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Dear readers,

If Europe had something in common at the end of the first half of the year, it was the hellish heat, which has paralysed in its way the temper of the previous months. The Greek fiscal story gradually disappeared from the front pages of newspapers and its content was transformed into where it belongs: namely the economic and financial columns, while its interpretation was gradually losing emotions and slowly gaining in rationality and matter-of-factness. The manifestation of pragmatic factuality in relation to (not only) the Greek situation is, for example, the agreement on a rescue package to prevent the debt infection spreading across Europe, which in its maximalist version is able to mobilise up to 750 billion euros. The crucial public players are the individual euro area members (so far without the resisting Slovakia), the International Monetary Fund and the EU's executive – the European Commission. The purpose is that the financial markets get a convincing, authoritative reassuring message about the future development of the EU economy, which should be subsequently reflected in the strengthening of the euro exchange rate and reduction of the interest rate risk premium (which has already partially happened).

The European Commission prepared a proposal to tighten sanctions in the case of violations of fiscal discipline; the main content of the proposal lies in the possibility of curbing or even complete stopping of subsidies not only from structural operations, but also of resources for agriculture, fisheries and rural development. According to the proposal, in the case of long-term and chronic non-observance of the two key criteria of fiscal discipline for deficit and debt (3% and 60% of GDP, respectively), the given country could lose all the subsidy allocation.

The so-called new financial regulation became again the topic of the June debates at a high political level in the EU much more intensively than in the previous part of the year. The slightly populist hit of the upcoming summer season has become in this respect the vote on the proposal for a new bank levy (whose motive can be simply interpreted as follows: the banks and financial institutions were fundamentally involved not only in the launch of the crisis, but the crisis has created a need for many of them to get recovered from public funds so as to make it possible for them to survive. Therefore, it would be desirable that the banks return this aid to the public budgets in the form of additional bank tax). There is no doubt that for some countries, this description is in principle true and authentic, but certainly not for all (e.g. many central European countries, including the Czech Republic). Accordingly, there is no reason that this tool is applied across the board throughout the Union, when its need is at least very diverse. The somewhat solitary position of the Czech delegation has led to the conclusion that in our country, this tool should not be introduced. Its specific forms in the respective member states will be decided on by further negotiations.

What was definitely pleasant in June? Perhaps the successfully accomplished efforts of Estonia even in the present hard times to cope with the pitfalls on the road to the euro area.

Petr Zahradník

Belgium took up the EU Council Presidency. Its priority topics include competitiveness, the knowledge economy, green Europe and launching the European External Action Service. The European Commission came up with radical proposals in the area of fiscal policies of member states envisaging stricter penalties for irresponsible members. The European Council endorsed the introduction of the euro in Estonia since 2011. The final approval will be made by Ecofin in July.

POLITICS

Belgium Assumes Presidency of the EU Council

Sustainable growth, social cohesion, employment, green economy and strengthening the global role of the European Union – these are the priorities of the Belgian Presidency launched on 1 July 2010.

"The European Union, our Union, faces many challenges." This is the opening sentence of the programme of the six-month Belgian Presidency of the European Union, the goal of which is a **"stronger, more coherent and determined Europe".**

The Belgian government, led by caretaker Prime Minister Yves Leterme, outlined the main priorities, which include:

1) Competitiveness and a knowledge-based economy, as well as social cohesion

The programme states that "it will only be possible to achieve economic recovery and respond adequately to the current crisis by mobilising all the forces at our disposal".According to the Belgians, this will be accomplished by implementating the EU 2020 economic strategy for employment and growth, increasing support of member states for education and innovation, ambitious commitments on climate change and strengthening social cohesion. The Presidency should put into practice stricter budgetary rules for the member states **(strengthening the Stability and Growth Pact and its effective enforcement)** and gradually establish supervision of financial markets.

2) Green Europe

The programme identifies climate change as the greatest challenge for the EU in the future. The only solution is seen in **the move to green (low-carbon) energy,** which is environmentally friendly.

As regards more specific objectives, Belgium's attention in this respect is focused on the **international climate conference** to be held in Cancun, Mexico, in November 2010.

3) We won't go beyond Lisbon

The foreign policy dimension of the programme will focus on putting the **European External Action Service** into operation. Over the next six months, Belgium will also concentrate on EU enlargement, strengthening relations with third countries and liberalisation of global trade.

http://www.eutrio.be/

Europe 2020: Consensus on Major Targets

Leaders of the EU member states agreed on the main targets of the Europe 2020 strategy. Specifically, the **objectives include employment, research and development, energy and combating climate change, education and poverty reduction.**

In the field of education, the wording proposed by the European Commission changed from the original "the school drop-out rates should be below 10% and at least 40% of the younger generation should reach tertiary level education" to **a softer:** we will be "aiming to reduce"; plus the 40% target should apply specifically to the age group of 30-34 year olds.

The last target defined by the Commission, namely that the number of Europeans living below the national poverty threshold, should decrease by 25%, lifting over 20 million people out of poverty, triggered the requirement for further adjustment. The "hard" target was again replaced by a "softer" wording ("aiming to"), the percentage goal was omitted (only the reduction in the number of poor by 20 million was left intact) and the member states will be able to **choose one of three poverty indicators** which is "most appropriate" for them.

The member states did not have a problem with the remaining three objectives:

- **75% of the population** aged 20-64 should be employed,
- **3% of the EU's GDP** should be invested in research and development,
- **the "20-20-20" target** should be achieved in the climate and energy areas (including the increase in the commitment to reduce emissions to 30% if conditions are favourable).

However, the agreement on the framework strategy, including the main goals, is only the first step. The second step will be to divide common goals into individual national goals, which should happen **before the European Council this autumn.**

The new strategy includes agreeable commitments that, if fulfilled, would move the European Union forward. Despite the assurances of effective implementation mechanisms, there is concern that Europe 2020 will remain only on paper, as it happened to its predecessor – the Lisbon Strategy.

http://www.consilium.europa.eu/uedocs/cms_Data/docs/pressdata/en/ec/115346.pdf

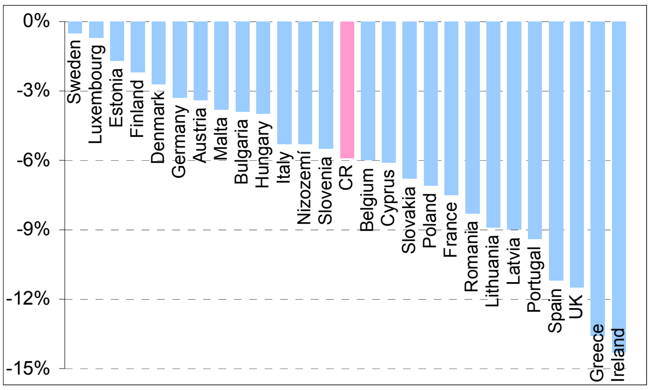
ECONOMY AND EURO

Commission Tightens Penalties for Poor Fiscal Performance

The European Commission came up with a proposal on how to reinforce budgetary discipline of member states and how to achieve financial and macroeconomic stability in the European Union. In addition **to losing the support from the structural funds, offenders may lose subsidies for agriculture.**

Although **sanctions for violation of the agreed rules already exist, they have never been implemented in the past** (they must be finally approved by the Council of Ministers). Therefore, the commissioners intend not only to tighten the sanctions, but in addition to overshooting the budget deficit limit, which was set at 3% of GDP, they also intend to punish the countries even for exceeding the permitted amount of public debt (60% of GDP).

