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Dear readers,

The month of May saw a continuation of the both the Greek and the fiscal sagas. Compared to the previous month, the atmosphere was something quieter, though still extremely escalated. With a view to calming the situation in Greece and preventing the Greek virus from spreading to other countries, especially the southern flank of the EU, we witnessed the very painstaking development of an international rescue plan, the major problem of which was to prove its credibility to the investment community. The plan ultimately took shape as a result of consensus among the leading European countries in cooperation with the International Monetary Fund.

European cohesion is being tested in other potential hot spots, such as Portugal and Spain, which was hit by a lowering of its rating. Just when Hungary though the worst was over, it was hit as well. Therefore, the words of the vice-president of the new ruling Fidesz group about the possibility of recurrence of the Greek story in the Hungarian conditions aroused so much tension promising that June may be a very sticky month.

In the second half of May, a series of evaluation meetings and fora were held in Brussels. The main gathering was the Brussels Economic Forum where the economic and political movers and shakers discussed not only the causes, but also the outlook and solutions of the crisis. It was no coincidence that an entire half of one of the meeting days was devoted to the themes of "green economy and society", which give rise to a considerable degree of hope in connection with the subsequent economic prospects of the next decade.

In addition to this "green strategy", none of the participants failed to note that without significant restoration of confidence in the fiscal systems across Europe there would be no convincing recovery in the European economy. Unfortunately, it is true that even the project of monetary integration is under considerable pressure, where the exchange rate of the euro against the leading world currencies dropped to its almost four-year low. A kind of light in this darkened tunnel is perhaps the fact that when one tries hard, it is possible even in these bleak times to work one's way into the euro area. In the first half of July, it might be announced that on 1 January 2011, Estonia would become the seventeenth member of the euro-zone. Although I am a convinced supporter of the euro, I ask myself, to what degree there's a sense in this act exactly at this time.

This May was also marked by another wave of debates over the extent of regulation and supervision of financial markets and the institutions immediately connected with them. We still have not freed ourselves from some extremely radical and rather harmful suggestions, but even here it seems that the realistic perspective prevails.

The Union now needs to have a mental rest as perhaps never in the past twenty years to convalesce and come up during the summer with new ideas that will help it cope with this difficult situation, which is still far from over.

Petr Zahradník

Finance ministers agreed on the development of a rescue mechanism for member states in trouble worth 750 billion euros. In response to the problems of Greece, the European Commission is preparing to tighten the fiscal coordination in the EU. It also includes a proposal that the budgets of member countries would pass tentative inspection in Brussels before they would be approved by the national parliaments. European Commission recommended the adoption of the euro in Estonia.

ECONOMY AND EURO

The Price for Saving the Eurozone: Up to 750 Billion Euros

EU finance ministers agreed on the form of the rescue mechanism for other euro zone countries, which could possibly run into problems like Greece. **As much as 750 billion euros could be used for the loans.** The entire plan is composed of three parts.

First, the euro zone states (in the form of bilateral loans and guarantees) would provide **assistance amounting to 440 billion euros** to countries that would lose confidence of the financial markets and would not be able to borrow money. The finance ministers assume that "at least a half" of this amount, i.e. **250 billion euros, would be contributed by the International Monetary Fund.**

The remaining **60 billion euros will be found in the EU budgetary reserves** or, more precisely, they will be raised by the European Commission by a fresh emission of Eurobonds (as an extension of the instrument used by the Commission in the past two years for loans to non-eurozone countries in difficulties – Hungary, Latvia and Romania).

In this way, we are reaching an astronomical sum of 750 billion euros, which, of course, **need not be exhausted entirely or even to a most part.** It is more likely a signal to the markets: trust in the euro zone, we will not let any of the states fall and we have factual emergency plans ready on the table.

The unprecedented loans worth hundreds of billions of euros are justified by Article 122 of the Treaty on the functioning of the EU, which allows EU's financial assistance to member states in case of emergency: "Where a member state is in difficulties or is seriously threatened with severe difficulties caused by natural disasters or exceptional occurrences beyond its control, the Council, on a proposal from the Commission, **may grant, under certain conditions, Union financial assistance to the member state concerned."**

According to Finance Minister Eduard Janota, the Czech Republic will contribute (if necessary) only to the funding of the above-mentioned mechanism managed by the Commission. Of the total 60 billion euros, **we might give about four billion crowns to support the loans.**

The approval of the rescue package was followed by the European Central Bank's decision to ease the tension on the markets **by starting to buy government bonds,** which it had refused to do until recently, and by renewing dollar loans to banks. The growth in supply of money generated by the purchases of government bonds will be sterilised to prevent the generation of pressures for inflation rise.

The unprecedented measures bore fruit and reduced the panic on the financial market. In the medium term, however, the use of certain instruments (particularly the purchases of government bonds) **has raised many questions about the credibility of the ECB and the strength of the common European currency.**

http://www.eu2010.es/en/documentosynoticias/noticias/may10finalsalgado.html

Brussels' Plan for Greater Coordination of Fiscal Policy

In order to avoid similar future fiscal problems, the European Commission proposed greater coordination of fiscal and economic policies of member states. The core of the proposal is that **the budgets of EU member states would undergo inspection** before their approval by the national parliaments.

If the member states approve the Commission's proposal, the **European Union can start the assessment of national budgets already next year.** The proposal stipulates that if there are any discrepancies in the budget plans of the member states, their review may be recommended.

Although the Commission has previously talked about tightening the rules for the euro zone countries only, the plan now includes **also countries that have not yet adopted the single currency.** In this way, the Union is seeking to control also the budget of the Czech Republic.

The mechanism could serve **as a system of early warning against the violation of the Stability and Growth Pact.** It sets a limit for budget deficit (3% of GDP) and public debt (60% of GDP). The Commission's proposal includes also the intention to tighten the supervision of the compliance with the set rules and the sanctions for its violation but concrete measures have not yet been published.

At present, the violating member states can be punished only by imposing financial penalties or by suspending their withdrawals from the European subsidies. **So far, however, no similar case has been recorded in the past.** There are currently discussions on denying voting rights in the EU Council for the countries that would not comply with the Pact, and permanent loss of the possibility of receiving money from the EU funds, or in extreme cases, even exclusion from the eurozone. These proposals, however, represent a long process, because there would have to be amendments to the founding treaties of the EU, which were last amended by the Lisbon Treaty.

The specific form of intensification of fiscal coordination will be discussed in particular at the meeting of the European Council in June. We can imagine that the proposal for issuing recommendations on the member states' national budgets before their approval might be accepted. **The Commission's opinion, however, will only be a recommendation rather than legally binding,** because the time for the harmonisation of fiscal policies in the EU has certainly not yet come.

http://europa.eu/rapid/pressReleasesAction.do?reference=IP/10/561

Commission: Estonia to Join the Eurozone in 2011

The European Commission has recommended the **acceptance of Estonia into the Eurozone on 1 January 2011.** Despite a big economic downturn, Estonia managed to maintain a good fiscal discipline.

Estonia is the only candidate country for the adoption of the common European currency that **has met all the Maastricht criteria.** The European Commission has praised its performance in the fresh convergence report and recommended that Estonia would be accepted into the eurozone at the beginning of next year. The enlargement must be approved by the EU member states in June, but it is rather a formality.

Estonia's public finance deficit amounted last year to only 1.7% of GDP (the criterion is 3%) and the public debt to 7.2% of GDP (the criterion is 60%), which is the lowest level within the EU-27.

The average inflation rate in Estonia in the 12 months before March 2010 was 0.7%, **which is substantially less than the reference value of 1.0%,** and according to the Commission, it is likely to be lower than the reference value also in the next period.

Meeting of Maastricht criteria

Criterion	Benchmark	Estonia	ČR
Price cr.	1.0 %	-0.7 %	0.3 %
Interest rate cr.	6.0 %	n/a	4.7 %
Public budget def.	-3.0 %	-1.7 %	-5.9 %
Public debt cr.	60.0 %	7.2 %	35.4 %
FX rate cr.	ERM II +	yes	no

Source: European Commission, evaluation in March 2010

There was a problem in the case of long-term interest rates: due to Estonia's budget surplus in the past, there was no need to issue long-term government bonds. **The Commission trusts Estonia and refers to the convergence stability** and vigilant policy. As regards the exchange rate mechanism, Estonia has been performing well without major problems since 2004.

