently will also dampen the recovery rate**. In particular, the conditions on the job market will remain unfavourable: this year the unemployment rate in the EU will reach 9.1%. In 2010, a further increase in unemployment is expected up to a level of 10.3%. In 2011, thanks to economic growth and the gradual termination of temporary measures, it is expected to decrease to 10.2%.

Public finances were also hard hit and **a return to balanced budgets is not foreseen for the near future**. According to predictions, the public finance deficit in the EU will triple this year to 6.9%. It will continue to increase in 2010 up to approximately 7.5%. It is expected that the deficit will decrease slightly in 2011 to a level slightly below 7% of GDP.

#### GDP growth and unemployment rate in the CR



Source: European Commission - autumn 2009 outlook

The European Commission also expects that **inflation in the EU and in the Eurozone will increase somewhat in comparison to the currently very low level**, but will remain moderate over the timeframe of the forecast.

**A bounce back from the bottom can be expected next year even in the Czech Republic**. This year's decrease of almost 5% should be followed by slight growth of 0.8% next year, followed by an increase of 2.3%. Due to the delay on the job market, it can be expected that the unemployment level will continue to increase up through next year (7.9%), followed by a slight decrease in 2011 to 7.4%.

The European Commission does not anticipate any significant improvement when it comes to public finances. Even during the next two years, the **public finance deficit**

**should fluctuate slightly below 6% of GDP**. Inflation will not be a problem in the Czech Republic. Commission experts estimate that it will not exceed 2% even by 2011.

<http://europa.eu/rapid/pressReleasesAction.do?reference=P/09/1663>

#### The Czech Republic Must Decrease Deficit by 2013

Within the competencies it holds in relation to the Stability and Growth Pact, the European Commission recommended to the Council that **it set 2013 as the deadline for rectifying the budget deficits** in Austria, the Czech Republic, Germany, Slovakia, Slovenia, the Netherlands, and Portugal and bringing them below 3% of GDP. In the case of Belgium and Italy, against whom the Commission has also initiated proceedings due to an excessive deficit, the fairly insignificant level of the deficit and the high ratio of debt to GDP require a shorter timeframe, specifically 2012.

The Commission also evaluated whether **Greece, Spain, France, Ireland, and the United Kingdom** have taken "effective action" as recommended by the Council this year. The Union's executive branch believes that Greece has not taken effective action. As far as the other four countries are concerned, it can be said that they did take effective action, however the worsening economic situation authorises the Commission to review the existing recommendation and actually extend the timeframe by one year – up to 2013 in the case of France and Spain; up to 2014 for Ireland; and up to budget year 2014/2015 in the case of the United Kingdom.

In its report, Brussels offers the Czech Republic a solution in the form of adopting healthcare reforms and, in particular, **reforms to the pension system**. The Czech government should also make the job market more flexible. The Commission also asks the Czech Republic to ensure an average annual structural correction to the public finance deficit, equal to 0.75-1% of GDP, during the 2010 to 2013 timeframe.

If the aforementioned states do not respect the Council's expected decision, they are **exposing themselves to the risk of sanctions** being imposed by the EU. In the case of the Czech Republic, these sanctions could take the form of limiting the influx of subsidies from EU funds.

This black scenario will however most probably not occur. **The appropriate sanctions would actually have to be approved by the member states** through their finance ministers in the Ecofin Council, which is highly unlikely. Instead it can be expected that, as has always occurred in



the past, the saying of “turkeys won’t vote for Christmas” will be confirmed.

<http://europa.eu/rapid/pressReleasesAction.do?reference=P/09/1694>

## TAXATION AND CUSTOMS UNION

### EU Decides to Increase Excise Duties for Cigarettes

The ministers of finance from the EU-27 have approved an **outright increase in the excise duties on cigarettes and other tobacco products**.

Starting in 2014, the minimum excise tax on cigarettes should increase from the current **64 euro per 1000 cigarettes to 90** euro per 1000 and its relative amount should equal at least 60% of the purchase price for a pack of cigarettes (at this time it is 57%).

As far as Czech cigarette buyers are concerned, they will face a price increase of up to several crowns per cigarette. The final price for a pack of cigarettes will depend on both the anticipated development of the crown against the euro as well as on the ability of cigarette manufactures to pass on the increased excise tax to consumers. For example, Vratislav Janda, a member of the Board of Directors of the Czech subsidiary of the British American Tobacco concern, told the Czech News Agency that “More specifically, at a rough estimate we are speaking of an **increase of approximately eight crowns per pack of cigarettes** over the period of time up until 2014. If the government of the Czech Republic adjusts the excise tax gradually, we can expect an increase in tax of approximately two crowns annually”.

The agreement reached by the ministers of finance also applies to other tobacco products. The excise tax will also **apply to such things as tobacco purchased for fumigating greenhouses**, which some passionate smokers purchase for smoking due to its low price.

The proposal for increasing the tax on cigarettes and tobacco products was already intensively discussed during the first half of this year during the Czech Presidency of the Council of the EU, but the Swedes have now pushed it through to final approval. The agreement reached by Ecofin **was preceded by negotiations with representatives from the European Parliament** and thus there should be no obstacles to the tax increase coming into force.

<http://register.consilium.europa.eu/pdf/en/09/st15/st15767.en09.pdf>

## INTERNAL MARKET

### MEPs Fear Delay in Implementation of the Services Directive

**In many countries of the EU-27 the implementation of the Services Directive**, which should be completed by the end of this year, **is behind schedule**.

Services account for a full 70% of GDP and it took a long time for the representatives from the member states and Union institutions to reach an agreement as to how this potential can be used better for completing the internal market. **The original proposal put forward by Eurocommissioner Fritz Bolkenstein** resulted in dissenting reactions on the part of the less competitive member states from the original EU-15, primarily due to the rule on country of origin. If this proposal were to be implemented, in practice an entrepreneur would only have to obtain a permit for performing a certain activity in his own country and could then offer this service throughout the entire Union without any additional administrative obstacles.

After three years of negotiations, **a compromise version was adopted at the end of 2006**. Companies and entrepreneurs will no longer have to request a residency permit in each country separately in order to perform their activity; however, the often complicated rules for business activities, which in addition vary from state to state, will remain.

The member states are obliged **to implement the directive in their national legislation by 31 December 2009**. A research survey completed last year, however, showed that there will most likely be a delay in adopting the directive in a total of eight countries. As far as the Czech Republic is concerned, the process is underway without any problems

The MEPs have thus called upon the member states to intensify their work on implementing the Services Directive as there is indeed a well-founded risk that the directive will not be implemented in the member states. In relation to this problem, the European Commission spokesperson said that until the 31<sup>st</sup> of December has passed, **the EU organ will neither point their finger at nor scold any specific states for delays with the implementation**. He did add that the Commission is monitoring the situation carefully.

Opening the services market through the aforementioned directive is one of the most liberal economic measures in the EU over the past few years. **It has the potential of moving the EU economy forward**, but at the same time it elicits resistance on the part of those states which have protectionist tendencies. The European Commission should



## Events

The Swedish Presidency has finalised an agreement with representatives of the European Parliament on the basis of which new energy classes will be introduced for electric appliances and certain other products. The MEPs finally said “yes” to a telecoms package, which, starting in 2011, will implement a legal framework for the functioning of the EU telecommunications market.

monitor its implementation very strictly and, if its adoption is obstructed in any countries, it should not hesitate to lodge a complaint against these states with the European Court of Justice.

<http://www.euractiv.cz/podnikani-a-zamestnanost/clanek-poslanci-se-obavaji-prutahu-pri-implementaci-smernice-o-sluzbach-006743>

### ENERGY AND TRANSPORT

#### EU to Implement New Energy Classes for Appliances

The Swedish Presidency has reached a consensus with the European Parliament **to implement new energy classes for household appliances**, which will supplement the current rating “A-G” rating scale that is currently in place.

After months of debate, the EU’s decision-making bodies agreed on expanding the “A” class, which is used for the most energy efficient appliances, on the new labels. **As a result, the highest rating on the new scale will be the “A+++” class.**

Expanding the energy scale was necessary, as thanks to technological development, more and more appliances could be included in the most energy efficient category.