Public budget deficit in 2009 (as of GDP)



Source: Eurostat

The sanctions, however, will not be automatic. According to the European Commission's proposal, their imposition will depend on the voting of the other finance ministers. There will be even more severe penalties for the countries using the single euro currency – they will be forced to deposit a certain advance in Brussels, the amount of which should depend on the size and strength of their economies. These countries will pay interest on this advance until they once again meet the agreed conditions.

Commissioner for Monetary Affairs Olli Rehn has worried farmers who fear that they will pay for financial misconduct of their governments. He said that the freeze on these subsidies would only apply to the transfer of funds from the EU budget towards the government. **The governments would continue to be obliged to respect and comply with their obligations to the farmers** and the measure would not affect the farmers as end-beneficiaries of subsidies, the Commissioner said.

The unsustainability of the present form of the Stability and Growth Pact can be seen by the current "Greek crisis". The European Commission's new proposal introduces stricter sanctions by including in the potentially cut subsidies those to support agriculture, but the decision-making mechanisms do not change. EU Finance Ministers, in consultation with the European Commission, will make decisions on sanctions.

http://europa.eu/rapid/pressReleasesAction.do?reference=IP/10/859

EU Summit Approves Euro Introduction in Estonia

The June European Council summit in Brussels **approved the accession of Estonia into the eurozone by 1 January 2011.** It followed the approval of the finance ministers of the member states, which was based on the recommendation of the European Commission. The finance ministers should establish a mandatory conversion rate at which the Estonian kroon will be converted to the euro early next year.

Estonia will become the 17th eurozone member state and **it can be expected to be the last one for a long time.** The current macroeconomic situation does not allow the other candidate countries to meet the Maastricht criteria for euro adoption. Moreover, the Greek troubles and the related problems have not increased the credibility of the euro in the eyes of the public.

Estonia is the only candidate country for the adoption of the common European currency that **has met all the Maastricht criteria.** 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. 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 European Union intends to tighten the coordination of fiscal policies of member states, which should send to Brussels their draft national budgets for preliminary non-binding assessment. The Czech Republic is the only member country that enforced exemption from the upcoming special taxation of the banking sector. According to the European Commission, the institutions conducting surveillance of financial markets could prohibit or at least limit financial transactions, such as short-selling and CDS.

Despite the current market turbulence, the euro still has a good name, which can be seen by the decision of the rating agency Standard and Poor's to **raise Estonia's main currency rating** to A from the current A-minus. The agency said that the joining of the eurozone reduces the risks stemming from exchange rate fluctuations.

It is also due to the above factors that the introduction of the euro is not on the agenda in the Czech Republic. According to our estimates, this **could not occur sooner than 2015 or 2016.**

http://www.consilium.europa.eu/uedocs/cms_Data/docs/pressdata/en/ec/115346.pdf

http://www.consilium.europa.eu/App/NewsRoom/loadDocument.aspx?id=350&directory=en/ecofin/&fileName=115006.pdf

Member States to Undergo Deeper EU Stats Probe

Finance ministers of the member states agreed on a **new way to control their public finances.** They were led to this by the experience with Greece, which was submitting false information. Moreover, speculations emerged recently about the national accounts statistics of Hungary and Bulgaria.

Eurostat will no longer be a mere statistical agency, whose task is to monitor data flowing from the member states, **but an authority which is entitled to request much more information,** including sending missions to countries showing "suspicions of deviations" in erroneous or rigged statistics. The new control method will only apply to countries that show excessive deficits (above 3% of GDP).

The draft is part of a much wider **discussion about stricter budgetary surveillance under discussion,** and would be approved with little debate and without any specific delays.

The European Union has learned a lesson from the experience with Greece, which was adjusting its statistics in the long run, and even joined the eurozone based on the submission of fraudulent data. In addition, it shocked the financial markets last year: even in April 2009 the Greek government has promised a deficit of 3.7% of GDP, but the actual number represented 13.6% of GDP!

"Previously we could just carry out a technical visit to assess the accounting methodologies and there were limited number of questions we could ask," said the European Commission spokesperson about the new draft. "Though we will not have full-audit power, more like semi-audit power, we can send frequent technical missions to assess countries when there are suspicions of deviations," the spokesperson added.

The empowerment of Eurostat is a necessary step to strengthen confidence of financial investors in the reliability of (not only) the Greek fiscal statistics. It is now, in these turbulent times, a very important factor in the willingness of investors to buy government bonds of indebted states. The importance of trust is best seen on the different fates of the public finances of Argentina (bankrupted with a public debt below 60% of GDP) and Japan (even with a public debt of around 200% of GDP, it is able to refinance relatively cheaply in the financial market).

http://www.consilium.europa.eu/App/NewsRoom/loadDocument.aspx?id=350&directory=en/ecofin/&fileName=115006.pdf

BUDGET

EU To Pre-assess National Budgets

In an effort to prevent a similar crisis as the one in Greece, the European Council summit agreed **to tighten the budgetary rules for member states.**

Accordingly, the EU-27 agreed on the so-**called European semester,** a preliminary assessment of proposed national budgets by the European Commission and the EU Council, which would take place every spring.

Details **of the plan will be specified** after a further meeting of the special Task Force, headed by EU President Van Rompuy, and will strengthen the Stability and Growth Pact. The next meeting should take place in autumn.

The Czech Republic, represented at the summit by the outgoing caretaker Prime Minister Jan Fischer, supported the Union's **plan for assessing the budgets.** "It's nothing from the devil**. It does not mean that the deficit or the form of the budget will be decided by someone other than Czech authorities** and ultimately the Czech Parliament," the Prime Minister said to the Czech Television.

It should be noted, however, that the European institutions will **only assess budget plans and, based on the ascertained information, they will possibly notify** the particular country that it is facing a dangerous deficit. They will also make recommendations on how the situation could be best and most quickly corrected. Accordingly, there is nothing like "approval" or "order" in the true sense.

Non-binding assessment of the proposals of national budgets in Brussels **does not restrict the sovereignty of member states and in no way goes beyond the**

existing contractual framework of the EU. The European Union does not change, the fiscal policy does not become uniform or harmonised and the states continue to retain the supreme decision-making role in the management of public finances. In a way, it is an analogy to making recommendations in the so-called Convergence Reports representing medium-term plans for the public finances of member states.

Even recommendations stemming from the Commission's position to the national budgets may have ultimately a positive effect, if it **provokes discussion about the adequacy of the proposed budget** in the given member state.

http://www.consilium.europa.eu/uedocs/cms_Data/docs/pressdata/en/ec/115346.pdf

TAXATION AND CUSTOM UNION

Czech Republic Exempted from Bank Tax

At the EU Summit in June, the Czech Republic **opposed the introduction of a new bank tax.** It is intended to fill a special fund that would help in the case of another crisis with the recovery of bank losses.

The preliminary conclusions of the summit were clear. "The European Council agrees that Member States should introduce systems of levies and taxes on financial institutions to ensure fair burden-sharing" of the costs of the crisis, we can read in the conclusions.

