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Dear readers,

In March, many an optimist probably succumbed to the impression that the story of the Greek infection of the fiscal and soon also the economic and political organism could have been brought to the desired finish with just a bit rational and cool-headed approach to the entire process. There were even signs of calming down.

April, however, destroyed all hopes hitherto, stirring up extremely the sequence of events even to panic and hostility, and not only that no visible progress was achieved in the Greek story, but the opposite became true. The place for discussion has not been only the government lounges, where competent and responsible politicians equipped with powerful arguments of their specialists are looking for solutions beneficial for all, but, unfortunately, discussions started to be held also in the streets where the arguments are somewhat more emotional, less competent and much rougher.

Along with this, the infection is spreading through the Mediterranean trying to reach the second weakest link – Portugal. The credit rating of both countries is worsening and gradually preventing them from accessing the so much needed financial resources.

The Greek rescue plan has not received adequate trust in the investor community thus opening immediately the floodgate of nervousness and pessimism. In a way, it's no wonder when both in the recent and more distant past, the objective statistical data, whose interpretation is essentially shaping this trust and confidence, have been approached by the Greeks rather like the magician's or illusionist's tools where they had no problem even with repeating a lie motivated by covering their chronic internal deficiencies. And it is really mind-boggling what deficiencies there might exist in a member country of the EU at the beginning of the 21st century.

This whole story with so far very infamous ending (and who knows what the continuation will be like) has revealed how the EU and its currency integration component critically underestimated the prevention, when they made it possible at all that such a chronically indebted country was allowed to join the selective euro club. It also revealed the institutional unpreparedness for the procedures in such situations.

Accordingly, April was a period when the European integration process was undergoing unflattering development under the dominant Greek influence being thoroughly shaken to its hopefully still firm core. It was a period when so many system and procedural failures were revealed that one is even reluctant to ask what would happen if a similar infection did not affect "only" 2.5% of EU's GDP, but perhaps 15% or 20% (if other states had also fallen into a similar trap, which is more likely presupposed rather than excluded).

Let's conclude with wishful thinking or naive self-consoling rather than an objective reflection of the reality or the near future that in the Greek or another southern story, the situation could not be worse, but only better – for both Greece and the whole Union.

Petr Zahradník

Eurozone member states and the IMF have agreed on a rescue package for Greece worth 110 billion euros. So far, however, the approval of the aid has not calmed down the financial markets. Estonia has the ambition to adopt the euro early next year. In this respect, a key role will be played by the convergence reports to be published in May. Due to the last year's surplus of the common European budget, the member states will contribute less this year. The CR's contribution will be 24.4 million euros lower.

EURO AND ECONOMY

The rescue of Greece will cost 110 billion euros

Eurozone finance ministers agreed on a **rescue package for Greece worth 110 billion euros,** of which 30 billion will be contributed by the International Monetary Fund (IMF). The financial markets are still turbulent – awaiting the approval of the package by the respective national parliaments in the euro area.

After weeks of complicated negotiations and shuffling of the German government, which is facing strong public opposition, Chancellor Angela Merkel nodded on the rescue package for Greece and promised that she would fight for it in the German parliament. During the next three years, the **Eurozone together with the IMF will provide Greece** with loans totalling 110 billion euros.

Greek Prime Minister Jorgos Papandreou has in turn promised that his country will accede to yet more drastic austerity measures, which should **reduce public spending by additional 30 billion euros** in three years.

The euro area leaders should formally **approve the agreed aid at the summit to be held on Friday 7 May.** Yet before the summit, it must be approved by the parliaments of all euro area countries. According to IMF chief Dominique Strauss-Kahn, the IMF will manage this week to approve its contribution of 30 billion euros to the package of loans.

Yesterday, the Greeks went out to the streets again – to protest not only against the new austerity measures, but also mainly because nobody has been called to account for the dire budget situation (for which the previous Conservative government has generally been blamed). Prime Minister Papandreou is still quite popular among the Greeks.

Greece should pay for the three-year loans annual interest of 5%, which is half the price that the markets are willing to lend to this overindebted country (but 2% more than the price for German bonds – the so-called bunds). **The use of the aid will be closely tied to the promised austerity measures,** the implementation of which will be monitored by the EU and the IMF (evaluations will be issued on a quarterly basis).

The adopted solution is the best of the bad. It will be important that the member states and the EMU **enforce reforms and hard austerity action,** which will minimise the moral hazard and lead to a turnabout of Greek public finances and indirectly to the implementation of the necessary structural reforms. An alternative to the loan is letting Greece go bankrupt. Greece represents "mere" 2.5% of the euro area's GDP, but its breakdown would launch a domino effect. The lack of investor confidence would spill over to other countries (notably Portugal and Spain) with an ambition to shrink the global economy even lower than it was in the deepest stages of the subsiding economic and financial crisis.

http://www.consilium.europa.eu/uedocs/cms_data/docs/pressdata/en/misc/114130.pdf

Estonia is on track to adopt the euro in 2011

Thanks to the favourable macroeconomic results achieved by the Estonians even during the crisis, this Baltic state is likely to **become in 2011 the 17th member of the eurozone.** The European Commission will issue the relevant recommendation in mid-May.

"If nothing extraordinary happens, the Commission will give its **positive opinion for the accession of Estonia to the euro zone on 12 May,"** an unnamed EU official said. This would mean that this Baltic state would join the eurozone in 2011.

On the same day, 12 May, the European Commission will also **publish its convergence report for 2009.** "It will be the day of deepening and also possibly gradually widening the euro area," said Economics Commissioner Olli Rehn.

According to the Estonian government's estimations, the public deficit is set to regularly decrease as a percentage of GDP in the coming years. Tallinn foresees a deficit of 2.6% in 2009, **2.2% in 2010 and 2.0% in 2011.** In order to access the eurozone, the deficit must not exceed 3% of GDP.

Economic Development in Estonia

v %	2008	2009	2010	2011	2012	2013
GDP growth	-3.6	-14.5	-0.1	3.3	3.7	4.0
Inflation (HICP)	10.6	0.2	0.4	1.9	2.3	2.7
Unemployment rate	5.5	13.7	14.8	13.1	11.1	8.5
Public fin. balance*	-2.8	-2.6	-2.2	-2.0	-1.0	0.2
Public debt	4.6	7.8	10.1	13.0	14.2	14.3

*Source: Estonian Convergence Programme – January 2010, *) as of GDP*

Rather than deficits, the biggest problem facing Estonia has **always been inflation.** In 2008, Estonian prices rose by 10.6%, which was far above the maximum inflation reference value set by the Commission based on the average rate of inflation in that year's three best-performing EU countries.

High **inflation in Estonia was mainly fuelled by the rapid growth** which followed the country's EU accession in 2004. The 2008 economic crisis slowed down economic growth, which had until then reached double-digit figures. One positive effect of the crisis was that it finally brought inflation in line with the Maastricht criteria.

According to recent information, there is a different situation in the Balkans than in Estonia. The reports from **Romania and Bulgaria suggest further postponement** of the date when these countries would adopt the single union currency.

Romanian Central Bank governor Mugur Isarescu recommended that his country would **delay its 2015 target for adopting the euro**. Last week, Bulgaria's centre-right government announced the postponement of its plans to join ERM II, which is a kind of the euro zone's waiting room.

The opinion on Estonia's admission to the euro area will indicate **what attitude the member states, the Commission and the ECB will take to further enlargement of the euro area.** In view of the situation around Greece, which as it now appears, was not ready for the acceptance of the euro, we would not be surprised if the criteria for admitting additional countries to the euro area or their interpretation would be tightened.

http://ec.europa.eu/economy_finance/index_en.htm

Brussels is considering aid cuts for budget offenders

The European Commission presented a proposal to **cut its aid from Structural Funds** for countries, which repeatedly infringe the EU's budget rulebook. Such a measure should discourage the governments from adopting policies that could bring their countries to a situation similar to that of Greece. EU Economy Commissioner Olli Rehn said that a comprehensive proposal on the matter would be presented on 12 May.

Among the measures under consideration, the Commissioner indicated the possibility to “suspend cohesion funds” for states, which **are regularly in breach of the EU's Stability and Growth Pact.** This is the money intended to support the less developed and underdeveloped regions. Most beneficiaries are currently the regions of new EU member states, but also Spain and Italy.