The convergence report has no flattering evaluation for the Czech Republic. The problem lies in public finances. The fiscal outlook after 2010 is quite uncertain. So far, no additional measures to reduce the deficit have been adopted, and therefore we do not expect its reduction in 2011, says the Commission. **The Commission criticises** the fact that the Czech plan to correct the excessive deficit in 2011 and 2012 **does not contain enough concrete action.**

On 1 January 2011, the Baltic republic is very likely to become the fifth country from the EU newcomers to adopt the common European currency. **In the Czech Republic, the issue of adopting the euro is still several years away from being put on the agenda.** Due to the expected radical changes, it is even not certain how the euro area and its basic parameters will look like in the future.

http://europa.eu/rapid/pressReleasesAction.do?reference=IP/10/562

EU's Economic Forecast: Gradual Recovery in Progress

The spring economic forecast of the Commission confirms that **the economic recovery is in progress in the EU.** After having experienced the deepest recession in its history, the EU economy is set to grow by 1% in 2010 and 1.75% in 2011. The slight improvement is expected due to the stronger growth of activities and trade, as well as improved external outlooks.

Nevertheless, **several states remain in economic recession.** The greatest economic decline is expected in Latvia (-3.5%) and in heavily indebted Greece (-3.0%).

Reflecting the usual lag between developments in the real economy and the labour market, employment is still expected to contract by some 1% this year and begin to increase only in the course of 2011. **The unemployment rate in the EU is projected to stabilise at close to 10%** (or half a percentage point lower than projected last autumn).

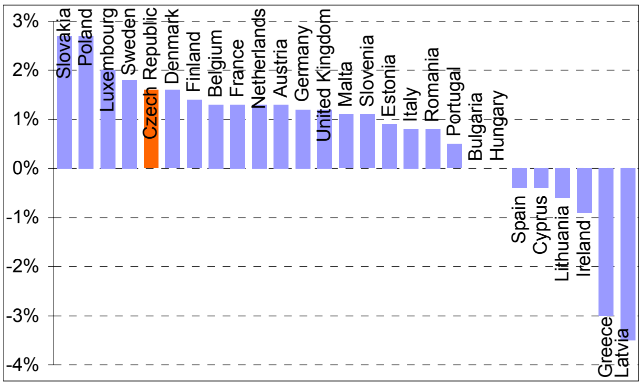
The abating recession has a devastating impact on public finances. As a result of the operation of automatic stabilisers and the discretionary measures taken to support the economy, **the public finance deficit has tripled since 2008.** It is projected to peak in the EU this year (reaching 7.25% of GDP) and to improve slightly in 2011 (to around 6.5%). The largest deficits are in Ireland, the UK and Greece.

In response to the financial crisis, the European Commission has proposed creating a special fund from which the potentially bankrupt banks would be rescued in the future. The fund would be filled by special taxes or charges collected from banks. Under the new EU rules, car dealers will not be allowed to condition the warranty on new vehicles by repairs only in authorised garages. The Council for Economic and Financial Affairs approved the regulation of hedge funds.

Inflation has rebounded somewhat from the very low levels recorded last year. Nevertheless, the **remaining slack in the economy is likely to keep both wage growth and inflation in check,** partly offsetting an assumed increase in commodity prices and a weaker euro.

The EU recovery continues to be surrounded by high uncertainty, illustrated e.g. by the recent **tensions in sovereign-bond markets** caused by the concerns about the ability of Greece to meet its obligations.

Expected GDP yoy growth in 2010



Source: European Commission: Economic Outlook Spring 2010

According to the Commission, **the Czech Republic will grow by 1.6% this year** and by 2.4% next year. The crisis has revealed the poor structural state of the domestic public finances, which will not improve too much. The government deficit should reach 5.7% of GDP this year and the next year. Unemployment will move around 8.3% and its decline cannot be expected. Inflation in the CR will cause no problems in the future. It should rise from 1% expected this year to 1.3% next year, which is still low.

http://europa.eu/rapid/pressReleasesAction.do?reference=IP/10/495

TAXATION AND CUSTOMS UNION

EU Proposes Special Taxation of Banks

The European Commission presented a proposal foreseeing the creation of a network of **national funds to which the banks will pay a portion of their funds.** This money should prevent the recurrence in the future of a situation where the governments rescued banks from bankruptcy using money of the taxpayers.

According to Brussels, it is too early to talk about the volume of the money that the banks should pay to the fund or rather the individual national funds. From the working proposal of the Commission it follows, however, that the volume of finance must be sufficiently high in order to finance various costs of solution and the **selected approach must take into account different size and character of the banks.**

As regards the issue of setting the criteria for how much money the banks will pay into the fund, the Commission still leaves the door open. It seems, however, that it currently prefers the **option based on the liabilities of the bank accounts.** An alternative or complementary solution could be to connect the levies to profits and bonuses that would serve as an indicator of the size of the bank, thus better reflecting the principle according to which a larger player should have greater responsibility.

The banks should initially be the only financial institutions that would dedicate part of their funds to the fund**, while the inclusion of insurance companies or investment funds is not expected.**

To become effective, the European Commission's proposal will have to be approved by both the MEPs and the finance ministers of member states. Here, the key circumstance will be whether **the proposal will be included in the internal market** (voting by qualified majority) **or in the tax area** (every member state has the power of veto).

At any rate, the measure is unsystematic and discriminatory because it is focused on a selected sector of the national economy. The establishment of the fund would de facto declare in advance that every bank in trouble will be saved and the self-cleaning market mechanism – the bankruptcy and the fear of it – would cease to work in the banking sector. This could **lead to a more risky behaviour of the whole sector.**

It is more effective to streamline regulation and control, for example by adjusting the equity capital requirements or by introducing rules according to which **no banking institution would become "too big to fail".**

http://europa.eu/rapid/pressReleasesAction.do?reference=IP/10/610

INTERNAL MARKET

Commission Pushes for Lower Prices on Car Repairs

In late May, the European Commission adopted new rules to reduce prices for car repairs. **It wants to instil a more competitive environment** into the agreements between automakers, their authorised dealers, repairers and spare part distributors.

With the new rules in place as of 1 June 2010, **independent garages should be able to gain better access** to

alternative spare parts as well as access to technical information from car manufacturers.

According to FIA (Fédération Internationale de l'Automobile), Europe's leading organisation for motoring consumers, **access to complete technical information by independent garages** is vital if car owners are to benefit from the competitive environment.

The Commission has focused particularly on exclusivity agreements between carmakers and their authorised garages. They result in greatly reduced competitiveness of independent garages. In most cases, the warranty ceases to apply if the car had been repaired in an unauthorised workshop. Under the new rules, the car dealers in the EU **cannot condition the warranty for new cars by repairs by authorised repairer.** The customers will be able to choose the repairer at their discretion, but in the case of warranty repairs, the manufacturer may continue to insist on the obligation to have them done with an authorised repairer.

Under the new regulation, the exemptions from the EU competition rules will cease to apply to manufactures **controlling more than 30% of the repair shop market.**

The liberalisation of car distribution should be in the interest of consumers as well. "As it is, distribution costs make up on average 30% of the price of a new car. This increased flexibility should also allow European carmakers to respond to new competition coming from the emerging markets of East and South Asia," said EU Competition Commissioner Joaquin Almunia.

The distributors have three years (ending 1 June 2013) to adapt to the new rules.

http://europa.eu/rapid/pressReleasesAction.do?reference=IP/10/619

FINANCE

Finance Ministers Agree to Regulation of Hedge Funds

The finance ministers expressed **preliminary agreement with the regulation of hedge funds** at the ECOFIN meeting held in mid-May. These funds often use high-risk financial instruments and – according to some opinions – this fact contributed to the depth of the global financial crisis.

The final form of the relevant directive will be decided in negotiations with the European Parliament, where the basic parameters of the regulatory rules were approved by the Committee on Economic and Monetary Affairs. **Minor discrepancies could be found** between the conclusions of the Parliamentary Committee and the ECOFIN and it will be necessary to overcome them.

Both proposals, however, agree that hedge funds should newly **submit to the regulatory bodies information on their management,** including the amount of their assets formed by foreign sources. The funds from outside the EU should also ask for permission to operate in the individual EU member states, and it is here that the views of the two legislative bodies differ.

According to the proposal of the finance ministers, the US hedge funds, for instance, **should ask for permission in each of the 27 EU countries.** The Economic Committee of the European Parliament, however, envisages that permission in only one country should be enough, and this permission would then be valid for the entire EU-27.

There is no consensus among the respective member countries either. The UK (where approximately four-fifths of the European hedge funds are active) and the CR support the proposal of the European Parliament, **namely one authorisation for operation in all member countries.**

Another conflict can be found in setting the threshold for the inclusion of a hedge fund under the regulatory framework. While the EU Council for Monetary and Financial Affairs (ECOFIN) agrees that the **regulation would cover only funds whose assets exceed 100 million** euros, the MEPs seek to cover all hedge funds regardless of their size.