Representatives from the member states **originally proposed expanding the “A” category to include new classes.** For example a designation of A-20% would mean that an appliance is 20% more energy efficient than a product in the “standard A” class.

Parliament however insisted that the current “A-G” energy efficiency rating scale be retained, as European consumers are accustomed to it. The compromise solution that was finally reached ultimately added **three new levels to the highest class.**

In addition, not only household appliances will have energy efficiency labels but **all products that are associated with energy savings** – such as windows and exterior doors, which although they do not use electricity, do help save energy. In the future, various equipment used for commercial purposes will also be labelled, e.g., vending machines.

The agreement must still be formally approved by the European ministers. Taking into account the fact that the compromise has been pre-negotiated, this should however only be a formality.

More precise labelling of the most energy efficient products is **a good example of “soft” regulation**, which, in the long-run, is very beneficial. Even these types of measures which seem at first glance to be “only of an informational nature”

help to make up a structure which will lead to more efficient energy usage throughout the entire EU.

[http://www.se2009.eu/en/meetings\\_news/2009/11/18/european\\_parliament\\_and\\_council\\_agreed\\_on\\_energy\\_efficiency\\_package](http://www.se2009.eu/en/meetings_news/2009/11/18/european_parliament_and_council_agreed_on_energy_efficiency_package)

### ENLARGEMENT

#### Turkey Wishes to Open New Accession Chapters in 2010

**Egemen Bagis, the Turkish Minister for European Affairs and that country’s main negotiator with the EU,** has declared that his country is prepared to push for opening six new negotiation chapters over the course of the coming year.

Bagiş provided more details on the new strategy of his country, which should speed up accession negotiations. The strategy is built on four pillars:

1. **The sustainability of the EU negotiation process**, which includes criteria for opening chapters, timeframes that the country has bound itself to meet, and criteria for closing individual areas of negotiation;
2. **The adoption of a plan for the 2010 to 2013** timeframe in accordance with the National Programme, which defines the harmonisation process for the Turkish legal system with the ES/EU legal framework;
3. **The development of political criteria and reforms**, which considers the harmonisation of political criteria to be an uninterrupted process and in which all political reforms that are attained are looked upon as an indicator of the government’s efficiency; and
4. **A very strong communications strategy**, which will help to support the above-specified three points and will lead towards increased support for Turkish membership – both within the EU as well as outside of it.

The relations between the EU and Turkey have a long history. Turkey applied for associate membership in the EEC in September 1959. In April 1987, the country then submitted a request for full EU membership and subsequently obtained candidate country status in 1999. The European Union initiated accession talks with Turkey in 2005. As of this time, negotiations have started for eleven chapters out of a total of thirty-five. In our opinion, **Turkey will become a full-fledged member of the EU no earlier than 2020.**

[http://ec.europa.eu/enlargement/pdf/enlargement\\_process/accesion\\_process/how\\_does\\_a\\_country\\_join\\_the\\_eu/negotiations\\_croatia\\_turkey/overview\\_negotiations\\_tr\\_en.pdf](http://ec.europa.eu/enlargement/pdf/enlargement_process/accesion_process/how_does_a_country_join_the_eu/negotiations_croatia_turkey/overview_negotiations_tr_en.pdf)

## State of enlargement negotiations as of 30 June 2009

negotiation chapter	opened	finished
4 – free movement of capital	19.12. 2008	-
6 – company law	17.6.2008	-
7 – intellectual property rights	17.6.2008	-
10 – information society and media	19.12.2008	-
16 – taxation	30.6.2009	-
18 – statistics	26.6.2007	-
20 – enterprise and industrial policy	29.3.2007	-
21 – Trans-European networks	19.12.2007	-
25 – science and research	-	12.6.2006
28 – consumer and health protect.	19.12.2007	-
32 – financial control	26.6.2007	-

Source: European Commission; other negotiation chapters not stated in the table have not been opened yet

## EXTERNAL RELATIONS

### EU-Russia Summit Marked by Understanding

The November EU-Russia summit was played out in an entirely different atmosphere than from the previous one as blunt declarations were replaced by smiles on the faces of all the participants. The Russians promised the EU-27 that they will commit themselves in **Copenhagen to reducing CO2 emissions by up to one-fourth**, something which the Union's top politicians consider to be an important sign of encouragement for the upcoming key climate conference. However, not even the greatest optimists expect a successor treaty to Kyoto to actually come into existence in Copenhagen.

European Commission President José Manuel Barroso recently spoke with Russian President Dmitrij Medvedev about a 25% reduction goal and President Medvedev subsequently specified that his country **is willing to decrease emissions from 1990 levels by 22 to 25%**. Previous plans included a decrease of only 10 to 15%, so this is indeed a big step forward.

There was, however, **no tangible progress made with regard to Russia's quick entry to the WTO**. It is still not clear whether Russia will be willing to take this step – whether independently or in a customs union with Kazakhstan and Belarus. With its population of more than 140 million, it thus remains the largest country in the world which is not a member of the WTO.

Disputes continue to dominate the relationship between the European Union and Russia. These stem from the radically **different perspective each of the sides hold with regard to the Georgian war and the subsequent recognition of**

**Abkhazia and South Ossetia** as independent states. One year ago, Swedish Foreign Minister Carl Bildt compared the Russian intervention to the Nazi invasion of Central Europe in 1939. Other thorny issues are associated with the conflict in Georgia, specifically in relation to the status of democracy and human rights in Russia. No move forward was made at the summit in this direction either.

As far as energy is concerned, the politicians were in accord. The Russians fervently assured the Union representative that **they will meet all their obligations ensuing from valid agreements**. In addition, both sides signed a memorandum which states that they will inform each other ahead of time of possibly outages in deliveries.

[http://www.se2009.eu/en/meetings\\_news/2009/11/18/russia\\_raises\\_ambitions\\_ahead\\_of\\_copenhagen](http://www.se2009.eu/en/meetings_news/2009/11/18/russia_raises_ambitions_ahead_of_copenhagen)

## INFORMATION SOCIETY

### Telecoms Package Overcomes Last Hurdle

At the end of November, the MEPs finally said “yes” to a compromise version of the telecommunications package which the member states **will implement in their domestic legislation by 2011**. According to the Commission, the Union's consumers can look forward to a number of benefits.

They will acquire the right to **change mobile operators within one business day** (and retain the same number); they will be better informed about the prepaid services to which they have subscribed; and they will even be informed of a possible breach of privacy on the part of the mobile operator. Telecoms companies will also have to offer their customers services with a contractual obligation that does not exceed twelve months (contracts for longer periods of time will of course not be terminated, but the customer must have the option of selecting a shorter term).

The tug-of-war over the telecoms package, which in addition to direct benefits for consumers, will also bring a complete change of rules for the entire sector (**there will be a new telecommunications authority, competitiveness will be strengthened, radio frequencies will be redistributed, etc.**), has been going on since 2007, when the Commission presented its original proposal.

The European Parliament finally pushed through a clause into the legislation, which says that internet users **can be disconnected solely on the basis of a “preliminary and unbiased” procedure** with the subsequent possibility of assessment by an independent court. This means that an internet connection can be interrupted if there is a suspicion that illegal contents are being downloaded even without a court decision.



## Events

The Ministry for Regional Development, as the coordinator for European cohesion policy in the EU, presented an outline of some measures which could improve the efficiency of how subsidies from EU funds are used in the Czech Republic. Starting in November 2012, all new pneumatic tyres sold in Europe will be labelled with their fuel efficiency, wet grip and noise performance characteristics.

The adopted proposal also contains additional rules, which aim to **create conditions for “functional separation”**, i.e., establish rules that assign to the dominant operators the obligation to separate their infrastructure from the sales units which offer the services that use this infrastructure.

As was already mentioned, member states will have until 2011 to implement the package. The **Body of European Regulators for Electronic Communications (BEREC)** will be established next spring as the new telecoms authority.