Compliance with the budgetary rules is monitored by the EU through the Stability and Growth Pact. It lays down the possibility of penalising financially the states that exceed the public budget deficit by more than 3% of GDP and fail to make sufficient effort to reduce it. However, the truth is that such **sanctions have never been imposed** and the pressure on the sinful states has always been only political.

In light of the financial and economic crisis, the Union was even forced to temporarily relax the rules, because the deficits of public finances **in most countries move beyond the three percent limit.**

Commissioner Rehn firmly rejected the statement by German Chancellor Angela Merkel calling for **repeated offenders to be excluded from the euro area in the future.** “According to the treaty, this is not possible,” he said. “This idea would require a treaty change. Personally I have some reservations.” For the same reason, Mr. Rehn is not a supporter of the idea of establishing a European Monetary Fund.

A number of radical proposals emerged in the context of preventing the “Greek crisis”. In addition to subsidies suspension, there are discussions, for instance, about the **European Commission’s power to approve the budgets of the eurozone member states** before they will be submitted to voting to their national parliaments. Enforcing consistently the existing standards and regulations is often better than continuously drafting new ones. As regards fiscal responsibility of member states, it is particularly the Stability and Growth Pact that should serve as the framework within which the theoretically possible sanctions should be applied in practice.

http://ec.europa.eu/economy_finance/index_en.htm

BUDGET

Czech contribution to the joint budget will be lower this year

Due to the last year's budget surplus of 2.25 billion euros, this year’s **contributions of individual member states will be lower.** The European Commission will add the value of the last year’s surplus to the revenue of the budget, allocate it among the individual states and the resulting amount will be deducted from their annual contributions.

In relative terms, the **surplus represents 1.9% of the volume of the budget amounting to more than 113 billion euros,** which is always proposed and adopted as a balanced budget over the year. In this point, the EU budget is different from ordinary national budgets and it is widely regarded as success, when it has **the smallest possible surplus.** By its very nature, it cannot show deficit because it is composed of national contributions.

Internal Market Commissioner Michel Barnier is considering a proposal for a legislative rule to regulate the trading of credit default swaps (CDS). The Union is considering launching a project to promote all-season tourism in the EU countries, which is similar to the Erasmus programme.

From this perspective, the budget development in 2008 was more successful, because the **surplus amounted to only 1.5% of the total volume,** says the Czech News Agency (ČTK). According to the European Commission, this difference is formed mainly by movements in exchange rates, but the treatment of the Union budget is improving in general. Since 2001, the surplus has decreased by about 90 percent. “The EU budget surplus will be entered as revenue into the 2010 budget, therefore amounting to real savings for members,” said in the Commission's press release Commissioner for Budget Janusz Lewandowski.

The share of the Czech Republic in the last year’s total surplus is 24.4 million euros, by which our payment to the common European budget will be lower this year. Germany has the highest savings because it is Europe's largest economy and thus in absolute terms the largest contributor to the common budget. Its payment will be reduced by 459.1 million euros this year.

Reductions of the Member States' contributions to the 2010 budget

Germany	459.1	Ireland	25.7
France	371.6	Romania	24.8
UK	306.2	**CR**	**24.4**
Italy	287.9	Hungary	16
Spain	196.2	Slovakia	13.2
Netherlands	110.6	Slovenia	6.9
Belgium	64.8	Bulgaria	6.5
Sweden	56.1	Luxembourg	5.5
Poland	54.6	Lithuania	5.0
Austria	52.1	Cyprus	3.4
Greece	46.2	Latvia	3.4
Denmark	45.9	Estonia	2.5
Finland	34.2	Malta	1.1
Portugal	29.5	**Total**	**2 254.0**

http://europa.eu/rapid/pressReleasesAction.do?reference=IP/10/435

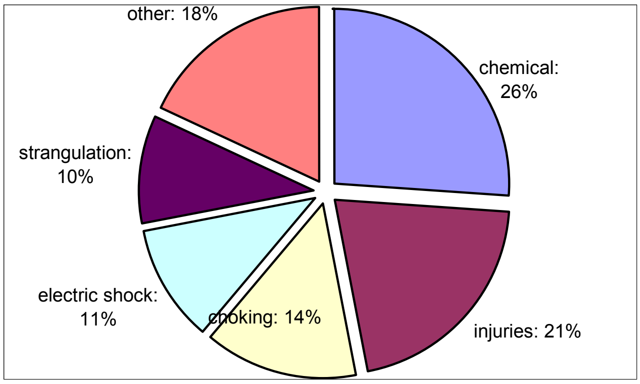
INTERNAL MARKET

More dangerous goods removed from EU shelves last year

The Commission has published its annual report on European product safety in 2009. Last year, **more dangerous goods had to be removed from EU shelves than in previous years.**

Commissioner for Health and Consumer Policy John Dalli, who presented the annual report, said that last year the **quantity of dangerous goods rose by 7%.** The Union's Rapid Alert System for Non-Food Products (RAPEX) was busier in 2009. Within the RAPEX system, member states submit information to each other on any dangerous product discovered on the market anywhere in the Union. The warning is used by the national supervisory authorities (such as the Czech Trade Inspection), which may check based on the notification whether the dangerous product emerged on the domestic market. If so, the authorities order its withdrawal from the market and arrange the refund to consumers. RAPEX was established by the EU in 2001 and its participants include all 27 EU member states as well as Iceland, Liechtenstein and Norway.

The main risks detected through the RAPEX system



Source: RAPEX

According to the Commission, the increase in incidence was due to the fact that the **Union tightened control of the market** while it cannot be said definitely that the number of poor-quality goods increased. In 2008, the move against previous year 2007 was even higher – an increase of 16%.

Maltese Commissioner Dalli has said that overall, the market situation improves, which is evidence that companies take their responsibility to consumers seriously and are able to promptly withdraw unsafe products from the market.

Last year, RAPEX recorded a total of 1,993 notifications that warned of harmful and dangerous goods. **The most frequently withdrawn goods are toys** (28%), textiles (23%), motor vehicles (9%) and electronic appliances (8%). Compared to 2008, there was a significant increase in the number of hazardous items of clothing mainly because of the new legislation adopted by the EU last year in that area.

Sixty percent of the notifications relate to Chinese-made products compared to just 20% for goods

manufactured in the EU, reflecting the fact that 80% of the toys marketed in Europe are made in China.

Spain recorded the highest number of notifications last year. Spain made 13% of all notifications, closely followed by Germany with 11% and Greece with 9%.

http://europa.eu/rapid/pressReleasesAction.do?reference=IP/10/434

FINANCE

Barnier wants to tighten the rules for credit swaps

French European Commissioner for the internal market Michel Barnier is considering a proposal for **tighter rules for credit default swaps (CDS)** in autumn. According to some views, the non-transparent CDS trades have contributed to the outbreak of the global financial crisis.

During his visit to London, the Commissioner said that we should consider all the possibilities of regulation and transparency as well as the **compulsory use of clearing centres.**

Barnier, who has sole power to propose pan-EU financial regulation, said he had never used the word **"ban" regarding CDS but that it had not been ruled out.**

Generally, credit default swaps serve the traders **as security against the insolvency of bond issuers.** In the case of non-covered sales, the trader does not need to hold the bond at all, which plays into the hands of speculators. For example, according to Greek politicians, the speculators were "betting" on the state's bankruptcy and thus worsened the troubles.

Barnier assures them that he will work "seriously and without improvisation". "I don't speak about a ban. **I speak about a framework of rules and transparency,**" he said.

The Commissioner will also **propose regulation for derivatives markets** in general in June that will focus on central clearing and registration in trade repositories.

When discussing how to force banks to ensure that there will be no need in the future to save them with taxpayers' money, Barnier is a supporter of taxation of banks. He says, however, that the specific form of such a levy is yet to be determined. "It's a debate that has started. There are many proposals – Franco-German, here in London and in the United States," Barnier said. "I don't want to state a view on the basis of this tax or its earmarking, but I do think a **contribution is necessary and legitimate**," he said.

One of the main causes of the global financial crisis was the lack of regulation that **was not able to cope with new financial derivatives,** such as CDS. Therefore, improving its effectiveness could be a useful step. Nevertheless, introducing a special tax on one particular sector of the economy, in this case the banks, is contrary to the fundamental systems of tax neutrality and fairness. The state should influence the banking business through regulation and supervision, rather than selectively imposed taxes.

http://europa.eu/rapid/pressReleasesAction.do?reference=IP/10/398

ENTERPRISE

The EU will implement "Erasmus for Tourists"

After Erasmus for students and for young entrepreneurs, the ministers responsible for tourism intend to launch **a similar project for tourists.**

EU ministers responsible for tourism started a programme to encourage **tourists to take holidays throughout the year** and preserve the jobs in tourism even outside the main season.