The MEPs approved new legislation, under which all new buildings by the end of 2020 should comply with the energy-saving standards. The ministers of EU member states gave their support to the European Commission's strategy for clean and energy-efficient vehicles. For its implementation, it is necessary to standardise the charging devices to make them compatible with any vehicle model across the EU.

There is still a fight ahead for the final form of the regulation of hedge funds among the finance ministers of the member states and between the ECOFIN and the European Parliament. One thing is nearly certain – the activities of hedge funds **will be regulated throughout Europe.**

http://www.consilium.europa.eu/uedocs/cms_data/docs/pressdata/en/ecofin/114493.pdf

http://www.europarl.europa.eu/news/expert/infopress_page/042-74646-137-05-21-907-20100517IPR74645-17-05-2010-2010-false/default_en.htm

ENTERPRISE

EU Cuts Chemicals Registration Fees

Small and medium-sized companies **will pay smaller fees to the European Chemicals Agency** (ECHA) following a decision by the European Commission to slash levies by up to 90%.

Chemicals companies that must **comply with the Classification, Labelling and Packaging Regulation** (CLP) will also be able to work in their own language now that the ECHA has translated its guidance documents.

The industry representatives have long complained of the onerous administrative costs facing businesses in the chemicals sector, and SMEs find **it particularly difficult to comply with the CLP regulations and REACH directive.**

Fees for the CLP **are down 90% for micro-enterprises (businesses with less than 10 employees),** 60% for small companies (up to 50 employees) and 30% for medium-sized companies.

These fees apply when a company **asks for an alternative name for a substance or requests harmonised classification** and labelling for various substances. Companies can also use the new alternative name in a number of additional mixtures without paying an extra fee.

SMEs will also get assistance on **REACH and CLP implementation from national helpdesks** operating in all EU member countries. Vice-President Tajani recently urged member states to make sure that the helpdesks are appropriately effective to meet the growing demand for their services.

The deadline for REACH registration is 30 November 2010. Meanwhile, a group of senior managers from the Commission, ECHA and six industry organisations has been working on practical solutions that can help companies to successfully pass the upcoming deadline.

http://europa.eu/rapid/pressReleasesAction.do?reference=IP/10/594

ENERGY AND TRANSPORT

Labels for Household Appliances and Low-energy Buildings

The MEPs approved new energy efficiency legislation for buildings, which will help consumers to cut their energy bills. Member states will have to alter their building codes so that **all new buildings constructed from the end of 2020 meet high energy-saving standards** and, to a large extent, use renewable energy sources. Public authorities' building projects should reach these standards two years earlier. Part of the funding for these changes will come from the EU budget.

Where feasible, **the energy performance of existing buildings will have to be improved during any major renovation.** When renovating, the building owners will be encouraged to install "smart meters" and replace heating, hot-water plumbing and air-conditioning systems with high-efficiency alternatives such as heat pumps. Regular inspections of boilers and air conditioning systems will be required.

The Parliament approved a new layout of the EU energy efficiency label introducing additional "plus" classes to the familiar colour scheme. **Labels will contain more information on energy consumption of household appliances** and other products. In addition, any advertisement mentioning energy consumption or price of a specific model of household appliance will have to show the product's energy class.

The new proposal for energy efficiency labelling of household appliances and other products **allows for additional energy classes, but limits their total number to seven.**

If a new class is added, the lowest class will have to change: if a new product using less energy than the existing ones is classified as "A+", then the least energy efficient class will be "F", etc. (new product of class “A + +” → lowest class "E", new product of class "A + + +" → lowest class "D").

http://www.europarl.europa.eu/news/expert/infopress_page/051-74642-137-05-21-909-20100517IPR74641-17-05-2010-2010-false/default_en.htm

Ministers Give Go-ahead to Electric Vehicle Standardisation

The EU's industry ministers gave their support to the European Commission's strategy **for clean and energy-efficient vehicles.** The strategy aims to promote active use of green vehicles but uniform European standards for electric cars are still missing. They are important to create an integrated market for electric cars.

The ministers agreed that for the development of a mass market it is necessary to ensure that electric vehicles can be recharged anywhere within the EU. This necessitates a **standardised charger compatible with any vehicle model.** The ministers called on the EU legislative bodies to start the standardisation work. It should be completed in mid-2011 and comply with the existing technological solutions and international standards.

However, adapting to international standards is not easy. **Individual regions are working on standardisation autonomously** striving to become the standard-setting leader in the given technology.

Within the EU, only a few member states have been **striving for faster progress.** One of them is Spain, which has undertaken to make a progress in the standardisation agenda during its EU's six-month rotating presidency. Spain strives to ensure that there would be at least one million electric cars in the European capitals by 2014.

The main competitors of electric cars are **hybrid propulsion vehicles** that combine petrol with electric power. Car manufacturers, however, are examining even the potential of hydrogen or compressed air drive engines.

Since the beginning, the Czech **Republic has not preferred any particular solution** leaving it to the car manufacturers.

“We still believe that incentives should be directed to the best solutions regardless of the type of engine. We want clever vehicles rather than choosing only one solution,” Deputy Industry Minister Martin Tlapa said to the Czech News Agency (ČTK) and the Czech Radio.

http://www.eu2010.es/en/documentosynoticias/noticias/may25_cocheelectrico.html

AGRICULTURE AND FISHERY

Growth and Employment are Key for EU Farm Policy Reform

Promoting economic growth, job creation and sustainability in the agri-food sector are the main goals in the planned reform of the EU's Common Agricultural Policy (CAP), the Spanish EU Presidency has said.

The Union spends 50 billion euros a year for agriculture, and within the new financial framework beyond 2013 the sector must be reformed. Politicians keen to maintain current spending levels are conscious of the **need to link CAP priorities to the EU's wider economic, social and environmental goals.**

“An approach **based on economic growth and employment, food security and green growth** should help to confirm the CAP's legitimacy, and support for it, in public opinion,” Spain said in a report that will be debated by EU ministers of agriculture.

Direct subsidies paid to farmers – which currently take up about 70% of the CAP budget – **will therefore need to be more closely linked to these priorities in the reform,** the report said.

Spain also wants to finally **close the gap between the subsidies** received by farmers, for instance, in the Czech Republic and those received in Germany or France. As compared to their Western counterparts, Czech farmers are enjoying merely a third of the money.

According to some member countries, France should start co-financing its farmers from the national budget. Such a scenario, however, **is strongly opposed by the European Commission** and many national governments including Spain. “The single market, an indispensable asset, is not compatible with introducing greater flexibility into common rules or national aids,” the report concluded.

The report is another positive contribution towards implementing the necessary reforms of the rigid CAP, which does not meet the needs of the beginning of the 21st century. We are sure to see many battles for the final form of the reform, if any would be implemented at all. However, the CAP reform trend **from simple support for agricultural production towards non-productive functions of agriculture,** such as the landscaping, biodiversity protection,

The finance ministers endorsed the EU plan to fight climate change but no agreement was reached on the distribution of funding among the member states. There is also disagreement between the member states and the Commission about whether the EU should voluntarily increase its commitment to 30% savings in greenhouse gas emissions by 2020. Commissioner Neelie Kroes announced a five-year strategy to create the digital economy in the EU in the next five years.

promotion of genetic stock, development of agro-tourism and production of regional specialties will ultimately succeed.

http://ec.europa.eu/agriculture/cap-post-2013/index_en.htm

ENVIRONMENT

Climate: Priorities are Clear, but Not How Much Countries Should Contribute

The EU has identified priorities for developing countries to combat climate change. At their May meeting, the EU finance ministers endorsed a report laying down Europe's priorities on climate aid for developing countries but **left open details on financing.**

At the Copenhagen climate conference in December 2009, the EU promised to offer poor countries **2.4 billion euros a year to "fast-start" the financing of their environmental measures between 2010 and 2012.** The current priorities plan agreed by the finance ministers confirms the amount, but leaves out details on how EU member states will share the costs between themselves.

Ministers stress that the fast-track contributions are voluntary pledges and therefore not based on any formal distribution key. **The voluntary nature of the funds was a concession** to a bloc of Eastern European member states, who were concerned about putting an extra financial burden on their economies.

Moreover, the report neglects to detail how much money will flow to each of the priority areas. It simply lists **adaptation, technology cooperation and mitigation of negative impacts** as three key thematic areas.

The process of combating climate change may still become significantly complicated on the part of the European Union. France and Germany opposed the Commission's recommendation to increase voluntarily the Union's climate commitment to **reduce by 2020 greenhouse gas emissions not by 20% (compared to 1990), but by as much as 30%.** According to the two most powerful European countries, Europe should wait until a radical emissions reduction is promised by the United States and China.