Czech Prime Minister Jan Fischer did not agree. "The text should be softer. Not that we introduce, but that we should consider introducing or something like that," Fischer said before the negotiations. However, it remained virtually unchanged and the Czechs introduced the following note in the conclusions: **"The Czech Republic reserves its right not to introduce these measures" (new fees and taxes from the financial institutions).**

There are several reasons for our politicians taking this position. The main one is that Czech banks are conservative (avoiding risky instruments) and **have endured the crisis without problems.** The Czech government thus sees no reason to burden them with additional taxes. Moreover, the existence of a similar fund would be **linked with a substantial moral hazard.** Banks could take risks and act irresponsibly without seeing the threat of their bankruptcy. They would be rescued from the established fund. No one even knows yet how the whole mechanism would work, which is why the Czechs took an evasive attitude to the acceptance of the new tax.

Another problem is that **there is no unified opinion on the bank tax within the G20 either.** The introduction of the tax in the Union only would weaken the competitiveness of local banks.

"The EU is now using the slogan that yesterday was too late. We are critically lacking impact studies of similar measures," Prime Minister Fischer explained. He added that our **European partners accepted the Czech position.** "For the Czech Republic the issue was very sensitive . We have just been a little provocative," he said. The introduction of a special bank tax is a non-systemic measure that in countries with a stabilized and healthy banking sector – like in the Czech Republic – really makes no sense. **The hard-won exception for the CR is correct.**

http://www.consilium.europa.eu/uedocs/cms_Data/docs/pressdata/en/ec/115346.pdf

FINANCE

EU To Limit Short-selling and Credit Swaps

The European Commission said it wants to **give market supervisors the authority to either ban or restrict short-selling and credit default swaps (CDS),** but there is disagreement on whether the EU or national authorities should be responsible for the regulation.

On Monday, 14 June, the European Commission launched a consultation on the regulation of certain speculative financial transactions, which according to some experts and politicians might have contributed to worsening the problems in the overindebted Greece. An EU-wide ban on such practices **was suggested again a few days ago by Germany and France.**

The representatives of the European Commission and European Parliament and the head of European diplomacy, Catherine Ashton, reached a compromise regarding the organisation and operation of the European External Action Service. Negotiators from the European Parliament and the Council agreed on a compromise version of the industrial pollution directive, which establishes stringent limits for air, soil and water pollution.

The consultation paper contains several proposals. **Most controversially,** the EU wants financial market supervisors to have "the power to temporarily restrict or ban short-selling and credit default swaps in emergency situations".

The member states (most notably the UK) want the power to decide what an "emergency situation" is and what it is not. Opponents argue that the decisions of the representatives of states in the Council are cumbersome, time consuming and could not react in hours or even minutes. **Such a prompt response could be made by a pan-European authority**, as proposed by the European Commission and the European Parliament. It should be the newly created European Securities and Markets Authority (ESMA), which would replace the existing Committee of European Securities Regulators (CESR). It could insist on compliance with the ban even in cases where there is no consensus at the national level.

A general ban on short selling (a speculator sells a financial instrument that he often does not possess to buy it in the future ideally at a lower price) would be **a step several decades backward and would be reflected in a reduction of liquidity of the trading on financial markets.** On the other hand, it is true that in times of real crisis (the fall of Lehman Brothers, the acute phase of the "Greek crisis") short selling contributed to the irrational and panicky behaviour of financial markets.

On 8 September, based on the ongoing public consultation, the European Commission **will propose legislation to regulate short selling and credit default swaps.**

http://europa.eu/rapid/pressReleasesAction.do?reference=MEMO/10/255

Brussels Raises Heat on Rating Agencies

The EU executive wants to look closely at credit rating agencies and it took another step to this end. European Commission President José Manuel Barroso **intends to push for their strict supervision.** The Commission suggested that the rating agencies would be supervised by the newly created institution – the European Securities and Markets Authority (ESMA).

President Barroso also said the Commission is still **considering to establish a European Credit Rating Agency,** which would counterweigh the well-known trio of Standard & Poor's, Moody's and Fitch, thus increasing the competition in the "highly concentrated market". Brussels did not like the panic caused by the reduction of the rating of Greece and other eurozone countries at the end of April.

Brussels has been studying the behaviour of credit rating agencies during and before the financial crisis for several months. In 2008, the Commission approved **a regulation on credit rating agencies,** which tightened the supervision of these institutions and introduced the requirement of their registration. The regulation will take effect from December 2010.

Why does it needs to be amended before becoming effective? The reason is simple. In autumn 2008, the debate about how the new system of supervision of financial institutions in the EU will look like was just starting up and, therefore, the regulation envisages that the credit rating agencies will be supervised by panels of national regulators. However, this should be changed – **the powers will pass to the new EU institution, the above-mentioned ESMA.**

It should continuously monitor whether or not the credit rating agencies violate the provisions of the applicable regulation. If they do, they will be subject to penalties from fines to revocation of registration. **The role of national regulators will be very limited in this respect,** but based on the proposal, ESMA may delegate certain powers to them.

Credit rating agencies are themselves to blame due to their fatal underestimating the risks of the complex financial instruments, such as CDO, CLO, ABS, etc. **However, settling this problem by setting up the "European Credit Rating Agency" is a wrong concept.** Rating is particularly about confidence in the ability of the agencies to assess independently the credit risks of borrowers, and this confidence is endangered even by a mere potential political interference.

http://europa.eu/rapid/pressReleasesAction.do?reference=IP/10/656

EXTERNAL RELATIONS

European External Action Service Planned for Autumn

The representatives of the European Commission and European Parliament and the head of European diplomacy, Catherine Ashton, reached a compromise regarding the **organisation and operation of the European External Action Service** (EEAS) envisaged by the Lisbon Treaty. The new diplomatic service is expected to become operational this autumn.

Several months long negotiations on the EEAS were complicated primarily by differing opinions of the respective institutions on the principle on which the new

EU diplomatic service should be based. The European Commission advocated maintaining the community principle, while member states preferred to see the **EEAS operating based on intergovernmental co-operation**. The European Parliament supported the commissioners in this regard.

The compromise eventually promises the European Parliament certain powers over the budget of the new service and it ensures that the Parliament will be notified in advance of major political and strategic steps. On the other hand, the EEAS will be autonomous in its decisions. As regards the issue of financing development aid, the **Parliament and the Commission will decide in a co-decision procedure**. EU foreign affairs chief Catherine Ashton also agreed that at least 60% of EEAS staff will be the current employees of the European institutions and the rest will be diplomats from of national states.

At the same time, Baroness Ashton agreed to another requirement of the MEPs that one of her deputies should be the foreign minister of the country holding the rotating EU presidency along with the relevant commissioners, i.e.

- **Štefan Füle, the Czech commissioner for enlargement**,
- Andris Piebalgs, his Latvian colleague responsible for development,
- Kristalina Georgieva, the Bulgarian commissioner for humanitarian aid.

Now the document should be formally endorsed by all parties concerned. The Parliament will proceed to the vote at its plenary session held in early July and the foreign ministers of member states will **vote at their meeting at the end of July**.

http://europa.eu/rapid/pressReleasesAction.do?reference=IP/10/771

ENVIRONMENT

Pollution Directive Compromise With Several Exceptions

The political agreement reached between negotiators from the European Parliament and member states **recasts the Integrated Pollution Prevention and Control (IPPC) Directive,** combining it with six other pollution laws. It has tightened the limits on air, soil and water pollution but large combustion plants are allowed derogations until mid-2020.