<http://europa.eu/rapid/pressReleasesAction.do?reference=P/09/1800>

### REGIONAL POLICY

#### MRD Preparing Measures to Simplify Use of Resources from EU Funds

The Ministry for Regional Development (MRD) has presented plans, which should ensure that the Czech Republic **can use resources from European Funds more quickly and effectively**.

According to Martin Plachý, the Deputy Minister for Regional Development, the **lengthy administrative process associated with project approval** has become the target of criticism on the part of both applicants as well as the controlling authorities. The office has therefore identified some acts and decrees which are hampering faster use of the funds and has started negotiating possible simplification with the Ministry of Finance. Plachý also mentioned a traditional Czech problem – the Czech authorities tend to add further requirements, for which the European Commission does not even ask, to administrative procedures that are already complicated.

The activities which the MRD wants to use for speeding up the use of European monies also include a set of recommendations for individual operational programmes. The controlling authorities for the programmes can speed up the paying out of funds for projects by not waiting until an applicant's supplier invoices are paid. The Ministry also recommends **separating the distribution of funds for projects into several stages**. Projects are generally paid for only after they are completed and the applicant must bear the burden of associated expenses. By separating the project timeframe, applicants will be able to receive funds prior to the time the project ends.

By the middle of the year, the Ministry wants to have a more in-depth analysis prepared on the use of funds within individual operational programmes. It will then use this analysis to decide whether the overall settings for the programmes corresponds to the needs of the economy and if

support is aimed at projects that have a pro-growth effect. If this is not the case, the Ministry **intends to propose the reallocation of financial resources amongst individual programmes**. This step would not be at all simple, as it would have to be approved by the European Commission. For this reason, we do not consider its adoption to be very likely. <http://www.mmr.cz/Pro-media/Tiskove-zpravy/2009/CR-zrychluje-cerpani-penez-z-fondu-EU--vycerpala-u>

### HEALTH AND CONSUMER PROTECTION

#### Designation of Pneumatic Tyres: Better Information for Consumers

Starting in November 2012, **all new pneumatic tyres sold in Europe will be labelled with their fuel efficiency, wet grip and noise performance characteristics**. The labelling system used for tyres will be similar to that required for household appliances. These are outcomes of an approved proposal for a regulation.

Using the European energy label for household appliances as a model, tyres will also be categorised into classes ranging from the highest (**green “A” class – tyres with the best characteristics**) to the lowest (red “G” class). Retailers will be required to inform buyers about the designation of a tyre before the purchase and will also have to specify the information or attach it to the purchase document.

Starting on 1 November 2012, tyre suppliers for personal automobiles as well as light and heavy utility vehicles (Classes C1, C2 and C3) will have to **inform consumers about fuel efficiency, measured noise ratings and wet grip** in all technical promotional material as well as on their websites. This requirement will not apply to re-tread tyres, off-road professional tyres and racing tyres.

All C1 and C2 class tyres manufactured after 1 July 2012 will have **to either have a sticker or be accompanied by a label** at the time they are distributed from the factory to a store or service centre.

In the interests of promoting very quiet tyres, the European Parliament **has also negotiated a re-design of the noise pictogram**. The level of external rolling noise generated by a tyre will be indicated by black “waves” emitted from the “speaker and ascending black numbers. For example, quiet tyres (those producing noise below 68 decibels) will be labelled with one black and two white “waves” and information on the decibel levels that have been measured.

[http://www.europarl.europa.eu/news/expert/infopress\\_page/051-65051-327-11-48-909-20091123IPR65050-23-11-2009-2009-false/default\\_en.htm](http://www.europarl.europa.eu/news/expert/infopress_page/051-65051-327-11-48-909-20091123IPR65050-23-11-2009-2009-false/default_en.htm)



## Diary

The EU's Single Euro Payments Area has a new function as of this 1 November – SEPA direct debit. As of this date, all Eurozone inhabitants can use cross-border direct debits under the same condition as domestic direct debits. On the occasion of the 20th anniversary of the fall of the Iron Curtain, former President Václav Havel delivered a speech before the European Parliament. Eurostat statistics show that the Netherlands has the most employees who work on the basis of part-time employment contracts.

### 3 NOVEMBER

European Council Meeting: [http://www.consilium.europa.eu/uedocs/cms\\_data/docs/pressdata/en/ec/110889.pdf](http://www.consilium.europa.eu/uedocs/cms_data/docs/pressdata/en/ec/110889.pdf)

Fight against tax fraud: Commission publishes a study on the VAT gap in the EU: <http://europa.eu/rapid/pressReleasesAction.do?reference=IP/09/1655>

### 4 NOVEMBER

EU-US Summit: [http://www.consilium.europa.eu/uedocs/cms\\_data/docs/pressdata/en/er/110929.pdf](http://www.consilium.europa.eu/uedocs/cms_data/docs/pressdata/en/er/110929.pdf)

Single Euro Payments Area (SEPA): cross-border direct debits now a reality: <http://europa.eu/rapid/pressReleasesAction.do?reference=IP/09/1665>

### 5 NOVEMBER

New EU-US Energy Council to boost transatlantic energy cooperation: <http://europa.eu/rapid/pressReleasesAction.do?reference=IP/09/1674>

### 6 NOVEMBER

EESC sets out its vision and priorities for the Post-2010 Lisbon Strategy: <http://eesc.europa.eu/activities/press/cp/docs/2009/communique-presse-eesc-145-2009-en.doc>

Statistics: Fewer hours worked and more part-time work in the EU27: <http://europa.eu/rapid/pressReleasesAction.do?reference=STAT/09/159&format=HTML&aged=0&language=EN&guiLanguage=en>

### 9 NOVEMBER

DG ECFIN launches new e-newsletter: [http://ec.europa.eu/economy\\_finance/thematic\\_articles/article16126\\_en.htm](http://ec.europa.eu/economy_finance/thematic_articles/article16126_en.htm)

Financial, Economic and Social Crisis Committee holds opening session: [http://www.europarl.europa.eu/news/public/story\\_page/064-63509-327-11-48-911-20091030STO63474-2009-23-11-2009/default\\_en.htm](http://www.europarl.europa.eu/news/public/story_page/064-63509-327-11-48-911-20091030STO63474-2009-23-11-2009/default_en.htm)

### 10 NOVEMBER

16% of Europeans report experiencing discrimination - new opinion survey: <http://ec.europa.eu/social/main.jsp?langId=en&catId=89&newsId=630&furtherNews=yes>

The European Court of Auditors' Annual Report on the implementation of the 2008 EU Budget: <http://europa.eu/rapid/pressReleasesAction.do?reference=ECA/09/67>

### 11 NOVEMBER

Financial package for the accession negotiations with Croatia adopted: [http://ec.europa.eu/enlargement/index\\_en.htm](http://ec.europa.eu/enlargement/index_en.htm)

Economic and Financial Affairs Council meeting:

[http://www.consilium.europa.eu/uedocs/cms\\_data/docs/pressdata/en/ecofin/111025.pdf](http://www.consilium.europa.eu/uedocs/cms_data/docs/pressdata/en/ecofin/111025.pdf)

European Investment Bank: Up to £1.4 billion in new loans for onshore wind farms: <http://europa.eu/rapid/pressReleasesAction.do?reference=BEI/09/217>

### 12 NOVEMBER

Václav Havel tells MEPs Europe is "homeland of our homelands":

[http://www.europarl.europa.eu/news/public/focus\\_page/008-63974-327-11-48-901-20091106FCS63916-23-11-2009-2009/default\\_p001c002\\_en.htm](http://www.europarl.europa.eu/news/public/focus_page/008-63974-327-11-48-901-20091106FCS63916-23-11-2009-2009/default_p001c002_en.htm)

Should VAT be tax-deductible for company cars?:

[http://www.europarl.europa.eu/news/expert/infopress\\_page/044-64084-313-11-46-907-20091109IPR64083-09-11-2009-2009-false/default\\_en.htm](http://www.europarl.europa.eu/news/expert/infopress_page/044-64084-313-11-46-907-20091109IPR64083-09-11-2009-2009-false/default_en.htm)