The sector is changing rapidly due to a number of factors, but most of all due to the growth of low cost airlines and travels organised by the tourists on their own. Most of the 10 million employees in the tourism sector **operate only during certain part of the year.** This is, however, a natural feature of this industry, which is conditioned by season and holidays.

European Commissioner for Industry Antonio Tajani has said that **seasonality represents a significant challenge for the competitiveness** in the sector. In this context, he plans to promote specific initiatives aimed at extending the season.

One such initiative is **"Erasmus for Tourists",** a programme inspired by a similar project focused on student exchange.

An unnamed official from the European Commission explained the main idea: Young people, people over 65 years and people with limited mobility or low income **will get financial aid to be able go on vacation in the off-season period.**

The citizens of the Nordic countries will travel to southern Europe even in winter, while the residents of the Mediterranean will travel to the North of the continent even in the hottest periods of the year. The whole plan **is inspired by the Spanish project of inter-regional exchanges** of tourists outside the main season.

In response to the gigantic losses of the European airline industry caused by the Icelandic volcano eruptions, the European Commission temporarily relaxed the rules on state aid for airlines from the member states. The emissions of greenhouse gases included in the European Emissions Trading Scheme decreased by 11% last year. The main reason is the reduction of production in consequence of the economic crisis.

The European Commission plans at the end of 2010 to expand the project **"Erasmus for Young Entrepreneurs"** which is a mobility programme that can help new entrepreneurs get information from experienced foreign entrepreneurs running small or medium-sized enterprises. Its pilot version was launched in February 2009.

Even though the project, which, like the planned programme for tourists, was inspired by the successful project Erasmus for Students, has the potential of up to 10 thousand entrepreneur exchanges a year, its **operation is accompanied by many difficulties.** The biggest difficulty is the looking for experienced entrepreneurs, who would be willing to devote their time and resources to mentoring young entrepreneurial hopes.

http://www.erasmus-entrepreneurs.eu/index.php?lan=en

The Commission proposes temporary exceptions for the airline industry

The European Commission published a proposal for a number of measures to help the airline industry to **cope with the crisis caused by the eruptions of the Icelandic volcano Eyjafjallajökull.** The measures include temporary derogations for night flights and deferral of the payments of en-route charges for airlines. In addition, the affected airlines could receive state aid in the form of subsidies.

The Commission estimates that the ash cloud crisis has led to over 100,000 cancelled flights and more than 10 million passengers unable to travel. **The total loss of the air industry reached 1.5 to 2.5 billion euros.**

Restoring normal air traffic and bringing stranded passengers and backlogs of freight to their final destinations remains the immediate priority of the European Union. The Commission has therefore come up with several proposals that should settle the situation in air traffic as quickly as possible.

Brussels is considering also some **measures to help the worst affected airlines.** It proposes to defer "for a limited period" the payment of en-route charges, which airlines must pay to the national authorities in whose airspace they fly.

In the longer term, Brussels confirmed its **support for targeted state aid to support the recovery of the sector.** However, the Commission made clear that such extraordinary support could only be granted to companies "directly" affected by the crisis. In the coming weeks, the Commission should formulate the guidelines on how to provide state aid.

EU transport ministers will meet early in May to discuss the Commission's proposals at an extraordinary meeting. Besides the measures relating to the settlement of the current situation, they will also deal with a **plan for a single European regulator for the entire airspace over the EU,** which - according to the Commission - should replace the national regulation authorities.

http://europa.eu/rapid/pressReleasesAction.do?reference=MEMO/10/152

AGRICULTURE

Cioloş kicks off debate on future EU agriculture

European Commissioner for Agriculture Dacian Cioloş met on 12 April for the first time with MEPs and discussed with them the form of **the expected reform of the Common Agricultural Policy**. The reformed Common Agricultural Policy (CAP) can make "a major contribution" to the EU's new strategy for sustainable economic growth, dubbed 'Europe 2020', said Cioloş.

Cioloş pointed out that **agriculture will be the engine of green and sustainable growth.** Innovation in farming can contribute to fighting climate change and finding ways of "producing more with less".

One of the most contentious issues in the ongoing debate about the future of CAP is the funding. The CAP budget currently represents around 40% of total EU spending. The budget is a major source of tension between countries like the UK or the Netherlands, who **want to "slim down", liberalise and streamline the CAP** and the biggest beneficiary of the Union's "farm" money – France.

Regarding direct aid payments, Cioloş said it is **still too early to discuss payment levels** or other specific issues. "We need to first agree on what we want to achieve with the payments and only then decide on their distribution," he stressed.

Meanwhile, Cioloş listed the **main challenges facing the future CAP:** providing food security, protecting soil and natural resources, boosting economic growth in rural areas and fighting climate change.

The EU's Common Agricultural Policy was established in 1958 to subsidise farmers and encourage them to produce more to ensure stable supplies of agricultural commodities. **There were three CAP reforms during the past two decades** – in 1992, 1999 and 2003. The Health Check of CAP was launched in 2008 with the aim of further modernising the policy – e.g. reducing the importance of

direct payments to support rural areas. The member states also agreed to further cut direct subsidies to farmers and divert the cash to rural development policy. Another major issue is the abolition of milk production quotas.

Agriculture, by virtue of its unique characteristics (e.g. positive externality – landscape conservation), **deserves regulation and public support,** which, however, in the current version of CAP, is an outdated rampant bureaucratic system that does not reflect reality and the needs of the EU at the beginning of the 21st century.

ENVIRONMENT

EU CO2 emissions fell by 11% last year

Emissions from industrial installations covered by the EU's emissions trading scheme (EU ETS) **fell by 11%** in 2009 due to the global economic crisis, according to the data published by the European Commission.

Total industrial emissions of CO2 amounted to 1.88 billion tonnes in 2009, which is an 11% drop on the previous year, confirming that the recession stifled industrial production heavily last year. The published data are only preliminary estimates, because several countries – namely Portugal, Bulgaria, Cyprus, Malta and Norway (not an EU member), had not yet submitted their emissions data to the Commission.

The significant drop in emissions means that the Union has currently no problem with the **fulfilment of the targets under the EU ETS,** which should lead in 2020 to an overall reduction in emissions (not just for the businesses in the EU ETS) by 20% compared to 1990. According to the analyst firm Point Carbon, European companies were left with surplus emission allowances worth close to 80 million tonnes of CO2 (corresponding to the annual quota of the Czech enterprises).

The "Green" organisations fear that the **continuous surplus of allowances could drag their price down** in future years. The price of a tonne of carbon currently represents only about 13 euros (in EU ETS; while in the "Kyoto" credits it is still about 1.5 euro lower), and experts speculate that if, for example, CCS should be viable, the value of allowances would have to grow at least to twice but more likely to three times the current value.

The EU ETS has since 2005 associated around 10 thousand large industrial businesses and power plants. The first trading phase until 2007 saw a gross over-allocation of permits, sending carbon prices very low and the **Commission slashed the number of allocated permits by 10% for the second phase.** But it was not enough because of the ongoing crisis – there are still too many permits on the market.

There will be a major change in EU ETS starting from 2013, when **auction sales will be introduced for purchases of permits that so far the companies have received free of charge.** The quantity of emissions released within EU ETS should decrease by 21% by 2020 as compared to 2005 – the target value represents 1.72 billion tonnes of CO2 per year. The European Commission will publish the complete data on last year's emissions on 15 May.

http://europa.eu/rapid/pressReleasesAction.do?reference=MEMO/10/120

JUSTICE AND HOME AFFAIRS

The EU and the US will conclude new bank data sharing deal

EU ministers submitted to the Commission for discussion the new version of **the SWIFT banking data sharing deal.** The staunch German opposition to parts of the new draft did not manage to stop the process.

EU justice ministers gave the Commission their approval to renegotiate the "new SWIFT". This is the second version of the document whose **original version was toppled by the European Parliament in February.**

The MEPs had sharply criticised SWIFT at that time because it did **not guarantee legal protection for European citizens on American soil** and did not prevent the Americans from mass transferring data, which could be subsequently kept up to 90 years. The present document contains numerous amendments pushed through by the

The EU Council has authorised the European Commission to agree a new treaty with the United States to exchange information on banking transactions (SWIFT). The new rules for granting short-stay visas to the Schengen area, which are effective since April, should be simpler and more transparent.