The new legislation obliges industrial operators to **obtain permits from national authorities based on best available techniques (BAT),** which are listed at European level and considered the most cost-effective means of achieving a high level of environmental protection. Based on the application of such technologies, the respective installation can discharge a particular volume of air pollutants. These are substances contributing to the occurrence of acid rain and smog, such as sulphur dioxide (SO2), nitrogen oxides (NOx), volatile organic compounds (VOCs) and dust.

The problem is, however, that the current rules give member states extensive rights to grant exemptions to certain operations depending on the surroundings in which they are located or their technical characteristics. **These shortcomings should be eliminated by the amendment.**

Based on their transitional national plans, the member states are allowed **to grant large industrial combustion plants exemptions from the limits until 30 June 2020.** Moreover, large polluters will be able to avoid meeting the stricter limits if they close their plants by the end of 2023 and do not operate them for more than 17,500 hours.

Furthermore, some operations will still be able to obtain deferment depending on local surrounding conditions. However, it should be only allowed in cases where the **application of BATs would lead to "disproportionately higher costs compared to the environmental benefits".**

The European Commission will have to reassess the minimum emission limits every three years.

http://www.euractiv.com/sites/all/euractiv/files/IED.doc

In response to the controversial benefits of the current generation of biofuels, the European Commission takes legislative measures to ensure that biofuel production would have no negative impact on biodiversity and the environment in general. The European Union approved a package of measures aimed at facilitating the use of subsidies from the European structural and cohesion funds.

European Commission Tightens Rules for Biofuels

The European Commission has published legislation, which **establishes the rules for biofuel production.** The package, which includes two communications and one decision, aims to ensure that biofuels produced and imported into the EU are produced without damaging the environment.

Only biofuels that meet the new rules will count towards the targets set by the EU. The EU's aim is **to acquire by 2020 10% of fuel from renewable sources.** But the European Commission does not plan to sanction or prohibit the production of biofuels, which do not conform to the stricter requirements.

The European Commission explains in its communication what the governments, industry and NGOs should do to use biofuels in accordance with the principles of sustainable development.

The new rules should apply in the EU and in third countries and they **introduce control audits.** A Brazilian sugarcane farmer, for example, must prove that his land was not converted from tropical forest to farmland since January 2008. A large number of criteria must be met by manufacturers, importers and distributors. In the end, however, the burden of proof of sustainability will be on big companies that import biofuels like BP or Shell.

The scheme is subject **to annual auditing** and will be approved by the Commission for a five-year period. If the audit finds out that the system is not functioning properly, the Commission may revoke it at any time.

In its second communication, the Commission sets out **which types of land should not be used to produce biofuels.** These include natural forest, protected areas, wetlands, peatlands and highly biodiverse areas.

The EU also explicitly **demands that forest must not be converted into oil palm plantations producing palm oil,** one of the most common and cheapest biofuels. Biofuels, which fail to comply with the specified conditions, will not get the necessary certificate.

To fulfil the EU sustainability criteria, biofuel **must produce at least 35% greenhouse gas emission reductions as compared with fossil fuel emissions.** Under the Renewable Energy Directive, this figure should increase to 50% by 2017, and even to 60% by 2018.

http://europa.eu/rapid/pressReleasesAction.do?reference=IP/10/711

REGIONAL POLICY

EU Approves Simplification of EU Funding Rules

The European Union approved a package of measures designed to **simplify access to European funds** and to provide help in times of economic crisis.

One of the adopted measures is introducing a single ceiling of 50 million euros for all types of major projects which, **in addition to the assessment of the national authorities, will require the Commission's approval**. This measure will affect the environmental area where, under the current rules, member states had to send to Brussels for approval all projects above 25 million euros, which protracted the whole process of granting the subsidy.

The revised rules should also **facilitate the financing of some large infrastructure projects, e.g. the construction of a motorway section** that cuts across the territory of different regions. So far, member states were not able to fund such a project from more than one operational programme – now it will be possible.

There was also a change in the requirements for the sustainability of projects. The standard rules for granting European subsidies **require that the impact of the project lasts for at least five years** (three years in the case of support for small and medium enterprises) after subsidy termination. The requirement of sustainability should now only relate to sectors where it is "appropriate" (e.g. infrastructure projects and aid in the "productive sectors").

For the five member states whose budgets faced serious troubles due to the economic crisis, the **EU approved an extraordinary increase in advance payments** of 775 million euros (4% from the ESF and 2% from the Cohesion Fund). These countries are Estonia, Hungary, Latvia, Lithuania and Romania.

Another extraordinary measure concerns the N+2 rule, under which the allocated money from European funds for a particular year must be spent by the member states within the next two years. The approved measure relates to about 220 million euros from the allocation for 2007 which some member states (e.g. Spain and Italy) did not manage to spend (this measure does not apply to the Czech Republic because it has negotiated a temporary milder rule of N+3).

http://europa.eu/rapid/pressReleasesAction.do?reference=IP/10/838

The Eurobarometer public opinion survey reveals that Europeans are increasingly donating blood – on average, 37% of EU citizens have ever donated blood. The Austrians take the lead with 66%. From this point of view, the Czechs are slightly below average, when 30% of respondents of the survey identified themselves as blood donors. Iceland overcame another obstacle to its European Union membership, when in mid-June the European Council decided to open accession talks with this Nordic country.

JUNE 1

A Digital Agenda for Europe: http://www.consilium.europa.eu/showFocus.aspx?id=1&focusId=484&lang=en

Your guide to the Lisbon Treaty: http://ec.europa.eu/publications/booklets/others/89/index_en.htm

Regions and cities warn Member states that Europe 2020 does not have the means to deliver on its promises: http://www.cor.europa.eu/pages/PressTemplate.aspx?view=detail&id=90ea55fa-2b63-4e7b-9743-2d79fee52d72

JUNE 2

EIB to support pioneering rural microfinance fund - leading development financial institutions launch EUR 100m Rural Impulse Fund II: http://europa.eu/rapid/pressReleasesAction.do?reference=BEI/10/88

Commission proposes tougher measures on trafficking in firearms: http://ec.europa.eu/justice_home/news/intro/news_intro_en.htm

JUNE 3

EU-Russia - Partnership for Modernisation: http://www.consilium.europa.eu/showFocus.aspx?id=1&focusId=485&lang=cs

EU greenhouse gas emissions - more than half way to the '20 % target by 2020': http://www.eea.europa.eu/pressroom/newsreleases/eu-greenhouse-gas-emissions-more

Greenhouse gas emissions - change 1990-2008

Latvia	-55.6%	Belgium	-7.1%
Lithuania	-51.1%	France	-6.4%
Estonia	-50.4%	Luxembourg	-4.8%
Romania	-39.7%	Netherlands	-2.4%
Bulgaria	-37.4%	Finland	-0.3%
Slovakia	-33.9%	Italy	4.7%
CR	**-27.5%**	Austria	10.8%
Hungary	-24.9%	Slovenia	15.2%
Germany	-22.2%	Greece	22.8%
UK	-18.6%	Ireland	23.0%
Poland	-12.7%	Portugal	32.2%
Sweden	-11.7%	Spain	42.3%
EU-27	**-11.3%**	Malta	44.2%
Denmark	-7.4%	Cyprus	93.9%

Source: European Commission, figures in CO2 equivalents

JUNE 4

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

JUNE 7

UEFA wants to sanction reckless spending by European football clubs: http://www.europarl.europa.eu/news/public/story_page/041-75199-148-05-22-906-20100528STO75187-2010-28-05-2010/default_en.htm

