EU News
Monthly Journal

Number 78,
March 2010

Page 2	The Commission got the go-ahead from the Parliament
Page 3	Government approved the Convergence Programme
Page 7	Commission: Island can start accession talks
Page 9	Prague is the fifth richest EU region
Page 13	Topic of the Month: Regional Development and its new Opportunities in the EU

ČESKÁ SPOŘITELNA

EU OFFICE
Česká spořitelna, a.s.
Poláčkova 1976/2
140 00 Praha 4
tel.: +420 261 073 308
fax: +420 224 641 301
EU_office@csas.cz
http://www.csas.cz/eu

Petr Zahradník
Head of EU Office
+420 261 073 019
pzahradnik@csas.cz

Jan Jedlička
+420 261 073 484
jjedlicka@csas.cz

Alena Smolíková
+420 261 073 308
asmolikova@csas.cz

under the auspices of Pavel Kysilka
member of the Board of ČS

Dear readers,

It is perhaps no great exaggeration to say that as regards the European integration developments, this year's February had the white and blue colours of Greece representing no compliments at all. Greek imprint in the European integration events was evident as early as at the turn of the year, but during this February it occurred in somewhat dramatic attire. It was only during this February that the responsible Greek authorities finally conceded what objective observers had been assuming with a high degree of probability for at least three previous months – namely that Greece is certainly no miraculous economic paradise remarkably avoiding the crisis and that the state of its public finances is literally appalling.

Consequently, an ambitious recovery plan for Greece was introduced provoking heated discussions about its real feasibility and the big European countries had to make poignant statements that they would not leave Greece in the lurch or to the mercy of attacks of certain greedy states outside Europe having at their disposal surplus cash even in the time of crisis. At the same time, the Greeks went out to the streets to demonstrate their refusal of the rescue plan or, more precisely, its restrictive content. It is safe to anticipate that this year's February is far from being the last "Greek" month and we can only wish that the next Greek months would be embellished with a greater degree of optimism and hope.

This year's February was also characterised by the future EU's outlook for the period until 2020. The economic crisis and some frequently discussed "new topics" have delivered the most important content of the EU 2020 Strategy development document. It should be noted that its timing is remarkably accurate.

After a de facto collapse of the former Lisbon Strategy, the authors of this concept have drawn a lesson in many aspects in the present time when the crisis is subsiding and new challenges are being explored. It is much less ideologically-tinted in comparison with its predecessor. In my opinion, it addresses authentic priorities presenting them in a realistic form and strives to open the "Pandora's box" – the public finances and the current impotence of the Stability and Growth Pact in its effort to keep them within certain limits of discipline.

February also brought the publication of the so far most recent ranking order of the level of development of the 271 NUTS2 cohesion regions reflecting, however, the pre-crisis situation. Prague has climbed at the 5th place (before Vienna and Stockholm) within the whole EU and the Czech Republic as a whole retained its position as the second richest post-communist country (after Slovenia) with 80.1% of the EU's average.

The new European Commission has assumed office with some delay and its Czech member Stefan Füle with his enlargement portfolio has immediately involved in the process of integration of Iceland.

Petr Zahradník

The MEPs approved the new European Commission headed by José Manuel Barroso. The Czech candidate Stefan Füle is in charge of the enlargement. The interim economic forecast prepared by the European Commission has drawn an unflattering picture – the European economy will not rebound vigorously this year, with growth estimated at mere 0.7%. The Czech government approved an updated Convergence Programme. We will reduce the public finance deficit below 3% no earlier than in 2013.

POLITICS

The Commission got the go-ahead from the Parliament

On 9 February, the MEPs approved in Strasbourg **the new composition of the European Commission of President José Manuel Barroso** and put an end to the discussions lasting several months accompanying the staffing of this key executive body of the European Union.

New European Commission

José Manuel Barroso (PT)	President
Catherine Ashton (UK)	Vice-President, HR for Foreign Affairs and Security Policy
Viviane Reding (LU)	Vice-President, Justice, Fundamental Rights and Citizenship
Joaquín Almunia (ES)	Vice-President, Competition
Siim Kallas (EE)	Vice-President, Transport
Neelie Kroes (NL)	Vice-President, Digital Agenda
Antonio Tajani (IT)	Vice-President, Industry and Entrepreneurship
Maroš Šefčovič (SK)	Vice-President, Inter-Institutional Relations and Administration
Janez Potočnik (SI)	Environment
Olli Rehn (FI)	Economic and Monetary Affairs
Andris Piebalgs (LV)	Development
Michel Barnier (FR)	Internal Market and Services
Androulla Vassiliou (CY)	Education, Culture, Multilingualism and Youth
Algirdas Šemeta (LT)	Taxation and Customs Union, Audit and Anti-Fraud
Karel De Gucht (BE)	Trade
John Dalli (MT)	Health and Consumer Policy
Máire Geoghegan-Quinn (IE)	Research, Innovation and Science
Janusz Lewandowski (PL)	Financial Programm. and Budget
Maria Damanaki (EL)	Maritime affairs and fisheries
Kristalina Georgieva (BG)	International Cooperation, Humanitarian Aid and Crisis Response
Günther Oettinger (DE)	Energy
Johannes Hahn (AT)	Regional Policy
Connie Hedegaard (DK)	Climate Action
Štefan Füle (CZ)	Enlargement and Neighborhood
László Andor (HU)	Employment, Social Affairs and Inclusion
Cecilia Malmström (SE)	Home Affairs
Dacian Cioloş (RO)	Agriculture and Rural Developm.

The new European Commission, which along with its President Barroso has 27 members, **was approved by the votes of 488 legislators out of the total of 736**. The fact that the MEPs have still retained their objections to some of the proposed candidates is evidenced by the fact that 137 of them voted against the composition of the Commission, 72 abstained and 39 were not present in the vote.

Different views are prevailing also among the Czech representatives in the European Parliament. The nine MEPs from the **Civic Democratic Party (ODS) abstained from voting**, while the two representatives of the People's Party and all seven Social Democrats voted in favour. The Czech Communists, who sent four representatives to the European Parliament, were divided exactly in half during the vote.

ODS explained its decision to abstain from the vote on its website by stating that "the vote on the Commission as a whole makes it impossible to decide responsibly on the capabilities of individual commissioners". Although the January hearing presented "a number of competent candidates" – according to the Civic Democrats – there will be people in the new Barroso Commission about the qualities of whom there are strong doubts in the party. The ODS MEPs **had biggest objections against the new "Foreign Minister" Catherine Ashton**, who is also the Commission's Vice-President.

The mandate of the European Commission, which is called according to President Barroso's second term Barroso II, is five years.

http://ec.europa.eu/news/eu_explained/100209_2_en.htm

ECONOMY AND EURO

EU interim economic forecast: recovery is in progress but remains fragile

According to the European Commission's latest forecast update, the economic outlook for the EU remains broadly unchanged. **GDP is projected to grow at 0.7%** in both the EU and the euro area in 2010. The inflation projections also remain largely unchanged at 1.4% and 1.1% in the EU and the euro area, respectively. Uncertainty surrounding these projections remains rife, as recent developments in financial markets illustrate well.

Growth projections for the first half of this year have been revised slightly upward in the Commission's forecast for both the EU and the euro area. But because of marginal downward revisions for the second half of 2010, the projected rate of GDP growth in 2010 as a whole remains broadly unchanged at 0.7% in both groups of countries. This is calculated on the basis of **updated forecasts for France, Germany, Italy, the Netherlands, Poland, Spain and the United Kingdom**, which together account for about 80% of the EU's GDP.

In the longer term, the global **economic growth should temporarily slow down**, due to the gradually fading effect of the stimulus measures and because of the inventory cycle. Differences across countries remain sizeable, with a markedly more solid recovery for emerging economies, on the back of resuming capital inflows, and the return of investors' risk appetite. While the EU's external environment is recovering faster than expected, we still do not know to what extent this will help the EU this year.

Improved investor sentiment indicators for the EU point to an expansion of economic activity going forward, but hard statistical data, especially industrial production and retail sales, have been less encouraging recently. While a better-than-expected external environment could spur exports further, **investment remains very weak**, reflecting the exceptionally low rates of capacity utilisation.

EC's Interim Forecast – GDP yoy growth in %

Country	1Q / 10	2Q / 10	3Q / 10	4Q / 10	2010
Germany	0.0	0.3	0.3	0.4	1.2
Spain	-0.1	0.1	-0.2	0.1	-0.6
France	0.4	0.0	0.1	0.3	1.2
Italy	0.4	0.1	0.2	0.3	0.7
Netherlands	0.3	0.3	0.3	0.3	0.9
Eurozone	0.2	0.2	0.2	0.3	0.7
Poland	0.1	0.5	0.8	0.9	2.6
UK	0.2	0.2	0.3	0.4	0.6
EU 27	**0.2**	**0.2**	**0.2**	**0.3**	**0.7**

Source: European Commission

The risks to the EU growth outlook for 2010 still appear more or less balanced. On the downside, the **situation of financial markets remains highly uncertain** and subject to serious adverse risks. On the upside, the vigour of the global recovery, particularly in Southeast Asian emerging markets, and the imminent turning of the inventory cycle in the EU may have a greater impact on domestic demand than currently anticipated.