MEPs, and it is likely to be finally approved despite protests from Germany.

Germany and the UK have been sparring on how much room to give the US on access to bulk financial data via SWIFT and on how long unused data can be stored by the US Treasury. The new draft stipulates only **five-year retention of unused data on banking transactions.**

It was the bulk data transfer of the interim treaty that caused its rejection because the MEPs came to believe that it infringed the civil liberties of EU citizens. Another problem was that the original version **did not guarantee EU citizens on American soil the right to redress in an EU court.**

The US is keen to sign the agreement by June as it is worried about a security gap of several months during which would-be terrorists could plot fresh attacks.

The European Union has recently announced that it wants to have its own **Terrorist Finance Tracking Programme** (TFTP), which would be similar to that adopted in the United States after the attacks of 11 September.

Politicians are afraid, however, that the creation of such a programme would take the Union a very long time, because it must acquire the necessary technology and experts. **The know-how should be provided by the Americans.**

http://www.eu2010.es/en/documentosynoticias/noticias/abr23_consejointerior.html

New Schengen visa rules since April

New rules for visas to the Schengen area started to apply in early April. The whole system should be easier, faster and more transparent, says the European Commission.

According to the Commission's press release, the **new system should increase transparency, enhance legal certainty** and guarantee equal treatment of visa applicants. The new Code was adopted in June 2009 by the Council and the European Parliament.

The new rules will apply to third-country nationals **seeking a short-stay visa (up to 90 days).** Visas for long stays – beyond 90 days – remain under national jurisdiction of individual states.

Specifically, the new code means that **all rules of Schengen visa are summarised in a single document.** Another change is the simplification of the form on which the applicants submit their visa application. Two legally non-binding guides have been recently published to help the "Schengen" countries to harmonise the procedures for issuing visas. So far, each individual state acted on its own.

The new rules bring the **cheapening of the whole process for several groups of applicants.** Children between 6 and 12 years should pay 35 euros (compared with the standard fee of 60 euros). Applicants under 25 years of age participating in certain programmes within non-profit organisations (such as sports, cultural or educational conferences or seminars) supported by the EU will have visa free.

The new Code should **simplify the entry of "impeccable and reliable" people** who frequently travel to the EU (such as truck drivers). States with which the Union has concluded Visa Facilitation Agreements will continue to pay a reduced fee of 35 euros and their applications will have to be settled within ten days (compared to the standard term of 15 days).

Acceleration of the process means in practice that the **authorities will have two weeks to interview the applicant.** Then the authorities have to decide within 15 days whether or not to grant a visa. In case of refusal, the authorities will have to explain their decision since April 2011. This is another novelty. Moreover, unsuccessful applicants will have a right of appeal.

According to the European Commission, the **Czech Republic issued in 2008 the seventh highest number of short-stay visas** in the EU. Most of them were issued (in descending order) by Germany, France and Italy. On the other end is Iceland and Luxembourg.

REGIONAL POLICY

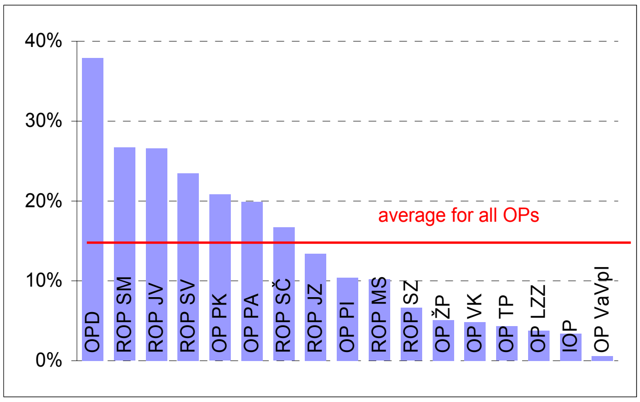
Czech Republic gets more money from EU funds. Its Growth was faster

The Czech Republic will be able in the next three years to **get 237 million euros more from the EU funds than originally anticipated.** This is due to the higher economic growth in 2007-2009.

The European Commission has announced that the **Czech Republic, Slovakia and Poland will receive an extra 1 billion euros from Structural Funds in the years 2011-2013.** In the case of the Czech Republic, this means that the initial 26.7 billion euros to which it is entitled in 2007-2013 will be increased in the next years by additional 237 million euros (about CZK 6 billion). A similar increase in the budget will take place in Poland (additional 633 million euros) and Slovakia (138 million euros).

The bonus of these three new member states is due to the fact that **despite difficult economic situation in 2007-2009, their economies grew faster** than expected in 2005 when the European Union draw up the European funds budget.

Paid projects from individual OPs as of total allocation



Source: www.strukturalni-fondy.cz, as of 6 April 2010

The decision about the allocation of additional funds did not come from nowhere. Already when developing the cohesion policy for the current programming period, the European Commission, the member states and the European Parliament agreed that if either country **deviates from the predicted economic growth of more than 5% the amount of its allocation would be automatically adjusted.**

The fate of the extra money has already been decided. Martin Ayrer, spokesman of the Ministry for Regional Development, informed that the **government decided on the "key as to where to move the free money from operational programmes"** if there would be danger that some operational programmes would not be able to utilise the allocated funds. The same formula will be used based on the yesterday's meeting in the case of the extraordinary 237 million bonus.

And what is the formula? The government decided yesterday that in the event of transfer**, 52.5% of available funds would be allocated to promote regional development and services in the regions,** 15% to business with an emphasis on innovation and 32.5% to support transport infrastructure.

http://europa.eu/rapid/pressReleasesAction.do?reference=IP/10/441

Regional Governors request more money for ROPs

The Regional Governors are asking the government to **transfer the 13 billion crowns, which have not yet been drawn from the EU operational programmes, directly to the Regional Operational Programmes (ROP),** the Czech News Agency (ČTK) reports. A number of thematic operational programmes, namely those managed by the ministries, have now difficulties getting the allocated money for the Czech Republic. We are worried about the possible danger that the Czech Republic could lose the money, said the President of the Association of Regions of the CR Michal Hašek (Social Democratic Party). According to the analyses of the Regional Presidents, the endangered quantity of money varies between 20 to 25 billion crowns. In a press release sent to ČTK, the Ministry for Regional Development has announced that it does not plan any changes.

The Regional Presidents do not agree with the recent resolution of the Government, according to **which transfers of the EU money between the respective programmes are not necessary at present.** If any of the operational programmes is threatened by lack of money, a possible transfer between the programmes is not excluded, said on Tuesday for ČTK Martin Ayrer, spokesman for the Ministry for Local Development. However, according to the Regional Presidents, the analysis contains time limits for negotiations with Brussels, which make it virtually impossible to make any significant changes. Allegedly, there is a real danger that some funds will not be exhausted.

The Ministry spokesman said that no radical changes are being planned by the Ministry. Utilisation of the money from the operational programmes will be re-examined by the Ministry in August, ČTK reports.

The Regional Presidents propose **adding one billion crowns to each of the regions except for Prague.** According to Mr. Hašek, the regions know how to distribute the European money quickly and have a sufficient number of quality projects. "If it is not acceptable for the Government, we see another possible alternative in transferring the funds to the Operational Programme Transport, from where the regions could take the funds to repair and reconstruct the road transport network," he said.

It is true that the regional operational programmes belong to the programmes with above-average rate of utilisation – see the table. Any transfers of funds within the individual operating programmes must be approved by the European Commission and the approval process itself is a matter of several months. Any possible transfers of funds from the thematic ROPs will have to be settled based on the updated utilisation summaries by the new government to emerge from the elections.

www.strukturalni-fondy.cz

Another entity that has contributed to the debate on the future form of EU cohesion policy after 2013 is the Committee of the Regions. According to the Committee, cohesion policy should be focused mainly on the specified regions and its goal should be to strengthen economic cohesion. The European Commission has launched a new web portal, which contains complete information on the EU customs system. Eurostat has published updated information on the state of public finances.