JUNE 8

European attitudes to Entrepreneurship: http://europa.eu/rapid/pressReleasesAction.do?reference=MEMO/10/232

Reducing the complexity and pain of divorces: http://www.consilium.europa.eu/showFocus.aspx?id=1&focusId=486&lang=en

JUNE 9

Self-employed workers to gain maternity and pension benefits under new EU law: http://europa.eu/rapid/pressReleasesAction.do?reference=IP/10/699

Portugal - EUR 100 million for SMEs: http://europa.eu/rapid/pressReleasesAction.do?reference=BEI/10/90

JUNE 10

Economic and Financial Affairs Council meeting: http://www.consilium.europa.eu/uedocs/cms_data/docs/pressdata/en/ecofin/115006.pdf

Key European transport projects given boost at TEN-T Days: http://europa.eu/rapid/pressReleasesAction.do?reference=IP/10/701

JUNE 11

Interconnected energy grid - a first step towards an EU energy community: http://www.europarl.europa.eu/news/public/story_page/051-75598-158-06-24-909-20100607STO75585-2010-07-06-2010/default_en.htm

Education - Commission encourages vocational education and training: http://europa.eu/rapid/pressReleasesAction.do?reference=IP/10/707

JUNE 14

Commission sets out staffing measures for External Action Service: http://europa.eu/rapid/pressReleasesAction.do?reference=IP/10/705

Enterprise and Industry - Boosting competitiveness and innovation, € 324 million for space and security research: http://europa.eu/rapid/pressReleasesAction.do?reference=IP/10/716

Clean water for all: http://www.consilium.europa.eu/showFocus.aspx?id=1&focusId=489&lang=en

JUNE 15

More than 5000 contributions to public debate on future of the CAP: http://ec.europa.eu/commission_2010-2014/ciolos/headlines/news/2010/06/20100611_en.htm

Statistics - more Europeans are donating their blood, according to Eurobarometer: http://europa.eu/rapid/pressReleasesAction.do?reference=IP/10/724

JUNE 16

Foreign Affairs Council meeting: http://www.consilium.europa.eu/uedocs/cms_data/docs/pressdata/EN/foraff/115185.pdf

General Affairs Council meeting: http://www.consilium.europa.eu/uedocs/cms_data/docs/pressdata/EN/genaff/115184.pdf

Transport - Commission examines the use of security scanners at EU airports: http://europa.eu/rapid/pressReleasesAction.do?reference=IP/10/740

JUNE 17

High Level Group makes 7 recommendations for EU dairy sector: http://europa.eu/rapid/pressReleasesAction.do?reference=IP/10/742

JUNE 18

European Commission adopts draft agreement with the US to track terrorist finance: http://europa.eu/rapid/pressReleasesAction.do?reference=IP/10/735

JUNE 21

EU € 1 billion Food Facility: already 222 projects and 50 million beneficiaries in poor countries in the fight against hunger: http://europa.eu/rapid/pressReleasesAction.do?reference=IP/10/734

New Commission analysis looks at the impact of recession on agriculture trade: http://ec.europa.eu/agriculture/newsroom/en/398.htm

JUNE 22

Statistics: Euro area hourly labour costs rose by 2.1%: http://epp.eurostat.ec.europa.eu/cache/ITY_PUBLIC/3-16062010-AP/EN/3-16062010-AP-EN.PDF

JUNE 23

European Council:http://www.consilium.europa.eu/uedocs/cms_data/docs/pressdata/en/ec/115346.pdf

Enlargement - Iceland to open accession negotiations with the EU: http://ec.europa.eu/enlargement/press_corner/whatsnew/iceland_en.htm

Commission and US agree to cooperate on civil aviation research and development: http://europa.eu/rapid/pressReleasesAction.do?reference=IP/10/761

JUNE 24

Statistics - EU Member States granted protection to 78 800 asylum seekers in 2009: http://epp.eurostat.ec.europa.eu/cache/ITY_PUBLIC/3-18062010-AP/EN/3-18062010-AP-EN.PDF

JUNE 25

Monthly Labour Market Monitor June 2010: http://ec.europa.eu/social/main.jsp?langId=cs&catId=89&newsId=831&furtherNews=yes

Statistics - Environmental protection expenditure: http://epp.eurostat.ec.europa.eu/cache/ITY_OFFPUB/KS-SF-10-031/EN/KS-SF-10-031-EN.PDF

JUNE 28

Eurobarometer survey - measuring public perceptions of poverty: http://europa.eu/rapid/pressReleasesAction.do?reference=MEMO/10/268

Culture - Additional funding opportunities for cultural activities at European level: http://ec.europa.eu/culture/news/news2703_en.htm

New survey reveals more people struggling to make ends meet: http://europa.eu/rapid/pressReleasesAction.do?reference=IP/10/773

EU adopts new measures to simplify management of funds to help regions tackle the crisis: http://europa.eu/rapid/pressReleasesAction.do?reference=IP/10/838

JUNE 29

EIB provides further CZK 500 million for upgrading regional infrastructure in Vysočina (Czech Rep.): http://europa.eu/rapid/pressReleasesAction.do?reference=BEI/10/108

Statistics - EU27 tax ratio fell to 39.3% of GDP in 2008: http://epp.eurostat.ec.europa.eu/cache/ITY_PUBLIC/2-28062010-BP/EN/2-28062010-BP-EN.PDF

JUNE 30

Commission launches campaign to inform passengers about their rights: http://europa.eu/rapid/pressReleasesAction.do?reference=IP/10/852

Enterprise and Industry - Towards a European common charger for electric vehicles: http://europa.eu/rapid/pressReleasesAction.do?reference=IP/10/857

From the perspective of euro area enlargement, the meeting of the EU Council for economic and monetary affairs will be of key importance. It is generally expected that the finance ministers of the member states will follow the recommendation of the European Commission and the favourable opinion of the European Council and that they will finally approve the entry of Estonia into the euro zone. The decision should also include the conversion rate between the Estonian kroon and the euro.

Meeting of the key EU institutions

5. 7. 2010	**Strasbourg, France**
- EP Plenary	
5. – 9. 7. 2010	**Brussels, Belgium**
- Informal meeting of the Ministers of Employment, Social Policy, Health and Consumer Affairs (EPSCO)	
11. – 13. 7. 2010	**Gent, Belgium**
- Informal Environmental Council on sustainable materials management	
12. 7. 2010	**Brussels, Belgium**
- Agriculture and Fisheries Council	
12. 7. 2010	**Brussels, Belgium**
- Eurogroup	
13. – 15. 7. 2010	**Brussels, Belgium**
- Economic and Financial Council	
14. – 15. 7. 2010	**Louvain-la-Neuve, Belgium**
- Informal meeting of Council of Industry Ministers	
14. – 16. 7. 2010	**Brussels, Belgium**
- Informal Competitiveness Council	
15. – 16. 7. 2010	**Brussels, Belgium**
- Informal meeting of Justice & Home Affairs Council	
26. 7. 2010	**Brussels, Belgium**
- General Affairs Council	
26. 7. 2010	**Brussels, Belgium**
- Foreign Affairs Council	

Public consultation on EU legislation

Topic of the consultation	Organiser	Deadline
Initiative for the integrity of traded energy markets	DG TREN	23. 7. 2010
Strengthening EU Preparedness on Pandemic Influenza	DG SANCO	23. 7. 2010
Consultation on the review of the market abuse directive	DG MARKT	23. 7. 2010
Consultation on Modernisation of the Directive 2004/109/EC	DG MARKT	23. 8. 2010

In the past few months, the key long-term economic issue in the EU has become the state and prospects of public finances in the respective member states. During these past few months, the responsible politicians in many of the countries have realised that the chronic deficit budgets and public finances that generate excessive debt will not be transformed into a more sustainable form by themselves. The theme of restoring fiscal stability has become the key issue of the economic and political debates.