Making it easier to obtain evidence in criminal matters from one Member State to another and ensuring its admissibility: <http://europa.eu/rapid/pressReleasesAction.do?reference=IP/09/1697>

### 13 NOVEMBER

European Investment Bank: Jaspers and Jessica:

<http://www.eib.org/projects/news/jaspers-initiative-takes-off.htm?lang=en>

<http://www.eib.org/projects/news/jessica-in-operational-mode.htm?lang=en>

Bulletin of the European Union, June 2009:

<http://europa.eu/bulletin/en/200906/somma00.htm>

### 16 NOVEMBER

Keeping ecosystems healthy makes economic sense and is vital to control climate change: <http://europa.eu/rapid/pressReleasesAction.do?reference=IP/09/1710>

Monthly Labour Market Monitor:

<http://ec.europa.eu/social/main.jsp?catId=120&langId=en>

€832,800 paid to Portugal from European Globalisation Fund: <http://ec.europa.eu/social/main.jsp?langId=en&catId=89&newsId=634&furtherNews=yes>

EU and Egypt step up cooperation on employment and social affairs: <http://europa.eu/rapid/pressReleasesAction.do?reference=IP/09/1706>

### 17 NOVEMBER

70% of ringtone-scam websites cleaned following EU investigation: <http://europa.eu/rapid/pressReleasesAction.do?reference=IP/09/1725>



# Diary

General Affairs Council meeting: [http://www.consilium.europa.eu/uedocs/cms\\_data/docs/pressdata/en/gena/111231.pdf](http://www.consilium.europa.eu/uedocs/cms_data/docs/pressdata/en/gena/111231.pdf)

EURES: matching people with jobs for 15 years: <http://ec.europa.eu/social/main.jsp?langId=cs&catId=89&newsId=635&furtherNews=yes>

## 18 NOVEMBER

External Relations Council meeting: <http://europa.eu/rapid/pressReleasesAction.do?reference=IP/09/1717>

Commission welcomes landmark step towards a truly global internet: <http://europa.eu/rapid/pressReleasesAction.do?reference=IP/09/1717>

Economic and Financial Council meeting: [http://www.consilium.europa.eu/uedocs/cms\\_data/docs/pressdata/en/ecofin/111307.pdf](http://www.consilium.europa.eu/uedocs/cms_data/docs/pressdata/en/ecofin/111307.pdf)

## 19 NOVEMBER

Energy-saving buildings: agreement reached: [http://www.europarl.europa.eu/news/expert/infopress\\_page/051-64747-322-11-47-909-20091118IPR64746-18-11-2009-2009-false/default\\_en.htm](http://www.europarl.europa.eu/news/expert/infopress_page/051-64747-322-11-47-909-20091118IPR64746-18-11-2009-2009-false/default_en.htm)

Informal Meeting of EU Heads of State or Government: [http://www.consilium.europa.eu/uedocs/cms\\_data/docs/pressdata/en/ec/111343.pdf](http://www.consilium.europa.eu/uedocs/cms_data/docs/pressdata/en/ec/111343.pdf)

## 20 NOVEMBER

Commission rewards European organisations for outstanding environmental management: <http://europa.eu/rapid/pressReleasesAction.do?reference=IP/09/1743>

Statistics: Persisting weakness in the EU labour market: [http://epp.eurostat.ec.europa.eu/cache/ITY\\_OFFPUB/KS-SF-09-087/EN/KS-SF-09-087-EN.PDF](http://epp.eurostat.ec.europa.eu/cache/ITY_OFFPUB/KS-SF-09-087/EN/KS-SF-09-087-EN.PDF)

### Part-time employment

Netherlands	48.2%	Estonia	11.7%
Sweden	27.0%	Portugal	11.7%
Germany	26.3%	Malta	11.4%
United Kingdom	26.1%	Slovenia	10.7%
Denmark	25.8%	Romania	10.0%
Austria	24.9%	Lithuania	8.6%
Belgium	23.2%	Poland	8.6%
Ireland	20.8%	Cyprus	8.4%
<b>EU-27</b>	18.8%	Latvia	8.1%
Luxembourg	17.6%	Greece	6.0%
France	17.1%	Czech Republic	5.6%
Italy	14.4%	Hungaria	5.6%
Finland	13.4%	Slovakia	4.0%
Spain	12.9%	Bulgaria	2.6%

Source: Eurostat, data for 2Q 2009

## 23 NOVEMBER

Agriculture and Fisheries Council meeting: [http://www.consilium.europa.eu/uedocs/cms\\_data/docs/pressdata/en/agricult/111400.pdf](http://www.consilium.europa.eu/uedocs/cms_data/docs/pressdata/en/agricult/111400.pdf)

CAP simplification: Commission to take on further simplification projects: <http://europa.eu/rapid/pressReleasesAction.do?reference=IP/09/1781>

Waste management: Commission calls for better implementation of EU waste law by Member States: <http://europa.eu/rapid/pressReleasesAction.do?reference=IP/09/1795>

Statistics: Global economic crisis hits European road freight transport in the fourth quarter of 2008: [http://epp.eurostat.ec.europa.eu/cache/ITY\\_OFFPUB/KS-SF-09-086/EN/KS-SF-09-086-EN.PDF](http://epp.eurostat.ec.europa.eu/cache/ITY_OFFPUB/KS-SF-09-086/EN/KS-SF-09-086-EN.PDF)

## 24 NOVEMBER

Environment Council meeting: [http://www.consilium.europa.eu/uedocs/cms\\_data/docs/pressdata/en/envir/111411.pdf](http://www.consilium.europa.eu/uedocs/cms_data/docs/pressdata/en/envir/111411.pdf)

Commission takes action to guarantee UK benefits for citizens residing abroad: <http://ec.europa.eu/social/main.jsp?langId=cs&catId=89&newsId=643&furtherNews=yes>

## 25 NOVEMBER

Latest approvals of proposals for using funding from CAP Health Check and European Economic Recovery Plan <http://europa.eu/rapid/pressReleasesAction.do?reference=IP/09/1813>

## 26 NOVEMBER

EIB provides CZK 2 billion for regional infrastructure in South Moravia (Czech Rep.): <http://europa.eu/rapid/pressReleasesAction.do?reference=BEI/09/231>

Educational reform in the EU: much has been achieved, but much remains to be done: <http://europa.eu/rapid/pressReleasesAction.do?reference=IP/09/1816>

## 27 NOVEMBER

Health and Consumer Protection : Consumers: EU set to extend holiday travel protection: <http://europa.eu/rapid/pressReleasesAction.do?reference=IP/09/1824>

## 30 NOVEMBER

Education, Youth and Culture Council meeting: [http://www.consilium.europa.eu/uedocs/cms\\_data/docs/pressdata/en/educ/111526.pdf](http://www.consilium.europa.eu/uedocs/cms_data/docs/pressdata/en/educ/111526.pdf)



The main event of December is the European Council meeting. The main points that will be covered include economic issues associated with the gradual termination of the extraordinary measures which were implemented as a part of the fight against the financial crisis and also the new architecture of financial supervision in the EU. The EU summit should also evaluate the advances made at the Copenhagen Conference with regard to battling climate change.