APRIL 1

The European Commission adopted the proposal for a Regulation on the citizens' initiative: http://ec.europa.eu/dgs/secretariat_general/citizens_initiative/index_cs.htm

New Commission report presents first assessment of roll-out of European cohesion policy: http://ec.europa.eu/social/main.jsp?langId=cs&catId=89&newsId=748&furtherNews=yes

APRIL 6

Innovative financing at a global level: http://ec.europa.eu/economy_finance/articles/international/2010-04-06-global_innovative_financing_en.htm

APRIL 7

EIB:The intermediary banks and financing institutions for credit lines: http://www.eib.org/about/news/the-intermediary-banks-and-financing-institutions-for-credit-lines.htm?lang=en

APRIL 8

European Commission urges Roma social inclusion: http://europa.eu/rapid/pressReleasesAction.do?reference=IP/10/407

APRIL 9

The Art of the Amendment: http://www.europarl.europa.eu/news/public/story_page/008-72110-096-04-15-901-20100406STO72099-2010-06-04-2010/default_en.htm

Research: CLIMATE CHANGE: Life in minimum oxygen ocean zones at risk: http://ec.europa.eu/research/headlines/news/article_10_04_09_en.html

APRIL 12

SME Finance Forum: http://ec.europa.eu/enterprise/newsroom/cf/itemlongdetail.cfm?lang=cs&tpa_id=128&item_id=4183

New evaluation studies show impact of EU cohesion policy investment in transport and environment: http://ec.europa.eu/regional_policy/newsroom/index_en.htm

Multilateral Development Banks (MDBs) step up their fight against corruption with joint sanction accord: http://www.eib.org/about/news/mdbs-step-up-their-fight-against-corruption-with-joint-sanction-accord.htm?lang=en

APRIL 13

Banks discuss support for economy and climate: http://www.eib.org/about/news/development-banks-to-meet.htm?lang=en

The future of European agriculture policy: http://europa.eu/rapid/pressReleasesAction.do?reference=IP/10/419

Monthly Labour Market Monitor April 2010: http://ec.europa.eu/social/main.jsp?langId=cs&catId=89&newsId=751&furtherNews=yes

APRIL 14

Commission launches EUR 35 million call for projects that turn environmental challenges into business opportunities: http://europa.eu/rapid/pressReleasesAction.do?reference=IP/10/420

Enlargement: Montenegro handed over replies to the Commission's additional questions: http://ec.europa.eu/enlargement/index_cs.htm

APRIL 15

A new strategic vision for the EU's Tourism Policy: http://ec.europa.eu/enterprise/newsroom/cf/itemshortdetail.cfm?item_id=4194&lang=en

APRIL 16

Committee of the Regions presents outline for cohesion policy reform: http://www.cor.europa.eu/pages/PressTemplate.aspx?view=detail&id=2fa90667-71e5-478b-ae4c-541cdc317bf7

APRIL 19

What's the future for EU's online library Europeana?: http://www.europarl.europa.eu/news/public/story_page/037-61770-292-10-43-906-20091002STO61736-2009-19-10-2009/default_en.htm

Impact of the volcanic ash cloud on the Council activities?: http://www.consilium.europa.eu/showFocus.aspx?id=1&focusId=462&lang=en

APRIL 20

Extraordinary Meeting of Ministers of Transport:: http://www.consilium.europa.eu/uedocs/cms_data/docs/pressdata/en/trans/113899.pdf

Taxation and Customs Union: Launch of European Customs Information Portal: http://ec.europa.eu/ecip/

Regional Policy: Commission assesses cohesion policy's achievements: around 1.4 million jobs created in Europe in 2000-2006: http://europa.eu/rapid/pressReleasesAction.do?reference=IP/10/444

APRIL 21

European skies reopen: http://www.consilium.europa.eu/showFocus.aspx?id=1&focusId=462&lang=en

EU and Croatia provisionally close chapter on free movement of goods: http://ec.europa.eu/enlargement/index_en.htm

APRIL 22

Statistics: Euro area and EU27 government deficit at 6.3% and 6.8% of GDP respectively: http://europa.eu/rapid/pressReleasesAction.do?reference=STAT/10/55

EU Member States Public budget deficit

% of GDP	2006	2007	2008	2009
Sweden	2.5	3.8	2.5	-0.5
Luxembourg	1.4	3.6	2.9	-0.7
Estonia	2.5	2.6	-2.7	-1.7
Finland	4.0	5.2	4.2	-2.2
Denmark	5.2	4.8	3.4	-2.7
Germany	-1.6	0.2	0.0	-3.3
Austria	-1.5	-0.4	-0.4	-3.4
Malta	-2.6	-2.2	-4.5	-3.8
Bulgaria	3.0	0.1	1.8	-3.9
Hungary	-9.3	-5.0	-3.8	-4.0
Italy	-3.3	-1.5	-2.7	-5.3
Netherlands	0.5	0.2	0.7	-5.3
Slovenia	-1.3	0.0	-1.7	-5.5
Czech Republic	**-2.6**	**-0.7**	**-2.7**	**-5.9**
Belgium	0.3	-0.2	-1.2	-6.0
Cyprus	-1.2	3.4	0.9	-6.1
EU27	**-1.4**	**-0.8**	**-2.3**	**-6.8**
Slovakia	-3.5	-1.9	-2.3	-6.8
Poland	-3.6	-1.9	-3.7	-7.1
France	-2.3	-2.7	-3.3	-7.5
Romania	-2.2	-2.5	-5.4	-8.3
Lithuania	-0.4	-1.0	-3.3	-8.9
Latvia	-0.5	-0.3	-4.1	-9.0
Portugal	-3.9	-2.6	-2.8	-9.4
Spain	2.0	1.9	-4.1	-11.2
United Kingdom	-2.7	-2.8	-4.9	-11.5
Greece	-3.6	-5.1	-7.7	-13.6
Ireland	3.0	0.1	-7.3	-14.3

Source: Eurostat

SWIFT and PNR: privacy concerns voiced ahead of new round of negotiations: http://www.europarl.europa.eu/news/expert/infopress_page/019-73063-109-04-17-902-20100420IPR73062-19-04-2010-2010-false/default_en.htm

APRIL 23

EIB and Commission back launch of prototype satellite Alphasat: http://europa.eu/rapid/pressReleasesAction.do?reference=BEI/10/63

APRIL 26

EU ready for new talks on bank data transfers: http://www.consilium.europa.eu/showFocus.aspx?id=1&focusId=464&lang=en

Justice and Home Affairs Council meeting: http://www.consilium.europa.eu/uedocs/cms_data/docs/pressdata/en/jha/113967.pdf

APRIL 27

General Affairs Council meeting: http://www.consilium.europa.eu/uedocs/cms_data/docs/pressdata/EN/genaff/114045.pdf

Foreign Affairs Council meeting: http://www.consilium.europa.eu/uedocs/cms_data/docs/pressdata/EN/foraff/114044.pdf

APRIL 28

Integrated guidelines for economic and employment policies: http://ec.europa.eu/social/main.jsp?langId=cs&catId=89&newsId=782&furtherNews=yes

Is Europe's transport getting greener?: http://www.eea.europa.eu/pressroom/newsreleases/is-europe2019s-transport-getting-greener-partly

APRIL 29

Clean and energy efficient vehicles: European Commission tables strategy: http://ec.europa.eu/enterprise/newsroom/cf/itemshortdetail.cfm?item_id=4253&lang=en

Publications Office of the European Union: The European Commission 2010-14 - Profiles and priorities: http://ec.europa.eu/publications/booklets/others/88

APRIL 30

Agreement on the European diplomatic service: http://www.consilium.europa.eu/showFocus.aspx?id=1&focusId=468&lang=en

The key topic of the political and economic developments in the European Union is undoubtedly the present situation around Greece. The meeting of the heads of governments and states of the euro area the first Saturday in May should further clarify the form of the rescue package for Greece and the associated procedures. Worth mentioning also is the meeting of the EU Council regarding general affairs where the main point will be the preparation for the June European Council.

Meeting of the key EU institutions

4. 5. 2010	**Brussels, Belgium**	- Extraordinary meeting of the Council of EU transport ministers
5. 5. 2010	**Brussels, Belgium**	- EU - Canada Summit
7. 5. 2010	**Brussels, Belgium**	- Meeting of Heads of State and Government of the Euro Area
10. 5. 2010	**Brussels, Belgium**	- Foreign Affairs Council (FAC) and Development
10. 5. 2010	**Brussels, Belgium**	- General Affairs Council
10. – 11. 5. 2010	**Brussels, Belgium**	- Council of Education, Youth and Culture
16. 5. 2010	**Comillas, Spain**	- EU - Mexico Summit
17. – 18. 5. 2010	**Brussels, Belgium**	- Council of Agriculture and Fishing
17. 5. 2010	**Brussels, Belgium**	- Eurogroup Meeting
18. 5. 2010	**Brussels, Belgium**	- Council of Economy and Finances (ECOFIN)
25. – 26. 5. 2010	**Brussels, Belgium**	- Council of Competitiveness
30. – 3 1. 5. 2010	**Mérida, Spain**	- Informal Meeting of EU Agriculture Ministers
31. 5. 2010	**Brussels, Belgium**	- Council of Transport, Telecommunications and Energy (TTE)

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LISBON TREATY AND THE NEW POSITION OF REGIONS IN THE EU

The adoption of the Lisbon Treaty strengthens the role of the European Union's regional and local dimensions. The most important and most visible effect is the **extension of the term cohesion in the EU's perception with its third aspect**, which – alongside the economic and the social components – is **territorial cohesion**.