FISCAL SITUATION OF THE EU: CAN THE ECONOMIC UNION EXIST WITHOUT THE POLITICAL ONE?

When in the context of the bad fiscal discipline in the EU, we ask whether the economic union is possible without the political one, it is desirable, at the same time, to further reflect on the meaning of this consideration.

Does it lie in the effort to restore fiscal discipline in the EU in a relatively conceivable time frame when the current state can significantly hinder and complicate the process of economic revival from the current crisis? Does it lie in the fact that with the emerged fiscal burden, many national states have inhibited their growth performance by spending enormous amounts of money to manage debts (not to mention their repayment), rather than ensuring long-term development priorities? Or is the budget deficit forcing these countries to increase the tax burden, thus weakening the competitiveness of their business community?

This consideration, however, may include a broader dimension: Could a common position in the exercise of the economic, monetary and fiscal policies enhance economic capacity building of the EU as a whole? Focus financial resources and customised decision-making powers on addressing the problems (often appearing suddenly and emerging acutely), which concern all EU member states and whose implementation is more advantageous at the Community level than in the case of isolated and mutually incompatible actions at the level of national states?

This may be related to another dimension of our consideration: Could this contribute to greater resistance to global influences? Looking at the map of the world, we can easily see that Europe is a relatively small continent, whose individual components and the continent as a whole are facing fierce competition from the giants from other continents; and these are not just the BRICs countries (Brazil, Russia, India and China) but also other rapidly developing economic systems. It is clear that only the EU as a whole and not its individual components can compete with these economies in the long term. It is certainly possible to find areas that even in this regard represent the common European interest in relation to external competition (research and development and their quality and excellence, innovative business, increasing productivity of human activities, incentives to work, elimination of corruption, enhanced mobility, etc.) whose implementation would be more productive and more efficient if addressed jointly at the Union level.

This is related to the ability of the EU and its economic systems to cope with the so-called "new issues" determining EU's competitiveness and helping to restore sustainable economic performance. This applies particularly to the issues of energy, sound management of limited natural resources, as well as to the concepts of integrated industrial, transportation and communication strategies.

This consideration should finally also identify the dimension of mutual economic connectivity of the EU itself. Is the EU interconnected enough already today? Is it necessary that this interconnection would further grow, or, as the case may be, in what areas? This brings us essentially to the heart of the economic convergence of the EU: The Single Internal Market and its actual functionality. Does it work satisfactorily, or are there systemic problems or backlogs in its operation that represent fatal barriers to the truly free movement of persons, goods, services and capital? And does this open space require urgent creation of additional functional extensions in the form of monetary and fiscal unification? Are these needs urgent, or could their introduction be postponed to a more appropriate situation in the future?

We can probably agree that all these questions are absolutely legitimate and the answers would be more than valuable. Moreover, the answers would at least give us a clue as to whether political unification is a necessary condition for coherent economic unification (and if so, in what form – in the form of common policies?; or would unification in the form of a harmonised policy be enough?; or does the real degree of mutual interconnection currently not require any stronger tool than a mere coordinated policy?).

RESTORING FISCAL DISCIPLINE

We have agreed that the content of our consideration should perhaps be elaborated from the momentary acute point of the economic systems in the EU – the fiscal discipline and the need for its restoration. In a short term, this is probably the gravest and most urgent dimension of our consideration. The acute need to restore fiscal discipline results mainly from the fact that otherwise the process of subsequent economic revival and the credibility of the EU economy as a whole would be heavily endangered (although there is still strong differentiation between the

problematic countries and the rest of the EU), or in other words: there is a very urgent need to charge the "fare dodgers" who are abusing the still high credit of the Economic and Monetary Union (EMU) (both those who are already members of the eurozone and the candidates waiting for accession), but who are severely undermining this credit by their behaviour.

For illustration, let us present a few significant examples of the EU's abundant fiscal statistics.

Deficit/GDP (%)

	2007	2009	2010 estimate
EU-27	-0.8	-6.8	-7.2
EU-16	-0.6	-6.3	-6.6
Czech Republic	-0.7	-5.9	-5.7
Greece	-5.1	-13.6	-9.3
United Kingdom	-2.8	-11.5	-12.0
Estonia	+2.6	-1.7	-2.4

These statistics significantly illustrate the unfortunate trend in government deficits, where after a period of systematic efforts to reduce significantly the deficit rate, or even bring the budget into surplus, there was the most unfavourable deficit-to-GDP ratio recorded in 2007 both within the whole Union and in most member states over a long comparable period. From 2008 onwards, however, this situation began to deteriorate rapidly, and within three years, there should be a significant deterioration this year by nearly 6.5 percentage points. However, some countries show more significant deterioration, which applies, inter alia, to Greece or the UK (and some others). In this regard, the Czech Republic is somewhere in the middle of the peloton of member states.

Although its outcome and this year's predictions are far from flattering, this development is somewhat less pronounced in comparison with countries showing a truly critical development of their public finances. In the case of the UK, according to estimates that due to the new government could be subject to certain positive correction – there should be deterioration of the 2010 situation even relative to the year 2009. The only rare exception is Estonia, which due to the impact of the crisis shifted from the group of countries generating budget surplus (in 2009, this group was empty) into the group of countries with very low deficit, which is the lowest in the EU and which made it possible for the country to successfully negotiate its entry into the euro area with effect from January 2011.

Debt/GDP (%)

	2007	2009	2010 estimate
EU-27	58.8	73.6	79.6
EU-16	66.0	78.7	84.7 ↑
Czech Republic	29.0	35.4	39.8 ↑
Greece	95.7	115.1	124.9 ↑
United Kingdom	44.7	68.1	79.1 ↑
Estonia	3.8	7.2	9.6 ↑

This gloomy short-term development is reflected in the substantial deterioration in the rate of public debt to GDP. If in the relatively favourable year 2007, the value of this parameter after approximately two decades got again below 60% of GDP, it should increase within three years by incredible 20 percentage points. Moreover, the statistics indicate that besides the overall figure for the EU, the eurozone is even more fiscally undisciplined. Greece should take over this year (after Italy) the infamous first place as the most indebted EU country, while the British debt will almost double within the next three years. From this point of view, the debt ratio in the Czech Republic leaves an almost comforting impression, which, however, should not lead us to underestimating this really only relatively and seemingly favourable situation. Moreover, even our public debt ratio seems gigantic when compared with Estonia. It could be expected for a few more years – until the economic recovery becomes convincing and will be accompanied by the first results of the fiscal consolidation programmes – that the values of the public debt ratio to GDP will grow, in some cases very sharply.

CAPACITY BUILDING IN THE EU AS A WHOLE

Fiscal discipline is an important parameter, but the need to honestly cope with the so-called "new development issues" is so strong that it will be necessary to approach them regardless of the state of the public finances (if they are in a poor state it means only a worse and more complicated starting position for addressing these new issues). These new issues may prove to be a test of homogeneity of the EU. If the EU decides so and is able to address them jointly, it can lead to the convergence of the individual member states, and vice versa.