The decision of France and Germany is influenced by the ongoing economic crisis. The argument of the opponents of the increased commitment is clear: if we are too "green", businesses and jobs will run off beyond the EU borders. Moreover, neither the climate will be better in such a case, because the **emissions will be merely released somewhere else (the so-called carbon leakage effect).**

On the other hand, the European Commission argues that the **costs of limiting greenhouse gas emissions are decreasing due to the economic crisis and declining consumption.** The costs for reducing emissions fell by 20% so far from the reported 70 billion euros per year to 48 billion euros. According to the Commission, reduction in emissions of 30% a year would cost 81 billion euros.

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

INFORMATION SOCIETY

The Commission Unveils Five-year Digital Economy IT Plan

European Commission Vice-President Neelie Kroes unveiled a **strategy to create a digital economy.** The plan concentrates mainly on infrastructure for high-speed Internet and fostering a borderless market for online music and film.

According to Neelie Kroes, the plan aims "to put the interests of Europe's citizens and businesses at the forefront of the digital revolution and **maximise the potential of Information and Communications Technologies** (ICTs) to advance job creation, sustainability and social inclusion".

Creating **a single market for the EU's cultural content and innovations,** with interoperable standards and greater network security, are also high on the Commissioner's political priorities.

This year, the Commissioner has also vowed **to tackle the issue of internet copyright and the bugbear of rights** management in the EU by introducing a pan-European system of collecting royalties for the use of creative content like music and film. The Commissioner is also likely to introduce a proposal on high-speed networks soon as previous attempts failed.

Further targets of the five-year plan:

- **Ultra-fast broadband** by 2020: 50% of European households should have Internet access subscriptions above 100 Mbps (no baseline).
- **Promoting eCommerce:** 50% of the EU population should be buying online by 2015.
- **Cross-border eCommerce:** 20% of the EU population should be buying across borders online by 2015.
- **Single market for telecoms services:** the difference between roaming and national tariffs should approach zero by 2015.
- **Doubling the amount of public investment in research and development** and ICT to 11 billion euros.

http://europa.eu/rapid/pressReleasesAction.do?reference=IP/10/581

The Europeana online databank aimed at making the European cultural and scientific heritage available to all citizens has entered the next stage. At present, it contains 7 million digitised works with a view to include 10 million of these objects by 2011. The European Commission adopted proposals to simplify the drawing of EU funds, designed to reduce administrative costs of the beneficiaries of subsidies. The greatest interest of asylum seekers last year was attracted by France followed by Germany.

MAY 3

Statistics - Business investment rate down to 20.4% in the euro area and 20.3% in the EU27: http://epp.eurostat.ec.europa.eu/cache/ITY_PUBLIC/2-30042010-DP/EN/2-30042010-DP-EN.PDF

Taxation and Customs Union - Commission publishes report on removing tax obstacles to cross-border venture capital investment: http://europa.eu/rapid/pressReleasesAction.do?reference=IP/10/481

MAY 4

New social security rules - better protection of citizens' rights: http://ec.europa.eu/social/main.jsp?langId=en&catId=89&newsId=787&furtherNews=yes

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

Stabilisation and Association Agreement between EU and Montenegro enters into force: http://ec.europa.eu/enlargement/press_corner/whatsnew/montenegro_en.htm

500 cities pledge to reduce CO2 by more than 20%: http://europa.eu/rapid/pressReleasesAction.do?reference=IP/10/486

MAY 5

Statistics - Around 260 000 asylum applicants registered in 2009: http://epp.eurostat.ec.europa.eu/cache/ITY_PUBLIC/3-04052010-BP/EN/3-04052010-BP-EN.PDF

Asylum applicants in the EU27, 2009

France	47 625	Ireland	2 690
Germany	31 810	Cyprus	2 665
UK	30 290	Malta	2 385
Sweden	24 175	**CR**	**1 240**
Belgium	21 645	Romania	965
Italy	17 470	Bulgaria	855
Netherlands	16 140	Slovakia	810
Greece	15 925	Luxembourg	480
Austria	15 785	Lithuania	450
Poland	10 595	Slovenia	200
Finland	4 915	Portugal	140
Hungary	4 665	Latvia	60
Denmark	3 725	Estonia	40
Spain	3 005	**EU-27**	**260 730**

Source: Eurostat

Competition - Commission consults on review of rules applicable to horizontal co-operation agreements: http://europa.eu/rapid/pressReleasesAction.do?reference=IP/10/489

Forecasting the EU labour market in 2020: http://ec.europa.eu/social/main.jsp?langId=en&catId=89&newsId=788&furtherNews=yes

MAY 6

Ombudsman puts spotlight on EU cooperation: http://www.europarl.europa.eu/news/public/story_page/021-73863-120-04-18-902-20100430STO73840-2010-30-04-2010/default_en.htm

Extraordinary Transport, Telecommunications and Energy Council meeting: http://www.consilium.europa.eu/uedocs/cms_data/docs/pressdata/en/trans/114175.pdf

European Commission closes two cases against Czech Republic on equality legislation: http://ec.europa.eu/social/main.jsp?langId=cs&catId=89&newsId=791&furtherNews=yes

MAY 7

€8.5 million from EU Globalisation Fund to help 2,157 workers in the Spanish construction sector:

http://ec.europa.eu/social/main.jsp?langId=cs&catId=89&newsId=795&furtherNews=yes

External relations - European Commission proposes to open the aviation market with Brazil:

http://europa.eu/rapid/pressReleasesAction.do?reference=IP/10/546

Extraordinary Economic and Financial Affairs Council meeting: http://www.consilium.europa.eu/uedocs/cms_data/docs/pressdata/en/ecofin/114324.pdf

MAY 10

Project Europe 2030 - Challenges and Opportunities: http://www.consilium.europa.eu/showFocus.aspx?id=1&focusId=473&lang=en

Education, Youth and Culture Council: http://europa.eu/rapid/pressReleasesAction.do?reference=MEMO/10/171

Statistics - Employment in the agriculture sector down by 25% between 2000 and 2009: http://epp.eurostat.ec.europa.eu/cache/ITY_PUBLIC/5-07052010-AP/EN/5-07052010-AP-EN.PDF

MAY 11

3012th General Affairs Council meeting: http://www.consilium.europa.eu/uedocs/cms_data/docs/pressdata/EN/genaff/114364.pdf

3011th Foreign Affairs Council meeting: http://www.consilium.europa.eu/uedocs/cms_data/docs/pressdata/EN/foraff/114366.pdf

Stronger oversight of EU financial markets: http://www.europarl.europa.eu/news/public/story_page/042-74270-127-05-19-907-20100507STO74256-2010-07-05-2010/default_en.htm

European stabilisation mechanism adopted: http://www.consilium.europa.eu/showFocus.aspx?id=1&focusId=478&lang=en

MAY 12

Statistics - Impact of the crisis on unemployment has so far been less pronounced in the EU than in the US: http://europa.eu/rapid/pressReleasesAction.do?reference=STAT/10/67

Council conclusions on the social dimension of education and training: http://www.consilium.europa.eu/uedocs/cms_data/docs/pressdata/en/educ/114374.pdf

MAY 17

Five years of European Neighbourhood Policy - more trade, more aid, more people-to-people contacts:

http://europa.eu/rapid/pressReleasesAction.do?reference=IP/10/566

Commission proposes reinforced economic governance in the EU: http://europa.eu/rapid/pressReleasesAction.do?reference=IP/10/561

MAY 18

Agriculture & Fisheries Council meeting: http://www.consilium.europa.eu/uedocs/cms_data/docs/pressdata/en/agricult/114487.pdf

Investment in digital economy holds key to Europe's future prosperity: http://europa.eu/rapid/pressReleasesAction.do?reference=IP/10/571

A better life for rural women: http://www.consilium.europa.eu/showFocus.aspx?id=1&focusId=480&lang=en

MAY 19

3015th Economic and Financial Affairs Council meeting: http://www.consilium.europa.eu/uedocs/cms_data/docs/pressdata/en/ecofin/114524.pdf

New rules for hedge funds: http://www.consilium.europa.eu/showFocus.aspx?id=1&focusId=481&lang=en

Emissions trading - EU ETS emissions fall more than 11% in 2009: http://europa.eu/rapid/pressReleasesAction.do?reference=IP/10/576

MAY 20

Environment: New Commission strategy aims to get even more from bio-waste: http://europa.eu/rapid/pressReleasesAction.do?reference=IP/10/578

Monthly Labour Market Monitor May 2010: http://ec.europa.eu/social/main.jsp?langId=en&catId=89&newsId=798&furtherNews=yes