## Meeting of the key EU institutions

<b>30.11.-1.12.2009</b>	<b>Brussels, Belgium</b>
- Justice and Home Affairs Council	
<b>30.11.-1.12.2009</b>	<b>Brussels, Belgium</b>
- Employment, Social Policy, Health and Consumer Affairs Council	
<b>2.12.2009</b>	<b>Brussels, Belgium</b>
- Economic and Financial Affairs Council	
<b>3.-4.12.2009</b>	<b>Brussels, Belgium</b>
- Competitiveness Council	
<b>7.12.2009</b>	<b>Brussels, Belgium</b>
- Energy Council	
<b>7.-8.12.2009</b>	<b>Brussels, Belgium</b>
- General Affairs and External Relations Council	
<b>10.-11.12.2009</b>	<b>Brussels, Belgium</b>
- European Council	
<b>14.-16.12.2009</b>	<b>Brussels, Belgium</b>
- Agriculture and Fisheries Council	
<b>14.-17.12.2009</b>	<b>Strasbourg, France</b>
- Meeting of the European Parliament	
<b>17.-18.12.2009</b>	<b>Brussels, Belgium</b>
- Transport and Telecom Council	
<b>22.12.2009</b>	<b>Brussels, Belgium</b>
- Environment Council	

## Public consultation on EU legislation

<b>Topic of the consultation</b>	<b>Organiser</b>	<b>Deadline</b>
<a href="#">Review of the Financial Conglomerates Directive</a>	DG MARKT	15.1.2010
<a href="#">The future EU 2020 strategy</a>	EC	15.1.2010
<a href="#">Cross-Border Crisis Management in the Banking Sector</a>	DG MARKT	20.1.2010
<a href="#">The interconnection of business registers</a>	DG ENTR	31.1.2010



## Main topic

In some ways, 2009 was extraordinary as far as European Union events are concerned and the Czech Republic actually played quite a significant role – sometimes flattering, and other times not. In the feature article, we try to not only summarise what 2009 brought, but also ponder a number of issues more deeply and attempt to determine where we stand.

## 2009: CZECH IMPRINT ON THE EU?

As far as European Union events are concerned, 2009 was in certain ways an extraordinary year. Even the Czech Republic played a fairly significant role – sometimes praiseworthy, other times not very positive. In the following article, we will try not only to summarise what 2009 brought us, but to delve deeper with regard to a number of issues and ponder over where they stand. Firstly, we should remind ourselves that during the first half of this year the Czech Republic held the role of the presiding country of the Council of the EU. In spite of complications and needlessly abrupt surprises, 2009 also saw the approval of the Lisbon Treaty, which entered into effect on 1 December almost immediately after the last signature was added – that of Czech President Václav Klaus. 2009 was also an election year and a total of 785 new and re-elected MEPs took their seats in the European Parliament. The second half of this year is currently witnessing the formation of the EU's executive branch – the European Commission – in its new composition. Its president has already been chosen in the person of José Manuel Barroso, who will be serving a second term. Currently, nominations for the remaining positions in this political institution are drawing to a close.

In addition, 2009 saw the economic crisis take off at full speed and, as a result, one of the most important integration topics of this year was the search for steps and approaches to minimise its impact. This year was also full of various one-time events and developments that are worth mentioning. From our perspective – not only the Czech perspective but a comprehensive Central European one – this year marked two key and mutually related anniversaries. Not only did we observe the passage of five years since we acceded to the Union, but, in particular, we commemorated the twentieth anniversary of the primarily peaceful revolutionary events that toppled the communist regimes which had been ruling this distressed area. We must keep in mind that had these events not occurred, our five years of membership in the Union would be only a fantasy dream.

### THE PRESIDENCY

Many objective observers obviously are aware that the picture presented by the media and the actual “workmanship” of the Czech Republic's presidency over the Council of the EU are as different as night and day. Maybe this is due to the fact that the media presents a considerably simplified picture and merely skims the surface, bringing attention and subsequent undeserved significance to

occurrences that, although they are attention grabbers, are unimportant (e.g., Entropa). At the same time, insufficient coverage is devoted to the complex and, at first glance, difficult to perceive web of professional and even exclusively political debates. Particularly with regard to the professional aspect, it is even possible to add that hundreds of Czech specialists from the widest range of sectors acquitted themselves with honour. In fact, many to such a degree that professionals in the fields of energy, financial regulation and even general affairs were invited to continue cooperation within the framework of the subsequent Swedish Presidency.

At this time it is apparent that the dividing line between a positive and a negative assessment of our presidency – and this applies both then as well as now, several months later – is founded entirely on the petty and irrational fall of the government. This particular event made us only the fourth country (following Denmark, France and Italy) that has ever faced this type of episode in the past (all the previous cases occurred during the first half of the 1990s). After a more comprehensive examination, however, in none of the previous cases was the subsequent performance of the presidency paralysed to the same degree as we witnessed this spring.

Both immediately at the time it occurred, as well as with the passage of time, no matter how justified the reasons leading up this step might actually have been (and this decidedly cannot be asserted), the act of bringing down the government remains an irresponsible act, which resulted in embarrassment and a loss of international reputation. It marked our country with an inauspicious label, in particular with regard to the fact that we are perceived as a country, which when placed in an important position – one that is repeated very rarely and which every rationally thinking and responsible public representative would use for attaining benefits and positive results for the country as a whole, does not know how to deal with the opportunity which is offered and frivolously fritters it away.

The Czech Republic is not traditionally viewed by the international media as a synchronised set of gears – as a country which faces all challenges with a superior view and noble-mindedness and always solves problems in the same manner. We are viewed more as a slightly taciturn, not very amiable fuddy-duddy, who does know how to improvise and does perform reliably, but does not know how to inform its surroundings of this fact, so no one even finds out that there has been an appropriate, reliable and passable

performance. We specifically had a chance to improve this media image of ourselves over the course of our presidency – unfortunately this did not happen. Somehow there was insufficient emphasis placed on qualities and inadequate apologies provided for the mistakes that did occur (to err is after all human). In this respect, we handed over the initiative to foreign evaluators without a battle. Of these, it was primarily the French who were able to place us in a very negatively perceived light. It can also be presumed that even if we had not done anything beneficial over the course of our presidency (and the circumstances of the economic crisis did in fact significantly complicate the conditions for performance and the Czech side was in fact forced to act and deal with a number of beneficial contributions) and had formally completed our performance without a forced interruption of its continuity, then the perception of the presidency – and consequently the perception of the entire Czech Republic, would have been considerably more positive.

As far as specific contributions are concerned, it is certainly possible to include the approval of what is at this time the final version of the European Economic Recovery Plan (EERP) at the European Council's June summit, which not only serves as an inspirational manual to help solve the consequences of the crisis in the European Union, but also presents an important Union platform for promoting similar steps within the framework of the overall global economy (e.g., within the G-20 group). The actions taken in the energy sector can also be considered to have been very successful, whether in relation to the initial January crisis with natural gas deliveries from Russia through the Ukraine and to Europe, or with regard to the contributions made towards diversifying key energy sources for Europe and support for projects that make this diversification possible. One specific example of these efforts is support for the South Corridor, which was discussed during the Prague Summit.

From the perspective of the EU's role in the world, the Czech Presidency played a very important part at the very beginning when it came to defining a position on the conflict in Gaza. The Eastern Partnership project was initiated. Thanks to our presidency, Prague had the honour of welcoming American President Obama on its soil and playing host to the Transatlantic Partnership Summit, which was the first opportunity which all of the heads of the EU's states and governments had to meet with Barack Obama. Another very important event from the perspective of the Czech Presidency was the negotiation of the Irish Guarantees, which was associated with gradually opening the door to the possibility of a repeat referendum for

approving the Lisbon Treaty, which ultimately did take place at the end of October. With its results – surely influenced by the hard hit the Irish economy took due to the economic crisis – the second time around ensured Ireland's consent to the treaty's ratification. The large number of institutional affairs that were resolved at the very end of the Czech Presidency undoubtedly includes the conclusion of the European Council's June summit, at which the heads of the EU's states and governments nominated European Commission President José Manuel Barroso for an additional term (whereby they fulfilled the obligation they had made earlier to start devoting immediate attention to the composition of the new Commission immediately after the results of the European parliamentary elections are published – the process is slightly lagging behind though when it comes to the other members).

The Czech Presidency was also involved in the EU enlargement process. Although it was not very successful in unravelling the convoluted conflict between Slovenia and Croatia with regard to access to the sea, a matter that until recently was greatly complicating Croatia's accession to the EU, the Czech Republic was the country that accepted on behalf of the EU the application submitted by Albania to become a fully-fledged member and intermediate the transfer of Montenegro's application to the European Commission for assessment.