As regards the inflation outlook, risks also appear to remain broadly balanced for 2010. The European Commission expects that **price stability will be maintained** – slowly growing economy should curb inflation and balance the increase in energy and commodity prices.

The Commission's interim economic forecast presented a sober picture of **only gradual recovery of the EU economy**, which is likely to be very close to reality. There will be no clear turnaround from the bottom in Europe this year.

http://europa.eu/rapid/pressReleasesAction.do?reference=IP/10/188

Government approved the Convergence Programme

At its second meeting in February, the Cabinet of Jan Fischer **approved the updated Convergence Programme** and a plan for the retreat or exit from the anti-crisis measures (the so-called exit strategy).

The two adopted documents are closely linked together: an appropriate exit from the anti-crisis measures is the **necessary condition for sound public finances**, which are a key condition required by Brussels for the adoption of a common European currency.

The principles of the exit strategy can be briefly summarised as follows: **savings and high levies and taxes**. For example, the government agreed to leave the VAT rates at 10% and 20% and to preserve lower sickness benefits and higher real estate tax. It also proposed to create a new tax band of 25% for people with high income. Additional money should come to the state budget from savings at the individual ministries.

As regards the updated Convergence Programme, the government outlined basically two possible scenarios: a faster one, which would allow adopting the euro in 2016, and a slower one, with a deadline in 2017.

From among the Maastricht criteria, the Czech Republic has now problems (like the rest of Europe) primarily with the fiscal ones. **We have a problem with the public finance deficit**, which jumped last year to 6.6% of GDP (while representing only 2.1% in 2008). According to the government forecast, the deficit should get below the permitted 3% in 2013 or 2014.

"The government has expressed its **willingness to consolidate public finances** and the state budget deficit," said Prime Minister Fischer who feels a similar "will to tackle this problem" across the political spectrum.

We believe that the Convergence Programme with its **plan for fiscal consolidation is not ambitious enough**. The Czech Republic is definitely in a position to be able to adopt the euro earlier. The earliest – and, at the same time, realistic – date when we could join the euro zone is the year 2014. This is conditioned by the fulfilment of a critical 3% GDP deficit in 2012 so that the Convergence Report of the ECB and the European Commission could certify in spring 2013 our compliance with the Maastricht criteria. If there is a sufficient political will, a cut in the deficit below 3% of GDP by the year 2012 should not be a hard nut to crack.

http://www.vlada.cz/cz/media-centrum/tiskove-konference/tiskova-konference-po-jednani-vlady--8-2-2010--68041/

MEPs swept aside the interim agreement between the EU and the US on the exchange of information on movements in bank accounts aimed at combating the financing of terrorism. They fear that protection of personal data may be disturbed. The European Commission has published the results of the consultation on the EU 2020 Strategy, which should succeed the not too much successful Lisbon strategy.

Main characteristics of Convergence Programme

in %	2010	2011	2012
Real GDP growth	1.3	2.6	3.8
Harmonized inflation (HICP)	1.8	1.5	1.8
Unemployment rate	8.8	8.6	7.6
Public budget deficit / GDP	-5.3	-4.8	-4.2
Public debt / GDP	38.6	40.8	42.0

Source: Convergence Programme CR from January 2010

BUDGET

Brussels approved the austerity plan for Greece but uncertainty remains

The European Commission **assessed the Greek Stability Programme** and recommended adhering to the proposed austerity plan that should help Greece to come out from the deep crisis and, at the same time, it imposed very strict controls.

The EU executive does not believe Greece and demands that already **in mid-March Athens would submit to Brussels its first report** on the progress in the fight against the huge deficit and then to repeat the same step every quarter.

For Greece, a positive attitude of the Commission towards the stability plan is essential. Greece was warned, however, that most probably there will have to be even **greater cuts in the public sector** (than those outlined in the plan) if the Greek deficit should drop below 3% of GDP in 2012.

Last year's estimated deficit of Greece reached 12.7% of GDP and according to the plans it **should be reduced to 2.8% by 2012**, which will be very difficult. If the implementation gets stuck, the financial markets will certainly make it for Greece much harder than now.

The Economic and Financial Affairs Council of Ministers of Finance (**ECOFIN**) endorsed the Commission's proposal and **approved the Greek stability programme**. The finance ministers have also approved the conclusions of the European Council's extraordinary meeting of 11 February, which stipulate that if need be, the member states will take decisive and coordinated steps to ensure the stability of the euro area – in other words, they anticipate financial aid (although the conclusions explicitly state that the Greek government did not ask for it).

Financial markets are now speculating that Greece will actually get the aid from other members. **The euro area hard core countries led by Germany have no other choice**, if they want to maintain the euro area in its current form.

At the time of the editorial deadline of this issue of the Monthly, there were **speculations about the aid amounting to 30 billion euros** that would be provided to Greece by a group of EU countries led by Germany and France (e.g. through state-controlled banks). The amount of the considered aid corresponds to the amount of Greece's financial need that must be spent by May to cover the previously issued bonds to be repaid and the current budgetary needs.

So far, everything is taking place behind closed doors and in terms of speculations and the final denouement of the situation around the Greek aid is most likely to be known in March.

http://europa.eu/rapid/pressReleasesAction.do?reference=IP/10/116

INTERNAL MARKET

The Services Directive gives Brussels headaches

Many EU countries **failed to implement successfully the Services Directive** by the end of December last year despite the fact that they had three years for doing so, and now they are waiting how the issue will be addressed by the European Commission. The implementation of the directive in the Czech Republic took place without problems.

Infamous situation is in neighbouring Germany where the legislative process is complicated mainly by the federal administrative structure. Due to the fact that slightly different rules apply in each of the federal lands (there are 16 of them in total) the **introduction of the points of single contact, for example, proved to be "a hard nut to crack**".

In Poland, the relevant law transposing the Services Directive into national legislation came into force on 28 December – i.e. exactly as it should – but the practice is not without problems. According to local entrepreneurs, the **necessary additional legislation, which would allow transferring the principles into practice, is lacking** and it may take months or even years to remedy the situation.

Slovakia has not been spared delays either. The government adopted the relevant law implementing the directive in mid-January and it is now in the parliamentary committees which will review it and will not be finished earlier than in March. The greatest problem during the implementation of the directive into practice will be the electro**nic functioning of state administration (e-government)**.

The directive on services in the internal market is a textbook example of a policy to eliminate barriers and liberalise markets brought by the European Union. The fact that in some countries the situation is not as good as it should be, is clearly the **fault of the local governments** which are fighting tooth and nail to prevent the opening of the markets to competition and the access of service providers from other member states.

The newly elected Commissioner Barnier made a positive promise to travel to all EU countries and push governments to promptly complete work on the implementation of the Services Directive.

http://ec.europa.eu/internal_market/services/services-dir/index_en.htm

FINANCE

MEPs voted down SWIFT

The Parliament **refused to give its consent to the interim agreement between the EU and the United States** that should allow the US investigators access to bank data of EU citizens and help prevent terrorist attacks. This decision of the MEPs was a stab in the back of both the European governments and US authorities by whom SWIFT has been used since 1 February.

378 MEPs voted against and only 196 MEPs voted for the agreement. **The result could have been expected**, because the MEPs had railed against the agreement since the end of November, when it was approved by the European interior ministers without prior consultation with the European Parliament. With this decision, the Parliament has demonstrated the enhanced powers guaranteed by the Lisbon Treaty. The MEPs are not allowed to propose international agreements, but their “no” to such documents means that the law makers will have to retake the pen and find other ways to convince the MEPs.

The US State Department is disappointed by the result of the vote in the Parliament. **Their verdict undermines an important counterterrorism programme**, which has resulted so far in over 1,500 reports and plenty of evidence for European governments. The programme was also an important part of the cooperation of the US and Europe in the field of counterterrorism measures, the US State Department said. According to the Americans, the SWIFT system is effective particularly because it contains data of about eight thousand banks from around the world and can therefore handle millions of transactions a day.

EP President, Christian Democrat Jerzy Buzek, welcomed the results of the vote and said that the ministerial proposal **lacked the right balance between security protection and protection of civil liberties and fundamental rights**. Mr. Buzek originally pushed for the postponement of the agreement’s effective date and warned the ministers that it would be “unwise” to enforce such a controversial agreement without the consent of Parliament.

In response to the European Parliament's decision, the European interior ministers unanimously agreed that the **EU should start to negotiate with the Americans on a new agreement on bank data transfer**, which would replace the SWIFT interim agreement.

http://www.europarl.europa.eu/news/expert/infopress_page/019-68675-039-02-07-902-20100209IPR68674-08-02-2010-2010-false/default_en.htm

ENTERPRISE

EU 2020: The Union must unite and reform, says the Commission

The European Commission has published a review of the Lisbon Strategy for Growth and Jobs and the **results of consultation focused on its successor: EU 2020**.

By mid-January, the Commission headquarters in Brussels received more than 1,500 comments on the EU economic development plan for the next 10 years: EU 2020.

Most member states place great emphasis on **linking the EU in 2020 with other strategies**, the interdependence of economic, social and environmental policies, the problem of public finances and the key role of SMEs in the economy. Many states call for more effective implementation and control of the execution of the new strategy and for strengthening the role of the European Council.