The impact of the introduction of the concept of territorial cohesion is virtually twofold:

- There is a significant change in the impact on the development of EU legislation, which will much more reflect regional and local accents, including the identification of the impacts of its adoption on the regional and local levels;
- There could also be a significant change in the concept of EU cohesion policy itself (even under the influence of other circumstances) towards an extended concept and understanding of the regions (namely, the currently discussed, innovative concept called macro-regions).

This leads to the explicit recognition of the principle of regional and local governments based on the subsidiarity principle; this essentially expands also the dimension (both qualitative and quantitative) of the term of subsidiarity; now, the EU must respect besides "its" union level not only the apparent national level, but also the regional and local competences.

Territorial cohesion has thus become the third cohesion dimension, which should contribute to the harmonisation of economic and social development – hence becoming one of the fundamental objectives of the EU and the future direction of EU cohesion policy will be adapted to it after 2013.

This results in some significant procedural and institutional changes regarding particularly the European Commission, the Committee of the Regions and the relations between EU institutions; the description of these changes, including examples of interpretations of territorial cohesion in the form of the so-called macro-regions and the relations towards the future form of the budgetary framework of the EU and the documents of national significance (Convergence Programme) will be the main topic of the content of this paper.

1. DEVELOPMENT OF LEGISLATION AND INSTITUTIONAL CHANGES

- The European Commission must – mainly due to the adoption of the Lisbon Treaty – consult more widely and **take into account the regional and local dimensions** before proposing **any new legislative acts and standards**; this rule will express itself even in the case of legislation associated with the adjustment of the future EU cohesion policy after 2013, where the extended accent of regional and local dimensions will be expressed;
- If obstacles and barriers emerge at regional and local levels – regardless of whether financial or administrative in nature – then all the new EU legislation must analyse and minimise them;
- The national and regional parameters gained greater scrutiny with respect to EU legislation through the "early warning system".

The activity aimed at extending the concept of cohesion by its territorial aspect was supported very strongly and actively by the Committee of the Regions. Besides the above-mentioned impacts, it might be good to deal with them more specifically.

Changes brought by the Lisbon Treaty to the activity of the Committee of the Regions

The first of these changes has a time-procedural dimension; in accordance with the mandate of the European Parliament and the European Commission (following the European Parliament elections), the mandate of the Committee of the Regions (CoR) is extended from the current four to five years. The President of the Committee of the Regions and its Secretariat are established for a period of two and a half years; in the second half of this mandate the person of the President will be replaced.

The Committee of the Regions is now included in the entire duration of the legislative process, which is due to the fact that the consultation process became mandatory not only for the European Commission and the Council, but also for the European Parliament.

The CoR is entitled to submit cases to the European Court of Justice, where it would protect its powers and competencies, or nullify the EU legislation, which would be contrary to the principle of subsidiarity by disrespecting the regional and local competences.

The Committee of the Regions

It is considered to be a kind of ambassador of Europe in regions, cities and municipalities and it speaks for them within the broad European debate; it conducts a direct dialogue with fellow citizens about what Europe has achieved and what are its challenges for the future and helps to explain and promote the implementation and territorial impact of EU policies;

Since its establishment in 1994, the Committee of the Regions – an assembly of regional and local representatives at the EU level – has worked with the aim of contributing to more democratic, more transparent and networked Europe. The all-embracing objective of the Committee of the Regions has always been to assist the building of a Union, which would be linked with and supported by the Europeans.

The Lisbon Treaty and regional policy

- The Treaty of Lisbon went into force on 1 December 2009 and represents an important step towards making it possible for all levels of administration and local government in Europe to work together and be aware of each other. In this respect, it should strengthen the principle that decisions are made as close to the people as possible and in the best possible way for the citizens – that is what the EU refers to as subsidiarity;
- The Lisbon Treaty explicitly recognises – for the first time – the principle of regional and local governments within the EU member states. In this regard, it also attaches more importance to local and regional levels within the principle of subsidiarity;
- The Lisbon Treaty ensures that the process of developing new EU laws starts with a detailed consideration of local and regional impacts in the event of any legislative proposals. It also gives the Committee of the Regions more powers to monitor the legislative proposal when passing through all the levels and stages of the legislative process. The Lisbon Treaty gives the **assembly of regional and local representatives more political and legal instruments**;
- The authorities at all levels across Europe will have to work together to a much larger extent than previously. The Committee of the Regions deals with anticipating these changes and new challenges arising from them and is ready to help strengthen the position of the local and regional authorities.

New responsibilities within the EU legislative process

The Lisbon Treaty changes the form of relations between the individual EU institutions. Let's consider the description of these changes from the perspective of the already described institution to which the subject is closest in terms of competency – the Committee of the Regions. As mentioned above, due to the adopted amendments, the Committee of the Regions won the possibility of increased presence in all stages of development of EU legislation – in the preparation, amendment and monitoring of legislation in all cases having effect on the regional and local authorities.

This should ensure a greater contribution to the formulated EU policies from the levels of authorities, which are closest to the public and cover greater public involvement in the process of European integration.

All three institutions that decide on EU legislation – the European Parliament, the European Commission and the European Council, or the Council of the EU – will now have to consult with the Committee of the Regions the issues related to the development of legislation in respect of any area with a regional impact. The opinions of the Committee of the Regions will cover **several new areas of EU policy**, including energy, climate change and public utilities, i.e. the social, public and infrastructure services.

In addition, the Committee of the Regions now has legal tools to promote its rights to consult the matters with the European Court of Justice. It can protect its privileges, if it considers that they were not respected by other EU institutions, and challenge and address EU legislation that does not respect the principles of subsidiarity by infringing regional and local competences.

New procedures

- The Committee of the Regions adopted procedures for incorporation of the changes brought by the Lisbon Treaty;
- Increased presence of the regional element in the EU legislative process; the Committee of the Regions and its Commissions will be able to design new opinions enabling them to respond quickly and appropriately to the discussions between the European Commission, the European Parliament and the EU Council;
- **Activities in relation to the European Court of Justice**; protection of the powers of the Committee of the Regions and the cancellation of EU legislation which contravenes the principle of subsidiarity; the activities can be initiated either by a majority vote obtained in the plenary session, or in case of urgency through a prompt action initiated by the Secretariat of the Committee of the Regions.

Closer working ties between the Commission and the Committee of the Regions

The Lisbon Treaty creates a new dynamism in the relationship between the European Commission and the Committee of the Regions. In the implementation of the procedures arising from the Lisbon Treaty, there will be significantly greater intensification of the discussions

between the Commission and the Committee **from the beginning to the end of the legislative procedure**. The input of the Committee of the Regions in the form of consultations and communication of ideas in particular will improve the effectiveness of legislation and will lead to a more comprehensive and more authentic form of EU laws, which would constitute smaller barriers to the local and regional authorities.

Within the scope of the new process, the Committee of the Regions assumes a proactive role in relation to the Commission before the Commission publishes a new legislative proposal. At this level, the Committee of the Regions is the intermediary link between the regional and local authorities and the Commission when assessing the social, economic and regional impacts. The framework for this platform has been created by the measures for enhanced consultations mentioned in the Lisbon Treaty and by the existing cooperation agreement between the European Commission and the Committee of the Regions.

The Committee of the Regions will work together with the national, regional and local authorities and with the associations of regions and cities on the analyses of local and regional impacts of EU legislation and on ensuring that it would be applied correctly by the member states.

When the Commission makes and publishes a formal legislative proposal, the opinions of the Committee of the Regions will gain greater importance and emphasis in determining the compatibility of the proposal with the subsidiarity principle. The Committee of the Regions will work together with the national and regional parliaments and use its **subsidiarity-monitoring platform** to transfer the inputs and impulses from the regions and the local authorities across Europe and to incorporate them into the opinions of the Committee of the Regions.