### THE LISBON TREATY

If just at the start of this very year, which is now drawing to a close, it might have seemed that the Irish element would be the critical feather that would tip the scales with regard to the final ratification of the Lisbon Treaty, then, as 2009 progressed, actual events proved that the Czech Republic would be the last and most risky link which could pose a threat to the treaty entering into effect during the planned timeframe (by no later than the first day of 2010). As time passed, the Czech Republic became one of the quartet, including Poland and Germany in addition to our country and Ireland, which – at least from the lips of their highest representatives – expressed either a very cool and, in our case, evidently deprecatory attitude (in spite of the fact that both chambers of parliament approved the treaty and a consenting opinion was first issued by Topolánek's government, subsequently followed by an even stronger opinion from the government led by Fischer).

The course of 2009 confirmed eminent interest on the part of integration supporters in a repeat referendum on the approval of the Lisbon Treaty in Ireland. The end of spring brought with it a consensus on the "Irish Guarantees" to the Lisbon Treaty (in relation to workers' rights, social policy,



## Main topic

maintaining military neutrality, the right to life, taxation matters, and others), which allowed the Irish government to grant its consent to initiate a repeat referendum. This resulted in an overwhelming victory for Lisbon Treaty supporters and the number of countries which had not yet taken the final step decreased to three.

The anticipated approach each of these countries would take also began to take shape. In the case of Poland, where President Kaczynski was at first not a great fan of the Lisbon Treaty, it was known that he had committed himself and had said he would be prepared to sign the treaty if the Irish electorate voiced its consent. This he in fact did within the framework of a formally conceived programme. Germany was awaiting the opinion of its Constitutional Court, which did find that the Lisbon Treaty is indeed in conformance with the German Constitution, thus removing the last obstruction which was preventing President Köhler from signing the document. Only Czech President Václav Klaus remained. In the eyes of the surrounding observers he was the “great unknown”. Nonetheless, just at the time when the Czech Republic remained the last country whose head of state had not yet affixed his signature to the text of the treaty, there appeared a number of the most varied obscure as well as rational commentaries, including speculations about the fate of the treaty as the clock ticked away mercilessly and the deadline for the adoption of the treaty neared. The level of uncertainty grew even more thanks to the small ultimatum the Czech head of state put forth in his position. He expressed the desire to push through an exception that would ensure a looser interpretation of the European social charter, specifically the provisions pertaining to the protection of the property rights which were established during the post-war organization of Europe. When immediately afterwards, the Czech Constitutional Court repeated its previous opinion and stated that even at this point it could find no conflict between the Lisbon Treaty and the Constitution of the Czech Republic, President Klaus signed the Lisbon Treaty as the last of the Union’s heads of state to do so in an atmosphere of silence and without any sort of ceremony.

The first results of the visible institutional organisation of the EU in the form of positions are already known. Recent Belgian Prime Minister Herman van Rompuy has become the historic first President of the European Council selected according to the new rules. At the same time, British politician Catherine Ashton was selected as the first “EU foreign affairs minister” or, more officially, High Representative of the Union for Foreign Affairs and Security Policy.

## EUROPEAN ELECTIONS

2009 was also an election year, not only at the national level in some countries (the most significant of those being in Germany; of course in the tangled web and chaos of the Czech political scene, it was also an irregular election year for us), but also with regard to the European Parliament. The results of the elections to the European Parliament, in which the MEPs are primarily organised along party lines and not those of a nationalistic nature, displayed an overall significant defeat for the European social democrats (as compared to the Czech social democratic side, which visibly strengthened its position within the MEP structure). Not even other characteristics show much conformity between Union trends and the Czech political scene. On the one hand, greater space has opened up within the Union for less traditional political parties and groupings and we can observe certain divisions and fragmentation in this direction (including even the migration of Czech ODS party parliamentary members from what was originally the largest EPP caucus to the new and thus far less strong ECR – European Conservative and Reform group). On the other hand, from the perspective of Czech political parties and subjects represented in European Parliament, the space has actually narrowed down to the four completely traditional representatives of the domestic political scene.

It might even be symbolic that at a time when we are commemorating the twentieth anniversary of revolutionary changes in the territory of Central Europe and the fifth anniversary of the accession to the EU by a number of states which were directly impacted by these changes, Jerzy Buzek – former Polish Prime Minister and, in addition, a native son from a place now located in the Czech Republic albeit in immediate proximity to the Polish border – has been elected to the prestigious position of President of the European Parliament for the coming term. This particular result can therefore be perceived not only as reflecting the fact that over the past twenty years the newly freed states have made provable advances even in the political sphere, but it is also proof of the acknowledgement given to the traditionally best performance in the fields of diplomacy and foreign policy, in which it is simply impossible to catch up with the Poles – at least in the Central European Region.

## NEW COMPOSITION OF THE EUROPEAN COMMISSION

The topic that immediately followed the European Parliamentary Elections consisted of the discussions pertaining to the new composition of the European



Commission. Even before they closed down shop for the summer holidays, the heads of state and government gave a green light to the re-election of the current Commission President – José Manuel Barroso from Portugal. Just recently, the initial nominations for the Union's executive positions were concluded. Just a quick look indicates that the Commission will include a fairly large number of names which are already familiar to people due to their work on the previous Commission or those who took a "quick break" for a certain period of time to either participate in their respective domestic "political ponds" or entirely elsewhere and who have reassumed the position of Commissioner – regardless of whether to their original portfolio of responsibilities or to an entirely different one. The candidate nominated by the Czech Republic in the person of Štefan Füle will most likely be involved in the matters surrounding EU enlargement, whereby his scope of competence will be expanded to include activities within the framework of European Neighbourhood Policy (a position which anticipates close cooperation with the designated Commission Vice-President and newly elected High Representative of the Union for Foreign Affairs and Security Policy – Catherine Ashton).

The traditional ritual dance surrounding the evaluation of the best candidate was initiated in the Czech Republic even during the closing of the nominations for the position of Eurocommissioner. It is true to say that the name of Štefan Füle did not appear for a long time on the official candidate lists submitted by the individual parties. It was only after certain individuals became unacceptable for the majority of those opposing their nominators that Füle apparently proved to be the best consensual candidate.

In December, the designated commissioners will find themselves under fire and will face a barrage of questions. From 11 to 19 January 2010, they will be subject to the feared public hearing on European Parliament soil, whereby their appointments to specific functional positions should receive the final blessing by 26 January.

## OVERCOMING THE CONSEQUENCES OF THE ECONOMIC CRISIS

As compared to the immediately preceding years, 2009 was marked by the search for cures to minimise the course and consequences of the still raging and developing economic crisis.

### The package of measures called EERP

Approximately at this time one year ago, the first blessings were given to the document defining the European

Economic Recovery Plan, the contents of which were fine-tuned and subsequently implemented over practically all of 2009 up until this point. As indicated above, the Czech Republic deserves a significant portion of the credit for this anti-crisis strategy. It emphasises conservative support – generally of a short-term and temporary nature, which, once the exit strategy is applied, will conversely be replaced by strict fiscal prudence, which should remain in place for a significantly longer period of time – specifically until fiscal discipline indicators at least start nearing the solid values that had already been attained immediately prior to the crisis period. Secondly, it focuses on a list of structural measures, which aim to make the European economies more competitive and immune to any similar crisis events that might occur in the future. The third part of the plan presents a very broad-minded and ambitious programme, which will tighten, change and implement entirely new legislation, regulatory measures and supervision rules for the financial markets. Lastly, the fourth section is focused on promoting activities and supportive measures intended to limit the manifestations of protectionism and other sheltering activities, as well as the creation of additional needless barriers and obstacles to international trade, investments and financial flows. How can the first fruits of this programme be evaluated thus far? A brief commentary on this topic is provided in the following box.

### What is the status of European economic recovery?

#### On the premature nature of rejoicing over the recovery in Europe.

After about a year of the ongoing economic crisis every piece of positive news is devoured with hopes for a speedy reversal. At first glance, that is how the seven-tenths of one point quarter-on-quarter "recovery", which the German economy is "boasting" on the basis of the data published in the past few days with regard to this year's third quarter, can be interpreted. An optimistic interpretation of these results could continue with something along the lines of a statement saying that during the preceding quarter, this growth was almost fifty percent less and that the original estimates for the third quarter were more moderate than was truly the case. This completes the optimism behind the interpretation of this number that many are using to try to prove and to argue that the recession is at an end.