The European Parliament is again going to fight a battle for the compulsory minimum length of maternity leave. The European Parliament commented positively on the ongoing accession talks with Croatia and expressed hope for Zagreb's early entry into the Union. On the other hand, a mixed tone could be heard in the evaluation of Turkey's progress. The European Commission has issued an official recommendation for an early start of the accession negotiations with Island.

The material of the Commission **also summarises the opinions of other stakeholders** – from European regions, to employers and foreign entities to individuals. Their position is not surprising: the regions are calling for "equal partnership with central governments" when implementing the strategy (and its interconnection with the cohesion policy), the scientists call for more money for research, the Conservatives in the European Parliament put emphasis on completing the single market, while the environmentalists on "greening" the economy, etc.

The Commission has also published a document which assesses **how successful the Lisbon Strategy was**. The Strategy's positive aspects lie mainly in the fact that (especially after its revision in 2005) it encouraged all member states to become more involved in research and innovation, reforming labour markets, promoting entrepreneurship (especially SMEs) and the energy-climate agenda. The Commission expressly mentions the success in breaking down administrative burdens, creating jobs and fiscal consolidation, which in some EU countries took place during the last decade, or the steering of the structural funds to "growth-enhancing" measures.

According to the European executive, the Lisbon Strategy (and it was a mistake) paid little attention to issues that played a key role in the financial crisis, such as bank supervision and the **monitoring of the so-called systemic risks in financial markets, speculative bubbles and excessive household debt**. The Commission also criticizes the huge gap between the states of the Union which are not afraid of reforms and the others.

http://ec.europa.eu/eu2020/

EMPLOYMENT AND SOCIAL AFFAIRS

The battle of the length of maternity leave between EU member states continues

The European Parliament's Women's Rights Committee seeks to **extend the minimum length of mandatory maternity leave to 20 weeks**. Some member states, however, are against – in the time of economic crisis they do not want to increase the burden of their social security systems.

The European Parliament experienced a déjà vu in February when the Women's Rights Committee managed to approve the proposal of the Portuguese MEP Edite Estrela to extend the mandatory minimum length of maternity leave to 20 weeks. The MEPs have already seen a similar proposal. It was in June last year and then, mainly due to the **votes of centre-right and liberal MEPs, they swept it aside**.

The member states have been engaged in the **debate about the mandatory minimum length of maternity leave for quite a long time**. In October 2008, the European Commission came up with a proposal to amend the existing Directive (92/85/EEC), which would extend the current 14 weeks by additional four. The Commission also recommended that during this period, the member countries would pay the women their full salaries.

At the European level there is a parallel ongoing discussion about the wording of the parental leave directive. So far, the length of paternity leave has not been regulated by the EU legislation.

Whether the Portuguese MEP receives enough support for her proposal or not, the **political battles in the European Parliament are expected to continue**. The strongest objections to the proposal were expressed by the UK, which warned about the high costs that the extension of the minimum mandatory maternity leave would entail in the time of the present economic crisis. It is therefore likely that in the event that the Portuguese proposal would be discussed at ministerial level, it will be blocked by London.

The European Parliament will vote on the proposal of Edite Estrela at its plenary session to be held on 11 March 2010.

http://www.europarl.europa.eu/news/expert/infopress_page/014-69364-054-02-09-902-20100223IPR69363-23-02-2010-2010-false/default_en.htm

AGRICULTURE AND FISHERY

The Commission is forced to generalise about the proposal for the Soil Directive

After several years of negotiations, the Soil Directive is still blocked by five states of the Union. **Austria, France, Germany, the Netherlands and the United Kingdom have reaffirmed their disapproval** of the proposed wording. This happened after the Spanish Presidency tried to find a political consensus in the Council.

The Soil Framework Directive was initiated by the Commission as early as in September 2006 as part of its strategy for soil protection. It was adopted by the European Parliament at first reading in November 2007 and since then it has been discussed by the national delegations. Gradually, the Portuguese, French and Czech Presidencies tried to mediate the agreement. None of them succeeded.

The main obstacles include the method of **identifying the areas with contaminated soil and the subsequent**

sensitive and financially effective system of revitalising such soil. Political pressure to improve soil protection is increasing in connection with the ability of soil to absorb molecules of carbon, which helps in the fight against climate change.

The newly appointed Commissioner for Environment Janez Potočnik said during his “grilling” in January that the enforcement of the **Soil Directive will be one of his priorities**. The necessity to improve soil protection has been also expressed several times by the European Parliament.

Although the Spanish Presidency expressed the expectation that a political agreement would be reached at the meeting of the environment ministers on 15 March, an unnamed diplomat said that in fact **there was “little hope” for progress**. The diplomat added that if backstage talks at a high level would not change the positions of certain countries, the directive would fail.

In this context, speculations are spreading that the European Commission will completely withdraw the proposal for the directive to come up with a more acceptable version that would be more general and not so detailed.

http://ec.europa.eu/environment/soil/index_en.htm

ENLARGEMENT

Croatia’s accession negotiations could be completed this year

During its February meeting, the European Parliament appreciated in **three separate resolutions the last year's efforts of two candidate countries** Croatia and Macedonia on their way to the European Union. Another candidate country, Turkey, has earned reprimand rather than praise for its only limited progress in the accession talks.

According to the MEPs, **Croatia could complete the accession talks with the EU in 2010** and its subsequent successful joining the other twenty-seven member states would encourage the integration of other Western Balkan countries into the EU structures.

The praise received by Croatia from the MEPs is not surprising. According to the findings of the judges of the International Criminal Tribunal for the Former Yugoslavia (ICTY), this Adriatic country that bears the status of candidate country since 2004, “is fully cooperating” with the Tribunal and the settlement of the **long-lasting border dispute with EU member Slovenia** allowed to open the remaining negotiating chapters. Therefore, the European Parliament recommended that the Council of the EU would open “as soon as possible” the negotiations on another chapter, which concerns the area of justice and home affairs.

The parliamentary resolution on Macedonia adopted during the same plenary session states that the accession **negotiations with this candidate country will be launched "in the near future"**. In this way, the European Parliament has supported the European Commission, by which this step was recommended.

The resolution reviewing the progress achieved in the talks by Turkey notes that the year 2005, when the talks started, was the starting point for “a **long-lasted and open-ended process**”. The MEPs admonished Ankara for example for its position on the Cyprus question or the non-implementation of the Additional Protocol to the Association Agreement. On the other hand, they appreciated the normalisation of the Turkish-Armenian relations and Turkey's role in safeguarding regional security.

We expect that over the next two to three years, the European Union will be enlarged by Croatia and Iceland. Other Balkan countries will have to wait until the second half of the decade.

http://www.europarl.europa.eu/sides/getDoc.do?type=MOTION&reference=B7-0065/2010&language=EN

http://www.europarl.europa.eu/sides/getDoc.do?type=MOTION&reference=B7-0067/2010&language=EN

http://www.europarl.europa.eu/sides/getDoc.do?type=MOTION&reference=B7-0068/2010&language=EN

Commission: Island can start accession talks

The European Commission has issued an official recommendation for an early start of the accession negotiations. This small North European island **could join the EU in an extremely short time**, but equally so it could be impeded by the issues connected with fisheries and conflicts with some member countries.

The commissioners agreed that Iceland is ready for the EU membership and there is **no reason why the start of the accession talks should be delayed**. The reason is the high level of harmonisation of Icelandic law with the European acquis, which is related to the participation of Iceland in the Schengen area, where there are no border controls, and its membership in the European Economic Area.

The European Commission, which assessed the Reykjavik’s readiness for the membership in several areas (political,

The Czech diplomacy has experienced disappointment when the Interior Ministers of other EU countries did not support their Czech colleagues in the fight for the abolition of entry visas for travel to Canada. The Moravian-Silesian Regional President and the Vice-president of the European Investment Bank Matthias Kollatz-Ahnen signed an agreement on the financing of the Jessica holding fund. The latest Eurostat statistics show that Prague joined the group of the ten richest regions in the EU.

economic and legal), has said that Island completely meets the Copenhagen criteria.

The Copenhagen criteria consist of a set of generally defined requirements, the fulfilment of which represents the condition for the accession of the candidate country to the EU. They were formulated in June 1993 at the European Council summit in Copenhagen. These entry criteria monitor whether the candidate country:

1. can prove stable domestic institutions which guarantee democracy, rule of law, protection of human rights and respect for minorities;
2. has a functioning market economy that is able to withstand competitive pressures and market forces within the European market;
3. is able to assume the obligations of EU membership (included in the so-called acquis communautaire), including the aims of the political, economic and monetary union.

Although Island already complies with the above-mentioned conditions, the Commissioners identified areas which still need to be worked on. In this context, they pointed out particularly the existence of **close links between the political elite and the business circles**, which could result in a conflict of interests.

Even though Island has been successfully engaged in the integration of Europe for several years, Icelanders had been persistently resisting direct membership in the European structures for fears of the introduction of **strict quotas on fish harvesting and of fishermen coming from other member states** to Icelandic territorial waters. It was only the financial crisis that made the Icelanders change their minds.