MAY 21

Budget - EP budget: tackling Lisbon challenges and preparing for enlargement: http://www.europarl.europa.eu/news/expert/infopress_page/034-74632-137-05-21-905-20100514IPR74631-17-05-2010-2010-false/default_en.htm

MAY 25

World Biodiversity Day - Thousands connect with nature through EU campaign: http://europa.eu/rapid/pressReleasesAction.do?reference=IP/10/596

European Progress Microfinance Facility: http://ec.europa.eu/enterprise/newsroom/cf/itemshortdetail.cfm?item_id=4295&lang=en

MAY 26

Conclusions on the future revision of the Trade Mark system in the EU: http://www.consilium.europa.eu/uedocs/cms_data/docs/pressdata/en/intm/114618.pdf

Promoting and supporting entrepreneurship: http://europa.eu/rapid/pressReleasesAction.do?reference=IP/10/605

MAY 27

European Commission seeks high privacy standards in EU-US data protection agreement: http://europa.eu/rapid/pressReleasesAction.do?reference=IP/10/609

MAY 28

European Commission proposes visa free travel for Albania and Bosnia and Herzegovina: http://europa.eu/rapid/pressReleasesAction.do?reference=IP/10/621

European Commission reaffirms its commitment to fight against smoking: http://europa.eu/rapid/pressReleasesAction.do?reference=IP/10/624

MAY 31

Less paperwork and more focus on results - Commission reviews rules for access to EU funds: http://europa.eu/rapid/pressReleasesAction.do?reference=IP/10/629

The main event in June will be the meeting of the heads of states and governments at the European Council. The agenda of the meeting of the prime ministers and presidents will mainly include the rescue mechanism for member states in difficulty, such as the present case of Greece. The other major issues will include the systemic changes aimed at preventing similar "Greek crises". Here, the offensive is expected of German Chancellor Merkel who will push for stricter and closer coordination of fiscal policies.

Meeting of the key EU institutions

3. - 4. 6. 2010	**Luxembourg, Luxembourg**
- Council of Justice and Home Affairs	
7. – 8. 6. 2010	**Luxembourg, Luxembourg**
- Council of Employment, Social Policy, Health and Consumers	
7. 6. 2010	**Luxembourg, Luxembourg**
- Eurogroup Meeting	
8. 6. 2010	**Luxembourg, Luxembourg**
- Economic and Financial Affairs Council (ECOFIN)	
14. 6. 2010	**Luxembourg, Luxembourg**
- Council of General Affairs (CAG) and Council of Foreign Affairs (CAE)	
17. 6. 2010	**Brussels, Belgium**
- European Council	
21. 6. 2010	**Luxembourg, Luxembourg**
- Council of the Environment	
24. 6. 2010	**Luxembourg, Luxembourg**
- Transport, Telecommunications and Energy Council (TTE)	

Public consultation on EU legislation

Topic of the consultation	Organiser	Deadline
The Common Agricultural Policy after 2013	DG AGRI	30. 6. 2010
Initiative for the integrity of traded energy markets	DG TREN	23. 7. 2010
Strengthening EU Preparedness on Pandemic Influenza	DG SANCO	23. 7. 2010
Green paper On Forest Protection	DG ENVI	31. 7. 2010
Modernisation of the Directive 2004/109/EC	DG MARKT	23. 8. 2010

At present, the euro zone does not pose a notably attractive or appealing community that would simultaneously entice or invite new members to join it. Despite all this, there are many technical requirements and accomplishable tasks that should be implemented now. Accordingly, we bring an overview of what the National Coordination Group for Euro Introduction in the Czech Republic has accomplished over the past year and what other activities are expected for the next period.

ACTIVITIES UNDERTAKEN BY THE CZECH REPUBLIC TOWARDS THE EURO ZONE

The Euro zone is currently facing its worst economic crisis, as well as the inability of its candidates to meet and maintain the entry criteria. This is hurting its attractiveness for new members. The exception is Estonia, which will most likely be invited to join the first half of July, effective 1 January 2011.

Despite all this – having resigned ourselves legitimately to setting the date for our entry into the euro zone (which would now rather resemble crystal ball prophecy) – there are many technical requirements and achievable tasks that should be implemented now. Therefore, we would like to present an overview of what the National Coordination Group for the Euro Adoption in the Czech Republic has accomplished over the past year and what other activities are expected for the next period.

ACTIVITIES IN 2009

New Act on the Czech National Bank

An important event in preparint the Czech legal system for the future introduction of the euro in the Czech Republic is the completion of the legislative process of the new Act on the Czech National Bank (currently it was approved in the Lower House but vetoed by the President). The scope and depth of the changes associated with the role and tasks of the central bank of a state, which will join the Eurozone and adopt the euro as its currency, requires an overall reformulation of the status and tasks of the central bank, and therefore new legislation. With the new CNB Act, full harmonisation of the central bank legislation with the European law will be achieved. The Act will become effective on the date of the Czech Republic's entry into the euro zone.

In view of its content, the new CNB Act is a competency standard dealing with the status, powers and activities of the central bank that foresees its future involvement in the so-called Eurosystem (composed of the European Central Bank and national central banks of countries that have adopted the euro). In this respect, the draft of the new CNB Act newly regulates in particular the following areas:

- CNB's participation within the European System of Central Banks (ESCB) in maintaining price stability,
- implementation of the ESCB's monetary policy by the Czech National Bank in the Czech Republic,
- participation in the exercise of the management of the official foreign reserves of the EU member states that have adopted the euro as their national currency,
- conditions for issuing banknotes and coins of the single euro currency; the euro currency is explicitly confirmed in the bill as the currency of the Czech Republic,
- methods and forms of collecting statistical information to ensure the set tasks of the ESCB.

The new CNB Act itself does not address the legal issues of the changeover to the euro in the Czech Republic. The general technical issues associated with the introduction of the euro in the Czech Republic, including the exchange of cash will be regulated by the General Law on the Introduction of the Euro in the Czech Republic, whose development is the responsibility of the Ministry of Finance and whose preparation will be participated by the CNB.

In connection with the adoption of the new CNB Act, it is necessary to explain why it was prepared already now and not after the political decision on the adoption of the euro in the Czech Republic. The main reason is to fulfil the obligation of the Czech Republic that the national legislation including the statutes of its national central bank should be compatible with the Treaty on the Functioning of the EU and the Statute of the ESCB/ECB. This obligation applies to the Czech Republic from the date of its entry into the EU, i.e. from 1 May 2004. For that reason, the convergence reports of the European Commission and the European Central Bank in 2004, 2006 and 2008 have repeatedly pointed out that the Czech Republic does not have fully harmonised legislation on the central bank, when such harmonisation should have been achieved as at date of the Czech Republic's joining the European Union.

Adaptation of central state administration authorities to the adoption of the euro

The document focusing on this topic is divided into three parts. The first part defines the methodological framework of adaptation processes, including the principles of management and coordination at top and interdepartmental levels, within individual ministries and, last but not least, at the level of particular tasks. It defines additional segments of the management and coordination structure at interdepartmental and departmental levels and specifies the responsibilities in relation to the adaptation process of the

state administration in the existing segments of the organisation structure.

The second part of the methodology describes the implementation documents in the form of a set of standardised tables. We can mention the Task Map whose purpose is to indicate which activities will be affected in the respective sectors by the adoption of the euro. Another table is the Task Initiation Table, which is processed for each specified task and contains the basic planning elements: timetables, demands on human and financial resources, and intradepartmental and interdepartmental links. An important part of the table documentation is also the Task Reporting Table, which will provide a real-time overview of the fulfilment of the respective tasks, highlight emerging problems and inform on how they could be tackled.

The third part of the methodology describes the timetable of the reporting activities, which should keep the government informed on a regular basis on the state and progress of the preparations of the sectors. A system of eleven evaluation cycles is proposed (for a three-year preparation period), each of which is concluded with the elaboration of a summary report on the preparations of the Czech Republic to the adoption of the euro. These reports can gain wider publicity when they become a basis for the meeting of the national coordinator, the National Coordination Group and the government members with the representatives of the professional community that is actively involved in the process of preparation for the adoption of the euro.

Communication strategy for the introduction of the euro in the Czech Republic

The communication strategy for the introduction of the euro in the Czech Republic is a document defining the basic goals, principles and tools of communication for the changeover to the euro. The basic objective of the communication campaign will be to ensure sufficient awareness of all the inhabitants of the Czech Republic of the transition to the euro and thus contribute to the smooth and trouble-free introduction of the single European currency. This means in particular to provide sufficient relevant information to all recipients of the communication campaign so that they would not have to make difficult seeks for the information associated with the changeover and to ensure that the right information would come to them through the appropriate communication tools in a timely and non-distorted way.