The information for the third quarter was in fact accompanied by the publication of what is in our opinion a significantly more relevant year-on-year indicator of the development of the German economy, which continues to reflect a historic post-war decline – this time equal to 4.7%



## Main topic

(although less steep as compared to the 7% reported for the previous quarter). More than likely no one will interpret these values as the end of the recession, no matter how much every normal and sensible person does indeed wish this were the case, but rather as a continuation of what has thus far been the greatest economic attenuation of the post-war German and European economies and which has displayed no visible signs of a convincing reversal.

Looking at the structure of German growth during the last period deepens each observer's wrinkles and even more dark clouds appear on the horizon. This result is founded on a typical crisis phenomenon, respectively one of its consequences – specifically the fact that the completely depleted inventories of German companies, which were previously drawn down to the very last item and sold at greatly reduced prices and not subsequently reacquired or created at all due to drastically reduced demand, were supplemented.

It is true that even in this respect there is a faint spark of hope (accompanied by a question mark however) as to what will happen with the German GDP indicator if inventories are at least partially resupplied and demand does not recover... and demand is remaining at a standstill. Private consumption is decreasing and, in spite of fiscal stimuli, government consumption is neutral and the contribution made by foreign trade is surprisingly negative (in spite of a slight recovery in German exports to the USA). The slightly increasing rate of investments represents another tiny glimmer of hope.

The significance of the German economy for the European economy as a whole is also confirmed by the fact that the dismal image of the German economy relates in many points to the European one, whereby it is possible to identify with the somewhat simplified opinion that without signs of recovery in Germany, the rest of the continent will not recover either.

An unfavourable report related to this topic impacts the Czech economy, as this particular indicator continues to decrease even month-on-month, confirming the expectation that the recovery of the Czech economy will start with a delay of several months as compared to the “core” of Europe. Unemployment also continues to increase in the Union and is affecting the fiscal positions of individual states negatively. Over the past year, the employment level has decreased by more than four million jobs and the share of long-term unemployed has hit a level of 45%.

This is not exactly a good calling card on the first anniversary of the approval of the European Economic Recovery Plan (EERP) and its introduction into daily life. This plan, with the

assistance of a stimulus package of EUR 200 billion, was intended to kick start certain economic activities and prevent an even greater decline and loss of jobs. It must be added that, as compared to the USA and even China, its financial volume was more modest (a bit over 1.7% of the Union's GDP). Nevertheless, even this package further deepened the already unflattering fiscal balances of the individual member states, which, over the long-term, might prove to be counterproductive (when escalating deficits might actually dampen fragile recovery levels).

### ANNIVERSARIES: FIVE YEARS SINCE ACCESSION TO THE UNION AND TWENTY YEARS SINCE THE REVOLUTIONS IN CENTRAL EUROPE

One of the stridently proclaimed slogans of the revolutionary ferment at the end of 1989 and start of 1990 was a chant calling for a “return to Europe”. Now we can definitely reasonably proclaim that we have already been in Europe a long time and that our return was successful (which is confirmed mainly by “solid” statistical data that reflect primarily economic events). In reality, however, visible differences still do exist, which continue to prevent us from definitively joining the not so very large group of economically super-developed, however at the same time civilised countries that provide an entirely natural and pleasant living environment (starting with neighbouring Austria, including the Netherlands and ending in the north with Denmark and Sweden). These are standard differences, which are not obviously visible at first glance and difficult to capture statistically, but nevertheless significant and in a way disqualifying, as they decrease reputation and respect. We are of the opinion that they are still most apparent in the way people think, perhaps in the spirit described in the following box.

#### Are 20 years enough time to change the way people think?

Obviously a visible majority of sensible observers will recognise that, when totalled up, the past twenty years have definitely benefited our country. If before 1989 it was not even possible to credibly compare the widest possible range of socio-economic characteristics of Czechoslovakia with those displayed in the normal western world of that time, today it is very well possible. The Czech economy – together with the economies of the other countries in our region who have shared a similar fate – has made extraordinarily positive advances over this period with regard to the phenomenon that is called “real economic convergence”. Our economic dynamics have been, on average, more than three times higher than in the western

portion of the EU, whereby our per capita GDP indicator has recently come within sight of a value equal to 85% of the Union average (those aforementioned twenty years ago, this value was at less than 50%). Our country has become a popular destination for sizable foreign investment activities. In many respects, we have, in short, become a normal European economy and society, which in many indicators simply does not stray too far out of line. Taking into account the horrifying condition this same economy found itself in at the tail end of 1989, this is without a doubt penetrating success.

Life also has its spiritual and moral aspects, the image of which – even after twenty years – is significantly more dismal. The fact that the Czech Republic is still – and often deservedly so – perceived as a country in which thievery, corruption, vandalism, disorder, and even a not very amicable mood still blossom is indirect proof of the fact that our thought processes have not yet been able to adapt to the mentality of the more relaxed yet still productive countries of the West.

The condition of our political scene provides further evidence. All things considered, even the fact that once our border is crossed, a visitor's attention is captured by the unusually high number of lewd blinking lights of houses of ill repute, doubtful gaming houses and casinos and other "institutions" associated with the depths of humanity is already sufficient direct proof that, although we are not lacking in endeavour and industriousness, we are that much more behind in noble-mindedness, dignity, faith, respect with regard to proven traditions, and the morals of an advanced European society at the start of the twenty-first century. If the last two decades were a period of precipitous catching up economically, the next two should be spent cultivating our souls and our thought processes, which thus far are lagging far behind what – at least some of us – admire about stabilised western societies. In this regard, we can find one of the key challenges that we should set for ourselves as members of the EU.

The fact that different regions and areas have used the past period for the catching-up process and coming closer to average EU values in various ways is evidenced in the following table, which – although with unavoidable delay due to the complexity of comparable calculations at the Eurostat level – compares progress using the traditional indicator of economic development, specifically per capita GDP. The values have been selected for the countries and regions which were considered to be standing at the threshold of building a new market economy at the start of 1990s and were thought to be the relatively most advanced amongst the freshly post-communist countries of Central and Eastern

Europe at that time – the regions of the Czech Republic and the former East Germany. It is specifically this objective statistical overview which shows us proof that the course of the Czech real economic convergence was not bad at all, in particular over the course of this decade.

### Economic Performance in the CR and Eastern Germany GDP/cap in PPP (EU-27 = 100 %)

	2006 in %	change since 2001 in pp
Praha	162,3	17,0
Střední Čechy	73,0	7,7
Jihozápad	71,2	6,5
Severozápad	61,1	5,3
Severovýchod	64,8	2,7
Jihovýchod	69,3	5,3
Střední Morava	60,1	3,5
Moravskoslezsko	64,6	9,9
Berlin	97,3	-8,3
Brandenburg - Nordost	75,5	-1,3
Brandenburg - Südwest	85,0	1,6
Mecklenburg Vorpommern	78,8	0,0
Chemnitz	81,1	4,8
Dresden	87,4	4,8
Leipzig	87,7	4,0
Sachsen Anhalt	82,4	5,4
Thüringen	81,4	3,4

Source: Eurostat

As compared to certain regions of the former East Germany, not a single one was found in the Czech Republic that, during the period starting in 2001, did not report at least a solid path towards coming closer to the average European value. This was most obvious in the case of the richest region – Prague, followed by the extraordinarily dynamic Moravian-Silesian Region. The tempo in the East German region that adapted to the highest degree (Saxony-Anhalt) most closely corresponds to the slight Czech below-average rate.

## CONCLUSION

From this brief overview it is hopefully obvious that 2009 was an entirely extraordinary period in comparison to some recent years when it comes to events and how dramatic they were. It confirmed that European integration events are not boring – they are demanding, complicated, definitely not trivial, and require preparation and professionalism in order to attain defined goals. It is up to each and every one of us to assess and evaluate how well the Czech Republic itself fared during this, for us, significant year.