The Committee of the Regions will also ask the Commission to respect its right to "**re-consult**" so that the nature and substance of the proposals could be substantially altered during the legislative process. The ability of the Committee of the Regions to defend the legislation in European courts will be also influenced by the work of the European Commission in ensuring that the opinions of the Committee of the Regions were incorporated into the proposals before they become law.

Cooperation between the European Commission and the Committee of the Regions

- The agreement between the European Commission and the Committee of the Regions of 2007 aims at creating a closer working relationship and a platform for consultation with local and regional stakeholders in the most convenient time and phase (as soon as possible at the beginning of the legislative process). The Lisbon Treaty enables complete fulfilment of this agreement;
- The European Commission presents its annual work programme to the Committee of the Regions. Proposals for priority areas are identified and these are subject to mandatory consultation or consultation based on voluntary choice;
- The European Commission will ask the Committee of the Regions to elaborate the opinion outlook for future EU policies and studies on the effects of the proposals and – in some cases – the evaluation of the impacts of directives that are already in force.

Subsidiarity monitoring platform

- The Committee of the Regions will build on the platform for subsidiarity monitoring to ensure that local and regional authorities are involved in the development, implementation and evaluation of EU policies;
- It was created by the Committee of the Regions in 2005 and allows for better information exchange between regional and local authorities, their associations and their national parliaments across the EU regarding the European Commission's policies and proposals which will have a direct impact on local and regional authorities;
- More than 120 partners provide their evaluation of all policy and legislative documents, which are assessed by the Committee of the Regions.

Subsidiarity

Subsidiarity represents the principle that all decisions at EU level must be taken at that level, which is most effective and most beneficial from the citizen's perspective and as closely as possible to the citizen. This means that in areas of shared competence, action should be taken at EU level only if the policy objectives and instruments cannot be achieved and enabled on local, regional or national level and it is more efficient and beneficial for citizens to execute it at EU level.

Subsidiarity is connected with the principle of proportionality, which stipulates that any action by the Union should not go beyond what is necessary to achieve the objectives of the EU Treaty. If there are multiple opinions in this respect, the EU should take action that gives the national, regional and local authorities the greatest degree of liberty and freedom.

More political link between the EuroParliament and the Committee of the Regions

The political link lies mainly in the premise that the members of both the European Parliament and the Committee of the

Regions represent elected representatives of EU citizens and as such, they increase the EU's democratic legitimacy.

The Lisbon Treaty establishes a closer and more transparent link between these two institutions. It should enable greater public tie to the EU and confidence in its democratic character.

2. MACRO-REGIONS

The introduction of the concept of territorial cohesion has created a space for discussing how this term will be interpreted in practice. One of the currently most fashionable interpretations is, for example, the concept of the so-called macro-regions, which should be also applied in the future form of the rules of EU cohesion policy after 2013. The concept of macro-region is applied to areas extending beyond the national borders of EU member states.

The European Commission alone, probably due to the high degree of institutional readiness for implementation in the practical project phase, is strongly promoting the **macro-region of the Baltic Sea**, including virtually all coastal regions of EU member states belonging to this area.

A very advanced stage of negotiations has been also reached with respect to the outlines of the macro-region consisting of areas along **the Danube**. There are even several regions, through which the Danube does not flow directly (including several Czech regions), that are trying to join it.

The recent discussion platform, held in mid-April in the premises of the Committee of the Regions, has revealed that there are about twenty (and maybe even more) such macro-regions having the ambition of being established, (for instance, the Mediterranean, the Alpine region, the Elbe region, a region consisting of the areas of the former Iron Curtain and many others).

If the practice of macro-regions wins its way, it would mean a significant innovation in the current understanding of the performance of EU cohesion policy.

3. COMPLIANCE WITH KEY DOCUMENT: THE CONVERGENCE PROGRAMME

The Convergence Programme of the Czech Republic has become a very significant parameter of the debate about the future EU cohesion policy after 2013 and the role of regions with regard to the public finance development and outlook. The content of the Convergence Programme and the ability to fulfil it can be subsequently reflected in the fact that in case of its chronic non-fulfilment, the European Commission can impose against such a member country a penalty in the form of suspension of the process of drawing EU funds for a period until removing or taking provable steps to remove the signs of fiscally undisciplined behaviour. The Convergence Programme is also a tool for creating an economic environment that is friendly in terms of adopting the common European currency – the euro. On this occasion, it is appropriate to recall that some of the instruments of EU cohesion policy, in particular the Cohesion Fund, were established in the early 1990s with the aim of helping the then EC countries to establish a single currency environment or, more precisely, an economic system that is more smoothly compatible with such an environment.

The regularly updated Convergence Programme is submitted within the European multilateral budgetary surveillance and coordination of fiscal policies (by a group of countries that have not introduced the euro; while in parallel, the euro-zone members submit their Stabilisation Programme).

The so far most recent version of the Convergence Programme of the Czech Republic is framed by two essential parameters: the climate of the political situation in the Czech Republic, characterised by the current interim and apolitical character of the government, and simultaneously a high degree of uncertainty about the election outcome and the resulting political constellation having a direct impact on the performance of the public finance policy in the future; the second key parameter is the fact that in December 2009, the excessive budget deficit procedure was initiated with the Czech Republic – as well as with many other EU members.

In the subsequent procedure, the EU Council has recommended that the Czech Republic should take action by 2013 returning the government sector deficit relative to GDP back below 3%. The uncertain and unstable political situation also determines the level of the public sector's ability to fulfil realistically this recommendation or – rather – commitment from our point of view. Within the limited space, the present caretaker government has prepared a version of consolidation strategy, which contributes to some progress in removing excessive deficit and provides the future political government with guidance for the continuation of the fiscal consolidation process. Either way, the irreplaceable existence of a politically determined government is a necessary condition for a timely response to the fiscal situation that has arisen; the longer such a government will be missing, the more we will delay and postpone the obvious problems we are facing.

The Convergence Programme states that the priority of fiscal policy for the next period will be the reduction of the deficits of the government sector and the improvement of the structural parameters of public finances. The path to achieving these medium-term objectives is slow. The main objective of fiscal policy is keeping the government deficit in 2010 at the level of 5.3% of GDP and the subsequent rather linear process of its decreasing to a point where the excessive deficit will be removed in 2013.

Other objectives of the Czech government in fiscal policy:

- reduce adverse effects of the economic development in 2009 on the government sector by measures taken to reduce the deficit;
- reduce administrative burdens and tax distortions by streamlining the tax system;
- enhance the efficiency of government spending.

The active measures taken to reduce the deficit in 2010 are mainly focused on the revenue side of public budgets, particularly in the area of indirect taxes. As regards the expenditure side, a compromise was accepted in the form of a temporary reduction of some social benefits, the vacant posts in the state sector were cancelled, and the volume of funds for the salaries of civil servants and for the purposes of pensions was frozen.

At the same time, the consolidation strategy was prepared also for the next years of the outlook, in which a stronger accent was placed on the expenditure side. The strategy is accompanied by a number of proposed qualitative measures related, for instance, to the streamlining of the tax system and to a transparent and entrepreneur-friendly tax administration. The priority of fiscal support remains to be education, science, research, and investments that directly promote economic growth.

The prerequisite for the successful implementation of fiscal consolidation will be the setting of achievable fiscal targets by the new government. The main tool will be the consistent application of the regime of fiscal targeting and the compliance with the newly approved medium-term expenditure frameworks.

4. IMPACT ON THE NEW FINANCIAL FRAMEWORK AFTER 2013

The reform of the EU budget is a process that has long been felt to be essential, but so far unfulfilled. The necessity to adapt the form of the EU budget to the present and primarily the future economic needs was felt already in the previous negotiations of the current financial perspective. Due to certain stereotyped rigidity, it can be noted that despite some partial adjustments, it does not fully correspond to the Union's future priorities.

It is therefore no coincidence that the need for drawing up a budget for the future was formulated already in the pre-crisis period to conform better with the future development challenges, with the need to adapt to the fundamental, qualitative structural changes (including the ensued social consequences), with the trend of enhanced mobility and the scientific and technological progress, with the enormous building of new capacities in the knowledge economy, as well as with the considerable consequences of the ongoing migration, with the new dimensions of climate change and the need to address solidarity and social cohesion. These areas belong to the major factual fields, which should not be indifferent to the form of the future financial framework.