Iceland's path to the euro area could be **complicated by the dispute with United Kingdom and the Netherlands** over the compensation for deposits of their citizens who had their savings in Icesave – the internet branch of the Landsbanki bank which went bankrupt. According to the latest developments, it seems that Iceland will refuse to provide the compensation.

http://ec.europa.eu/enlargement/pdf/key_documents/2010/is_opinion_en.pdf

EXTERNAL RELATIONS

Old EU countries did not support the Czechs in the issue of Canadian visas

The meeting of the EU Council for Justice and Home Affairs held at the end of February brought disappointment to the Czechs. **The 27 EU countries did not support their colleagues in the issue of the Canadian visas** imposed against the Czech Republic by the Maple Leaf country in mid-July last year.

The visa requirements for Czech citizens for entry into Canada have been in effect already for more than seven months. The Canadian government introduced the visa requirements as a **countermeasure against the increased number of asylum seekers** who represented an extreme burden on the Canadian social system.

The Czech Interior Minister Martin Pecina, who represented the Czech Republic in Brussels, just complained: "I did appeal to the principle of solidarity. It is the **first case, when visa requirements were imposed against an EU member state**. We are the first ever country. And I certainly have a different idea about the expressions of solidarity."

The minister also expressed regret that **none of the old EU member countries supported the Czechs except for Spain**, which is now holding the EU presidency. In his words, the Czech Republic received support only from Romania and Bulgaria, whose citizens travelling to Canada also need visas, and from two neighbouring countries Slovakia and Hungary. As a possible explanation Minister Pecina has said in an interview for the Czech Radio that "they (the old member states) cannot forgive the Czech Republic that it had been negotiating its visa-free travel with the US on its own account."

Commissioner for Internal Affairs Cecilia Malmström has said that in mid-March, the EU intends to hold a meeting of a group of experts, who should investigate the matter and prepare further steps. Commissioner Malmström has assured Minister Pecina that if necessary, the **Commission is ready to support the introduction of visas** for the holders of Canadian diplomatic and service passports.

It can also be expected that the theme of reciprocal measures against Canada will be included in the agenda of the March EU summit and addressed by foreign ministers.

http://www.eu2010.es/en/documentosynoticias/noticias/feb25rubfrontex.html

REGIONAL POLICY

Jessica will promote regeneration of brownfields in Moravia-Silesia

The Moravian-Silesian Regional President Jaroslav Palas and the Vice-president of the European Investment Bank Matthias Kollatz-Ahnen **signed an agreement on the financing of the Jessica holding fund**. The fund, to which the region will transfer CZK 500 million from the Regional

Operational Programme of the Moravia-Silesia Cohesion Region, will offer long-term loans, guarantees and investment capital for projects that have the potential to generate profits in the future.

While common operational programmes offer support solely through non-repayable subsidies, **Jessica makes it possible for the regions to get the money back and use it in the future again to support further investment**. The tool is intended solely for the development of cities and urban areas.

Jessica is a joint initiative of the European Commission, the European Investment Bank (EIB) and the Council of Europe Development Bank and its aim is to promote sustainable investment, growth and employment in urban areas. In addition to money from European funds, the funding of the projects should be participated also by the EIB, commercial banks and private investors.

The conditions under which Jessica will provide **loans or guarantees will be more favourable than those commonly offered on the market**. The Moravian-Silesian Region plans to forward the aid to the regeneration of brownfields, i.e. unused industrial areas and facilities. The holding fund will initially be managed by the European Investment Bank.

The example of Moravia-Silesia is likely to be **followed in the coming months by other regions of cohesion**. The EIB has been already asked by the Northeast and Southeast regions of cohesion to prepare a feasibility study to assess the possibility of implementing Jessica.

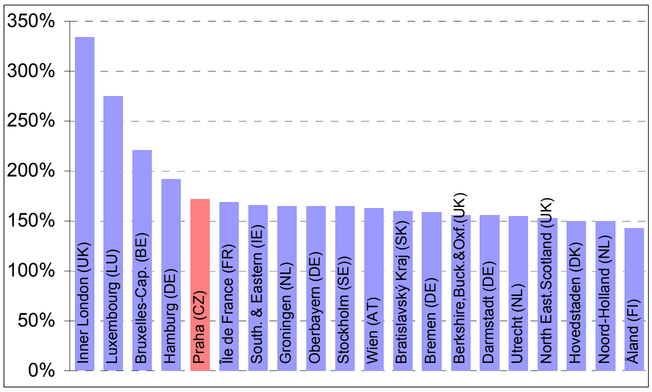
The establishment of the Jessica fund is a new way of using money from the European funds, which, unlike subsidies, **can be used even after the end of the programming period 2007-2013**. The Moravian-Silesian Region is the first region that decided to use it, thus setting an inspiring example to other regions.

http://www.eib.org/about/press/2010/2010-015-morava-silesia-is-first-czech-region-to-benefit-from-innovative-urban-renewal-instruments-jessica.htm

Prague is the fifth richest EU region

The latest Eurostat statistics show that from among the new member countries, only **Prague joined the group of the ten richest regions in the EU**. The published data repeatedly confirmed the fact that there are huge differences between the old and the new member countries. Inner London, which leads the table, is approximately seven times richer than Bulgarian Northwest at the last place in the table.

Regional GDP per capita in the EU (in PPS)



Source: Eurostat, in PPS; EU-27 = 100 %

The Eurostat figures also show that while the top twenty regions include from the new member countries besides Prague only the Bratislava region, **the last twenty regions are exclusively those in the new countries**. These are mainly regions in Bulgaria, Romania and Poland.

The data are from 2007, from the time before the financial and economic crisis. Eurostat compares the wealth of the regions by GDP per capita, which is further adjusted to reflect the purchasing power of the inhabitants of the region.

According to this measure, **Inner London reaches more than three times the European average** (334%). It is followed by Luxembourg (275%), Brussels (221%), Hamburg (192%) and Prague (172%). The Bratislava region occupies the twelfth position (160%). Otherwise, however, the top-twenty group consists of regions from countries such as Germany, the Netherlands and the UK.

The end of the table shows how big the differences between the new and the old member countries are. **Bulgarian Northwest is the poorest** (26%), followed by Northeast in Romania and two Bulgarian regions – North Central and South Central (27% each). Some Polish and Hungarian regions range around 40%.

Eurostat has divided the European Union for statistical purposes into similar sized units, **called regions of cohesion or NUTS II**, which may not correspond to the administrative arrangement of the country. In the Czech Republic, the poorest region is the Northwest (61.7%) consisting of the Karlovarský and Ústecký regions, while the richest – aside from Prague – is Central Bohemia (75.2%) corresponding to the Central Bohemian region.

http://epp.eurostat.ec.europa.eu/cache/ITY_PUBLIC/1-18022010-AP/EN/1-18022010-AP-EN.PDF

A number of other reports, for which there was no more space in the commented "Events" section, involved Greece and its fiscal and financial problems. They include also the declaration of the European Investment Bank that it would not break its "no bail out rule", by which it is prohibited to use loans from the EIB to settle the fiscal problems of the member states. Croatia has made further progress towards the EU, when two more negotiating chapters were opened: Fisheries and the Environment.

FEBRUARY 1

Rural development: € 5 billion in total injected into rural development programmes: http://europa.eu/rapid/pressReleasesAction.do?reference=IP/10/102

European Globalisation Fund set to help workers in the furniture manufacturing and clothing industries in Lithuania: http://ec.europa.eu/social/main.jsp?langId=en&catId=89&newsId=678&furtherNews=yes

FEBRUARY 2

Dedicated EU body needed to ensure enforcement of European waste law, says Commission study: http://europa.eu/rapid/pressReleasesAction.do?reference=IP/10/113

Interim Agreement between EU and Serbia enters into force: http://ec.europa.eu/enlargement/index_cs.htm

FEBRUARY 3

Pensions, unemployment under scrutiny by Crisis Committee: http://www.europarl.europa.eu/news/public/story_page/047-68305-032-02-06-908-20100128STO68174-2010-01-02-2010/default_en.htm

Support small firms while tackling the crisis, say MEPs and experts: http://www.europarl.europa.eu/news/expert/infopress_page/042-68319-032-02-06-907-20100201IPR68316-01-02-2010-2010-false/default_en.htm

Negotiations between the EU and Norway on agricultural products: http://europa.eu/rapid/pressReleasesAction.do?reference=IP/10/107

FEBRUARY 4

Commission recommendations for Greece: http://ec.europa.eu/economy_finance/articles/sgp/2010_02_03_sgp_en.htm

Commission assesses Stability Programme of Greece: http://europa.eu/rapid/pressReleasesAction.do?reference=IP/10/116

Publications: Bulletin of the European Union: http://europa.eu/bulletin/en/200907/sommai00.htm

EU celebrates 20 years of Community support for urban development: http://europa.eu/rapid/pressReleasesAction.do?reference=IP/10/117

EIB lends EUR 115.5 million for environmental and small and medium-sized investments in Ukraine: http://europa.eu/rapid/pressReleasesAction.do?reference=BEI/10/14

FEBRUARY 5

EU hopes of Croatia, Former Yugoslav Republic of Macedonia & Turkey: http://www.europarl.europa.eu/news/public/story_page/027-68447-032-02-06-903-20100204STO68446-2010-01-02-2010/default_en.htm

From Lisbon strategy to EU 2020: http://ec.europa.eu/eu2020/index_en.htm

FEBRUARY 8

eTwinning: Online school partnerships celebrate their fifth anniversary: http://europa.eu/rapid/pressReleasesAction.do?reference=IP/10/134