These new issues should represent areas and spheres the addressing of which is advantageous at the all-European level. Besides the need to respond flexibly to the encountered crisis situations and take a united attitude to them, this is the area of public service, which is responsible for developing joint energy projects,

supporting mobility within the Union and addressing common social problems, etc. If there is consensus on the fact that these problems are common to Europe, then this knowledge should also be reflected in the fact that it is more important for the homogeneity of Europe to address them jointly rather than through isolated, uncoordinated and often contradictory actions of individual member states.

RESISTANCE TO GLOBAL INFLUENCES

The EU's capacity building in decision-making regarding key common issues is closely related to the fact that the environment of global competition has unprecedentedly sharpened in the last approximately twenty years. It is also for this reason that the EU must strengthen much more its capacity to absorb economic, social and cultural impulses that come from within the global society. Better understanding of them and adapting to them will facilitate Europe's position in an effort to stack up to this competition.

At the same time, however, it is a necessary prerequisite for the EU as a whole to take an active part in key global activities and global investment operations, including investment in long-term prosperous territories with significant development potential, such as China, India, Southeast Asia, the Near East, Brazil and others.

STRENGTHENING COMPETITIVENESS AND ECONOMIC RECOVERY OF THE EU

At a time when the crisis peaked, approximately two thirds of EU member governments have adopted a set of incentive and recovery packages designed primarily as short-term instruments. Their purpose was in the first place to face the economic crisis.

The strategic development concept, however, pursues longer-term development goals that have been incorporated authentically and correctly into the EU 2020 strategy document. It identifies three key strategic areas with which the EU economy has to cope so as not to "miss the train" in the global competition:

- Determine the economic development primarily through the knowledge and innovation (i.e. not through the so-called extensive) factors;
- Develop a more competitive, more interconnected and more environmentally friendly economic system and activities;
- Ensure social and civic integration primarily through motivation for work and work activities; eliminate all conceivable forms of discrimination and barriers at the labour market, including obstacles to cross-border mobility of workers within the EU.

STRENGTHENING ECONOMIC CONNECTIVITY WITHIN THE EU ITSELF

Economic connectivity within the process of European integration follows certain logic of development based on different qualitative areas of convergence and interconnection of economic systems and economic policies.

The first stage of this development is embodied in the process of creating the single internal market, which is an acceptable and generally respected form of integration even for the opponents of the subsequent forms. The Single Market, officially launched the first day of 1993, comprises in itself the necessary assumption of complete flexibility and liberalisation of markets for goods, services, labour and capital. However, the reality of the year 2010 (more than 17 years since its official launch) differs from the described ideal state: in particular, the markets for services and labour have significant disturbances both in terms of homogeneity within the EU area and from the perspective of their functional openness.

It is true that the less functional the Single Market is, the less room there is and the less rational is the reason for the subsequent forms of integration within the EU – or in other words, the less functional the Single Market is, the smaller becomes the legitimacy of monetary integration or even of closer forms of fiscal integration. Or in yet other words: if we want the economic environment of the eurozone to be as functional and representative as possible, the problems (both institutional and real) in the functioning of the Single Market must be substantially eliminated. A homogeneous Single Market is also the prerequisite for mere considerations regarding the transition to the enhanced forms of fiscal coordination.

The second stage of this development logic – on the assumption that the Single Market is at least satisfactorily functioning – is the environment of the common currency and the converged economic environment. Assuming that the Single Market works properly, without disturbances and the participants use efficiently its space, the existence of national currencies – in the case of a high rate of economic connectivity – will become avoidable obstacle creating a natural pressure towards economic unification (which may be spontaneous or managed institutionally – the latter case being the reality of today's eurozone). If monetary unification is started, then some form of coordination of economic policies becomes necessary (in the current EU's practice, it takes the form of a common monetary policy, cohesion policy or activities leading to the cultivation of the Single Market.

Finally, the third now conceivable stage of economic unification and interconnectivity within the EU is fiscal coordination and co-operation. If there is convergence of economic parameters within the EU, if the Single Market is working without fault and its potential is fulfilled (this is not indeed the reflection of the present state, but more likely wishful thinking), the common currency environment is fulfilling its function of effective "extension" to the Single Market, the common currency gains the trust of its users and the international investment community, and then the need arises for fiscal coordination of the rules and parameters.

POSSIBLE AND IMAGINABLE FORMS OF FISCAL COORDINATION AND CO-OPERATION

The first, basic, and yet still grossly unfulfilled form of fiscal coordination within the EU is the identification and observance of the rules of fiscal discipline ex-post (it exists in the form of the unfulfilled Stability and Growth Pact and consists in the definition of the commitments to achieve the maximum allowable amount of deficit in relation to GDP, supplemented by an effective sanction mechanism in case of misconduct; the effectiveness of sanctions, in particular, has so far proved to be next to nothing).

The second form of fiscal coordination on a very partial basis has existed and developed since the end of the 1960s and in an enhanced form since the turn of the 1980s and 1990s in connection with the preparations for the establishment of the Single Market. It consists in the convergence of the rules for the formulation of tax and expenditure policies. Its full concept would probably include rules for the harmonisation of tax rates and expenditure frameworks and structures. The present reality is somewhat more modest and involves only a partial attempt at tax harmonisation in the case of indirect taxes (VAT, excise tax) and withholding tax on interest on deposits and related types of income. Other types of taxes as expenditure frameworks remain in their entirety within the exclusive competence and autonomy of member states.

Beginning with this third form of fiscal coordination, there are still only theoretical and ideological concepts within the EU that have not yet been implemented in practice: for example, the recently proposed ex-ante coordination of the preparation of budgets and budget outlooks, which would consist in an obligation of member states to familiarise their partners and the European Commission before the start of the budgetary process in the relevant country with the key strategic budget priorities for the next year with a short-term outlook.

Other possible measures are more radical in nature and their possible introduction would be commented on as a manifestation of loss of national autonomy and sovereignty with respect to certain interest groups monitoring the process of European integration.

These include, for example:

- Establishment of a specific Union authority for the exercise of budgetary supervision;
- A new budgetary framework and structure of the EU budget adapted to new circumstances (more weight of the EU budget compared to the current state in relation to the budgets of the national states); this measure may be perceived as an intermediate stage whose fulfilment could lead to the final approximation to the vision of fiscal federalism);
- New structure of the budgetary policy, identifying the union, national and regional (municipal) fiscal competences in the form of customised fiscal federalism; this option may be perceived as a medium-term realistically unenforceable concept, but from a very long term view (e.g. several decades) it could be an option through which the fiscal policy within the EU may develop.

These considerations will be given attention also in our free follow-up on the subject of fiscal policy and the need for greater political coordination within the EU. We will contemplate the present and future structure of the EU budget, seek possible inspiration in the budget of the United States and suggest possible directions for further development of fiscal policy in the EU.