Here, however, there is also a structural level and a clear answer to the question: in what proportion of redistribution (toward the GDP) the EU budget should remain (or change) in relation to the national budgets while maintaining the principles of subsidiarity and proportionality. If just a few months ago, the idea of the need to slightly increase the volume of the budget in proportion to the volume of EU's GDP (somewhere to the level of 1.2% - 1.3%) has relatively taken root, many current ideas are targeted today in precisely the opposite direction, and in some cases even below the level of 1% of EU's GDP. This discussion very strongly reflects the certain difference in the approach and priorities of the developed and rich member states as compared with the underdeveloped ones.

The third legitimate level is political, managerial and procedural and concerns questions of the efficient use of the Union's fiscal resources to ensure all the key policy priorities, the methods of managing the EU's fiscal policy, the co-financing issues as well as the transparency and efficiency of administration.

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

Key macroeconomic indicators

	GDP growth y-on-y			Current account to GDP*			Unemployment rate			Inflation y-on-y average		
in %	2007	2008	2009	2006	2007	2008	I-10	II-10	III-10	I-10	II-10	III-10
Belgium	2,9	1,0	-3,1	2,0	2,2	-2,5	8,0	8,0	8,1	0,8	0,8	1,9
Bulgaria	6,2	6,0	-5,0	-18,4	-25,2	-25,4	8,4	8,6	8,7	1,8	1,7	2,4
CR	6,1	2,5	-4,8	-2,4	-3,2	-3,1	7,7	7,9	7,9	0,4	0,4	0,4
Denmark	1,7	-0,9	-4,9	3,0	1,5	2,2	7,5	7,6	7,6	1,9	1,8	2,1
Germany	2,5	1,3	-5,0	6,5	7,9	6,6	7,4	7,4	7,3	0,8	0,5	1,2
Estonia	7,2	-3,6	-14,1	-16,9	-17,8	-9,4	na	na	na	-1,0	-0,3	1,4
Ireland	6,0	-3,0	-7,5	-3,6	-5,3	-5,2	13,1	13,1	13,2	-2,4	-2,4	-2,4
Greece	4,5	2,0	-2,0	-11,3	-14,4	-14,6	na	na	na	2,3	2,9	3,9
Spain	3,6	0,9	-3,6	-9,0	-10,0	-9,6	18,9	19,0	19,1	1,1	0,9	1,5
France	2,3	0,4	-2,2	-0,5	-1,0	-2,3	10,0	10,1	10,1	1,2	1,4	1,7
Italy	1,5	-1,3	-5,0	-2,6	-2,4	-3,4	8,5	8,6	8,8	1,3	1,1	1,4
Cyprus	5,1	3,6	-1,7	-6,9	-11,7	-17,5	6,3	6,4	6,7	2,5	2,8	2,3
Latvia	10,0	-4,6	-18,0	-22,5	-22,3	-13,0	20,9	21,6	22,3	-3,3	-4,3	-4,0
Lithuania	9,8	2,8	-15,0	-10,6	-14,5	-11,7	na	na	na	-0,3	-0,6	-0,4
Luxembourg	6,5	0,0	-3,6	10,3	9,7	5,5	5,4	5,6	5,6	3,0	2,3	3,2
Hungary	1,0	0,6	-6,3	-7,5	-6,8	-7,1	11,1	11,1	11,0	6,2	5,6	5,7
Malta	3,8	2,1	-1,9	-9,2	-6,1	-5,6	7,0	7,1	6,9	1,2	0,7	0,6
Netherlands	3,6	2,0	-4,0	9,3	8,7	4,8	3,9	4,0	4,1	0,4	0,3	0,7
Austria	3,5	2,0	-3,6	2,8	3,6	3,2	4,8	4,9	4,9	1,2	0,9	1,8
Poland	6,8	5,0	1,7	-2,7	-4,7	-5,1	8,9	9,0	9,1	3,9	3,4	2,9
Portugal	1,9	0,0	-2,7	-10,0	-9,4	-12,1	10,3	10,3	10,5	0,1	0,2	0,6
Romania	6,3	7,3	-7,1	-10,5	-13,4	-11,8	na	na	na	5,2	4,5	4,2
Slovenia	6,8	3,5	-7,8	-2,5	-4,8	-6,2	6,2	6,1	6,2	1,8	1,6	1,8
Slovakia	10,6	6,2	-4,7	-8,2	-5,7	-6,6	14,1	14,1	14,1	-0,2	-0,2	0,3
Finland	4,9	1,2	-7,8	4,5	4,2	3,0	8,9	8,9	9,0	1,6	1,3	1,5
Sweden	2,5	-0,2	-4,9	8,4	8,8	6,3	9,0	8,9	8,7	2,7	2,8	2,5
UK	2,6	0,5	-4,9	-3,3	-2,7	-1,6	7,8	na	na	3,5	3,0	na
EU	2,9	0,8	-4,2	-1,2	-1,1	-2,1	9,5	9,6	9,6	1,7	1,5	1,9

	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	117,8	115,7	115,2	107,7	108,3	111,1
Bulgaria	3,0	0,1	1,8	22,7	18,2	14,1	36,5	37,7	41,3	44,9	46,2	50,2
CR	-2,6	-0,7	-2,1	29,4	29,0	30,0	77,0	80,1	80,4	61,3	62,4	72,8
Denmark	5,2	4,5	3,4	31,3	26,8	33,5	124,2	121,2	120,1	138,4	137,4	141,2
Germany	-1,6	0,2	0,0	67,6	65,0	65,9	116,1	115,8	115,6	102,6	101,9	103,7
Estonia	2,3	2,6	-2,7	4,5	3,8	4,6	65,2	68,8	67,4	68,5	73,1	78,0
Ireland	3,0	0,3	-7,2	25,0	25,1	44,1	145,2	147,8	135,4	124,5	124,5	127,6
Greece	-2,9	-3,7	-7,7	97,1	95,6	99,2	93,0	92,8	94,3	89,0	90,7	94,0
Spain	2,0	1,9	-4,1	39,6	36,1	39,7	104,6	105,0	102,7	91,8	92,8	95,4
France	-2,3	-2,7	-3,4	63,7	63,8	67,4	108,8	108,5	108,0	108,5	108,0	110,7
Italy	-3,3	-1,5	-2,7	106,5	103,5	105,8	104,2	103,5	101,8	104,2	102,9	105,6
Cyprus	-1,2	3,4	0,9	64,6	58,3	48,4	90,7	93,6	95,9	90,3	88,1	90,5
Latvia	-0,5	-0,3	-4,1	10,7	9,0	19,5	51,6	55,7	57,3	60,7	66,6	72,6
Lithuania	-0,4	-1,0	-3,2	18,0	16,9	15,6	55,3	59,3	61,9	57,3	60,0	64,6
Luxembourg	1,3	3,7	2,5	6,6	6,6	13,5	272,2	275,2	276,4	111,3	115,3	119,1
Hungary	-9,3	-5,0	-3,8	65,6	65,9	72,9	63,2	62,6	64,4	60,6	66,7	68,1
Malta	-2,6	-2,2	-4,7	63,6	62,0	63,8	76,8	76,4	76,0	74,8	75,5	78,8
Netherlands	0,5	0,2	0,7	47,4	45,5	58,2	131,2	132,2	134,0	104,0	101,8	104,0
Austria	-1,6	-0,6	-0,4	62,2	59,5	62,6	124,6	123,0	123,5	101,9	102,2	105,1
Poland	-3,6	-1,9	-3,6	47,7	45,0	47,2	51,9	54,4	56,4	62,4	61,9	69,1
Portugal	-3,9	-2,6	-2,7	64,7	63,6	66,3	76,4	75,6	76,0	84,9	85,7	87,0
Romania	-2,2	-2,5	-5,5	12,4	12,6	13,6	38,4	41,6	45,8	57,6	63,8	60,9
Slovenia	-1,3	0,0	-1,8	26,7	23,3	22,5	87,7	88,6	90,9	76,7	79,0	82,3
Slovakia	-3,5	-1,9	-2,3	30,5	29,3	27,7	63,4	67,7	72,3	58,0	63,2	70,1
Finland	4,0	5,2	4,5	39,3	35,2	34,1	114,1	117,9	116,9	122,7	119,9	124,3
Sweden	2,5	3,8	2,5	45,9	40,5	38,0	121,2	122,8	120,1	118,5	115,7	114,5
UK	-2,7	-2,7	-5,5	43,2	44,2	52,0	120,3	116,7	116,2	110,6	112,6	100,0
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*