The European Commission gives green light to the co-operation of Member States with Canada, Japan and Switzerland on the exchange of audit working papers:

http://europa.eu/rapid/pressReleasesAction.do?reference=IP/10/136

FEBRUARY 9

Focus on the economy: http://www.consilium.europa.eu/showFocus.aspx?id=1&focusId=440&lang=en

New logo selected for all EU organic products: http://europa.eu/rapid/pressReleasesAction.do?reference=IP/10/142

EIB confirms: no bailouts: http://www.eib.org/about/news/eib-confirms-no-bailouts.htm?lang=en

FEBRUARY 10

MEPs call for swifter response and tighter coordination in the Eurozone: http://www.europarl.europa.eu/news/expert/infopress_page/043-68630-039-02-07-907-20100209IPR68629-08-02-2010-2010-false/default_en.htm

Celebrating 25 years of the European Capital of Culture, 23 - 24 March, Brussels: http://ec.europa.eu/culture/news/news2459_en.htm

Statistics: General economic crisis hits European port activity - Issue number 11/2010: http://epp.eurostat.ec.europa.eu/cache/ITY_OFFPUB/KS-SF-10-011/EN/KS-SF-10-011-EN.PDF

Top 20 cargo ports in 2008 (on the basis of gross weight of goods handled (in million tonnes)

Rotterdam (NL)	284,2	Dunkerque (FR)	50,5
Antwerpen (BE)	171,2	Valencia (ES)	50,2
Hamburg (DE)	118,9	Taranto (IT)	49,5
Marseille (FR)	92,5	Bremerhaven (DE)	49,0
Le Havre (FR)	75,6	Genova (IT)	46,5
Amsterdam (NL)	74,4	Constanta (RO)	45,8
Immingham (UK)	65,3	Tees & Hartlepool (UK)	45,4
Algeciras (ES)	61,9	Göteborg (SE)	42,3
London (UK)	53,0	Barcelona (ES)	41,5
Bergen (NO)	52,4	Southampton (UK)	41,0

Source: Eurostat

Diary

FEBRUARY 11

EU aviation security and passenger screening technologies:

http://europa.eu/rapid/pressReleasesAction.do?reference=MEMO/10/34

FEBRUARY 12

Agreement to support Greece: http://www.consilium.europa.eu/showFocus.aspx?id=1&focusId=441&lang=en

Statistics: Migrants sent 32 bn euro to their former country of residence in 2008 [101 KB]: http://epp.eurostat.ec.europa.eu/cache/ITY_PUBLIC/2-11022010-AP/EN/2-11022010-AP-EN.PDF

EU Strategy for the Danube region kicks off successfully: http://ec.europa.eu/regional_policy/newsroom/index_en.htm

FEBRUARY 15

Ombudsman criticises Commission's error concerning cod fishing quotas: http://europa.eu/rapid/pressReleasesAction.do?reference=EO/10/5

FEBRUARY 16

Conclusions of the Education, Youth and Culture council meeting: http://www.consilium.europa.eu/uedocs/cms_data/docs/pressdata/en/educ/112903.pdf

Urgent action needed to close the gender pay gap: http://ec.europa.eu/social/main.jsp?langId=cs&catId=89&newsId=704&furtherNews=yes

2010: European Year for Combating Poverty and Social Exclusion: http://www.europarl.europa.eu/news/public/story_page/047-68974-039-02-07-908-20100212STO68925-2010-08-02-2010/default_en.htm

FEBRUARY 17

Economic and Financial Affairs Council Meeting: http://www.consilium.europa.eu/uedocs/cms_data/docs/pressdata/en/ecofin/112912.pdf

European Parliament: A safer and more social internet?: http://www.europarl.europa.eu/news/public/story_page/039-68975-039-02-07-906-20100212STO68926-2010-08-02-2010/default_en.htm

FEBRUARY 18

Results of the ECB's survey on the access to finance of SMEs in the euro area – second half of 2009: http://www.ecb.int/press/pr/date/2010/html/pr100216.en.html

Climate Change Study: http://ec.europa.eu/environment/climat/home_en.htm

Development : Rebuilding Haiti is a priority for the EU: http://europa.eu/rapid/pressReleasesAction.do?reference=IP/10/24

FEBRUARY 19

Commission creates two new Directorates-General for Energy and Climate Action:

http://ec.europa.eu/dgs/jrc/index.cfm?id=1410&obj_id=9910&dt_code=NWS&lang=en

FEBRUARY 22

Enlargement: Two new chapters opened for accession negotiations with Croatia: http://ec.europa.eu/enlargement/press_corner/whatsnew/croatia_en.htm

Informal meeting with EU ministers on the economic situation in the car sector: http://europa.eu/rapid/pressReleasesAction.do?reference=IP/10/169

FEBRUARY 23

Agriculture and Fisheries Council Meeting: http://www.consilium.europa.eu/uedocs/cms_data/docs/pressdata/en/agricult/113001.pdf

Foreign Affairs Council Meeting: http://www.consilium.europa.eu/uedocs/cms_data/docs/pressdata/EN/foraff/112999.pdf

Statistics : Total nights spent in hotels fell by 5% in 2009: http://epp.eurostat.ec.europa.eu/cache/ITY_PUBLIC/4-22022010-AP/EN/4-22022010-AP-EN.PDF

FEBRUARY 24

EU support boosts rural economy in the northern part of Cyprus: http://europa.eu/rapid/pressReleasesAction.do?reference=IP/10/175

FEBRUARY 25

MEPs debate results of informal eurozone Summit: http://www.europarl.europa.eu/news/public/story_page/042-69303-053-02-09-907-20100222STO69302-2010-22-02-2010/default_en.htm

Preparing the future of European agriculture: http://www.consilium.europa.eu/showFocus.aspx?id=1&focusId=446&lang=en

FEBRUARY 26

Commission adopts biomass sustainability report: http://europa.eu/rapid/pressReleasesAction.do?reference=IP/10/192

March will be characterised by a series of important meetings. They will be dominated by the Spring meeting of the European Council. Its agenda will include a number of topics, which will be probably dominated by addressing the situation in Greece. The same theme is definitely on the agenda of the Ecofin and Eurogroup meetings. Worth mentioning also is the meeting of transport ministers, who will deal with the regulation governing the preventive measures in passenger air traffic.

Meeting of the key EU institutions

2. 3. 2010	**Brussels, Belgium**
- Competitiveness Council	
5. – 6. 3. 2010	**Cordoba, Spain**
- Informal Meeting of Foreign Affairs Ministers	
8. – 9. 3. 2010	**Brussels, Belgium**
- Employment, Social Policy, Health and Consumer Affairs Council	
11. – 12. 3. 2010	**Brussels, Belgium**
- Transport, Telecommunications and Energy Council	
15. 3. 2010	**Brussels, Belgium**
- Environment Council	
15. 3. 2010	**Brussels, Belgium**
- Eurogroup Meeting	
16. 3. 2010	**Brussels, Belgium**
- Economy and Finances Council	
22. 3. 2010	**Brussels, Belgium**
- General Affairs Council and Foreign Affairs Council	
25.-26. 3. 2010	**Brussels, Belgium**
- Spring European Council	
29. -30. 3. 2010	**Brussels, Belgium**
- Agriculture and Fishing Council	
31. 3. 2010	**Barcelona, Spain**
- Informal Meeting of Culture Ministers	

Public consultation on EU legislation

Topic of the consultation	Organiser	Deadline
IFRS for Small and Medium-sized Entities	DG MARKT	12.3.2010
Radio Spectrum Policy Programme	DG INFSO	9.4.2010
EU Strategy for the Danube Region	DG REGIO	12.4.2010
Forest Protection and Information in the EU	DG ENV	31.7.2010

The ongoing economic crisis showing different intensity of impacts on the economic development in the individual member states and their economies will very likely also lead to more noticeable changes in the ranking of the individual national states and their regions. Unfortunately, the latest data processed by Eurostat describe the situation in the last pre-crisis year. Nevertheless, even this position may be quite significant for the definition of the starting positions of the member states and their regions.

REGIONAL DEVELOPMENT AND ITS NEW OPPORTUNITIES IN THE EUROPEAN UNION

For the year 2009, the rate of economic development, traditionally expressed through customised and for comparison purposes harmonised indicators of GDP per capita reached for the EU-27 the value of EUR 24,900. The percentage variations from this value then identify countries and regions, showing different levels of disparity within the meaning of above-average or below-average economic development, implying subsequently differences in social, environmental and other regional characteristics of specific countries and regions.

Within the EU and for the purposes of the current form and future outlook of the cohesion policy, it is obviously important to conduct priority monitoring of this diversity at the level of the 271 NUTS 2 regions of cohesion. In percentage terms, the level of development of these regions in relation to the above-mentioned EU average varies in a wide range between 26% and 334%. Even this illustration shows the need for the EU cohesion policy not only in the current, but also in the future programming periods, with the aim of narrowing noticeably the extremes of this interval, particularly in its lower values. Economic development of one-fourth of the EU average was found in the Northwest (Severozapaden) region of cohesion in Bulgaria, while the EU's most developed region is traditionally the British region of Inner London.