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	III-10	IV-10	V-10	III-10	IV-10	V-10
Belgium	2.9	1.0	-3.1	2.2	-2.9	0.5	8.5	8.5	8.6	1.9	2.1	2.5
Bulgaria	6.2	6.0	-5.0	-26.8	-24.0	-9.4	9.5	9.7	9.7	2.4	3.0	3.0
CR	6.1	2.5	-4.8	-3.2	-0.7	-1.1	7.9	7.6	7.5	0.4	0.9	1.0
Denmark	1.7	-0.9	-4.9	1.5	2.2	4.0	7.1	7.0	6.8	2.1	2.4	1.9
Germany	2.5	1.3	-5.0	7.6	6.7	4.9	7.3	7.1	7.0	1.2	1.0	1.2
Estonia	7.2	-3.6	-14.1	-17.8	-9.4	4.6	19.0	n/a	n/a	1.4	2.5	2.8
Ireland	6.0	-3.0	-7.5	-5.3	-5.2	-2.9	12.8	12.9	13.3	-2.4	-2.5	-1.9
Greece	4.5	2.0	-2.0	-14.4	-14.6	-11.2	11.0	n/a	n/a	3.9	4.7	5.3
Spain	3.6	0.9	-3.6	-10.0	-9.7	-5.4	19.5	19.7	19.9	1.5	1.6	1.8
France	2.3	0.4	-2.2	-1.0	-2.3	-2.2	9.9	9.9	9.9	1.7	1.9	1.9
Italy	1.5	-1.3	-5.0	-2.4	-3.4	-3.2	8.7	8.7	8.7	1.4	1.6	1.6
Cyprus	5.1	3.6	-1.7	-11.7	-17.5	-8.3	6.8	6.9	7.2	2.3	2.5	1.8
Latvia	10.0	-4.6	-18.0	-22.3	-13.0	9.4	20.0	n/a	n/a	-4.0	-2.8	-2.4
Lithuania	9.8	2.8	-15.0	-14.5	-11.9	3.8	17.4	n/a	n/a	-0.4	0.2	0.5
Luxembourg	6.5	0.0	-3.6	9.7	5.3	5.6	5.2	5.2	5.2	3.2	3.1	3.1
Hungary	1.0	0.6	-6.3	-6.6	-7.0	0.2	11.2	10.9	10.4	5.7	5.7	4.9
Malta	3.8	2.1	-1.9	-6.1	-5.6	-3.9	6.9	6.9	6.7	0.6	0.8	1.8
Netherlands	3.6	2.0	-4.0	8.7	4.8	5.4	4.2	4.3	4.3	0.7	0.6	0.4
Austria	3.5	2.0	-3.6	3.6	n/a	n/a	4.2	4.1	4.0	1.8	1.8	1.7
Poland	6.8	5.0	1.7	-4.7	-5.1	-1.6	9.9	9.9	9.8	2.9	2.7	2.3
Portugal	1.9	0.0	-2.7	-9.4	-12.0	-10.3	10.6	10.8	10.9	0.6	0.7	1.1
Romania	6.3	7.3	-7.1	-13.4	-11.6	-4.5	7.4	n/a	n/a	4.2	4.2	4.4
Slovenia	6.8	3.5	-7.8	-4.8	-6.2	-1.0	6.9	7.1	7.1	1.8	2.7	2.4
Slovakia	10.6	6.2	-4.7	-5.7	-6.6	-3.2	14.7	14.8	14.8	0.3	0.7	0.7
Finland	4.9	1.2	-7.8	4.3	3.1	1.3	9.0	8.8	8.6	1.5	1.6	1.4
Sweden	2.5	-0.2	-4.9	8.4	9.5	7.3	8.6	9.1	8.8	2.5	2.1	1.9
UK	2.6	0.5	-4.9	-2.7	-1.5	-1.3	7.9	n/a	n/a	3.4	3.7	3.4
EU	2.9	0.8	-4.2	-1.0	-1.9	-1.1	9.6	9.6	9.6	1.9	2.1	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	2007	2008	2009	2007	2008	2009
Belgium	-0.2	-1.2	-6.0	84.2	89.8	96.7	116.0	115.0	115.0	108.3	111.1	113.9
Bulgaria	0.1	1.8	-3.9	18.2	14.1	14.8	38.0	41.0	na	46.2	50.2	52.7
CR	-0.7	-2.7	-5.9	29.0	30.0	35.4	80.0	80.0	80.0	62.4	72.8	70.6
Denmark	4.8	3.4	-2.7	27.4	34.2	41.6	121.0	120.0	117.0	137.4	141.2	144.6
Germany	0.2	0.0	-3.3	65.0	66.0	73.2	116.0	116.0	116.0	101.9	103.8	106.4
Estonia	2.6	-2.7	-1.7	3.8	4.6	7.2	69.0	67.0	62.0	73.1	78.0	75.1
Ireland	0.1	-7.3	-14.3	25.0	43.9	64.0	148.0	135.0	131.0	124.5	127.6	125.0
Greece	-5.1	-7.7	-13.6	95.7	99.2	115.1	93.0	94.0	95.0	90.7	94.0	97.4
Spain	1.9	-4.1	-11.2	36.2	39.7	53.2	105.0	103.0	104.0	92.8	95.4	97.4
France	-2.7	-3.3	-7.5	63.8	67.5	77.6	108.0	108.0	107.0	108.1	110.8	114.3
Italy	-1.5	-2.7	-5.3	103.5	106.1	115.8	103.0	102.0	102.0	102.9	105.6	106.5
Cyprus	3.4	0.9	-6.1	58.3	48.4	56.2	94.0	96.0	98.0	88.1	90.5	91.2
Latvia	-0.3	-4.1	-9.0	9.0	19.5	36.1	56.0	57.0	49.0	66.6	72.6	74.8
Lithuania	-1.0	-3.3	-8.9	16.9	15.6	29.3	59.0	62.0	53.0	60.0	64.7	67.8
Luxembourg	3.6	2.9	-0.7	6.7	13.7	14.5	275.0	276.0	268.0	115.3	119.1	121.3
Hungary	-5.0	-3.8	-4.0	65.9	72.9	78.3	63.0	64.0	63.0	66.7	68.1	65.5
Malta	-2.2	-4.5	-3.8	61.9	63.7	69.1	77.0	76.0	78.0	75.5	78.8	81.4
Netherlands	0.2	0.7	-5.3	45.5	58.2	60.9	132.0	134.0	130.0	101.9	104.0	108.5
Austria	-0.4	-0.4	-3.4	59.5	62.6	66.5	123.0	123.0	123.0	102.2	105.1	107.9
Poland	-1.9	-3.7	-7.1	45.0	47.2	51.0	54.0	56.0	na	62.0	69.1	58.6
Portugal	-2.6	-2.8	-9.4	63.6	66.3	76.8	78.0	78.0	78.0	85.7	87.0	89.3
Romania	-2.5	-5.4	-8.3	12.6	13.3	23.7	42.0	na	na	63.8	60.9	57.5
Slovenia	0.0	-1.7	-5.5	23.4	22.6	35.9	89.0	91.0	86.0	79.0	82.3	85.5
Slovakia	-1.9	-2.3	-6.8	29.3	27.7	35.7	68.0	72.0	72.0	63.2	70.2	73.7
Finland	5.2	4.2	-2.2	35.2	34.2	44.0	118.0	117.0	110.0	119.9	124.3	126.4
Sweden	3.8	2.5	-0.5	40.8	38.3	42.3	125.0	122.0	120.0	115.7	114.5	107.0
UK	-2.8	-4.9	-11.5	44.7	52.0	68.1	117.0	116.0	116.0	112.6	100.1	92.7
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*