A successfully held communication campaign for the euro can be conducted only as a nation-wide campaign, targeted at the non-differentiated general public. It must also be responsive to specific target groups, which differ from each other in the scope and content of information needed and the intensity of interest in the changeover issue. The communication strategy recognises the following target groups: general public, seniors, sole traders, small and medium entrepreneurs, disabled people, minorities, etc. The document assumes that special attention will be paid also to information intermediaries or multipliers. These are specific groups of people who have the ability to credibly address particular target groups and easily convey the obtained information (group members, local community, parents and grandparents, friends and neighbours, etc.). These include the media, municipal councils, teachers, schoolchildren and students, social and field workers and others.

The communication campaign for the changeover will be spread over a period of 3.5 years. The government decision on the date of changeover to the euro in the Czech Republic can be considered its starting date. Its end will be approximately six months after the changeover. This period is in the communication strategy divided into four basic waves:

1st wave (the first year of the three-year preparation period) – Arising interest in the euro;

2nd wave (from the beginning of the second year of the preparation period until the determination of the conversion coefficient) – How to prepare for the euro?;

3rd wave (the remaining part of the year until the introduction of the euro) – Culmination of the preparations for the euro;

4th wave (first half of the year in which the euro was introduced) – Membership in the euro zone..

The working draft of the communication strategy also includes information on the institutional and financial provision of the communication campaign. The main responsibility for preparing and implementing the communication campaign for the euro will be borne by the Ministry of Finance, which will work closely together with the CNB. The existing institutional structure of the National Coordination Group, in particular the working group for communications established under the joint responsibility of the Ministry of Finance and the CNB will be used during the preparation, implementation and management of the changeover communication campaign.

In view of the importance and the enormous breadth of coverage of the communication campaign, active involvement is anticipated of a number of domestic institutions directly interested in the smooth introduction of the euro in the sphere of their competence (e.g. the Council for Economic and Social Agreement, the Czech Banking

Association, consumer organisations and associations, organisations representing the entrepreneurial sector, the Union of Towns and Municipalities of the Czech Republic, and the Association of Regions of the Czech Republic). The advantage of these partners of the communication campaign is their expertise, experience, usability of the already built communication and distribution channels, and, finally yet importantly, the ability of early identification of specific communication needs.

The future adoption of the communication strategy will become the basis for the decision of the Czech Government to launch the changeover communication campaign, for the implementation of which will be responsible the Minister of Finance. The approved communication strategy will be also a necessary prerequisite for the conclusion of cooperation agreements between the European Commission and the European Central Bank on the one part, and the Ministry of Finance and the CNB on the other part. Based on the concluded agreements, these European institutions will participate financially or materially in the implementation of selected projects of the communication campaign.

Update of the methodologies of preparation of the financial sector for the euro

In 2009, there was an update of the methodologies of preparation of the financial sector for the introduction of the euro, which were processed last year for the following three areas:

- Methodology for the transition from the CZK to the euro and dual display of prices in the capital market
- Conversion of interest rates after the adoption of the euro
- Methodology of converting balances in accounts, including rounding

These methodologies were supplemented by new findings, especially the experience with the introduction of the euro in the Slovak Republic. The transition of the financial sector to the introduction of the euro will require in the future regulation in the following areas:

- certain capital market products will have to be rounded to a higher number of decimal places (e.g. share certificates, shares) in order to achieve sufficient accuracy during conversion;
- due to the specificity of the financial sector, it will be necessary to exclude certain products from the duty of dual display of prices and sums (such as sending financial information via SMS);
- in selected areas (e.g. bank statements) only the initial and final sums will be indicated dually, because dual indication of the particular items would be very difficult;
- a statutory "key" will have to be legally established to convert the reference interest rates of the Czech Republic to the appropriate reference interest rates prevailing in the euro area.

Updated versions of the methodologies of preparation of the financial sector for the introduction of the euro are published on the website www.zavedenieura.cz. It is still an open document, which will be gradually supplemented with additional areas and eventually finalised after the announcement of the target date for the euro adoption.

Preparation of the Legal Environment for the Introduction of the Euro in the CR

It was of great importance for the legislative preparations for the introduction of the euro that in March 2009, the Government approved the material "Preparation of the Legal Environment for the Introduction of the Euro in the Czech Republic. This material included the time schedule of legislative work.

The working group of the National Coordination Group for Legislation has prepared and discussed a material entitled "Implementation Methodology for the Schedule of Legislative Work on the Preparation of the Legal Environment for the Introduction of the Euro in the Czech Republic" (Phase I – List of generally binding legal regulations affected by the introduction of the euro). This is the first part of the implementation methodology for the schedule of legislative work, which describes the recommended procedure for the first phase of legislative work, during which a list of the affected legal regulations will be elaborated under the responsibility of the respective ministries.

The material specifies the general principles for the preparation of draft amendments to the relevant legal regulations. It is required that the ministries suggest only such changes that relate to the adoption of the euro, that they indicate in the submission report (reasoning) that the change concerns the introduction of the euro, that they coordinate with each other the procedure to address issues common to several ministries and that they respect the gradually supplemented instructions specified in the methodology.

Every ministry shall prepare a list in the form of a table containing all relevant generally binding regulations pertaining to their sphere of powers, which will be affected by the changeover in the form of transposition or adaptation. The list will be divided according to the type of legislation

and the following data will be indicated for each listed regulation:

- full name of the relevant legal regulation;
- a list of all its provisions affected by the changeover (e.g. amount in CZK, reference to the Czech currency, interest rate, rounding);
- indication of how the affected provision relates to EU legislation;
- type of change that is proposed to be made (e.g., conversion of an amount specified in CZK, replacement of a reference to the national currency by a reference to the euro currency, change in interest rates, direct applicability);
- indication of whether a change in a relevant legal regulation is subject to consultation with the European Central Bank.

Website www.zavedenieura.cz

The first year of the existence of this website confirmed its importance as an important source of information, which is evidenced by its relatively high visitors rate (about 6,000 visits per month). The pages provide fundamental factual information about the euro and the euro area (a brief history of monetary integration, institutional structure of the euro area, information on the euro banknotes and coins, etc.). A separate part of the website is devoted to the impact of the euro on the Czech economy (the benefits of the single currency for consumers and entrepreneurs, fulfilment of the Maastricht convergence criteria, the adopted changeover scenario, institutional arrangements for the preparations, etc.).

Specialised information intended for particular subjects or entities can be found in the Documents section. Here you can find important legal regulations related to the changeover, government documents and continuously processed methodological texts (methodology of rounding and alignment of financial sums, recommended procedures for dual display of prices, etc.). An article informing about the current events is regularly published at the home page.

To streamline the communication with the public, separate home pages were implemented in 2009 on the site www.zavedenieura.cz for the following categories of users: Consumers, Entrepreneurs, Students, and Administration. It is a service that offers visitors the opportunity to get directly the information, which is relevant to the particular target group, rather than retrieving information through the main menu.

A quiz focused on the knowledge about the euro and the euro area was prepared in 2009 for the visitors. This quiz, which has three difficulty levels, contains questions on the history of the single European currency, the institutional structure and functioning of the euro area, the basic theoretical background of the monetary union and questions about the euro coins and banknotes.

TASKS FOR THE YEAR 2010

Continuation of the Adaptation of the State Administration to the Adoption of the Euro

The methodological material Adaptation of the Ministries and Other Central State Administration Authorities to the Adoption of the Euro was prepared during the year 2009. One of the purposes is to create an information system, which is able to cover the adaptation processes in the state administration in all their complexity, but which, at the same time, does not excessively increase the demands on the administrative burden on ministries in the administration of the required documentation. This objective should be facilitated by a specially created information system for the transmission, processing and archiving of information.

The intended software support should be based on a simple web application architecture, to which the individual persons would have online access to the extent necessary to exercise their duties. The used tables would be represented by the individual screens of the information system in which the authorised workers would enter only the necessary elements and by typing queries, they could monitor only those dependencies that are relevant to their work. It should be usable both for the needs of the existing management structures of the ministries and for informing the Government about the current state of preparations of the ministries for the adoption of the euro.

Continuation of the communication activities regarding the euro

The first working version of the communication strategy for the introduction of the euro in the Czech Republic, which was prepared in 2009, defines the content, organisational and financial aspects of the provision of the communication campaign. It became clear during the development of the document that the communication campaign will have a very wide scope of operation and the reflections on the best solution for its implementation gave rise to several other new questions. This has unambiguously confirmed the fact that for waging an effective communication campaign there are good reasons for preparing the conceptual materials sufficiently in advance.