Approximately one region in seven is above 125% of the EU average

The richest EU regions in 2007 were the already mentioned Inner London with 334% of the EU average, followed by the Grand Duchy of Luxembourg, representing by far the wealthiest member state of the EU (275%), and the Belgian capital Brussels with 221% of the EU average. As compared to the previous year, the capital of the Czech Republic Prague has shifted from the end of the top ten European regions to the fifth place with 172% of the EU average. Based on this ranking, it has clearly become the most developed region among the new EU member countries.

Regional GDP per capita in the EU (in PPS, EU = 100%)

	TOP 20 *(in % of the EU average)*			***DOWN 20*** *(in % of the EU average)*	
1.	Inner London (UK)	334	1.	Severozapaden (BG)	26
2.	Luxembourg (LU)	275	2.	Nord-Est (RO)	27
3.	Bruxelles-Cap./ Brussel Hfdst. (BE)	221	3.	Severen tsentralen (BG)	27
4.	Hamburg (DE)	192	4.	Yuzhen tsentralen (BG)	27
5.	Praha (CZ)	172	5.	Yugoistochen (BG)	31
6.	Île de France (FR)	169	6.	Severoiztochen (BG)	32
7.	Southern & Eastern (IE)	166	7.	Sud-Vest Oltenia (RO)	33
8.	Groningen (NL)	165	8.	Sud-Est (RO)	34
9.	Oberbayern (DE)	165	9.	Sud-Muntenia (RO)	34
10.	Stockholm (SE)	165	10.	Podkarpackie (PL)	37
11.	Wien (AT)	163	11.	Lubelskie (PL)	37
12.	Bratislavský kraj (SK)	160	12.	Észak-Alföld (HU)	39
13.	Bremen (DE)	159	13.	Észak-Magyarország (HU)	40
14.	Berkshire, Buckinghamshire & Oxfordshie (UK)	156	14.	Nord-Vest (RO)	40
15.	Darmstadt (DE)	156	15.	Podlaskie (PL)	40
16.	Utrecht (NL)	155	16.	Warmińsko-Mazirskie (PL)	41
17.	Nord Eastern Scotland (UK)	153	17.	Dél- Alföld (HU)	42
18.	Hovedstaden (DK)	150	18.	Swietokrzyskie (PL)	42
19.	Noord-Holland (NL)	150	19.	Centru (RO)	42
20.	Åland (FI)	143	20.	Dél-Dunántúl (HU)	43

Among the 41 regions exceeding the 125% level, nine were in Germany, five each in the Netherlands and the United Kingdom, four in Austria, three each in Spain and Italy, two each in Belgium and Finland, one each in the Czech Republic, Denmark, Ireland, Greece, France, Slovakia and Sweden, as well as the Grand Duchy of Luxembourg (which is both a member state and a region of cohesion).

Approximately one region in four is below 75% of the EU average

The least developed regions in this ranking were all in Bulgaria and Romania, with the lowest figures recorded in the Bulgarian region of Severozapaden (26% of the EU average), followed very closely by other two Bulgarian regions (Severen tsentralen and Yuzhen tsentralen) and a Romanian region (Nord-Est) with levels of 27%. There were a total of 66 regions below 75% of the EU GDP, which in the current programming period opens biggest opportunities for the regions to use the instruments of EU cohesion policy. Fifteen were in Poland, seven each in Greece and Romania, six each in Bulgaria, the Czech Republic and Hungary, four each in Italy and Portugal, three in Slovakia, two in France (both overseas departments), one each in Spain, Slovenia and the United Kingdom, as well as Estonia, Latvia and Lithuania (just like in the case of Luxembourg, all three Baltic states represent the entire state).

EUROPE 2020 STRATEGY

The Europe 2020 Strategy document (EU 2010) represents the fundamental long-term strategic economic framework of the European Union for the period until 2020 currently under discussion. After its final adoption, expected to take place in March at the summit of the European Council led by the current Spanish Presidency, the ambition of this document is to replace the earlier, hesitantly perceived document – the Lisbon Strategy for competitiveness of the EU from 2000, which was substantially revised based on the suggestions of the Kok working group in 2005.

Accordingly, EU 2020 contains not only the unfulfilled and uncompleted challenges of the Lisbon Strategy (primarily, its key objective, since the EU has not become by 2010 the most competitive economic system of the world and, moreover, it failed to approximate the United States with respect to the economic development criterion, i.e. GDP per capita by the same date), but also new facts (which occurred in the meantime from the adoption of the updated Lisbon Strategy – in particular the impacts and solutions of the economic and financial crisis).

As a basic strategic document of EU's economic development, EU 2020 will also have an essential determining effect on the future shape of EU's cohesion policy after 2013.

Major changes in the character of the EU economies with regard to the period until 2020. The EU economy has been severely hit by the lingering economic crisis (see Chapter 1). It has not only substantially aggravated EU's economic performance (after its full passing over, we can even expect complete removal of some differences between a number of areas of the Western and Eastern parts of the Union and dramatically altered rankings of economic prosperity), greatly increased unemployment and deteriorated the development of public finances in an unprecedented way, but it also brought and revealed many new topics, potentially applicable for targeting the future cohesion policy of the EU after 2013.

At the turn of 2008 and 2009, the EU adopted the common position strategy intended (in countries where the risk was particularly acute) to rescue financial systems and stimulate demand in the short term, leading to a positive turnaround in the trend of consumer, investor and entrepreneurial confidence through interventions funded from public resources.

New approach.

Overcoming the economic crisis is seen as an opportunity to meet new development challenges in the EU – based more strongly on the use of knowledge and resting much more on the point of view of environmental protection and ecology. Knowledge, innovation and conscious and efficient (i.e. greener) use of natural resources will thus become the key attributes of the development concepts of the next decade. Their meeting is then associated with the idea of visible creation of new jobs (representing also a solution to the current state of accelerating unemployment). The failure to meet these challenges and development impulses represents the risk of low growth and stagnation, during which the EU economy – in terms of its level of development and dynamism – would no more keep pace with the US (development), as well as China and other Asian territories (dynamism).

If any area of the implementation of the Lisbon Strategy can be described as successful and essentially fulfilled, it is the substantial reduction in the average unemployment rate over the past decade from 12% to 7% in 2008, but the sustainability of this trend is at serious risk. There is

danger that the achieved positive result will be destroyed by the crisis impacts. It is therefore necessary to avoid stagnation and to try to find new sources of economic development.

Besides knowledge, innovation and efficient use of resources, they include, for example, the effects of globalisation. The EU needs to become a more dominant entity in the global competition and use the power of its reputation to strengthen its weight on authoritative international forums (at present, primarily at the G20 level).

The basis of the EU 2020 Strategy document consists in the continuation of the previous trajectory of the partnership for growth and jobs tailored to the newly emerged needs (reflection on the crisis is concentrated in the European Economic Recovery Plan (EERP).

EU 2020 Strategy is a strategy of priorities

The focus of the economic and political measures should not be diluted into a number of assisted areas, but it should be concentrated on a small number of those having a realistic chance to bring the best results. It seeks to ensure an effective symbiosis between the instruments and measures taken at national level and the instruments of the EU.

Identification of potential constraints: primarily the state and prospects of public finances. The key constraint of the coming period is the state and the prospects of public finances that were severely affected by the crisis. The creating of more favourable business conditions and new and sustainable jobs will have to do without generous financial injections, relying merely on limited public resources.

The first long-term challenge is to get back the public sector deficits under control. After we manage to push their values back to (or below) the threshold of 3% of GDP, the next important task will be to carry out the fundamental reform of the structure of public spending. Limiting the spending on education and research is not recommended by EU 2020 Strategy and attention could be focused on other expenditure items.

Orientation of aids and incentives should be primarily focused on efficient management of energy resources, nature and raw materials. Other recognised limiting factors are the demographic prospects in Europe. The demographic trend represented a significant factor limiting the growth potential already in the pre-crisis period (when the reliance of non-productive persons on productive persons grew visibly). The crisis has brought new problems of social character and this trend further accelerated. Therefore, the solution is also represented by the existence of effective measures overcoming or making it possible to address phenomena such as social exclusion, child poverty, weak inter-generational solidarity, or insufficient integration of the immigrant population. The way to solve these problems is both explicit targeting at an increase in the employment rate of men and women, and especially (mainly in countries that failed to make progress in this respect) the modernisation of the social security systems. Orientation of the future support policies will have to be focused on the social cohesion contribution, addressing the problem of unemployment and strengthening social inclusion while removing all the remaining obstacles to the good functioning of the labour market. This is naturally related to the necessary adaptation of the educational systems.

Below are the proposed key development priorities corresponding to the above-mentioned assumptions:

Priority 1: Economic growth based on knowledge and innovation factors

This priority is based on promoting its four pillars:

a) Education

Attention is focused on all educational levels. In the field of elementary education, the aim is to eliminate the problems of pupils in basic skills (reading, mathematics, natural sciences), which will increase the employability of young people (one of the two most vulnerable age groups in terms of the labour market). Prevention of early leaving the educational system and motivation for staying in it contribute to the reduction of future exclusion from the labour market (with the possible consequent social exclusion). Strong accent on vulnerable social groups and respect for gender equality is seen in this regard as a matter of course. Equally strong attention must be paid to the opposite spectrum of the education system – to excellent university education. There are several world-class universities in the EU.