# Statistical window

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

## Key macroeconomic indicators

in %	GDP growth y-on-y			Current account to GDP*			Unemployment rate			Inflation y-on-y average		
	2006	2007	2008	2006	2007	2008	VIII-09	IX-09	X-09	VIII-09	IX-09	X-09
Belgium	2.8	2.9	1.0	2.0	2.2	-2.5	7.9	8.0	8.1	-0.7	-1.0	-0.9
Bulgaria	6.3	6.2	6.0	-18.4	-25.2	-25.4	7.2	7.6	7.9	1.3	0.2	0.3
CR	6.8	6.1	2.5	-2.4	-3.2	-3.1	6.9	7.0	7.1	0.0	-0.3	-0.6
Denmark	3.3	1.6	-1.2	3.0	1.5	2.2	6.0	6.5	6.9	0.7	0.5	0.6
Germany	3.2	2.5	1.3	6.5	7.9	6.6	7.6	7.6	7.5	-0.1	-0.5	-0.1
Estonia	10.0	7.2	-3.6	-16.9	-17.8	-9.4	15.2	15.2	na	-0.7	-1.7	-2.1
Ireland	5.4	6.0	-3.0	-3.6	-5.3	-5.2	12.5	12.9	12.8	-2.4	-3.0	-2.8
Greece	4.5	4.5	2.0	-11.2	-14.3	-14.6	na	na	na	1.0	0.7	1.2
Spain	4.0	3.6	0.9	-9.0	-10.0	-9.6	18.7	19.1	19.3	-0.8	-1.0	-0.6
France	2.2	2.3	0.4	-0.5	-1.0	-2.3	9.8	10.0	10.1	-0.2	-0.4	-0.2
Italy	2.0	1.6	-1.0	-2.6	-2.4	-3.4	7.6	7.8	8.0	0.1	0.4	0.3
Cyprus	4.1	4.4	3.7	-6.9	-11.9	-17.8	5.6	5.9	6.0	-0.9	-1.2	-1.0
Latvia	12.2	10.0	-4.6	-22.5	-22.3	-13.0	18.6	19.7	20.9	1.5	0.1	-1.2
Lithuania	7.8	9.8	2.8	-10.6	-14.5	-11.7	na	na	na	2.2	2.3	1.0
Luxembourg	5.6	6.5	0.0	10.3	9.7	5.5	6.5	6.5	6.6	-0.2	-0.4	-0.2
Hungary	4.0	1.0	0.6	-7.5	-6.8	-7.1	9.6	9.7	9.9	5.0	4.8	4.2
Malta	3.8	3.7	2.1	-9.2	-6.1	-5.6	7.2	7.2	7.0	1.0	0.8	-0.5
Netherlands	3.4	3.6	2.0	9.3	8.7	4.8	3.6	3.7	3.7	-0.1	0.0	0.4
Austria	3.5	3.5	2.0	2.8	3.6	3.2	4.7	4.7	4.7	0.2	0.0	0.1
Poland	6.2	6.8	5.0	-2.7	-4.7	-5.1	8.1	8.2	8.4	4.3	4.0	3.8
Portugal	1.4	1.9	0.0	-10.0	-9.4	-12.1	9.9	10.1	10.2	-1.2	-1.8	-1.6
Romania	7.9	6.3	6.2	-10.5	-13.4	-12.2	na	na	na	4.9	4.9	4.3
Slovenia	5.8	6.8	3.5	-2.5	-4.8	-6.2	5.9	5.9	6.2	0.1	0.0	0.2
Slovakia	8.5	10.4	6.4	-8.2	-5.7	-6.6	11.7	12.0	12.2	0.5	0.0	-0.1
Finland	4.9	4.2	1.0	4.5	4.2	3.0	8.6	8.6	8.7	1.3	1.1	0.6
Sweden	4.2	2.6	-0.2	8.4	8.8	6.3	8.6	8.7	8.8	1.9	1.4	1.8
UK	2.9	2.6	0.6	-3.3	-2.7	-1.6	7.8	na	na	1.6	1.1	na
EU	3.1	2.9	0.9	-1.3	-1.1	-2.0	9.1	9.2	9.3	0.6	0.3	0.5

in %	Public budget to GDP*			Public debt to GDP			GDP per capita to Ø EU			Price level to Ø EU		
	2006	2007	2008	2006	2007	2008	2006	2007	2008	2006	2007	2008
Belgium	0.3	-0.2	-1.2	88.1	84.2	89.8	118.4	118.1	113.9	106.7	106.3	110.7
Bulgaria	3.0	0.1	1.8	22.7	18.2	14.1	36.5	37.5	40.2	44.6	46.5	51.0
CR	-2.6	-0.7	-2.1	29.4	29.0	30.0	77.6	80.3	80.1	61.4	62.4	72.4
Denmark	5.2	4.5	3.4	31.3	26.8	33.5	122.9	120.1	118.4	138.4	137.7	141.0
Germany	-1.6	0.2	0.0	67.6	65.0	65.9	115.9	115.1	116.1	103.0	103.1	103.9
Estonia	2.3	2.6	-2.7	4.5	3.8	4.6	65.9	69.5	68.2	67.4	71.5	76.7
Ireland	3.0	0.3	-7.2	25.0	25.1	44.1	146.9	149.6	136.6	124.0	124.5	126.9
Greece	-2.9	-3.7	-7.7	97.1	95.6	99.2	92.9	94.2	93.9	88.8	89.4	94.1
Spain	2.0	1.9	-4.1	39.6	36.1	39.7	104.2	105.7	103.4	91.8	92.4	95.7
France	-2.3	-2.7	-3.4	63.7	63.8	67.4	109.0	108.9	107.4	108.8	108.3	111.1
Italy	-3.3	-1.5	-2.7	106.5	103.5	105.8	103.8	101.9	100.5	104.3	103.9	105.3
Cyprus	-1.2	3.4	0.9	64.6	58.3	48.4	90.2	90.8	94.7	90.5	88.8	89.6
Latvia	-0.5	-0.3	-4.1	10.7	9.0	19.5	52.5	57.9	55.8	60.5	65.9	74.7
Lithuania	-0.4	-1.0	-3.2	18.0	16.9	15.6	55.5	59.8	61.1	57.1	59.6	66.8
Luxembourg	1.3	3.7	2.5	6.6	6.6	13.5	268.7	275.1	271.4	111.8	112.4	116.2
Hungary	-9.3	-5.0	-3.8	65.6	65.9	72.9	63.5	62.6	62.8	60.3	66.1	69.7
Malta	-2.6	-2.2	-4.7	63.6	62.0	63.8	76.7	77.5	75.5	74.5	73.3	78.4
Netherlands	0.5	0.2	0.7	47.4	45.5	58.2	130.9	131.3	135.0	104.1	103.4	103.4
Austria	-1.6	-0.6	-0.4	62.2	59.5	62.6	123.7	123.9	123.1	102.0	101.4	104.6
Poland	-3.6	-1.9	-3.6	47.7	45.0	47.2	52.3	53.8	57.6	62.1	63.7	68.6
Portugal	-3.9	-2.6	-2.7	64.7	63.6	66.3	76.3	76.1	75.5	84.9	84.6	86.7
Romania	-2.2	-2.5	-5.5	12.4	12.6	13.6	38.3	42.5	45.8	57.1	61.5	62.1
Slovenia	-1.3	0.0	-1.8	26.7	23.3	22.5	87.8	89.5	90.7	76.8	77.8	83.0
Slovakia	-3.5	-1.9	-2.3	30.5	29.3	27.7	63.5	67.0	71.9	57.4	63.5	69.5
Finland	4.0	5.2	4.5	39.3	35.2	34.1	114.8	115.8	115.1	122.6	122.5	124.6
Sweden	2.5	3.8	2.5	45.9	40.5	38.0	121.4	122.3	121.5	118.5	117.3	114.4
UK	-2.7	-2.7	-5.5	43.2	44.2	52.0	120.7	118.5	117.2	110.3	110.3	99.4
EU	-1.4	-0.8	-2.3	61.3	58.7	61.5	100.0	100.0	100.0	100.0	100.0	100.0

Source: Eurostat, \* net balance, GDP per capita according to PPP

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