Another important material the development of which is necessary for a responsible preparation of a communication campaign, it the so-called emergency communication plan. It has been clearly confirmed that the introduction of the euro into cash and noncash circulation and the implementation of other measures when transiting to a new currency has the character of a wide range of demanding logistic operations, which will be linked to potential risks resulting from the complexity and extensiveness of the project. It is therefore necessary to perform a thorough analysis of the potential risks and assess their likelihood both at the level of individual institutions and at national level. The experience in other countries shows that on the one hand, these potential risks have a small probability of occurrence, but, on the other hand, neglecting their negative impacts might be grievous.

Manual for self-government in preparing for the introduction of the euro in the CR

The principle that the early establishment of the methodological background helps to manage successfully the process of adopting the euro also applies to the territorial self-governing units. If adequate attention is dedicated to these issues, then it is possible after the setting of the official date for the introduction of the euro to follow the specific timetables for technical preparations and the agreed methodological procedures.

The aim of the manual will be to facilitate orientation of the local government authorities in the basic steps to be done in connection with the future introduction of the euro in the CR. This applies to a number of cross-cutting roles: as a public administration body, as a business entity and as an employer.

The main issues to be addressed:

a) Method of transmitting information to the population

Members of the councils of towns, villages and regions, as well as other representatives of the local self-governing units, who have very good knowledge of local conditions and are in daily contact with the inhabitants of the given territory, will be natural communicators. It will be necessary for them to be aware of their communication role and to consider the possible influence of the specifics of the given territory.

b) Adaptation of local governments

In the context of the changeover, the tasks of local governments can be split into several areas:

- legislative and legal issues (methodology and schedules of revisions of the generally binding decrees, regulations and decisions of a municipality or region, methodology for monitoring contracts with suppliers and buyers, property lease agreements);
- economic issues (methodology of converting assets of a municipality or region, property deposits, shares and capital, calculation of costs for the introduction of the euro, adaptation and conversion of budgets, conversion of payables and receivables, net book values of tangible and intangible assets, conversion of charges, preparation of relevant forms, conversion of time series and periodic surveys);
- economic and administrative issues (methodology of price lists adjustment, e.g. in urban public transport and social services, in the area of recreation, sports, schools and educational facilities, libraries and museums, in the area of housing and heating management, including the possibility of applying dual pricing methodology);
- technical issues (adaptation of information systems, adaptation of technical equipment and devices, such as ticket vending machines in public transport, parking machines, turnstiles at the gates to sports facilities, swimming pools and cultural facilities, etc.).

c) Model plan

A plan mapping the necessary steps and timetables in the process of preparation for the adoption of the euro will be offered to the local self-governing units. The draft of this plan will describe the background (the municipality and the region are assuming responsibility for the smooth transition to the euro, the organisational and factual preparations for the introduction of the euro within their powers and they also undertake to allocate the necessary

financial, material and human resources to ensure proper implementation of this process in all the above areas). Furthermore, the creation and the scope of activities of the Euro-team, i.e. a working group responsible for preparing the smooth introduction of euro in local conditions, will be proposed.

Methodology of the conversion of information systems

In view of the current importance of information technologies in all areas of the economy, it will be necessary to pay intense attention to the issues of the timely preparation of information systems for operation in the new currency. Generally, this will apply to the information systems working with data in Czech crowns. For this purpose, it is desirable to equip the various state administration and local government authorities with a uniform methodological framework that would ensure the smooth progress of adaptation measures. The relevant methodology will deal in more detail with the following sequence of preparation works:

- analysis and inventory of information systems affected by the changeover to the euro (with regard to the current methodology for the conversion of amounts in CZK to euros, dual pricing methodology, etc.),
- clarification of the requirements with the groups of key users,
- defining potential demands for extended functionality of these systems in the transition period,
- defining possible requirements on hardware (especially in the case of simpler devices),
- analysis of the interconnection of the systems (both internal and external),
- clarification of priorities and determination of timetables, including appropriate testing of the systems.

The National Plan considers it essential that this single methodological framework is created in basic outlines as at the date of € -36 months at the latest so that it could become one of the effective tools for the management of the adaptation processes in information science for the persons responsible for the preparatory work for the introduction of the euro.

In this context, the methodology will also address the basic tasks and deadlines of interdepartmental nature, including determination of the responsible administrators, again in the form of € minus the respective number of months:

- create a matrix of the public sector information systems and define mutual linkages,
- conduct an audit of the public sector information systems focusing on the needs of their adaptation relating to the changeover,
- elaborate a methodological guideline for the procedure of conversion of historical time series,
- prepare a list of critical factors that need special attention in the process of preparing the systems for the changeover,
- develop models for the adjustment of statistical forms and reports,
- conduct an integration test of the central information systems.

CONCLUSION

The technical preparations for the introduction of the euro continued in the Czech Republic in 2009 without the knowledge of the mandatory date, when the euro should be introduced. Because of the increased uncertainty regarding the ability of the Czech Republic to meet all the Maastricht convergence criteria, the characteristics described above will also apply for the year 2010.

The main objective of the activities undertaken within the institutional framework of the National Coordination Group for the Euro Adoption in the Czech Republic remains the same – ensure timely methodical preparation for the changeover in all key areas: adaptation of the legal environment, introduction of the euro in cash and non-cash form, preparation of the state administration and the local self-governing units, readiness of the corporate sector and the household sector, communication campaign.

The strategic goal is that at the moment when the Government decides on the definite date of adoption of the single European currency, the state of the technical preparations would have reached such a degree of advancement, that within a few months it will be possible to process and submit to the Government the updated National Euro Changeover Plan for the Czech Republic, which would be able to answer the vast majority of questions that remained open during the processing of the first version of the National Plan.

The subsequent phase which is beginning from the moment of the announcement of the date of introducing the euro could then concentrate not solely on the preparatory, but exclusively on the implementation aspects of the technical preparations in terms of fulfilling and monitoring the set timetables, technical procedures and recommendations.

In our presentations of the great Europeans, we have thus far devoted our attention primarily to the personalities who significantly helped shap the steps that led to the present process of European integration – its “Founding Fathers”. Less attention has been devoted to those who greatly contributed to the adaptation of the original European vision and who have shaped European unification in the course of its development. The great European of this issue of our Monthly is Jacques Delors.

JACQUES DELORS (FRANCE)

If we imagine a group of personalities that have proposed a major change or innovation to the process of European unification, we must take note of a personality who is most certainly the best known and most famous of all the Presidents of the European Commission, namely the French economist and politician Jacques Delors.

On 20 July 2010, Jacques Delors celebrates his 85th birthday. Born in Paris, he started his professional career in the French Central Bank, Banque de France, where he had held executives posts for 17 years. In 1962, he became a member of the Economic and Social Committee of the French Office for Planning and subsequently the Secretary-General for further education and social issues. During this period, he contributed significantly to the formation of the French Democratic Confederation of Workers.

In 1969, the then renowned professional serving in major public institutions entered into politics when he accepted an engagement with the cabinet of Prime Minister Jacques Chaban-Delmas. He served as the Prime Minister’s influential chief adviser on cultural, economic, financial and social matters. At the same time, he developed his academic career. Before being elected to the European Parliament in 1979, he served as the director of the Centre for Research of Labour Market and Society. At that time, Delors’ essential contribution was the requirement that companies would mandatorily devote part of their profits for the purposes of training and educating their workers.

In 1974, however, he changed his political orientation. Delors – until then rather a left-oriented Christian (Prime Minister Chaban-Delmas was a Gaullist) – with a group of like-minded colleagues became a member of the French Socialist Party.

It was in the European Parliament that Delors became well known. In the years 1979–1981, he led the parliamentary committee for economic and monetary policy. When Francois Mitterrand became French President, Delors returned briefly from the European to the French political scene. Between 1981–1984 held the positions of finance minister, economic minister and budgetary policy minister. During this period when the French political scene was dominated by left-wing views, Delors – albeit a socialist – retained a sense of healthy functioning of the market and became a very useful corrector in relation to the proposed avalanche of excessively socially oriented costly programmes (at that time, the French government temporarily included also the representatives of the Communist Party). Mitterrand repeatedly considered the appointment of Delors as Prime Minister of the French Government, but never did so given the political state of affairs at the time.

As already mentioned, Delors’ stellar period began in 1985 when in January he became the eighth President of the European Commission. During his tenure at the head of the European executive, the largest and undisputed economic success of European integration – the Single Internal Market was launched in 1993. The hitherto most radical budget reform took place and the foundations were laid for the Maastricht European Council summit, which was later successfully implemented and whose output, the most crucial treaty since the Treaty of Rome, opened the space to create a common European currency (later the euro) and the new name: the European Union. Moreover, the Single European Act was in fact a form of the first major institutional reform of the EC, tailored to the needs of the second half of the 1980s. In brief, Jacques Delors is the man who finalised the process of creating a market without barriers and, at the same time, the initiator of the process of monetary and closer political unification under the banner of the EU. Delors was also first and, until last year, the only head of the European Commission, who was given the mandate for more than one term. He was the President of the European Commission until 1995.