EU's ambition is to increase the number of excellent university centres and convert them to a greater extent into the driving force of knowledge and development. The potential is seen not only in the reallocation of investments in favour of university centres of excellence, but also in the needed reforms of school systems and primarily in more intensive cooperation with the corporate practice. It should result in further enhancement of student mobility backed by newly acquired knowledge, language skills, personal contacts and professional experience of staying abroad. A

new phase is being proposed for the existing instruments Erasmus, Leonardo, and Erasmus Mundus in addition to national initiatives.

b) Research

The EU 2020 vision is strongly based on the idea of creating a European Research Area. The ambition is to create a mutually connected research community by sharing resources, joint development of the major research infrastructure across the EU and enhancing the quality of research to world-class level. The ambition also includes further maximising and accelerating the practical benefits of research for European corporations and small and medium enterprises, where there is a large area for opportunities for public-private partnerships (PPP).

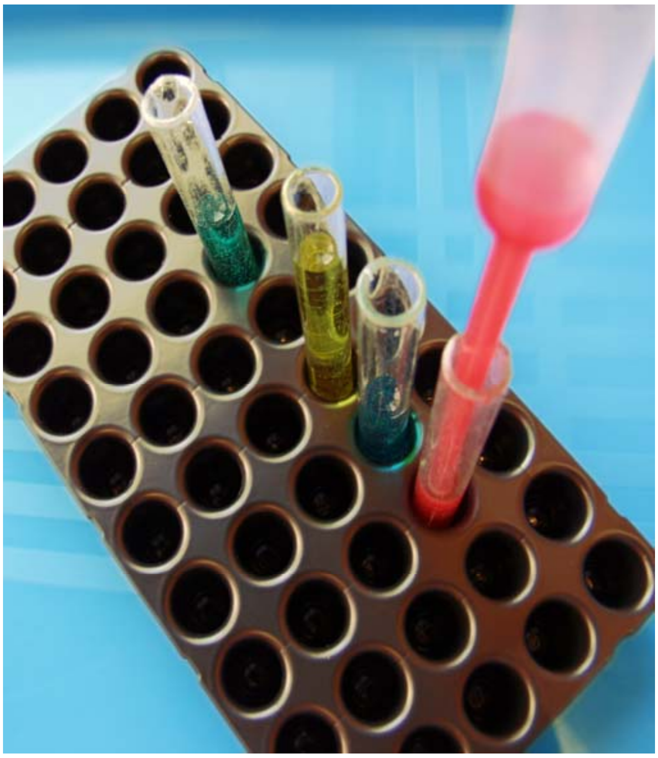
There are still many unnecessary barriers preventing useful contacts and interconnection of these sectors, whose removal does not need to be necessarily cost-consuming, but it rather depends on decisions of institutional or legislative nature. Therefore, a space for movement of researchers, knowledge and outcomes in research and development within the EU should function integrally within the Single Internal Market.

c) Innovation and creativity

The area of innovation and creativity represents particularly the offer of more attractive framework conditions containing also a number of incentive tools for access and use of knowledge from the part of the corporate sector. A specific problem is the access to financial resources. Its purpose is not only to enhance flexibility and adaptability of banks when providing loans, but also to use non-bank financing options (new, innovative sources of growth require new types of financing adapted to their business models).

Innovative firms should be offered a variety of public and private financial resources of growth capital (the conditions for its release should be administratively simpler so as not to restrict the opportunities for development in the case of emergence and growth of small innovative enterprises).

Creativity, as a necessary prerequisite for development also requires effective and functional protection of intellectual property rights (regarding the protection of innovative know-how of new enterprises, transparent management of the rights of authors of patents and inventions, and facilitating the possibilities of universities and research institutions of raising capital through commercialisation of their ideas and inventions).



d) Digital economy

The potential of the digital economy in the EU remains unfulfilled although it represents a significant impetus to development for innovative SMEs in industry and services, large corporations as well as the public sector and civil society. Through its use it is possible to consider the ways to adapt the expressions of democracy to the conditions of the 21st century (exchange of ideas through electronic media, the possibility of voting in elections via the Internet network, transparency and comparison of election programmes, common sharing of information databases relevant for the creation of political opinion and preferences).

For the period until 2020, the EU 2020 document strongly accentuates the need to extend the content of the Single Internal Market by a pillar, within which research, development and technological knowledge will be able to move freely within the EU.

Priority 2: Corporate social responsibility and social inclusion

The post-crisis period will probably show significant changes in the form and structure of the labour market. Many jobs cancelled in the time of crisis will not be

renewed. New jobs will be created predominantly in other sectors and activities, which may cause significant structural problems. The risk of labour and social exclusion due to qualitative changes in the labour market conditions is increasing. It is obvious that the often still present rigidity of professional careers will become more dynamic and the frequency of changes in job positions will accelerate. One of the tools to ensure adequate labour protection in the more dynamic and flexible conditions is the principle of flexicurity.

This principle is based on the symbiosis between three inter-linked elements: extension of labour market flexibility in terms of organisation and forms of industrial relations (work from home, part-time jobs, fixed-term jobs, flexible working hours, etc.); security in the form of adequate (but not abused) social protection; existence of the obligation of lifelong learning and professional training.

Permanent development of qualifications and skills (rather than their one-time achievement) is a key condition for finding employment on the labour market; its implementation tool is a process of lifelong learning and professional training representing for each individual worker greater security of occupational usefulness than the existence of various instruments of social protection and benefits. It makes it possible to respond to the challenges of new work activities, while maintaining the state of real hope in the period of loss of employment (particularly when facing the risk of long-term unemployment). Complementarity with the previous priority is given for instance by the immense possibilities of linking together the process of lifelong learning with the offer of the digital economy tools (for example, in the form of distance education, e-learning courses, a new dimension of practical training, etc.).

In general, the real labour mobility is very limited in the EU. The above-mentioned challenges and priority areas of development will probably lead to increased demand for labour in the environmental professions, in health and social services and in research and innovative activities. The offer of educational programmes should thus correspond with the expected demand for labour even in the period of its increased mobility.

Employment stability is understood to be the most beneficial form of protection against poverty and social exclusion, but it is no guarantee. Here, it is especially necessary that the systems of social security and healthcare were adjusted to the post-crisis conditions and demographic trends.

The setup of these systems should be more responsive even in the event that individuals who lost their jobs would be considering self-employment as an alternative. This applies to the described transfers on the labour market both in the domestic economy and when moving to other member states.

The ambition for the year 2020 is to create more jobs, achieve higher employment rates across the age spectrum, and be motivated to positions based on quality when creating new jobs. At the same, the ambition includes strengthening the real possibilities of entering the labour market, establishing new business entities and a smooth transition within the labour market in one country and across the EU.

Priority 3: More competitive, more interconnected and greener economy

An important limit of the future economic development will be the availability and price levels of the currently most abundantly used energy sources. Therefore, their more effective use, turning even into the stage of greening the economy, will be an important parameter for economic development in the near future. Traditional sectors in industry and services will show the need for substantial adaptation to this trend while it will be implicitly assumed by the newly started sectors.

If we speak about corporate restructuring in the upcoming period, we will have in mind this process as outlined above, accompanied by further improving of the functioning of markets for goods, services and labour. This means, for example, that more efficient use of material inputs and reduction of high demands on resources will become the source of productivity growth. We can also assume that most of the incentive and regulatory instruments that are available to the economic policy will go in this direction. These include, for example, targeted regulation (an explicit form of energy-efficient products and systems), emissions trading, tax reform and adjustment of tax parameters to the needs of resource economies, preferred orientation of grants, subsidies and loans in this way, adaptation of the expenditure side of the budget when allocating public investment funds, assigning public contracts and focusing the budget on research and innovation.

In this respect, the modernisation of the concept of transport and energy infrastructure appears to play a key role. The interconnection and realisation of economies of scale in the case of the power system network is still connected with obstacles created by national boundaries.

ICT

Significant savings opportunities are offered by the electronic communications media: pan-European coverage by sustainable high-speed networks can reduce the need for physical movement in various fields and industries. In addition to more efficient utilisation of resources and positive impacts on the environment, the use of integrated transport, energy and communication networks results in improved safety and stability of the provision of power supplies and stronger competitiveness of the more integrated EU economy.

Transport

Along with this comprehensive solution of network industry sectors, there is a space for action in the transport policy itself. It is mainly associated with the growing proportion of road transport and, therefore, the search for alternatives to it, including combined transport systems, belongs to the priority areas. Another priority is better interconnection of the existing transport networks, as well as the promotion of clean technologies in the field of transport means and transport infrastructure and its modernisation. Again, the possibilities of integrating transport and communication networks are offered in the application of large pan-European projects in this area: GALILEO, GMES, ERTMS (road and rail traffic control), SESAR (air traffic arrangement).

Energy

Current estimates say that approximately by the year 2030, about half of the power plants in the EU will have to be replaced or substantially reconstructed. Should this major restructuring be carried out in an environmentally sound manner, it will be possible that after approximately 15 years, electricity would be mostly produced using the low-carbon process and safety standards would be further strengthened. The completion of the power super-network system must increase the proportion of energy from renewable sources.

Industrial policy

Integrated industrial policy will become this area’s motto in the near future. Its subjects will include, for instance, the solution of the problem of structural surplus of capacities (which remain unused due to the post-crisis development), priority emphasis on the use of innovative capacities, environmental innovations, new technologies and skills. Public support will play a pivotal role in this “redirection”. The single internal market has contributed significantly to the enhancement of the competitiveness of key economic sectors particularly in the area of movement of goods and the integrated industrial policy should ensure that this remains true and that there would be no significant occurrences of isolationism or autarky within the EU as a result of the post-crisis situation.

Accordingly, the aim of this priority area in the period until 2020 is to fulfil the ideas about the state of climate, the energy sector, qualitative strengthening of the industrial base, and realising the potential of (especially innovation-orientated) SMEs. The sources of productivity growth should be found in a prudent and responsive behaviour (rather than extensive and one-off forms of growth).

Phasing and procedure

There will be a division line in the upcoming period until 2020 that could hardly be specified exactly by now: it will be the moment of overcoming the crisis which, however, will vary even in the individual EU countries. Therefore, the necessary first goal, on which further steps could be subsequently built, is the sober – if possible – overcoming of the crisis and the optimum timing of the implementation of the strategies for overcoming it (exit strategy) where predominant attention will be focused on balanced and sustainable economic growth and the recovery of fiscal systems.

The process of overcoming the crisis should be accompanied by renewed investment confidence, which will open access to loans. Essential for this also is the effective regulation and supervision of financial markets.

For the current period, it is most important to make a sensitive transition from the phase of short-term support for demand to the phase of sustainable macroeconomic stability, accompanied and conditioned by a strong process of recovery of public finances.

Fulfilling the objectives: new approach to the existing tools

For this purpose, EU 2020 is formulated as a strategy for convergence and integration. It is further based on several dimensions of interconnection within the EU:

- interconnection between member states (in the case of adopting certain measures at national level → for example, the car-scrapping bonus whose introduction in the neighbouring states had a substantial short-term effect on the performance of the automotive industry in the Czech Republic);
- interconnection between various levels of public administration (EU, national states, regions, social partners, etc.);

- interconnection of the individual introduced economic policies and their instruments (fiscal indiscipline of Greece and the previous non-transparency and incorrectness represent a risk element not only for Greece itself, but also for some other euro area countries or, more precisely, for the European emerging economies);
- interconnection in the global context (even the strongest national member state of the EU – if isolated – is not able to keep pace with the global economic centres).

These lines of interconnection must be effectively coordinated (ability to use their synergies).

Full use of the Single Internal Market opportunities

The environment of the Single Internal Market offers potentially sufficient dimension for the fulfilment of the EU 2020 objectives. A number of obstacles at the national level still represent a manifestation of non-fulfilment of this potential. Improving the functioning of markets in the EU-wide context with a positive effect on consumers and the possibilities of their choices, the extension of price competition and the fulfilment of the productivity potential in a sufficiently competitive environment stimulating the space for development and innovations of companies still represent a critical growth parameter of the EU economy.

However, there have been significant qualitative changes since the various stages of creating the Single Internal Market. In 1993 (not to mention the previous period), when the Single Internal Market was formally launched, the Internet, for example, was an entirely minority factor having almost negligible effect on the economy. The same applies to the development of the sector of information and communication technologies, which in the past two decades has become a crucial driver of productivity growth and a key growth factor thanks to which the service sector gained the majority share in the overall economic performance. It is because of this sector that many other areas of services and industry are going to face subsequent qualitative transformation (such as on-line interactive applications implemented in the health sector, financial sector and manufacturing industry or other sectors).

To exploit this potential it is necessary to overcome the still noticeable national fragmentation that currently blocks the flow of electronic content and access for consumers and companies. The rules and structure of the single market thus should be adapted and modernised (or just taken into account) with the outputs of recent developments to become part of the Single Internal Market.

EU 2020 programme in a context of global environment

It is necessary to have a credible and realistic programme identifying the global position of the EU. The challenges included in the EU 2020 Strategy are not exclusively European challenges. Other elements of the global economy also see their development prospects in identical or similar areas (environmental technologies, information and communication technologies, intelligent networks).

The ability to predict these trends is a precondition for the EU to go well in global competition (particularly in the post-crisis period when the manifestations of the European and global interconnection will further deepen qualitatively).

The key global contexts also include the creation of appropriate conditions for international trade within the framework of the World Trade Organization (WTO). Here, there are numerous barriers that hamper the multilaterally favourable international flows of trade and investment and the establishment of correct and fair rules. For the EU, the existence of clear rules for the relations with countries possessing energy raw materials is specifically important.

Making the Stability and Growth Pact a credible tool of development aid

It is not good to let deceive ourselves by proclamations declaring that the Stability and Growth Pact is working effectively. It is not so! As already pointed out above, EU's situation has never been worse in terms of the soundness of public finances than it is today. The need for fiscal consolidation is urgent proportionally to how the situation is critical. The need to redirect public spending to the thematic objectives of the EU 2020 document will lead to the need for savings in other expenditure items. Expenditure flows will also be primarily geared towards the implementation of the programme of structural reforms. It is appropriate at the same time to consider whether the Stability and Growth Pact is truly a suitable tool from the point of view of the successful completion of fiscal consolidation.

Key macroeconomic indicators

	GDP growth y-on-y			Current account to GDP*			Unemployment rate			Inflation y-on-y average		
in %	2006	2007	2008	2006	2007	2008	XI-09	XII-09	I-10	XI-09	XII-09	I-10
Belgium	3.0	2.8	1.1	2.0	1.7	-2.5	8.0	8.1	8.0	0.0	0.3	0.8
Bulgaria	6.3	6.2	6.0	-18.4	-25.2	-25.3	7.7	8.0	8.1	0.9	1.6	1.8
CR	6.8	6.0	3.2	-2.6	-3.2	-3.1	7.8	8.0	8.2	0.2	0.5	0.4
Denmark	3.3	1.6	-1.1	2.9	0.7	2.0	7.1	7.3	na	0.9	1.2	1.9
Germany	3.0	2.5	1.3	6.5	7.9	6.6	7.5	7.5	7.5	0.3	0.8	0.8
Estonia	10.4	6.3	-3.6	-16.7	-18.1	-9.2	15.5	15.5	na	-2.1	-1.9	-1.0
Ireland	5.7	6.0	-2.3	-3.6	-5.4	-4.5	13.0	13.3	13.8	-2.8	-2.6	-2.4
Greece	4.5	4.0	2.9	-11.1	-14.2	-14.4	na	na	na	2.1	2.6	2.3
Spain	3.9	3.7	1.2	-9.0	-10.0	-9.5	18.9	18.9	18.8	0.4	0.9	1.1
France	2.2	2.3	0.4	-0.6	-1.0	-1.9	10.0	10.0	10.1	0.5	1.0	1.2
Italy	2.0	1.6	-1.0	-2.6	-2.4	-3.4	8.3	8.5	8.6	0.8	1.1	1.3
Cyprus	4.1	4.4	3.7	-6.9	-11.7	-18.3	6.2	6.1	6.2	1.0	1.6	2.5
Latvia	12.2	10.0	-4.6	-22.5	-22.5	-12.7	22.0	22.6	22.9	-1.4	-1.4	-3.3
Lithuania	7.8	8.9	3.0	-10.6	-14.6	-11.6	na	na	na	1.3	1.2	-0.3
Luxembourg	6.4	5.2	-0.9	10.4	9.8	5.5	5.9	6.0	5.9	1.7	2.5	3.0
Hungary	4.0	1.2	0.5	-7.6	-6.4	-8.4	10.8	10.8	11.1	5.2	5.4	6.2
Malta	3.3	3.9	2.7	-9.2	-6.1	-6.2	7.0	7.2	7.0	-0.1	-0.4	1.2
Netherlands	3.4	3.5	2.1	9.3	7.7	7.5	4.0	4.1	4.2	0.7	0.7	0.4
Austria	3.4	3.1	1.8	2.8	3.1	3.5	5.5	5.4	5.3	0.6	1.1	1.2
Poland	6.2	6.6	5.0	-2.7	-4.7	-5.5	8.7	8.7	8.9	3.8	3.8	3.9
Portugal	1.4	1.9	0.0	-10.0	-9.4	-12.1	10.3	10.3	10.5	-0.8	-0.1	0.1
Romania	7.9	6.2	7.1	-10.5	-13.5	-12.2	na	na	na	4.6	4.7	5.2
Slovenia	5.9	6.8	3.5	-2.5	-4.2	-5.5	6.8	6.8	6.8	1.8	2.1	1.8
Slovakia	8.5	10.4	6.4	-8.2	-5.7	-6.6	13.5	13.6	13.7	0.0	0.0	-0.2
Finland	4.9	4.2	0.9	4.5	4.1	2.0	8.8	8.9	9.0	1.3	1.8	1.6
Sweden	4.2	2.6	-0.2	8.4	8.6	8.4	8.7	9.0	9.1	2.4	2.8	2.7
UK	2.8	3.0	0.7	-3.4	-2.9	-1.6	7.8	na	na	1.9	2.9	3.5
EU	3.1	2.9	0.9	-1.3	-1.1	-2.0	9.4	9.5	9.5	1.0	1.5	1.7

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