Even after this stellar European career, this great European has remained active. From 1993 to 1996, he chaired the UNESCO Commission on Education for the Twenty-first century. He resisted the temptation to become a candidate for President of France (though he had a great chance to be elected) and in 1996 he founded the famous Paris *think tank* Notre Europe. He is a member of other influential and respected discussion fora and communities.

Statistical window

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

Key macroeconomic indicators

	GDP growth y-on-y			Current account to GDP*			Unemployment rate			Inflation y-on-y average		
in %	2007	2008	2009	2007	2008	2009	II-10	III-10	IV-10	II-10	III-10	IV-10
Belgium	2.9	1.0	-3.1	2.2	-2.9	0.5	8.0	8.1	8.2	0.8	1.9	2.1
Bulgaria	6.2	6.0	-5.0	-26.8	-24.0	-9.4	8.7	8.8	8.8	1.7	2.4	3.0
CR	6.1	2.5	-4.8	-3.2	-0.7	-1.1	7.8	7.9	7.7	0.4	0.4	0.9
Denmark	1.7	-0.9	-4.9	1.5	2.2	4.0	7.1	7.1	7.0	1.8	2.1	2.4
Germany	2.5	1.3	-5.0	7.6	6.7	4.9	7.4	7.3	7.1	0.5	1.2	1.0
Estonia	7.2	-3.6	-14.1	-17.8	-9.4	4.6	19.0	19.0	na	-0.3	1.4	2.5
Ireland	6.0	-3.0	-7.5	-5.3	-5.2	-2.9	13.1	13.1	13.2	-2.4	-2.4	-2.5
Greece	4.5	2.0	-2.0	-14.4	-14.6	-11.2	na	na	na	2.9	3.9	4.7
Spain	3.6	0.9	-3.6	-10.0	-9.7	-5.4	19.2	19.5	19.7	0.9	1.5	1.6
France	2.3	0.4	-2.2	-1.0	-2.3	-2.2	10.0	10.1	10.1	1.4	1.7	1.9
Italy	1.5	-1.3	-5.0	-2.4	-3.4	-3.2	8.6	8.8	8.9	1.1	1.4	1.6
Cyprus	5.1	3.6	-1.7	-11.7	-17.5	-8.3	6.4	6.7	6.8	2.8	2.3	2.5
Latvia	10.0	-4.6	-18.0	-22.3	-13.0	9.4	21.5	22.1	22.5	-4.3	-4.0	-2.8
Lithuania	9.8	2.8	-15.0	-14.5	-11.9	3.8	17.4	17.4	na	-0.6	-0.4	0.2
Luxembourg	6.5	0.0	-3.6	9.7	5.3	5.6	5.4	5.4	5.4	2.3	3.2	3.1
Hungary	1.0	0.6	-6.3	-6.6	-7.0	0.2	10.9	10.8	10.4	5.6	5.7	5.7
Malta	3.8	2.1	-1.9	-6.1	-5.6	-3.9	7.1	6.9	7.0	0.7	0.6	0.8
Netherlands	3.6	2.0	-4.0	8.7	4.8	5.4	4.2	4.2	4.1	0.3	0.7	0.6
Austria	3.5	2.0	-3.6	3.6	n/a	n/a	4.9	4.9	4.9	0.9	1.8	1.8
Poland	6.8	5.0	1.7	-4.7	-5.1	-1.6	9.8	9.9	9.9	3.4	2.9	2.7
Portugal	1.9	0.0	-2.7	-9.4	-12.0	-10.3	10.4	10.6	10.8	0.2	0.6	0.7
Romania	6.3	7.3	-7.1	-13.4	-11.6	-4.5	na	na	na	4.5	4.2	4.2
Slovenia	6.8	3.5	-7.8	-4.8	-6.2	-1.0	6.2	6.2	6.3	1.6	1.8	2.7
Slovakia	10.6	6.2	-4.7	-5.7	-6.6	-3.2	14.1	14.1	14.1	-0.2	0.3	0.7
Finland	4.9	1.2	-7.8	4.3	3.1	1.3	8.8	8.8	8.8	1.3	1.5	1.6
Sweden	2.5	-0.2	-4.9	8.4	9.5	7.3	9.0	8.8	9.3	2.8	2.5	2.1
UK	2.6	0.5	-4.9	-2.7	-1.5	-1.3	7.9	na	na	3.0	3.4	na
EU	2.9	0.8	-4.2	-1.0	-1.9	-1.1	9.6	9.7	9.7	1.5	1.9	2.0

	Public budget to GDP*			Public debt to GDP			GDP per capita to Ø EU			Price level to Ø EU		
in %	2007	2008	2009	2007	2008	2009	2006	2007	2008	2006	2007	2008
Belgium	-0.2	-1.2	-6.0	84.2	89.8	96.7	117.8	115.7	115.2	107.7	108.3	111.1
Bulgaria	0.1	1.8	-3.9	18.2	14.1	14.8	36.5	37.7	41.3	44.9	46.2	50.2
CR	-0.7	-2.7	-5.9	29.0	30.0	35.4	77.0	80.1	80.4	61.3	62.4	72.8
Denmark	4.8	3.4	-2.7	27.4	34.2	41.6	124.2	121.2	120.1	138.4	137.4	141.2
Germany	0.2	0.0	-3.3	65.0	66.0	73.2	116.1	115.8	115.6	102.6	101.9	103.7
Estonia	2.6	-2.7	-1.7	3.8	4.6	7.2	65.2	68.8	67.4	68.5	73.1	78.0
Ireland	0.1	-7.3	-14.3	25.0	43.9	64.0	145.2	147.8	135.4	124.5	124.5	127.6
Greece	-5.1	-7.7	-13.6	95.7	99.2	115.1	93.0	92.8	94.3	89.0	90.7	94.0
Spain	1.9	-4.1	-11.2	36.2	39.7	53.2	104.6	105.0	102.7	91.8	92.8	95.4
France	-2.7	-3.3	-7.5	63.8	67.5	77.6	108.8	108.5	108.0	108.5	108.0	110.7
Italy	-1.5	-2.7	-5.3	103.5	106.1	115.8	104.2	103.5	101.8	104.2	102.9	105.6
Cyprus	3.4	0.9	-6.1	58.3	48.4	56.2	90.7	93.6	95.9	90.3	88.1	90.5
Latvia	-0.3	-4.1	-9.0	9.0	19.5	36.1	51.6	55.7	57.3	60.7	66.6	72.6
Lithuania	-1.0	-3.3	-8.9	16.9	15.6	29.3	55.3	59.3	61.9	57.3	60.0	64.6
Luxembourg	3.6	2.9	-0.7	6.7	13.7	14.5	272.2	275.2	276.4	111.3	115.3	119.1
Hungary	-5.0	-3.8	-4.0	65.9	72.9	78.3	63.2	62.6	64.4	60.6	66.7	68.1
Malta	-2.2	-4.5	-3.8	61.9	63.7	69.1	76.8	76.4	76.0	74.8	75.5	78.8
Netherlands	0.2	0.7	-5.3	45.5	58.2	60.9	131.2	132.2	134.0	104.0	101.8	104.0
Austria	-0.4	-0.4	-3.4	59.5	62.6	66.5	124.6	123.0	123.5	101.9	102.2	105.1
Poland	-1.9	-3.7	-7.1	45.0	47.2	51.0	51.9	54.4	56.4	62.4	61.9	69.1
Portugal	-2.6	-2.8	-9.4	63.6	66.3	76.8	76.4	75.6	76.0	84.9	85.7	87.0
Romania	-2.5	-5.4	-8.3	12.6	13.3	23.7	38.4	41.6	45.8	57.6	63.8	60.9
Slovenia	0.0	-1.7	-5.5	23.4	22.6	35.9	87.7	88.6	90.9	76.7	79.0	82.3
Slovakia	-1.9	-2.3	-6.8	29.3	27.7	35.7	63.4	67.7	72.3	58.0	63.2	70.1
Finland	5.2	4.2	-2.2	35.2	34.2	44.0	114.1	117.9	116.9	122.7	119.9	124.3
Sweden	3.8	2.5	-0.5	40.8	38.3	42.3	121.2	122.8	120.1	118.5	115.7	114.5
UK	-2.8	-4.9	-11.5	44.7	52.0	68.1	120.3	116.7	116.2	110.6	112.6	100.0
EU	-0.8	-2.3	-6.8	58.8	61.6	73.6	100.0	100.0	100.0	100.0	100.0	100.0

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