# EU News
## Monthly Journal

**Number 83,**
**August 2010**



ČESKÁ SPOŘITELNA


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

Jan Jedlička
Head of EU Office
+420 261 073 484
jjedlicka@csas.cz

Petr Zahradník
+420 261 073 019
pzahradnik@csas.cz

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

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


Dear readers,

Perhaps under the influence of the hot sultry weather, the July European integration developments have lost the temperament, drama and hysteria of the preceding months although the Greek trace it still leaving a visible imprint. It took on primarily the form of the approval of the rescue package of the euro area countries for the ailing Greek economy. The July process of approving this measure was simultaneously a test of solidarity and joint action of the eurozone states. Fifteen of the sixteen members passed the test creditably in principle. Slovakia, however, was against the assistance within which it would have to pay around 820 million euros. Initially, this attitude of the new Slovak government gave rise to some commotion and a number of persuasive negotiations. Finally, already during August, the Slovak Parliament approved the steps of its government and – despite its consent to joining the comprehensive rescue package created for countries in similar difficulties – it did not approve the loan to Greece.

In connection with the hopefully abating crisis, the expected stability test of banking and financial markets was conducted in July, when 91 banking groups underwent examination of their stability primarily in terms of their capital sufficiency and ability to withstand possible manifestations of any future crisis. Only seven tested institutions have not passed the test, which was described as a very satisfactory outcome. The banks that failed were neither major European banks nor banks with activities in the Czech Republic.

There is a promising trend of the business sentiment in both the EU and the euro area. There has been even significant improvement for the latter reaching the highest level over the past 28 months in July with its last high of 2007 coming into view.

The holiday season has also brought a certain shift in the accession negotiations and the content of the relations with key partners among the non-EU countries. The picture is very diverse: about a year after having submitted an official application, Iceland is now allowed to participate in accession negotiations thanks to their formal opening and despite the remaining problems especially with the UK and the Netherlands their completion may be expected in the very near term, while the same, but immensely longer lasting effort of Turkey is still severely hampered primarily by France, Germany, Austria and Cyprus blocking the individual chapters, having very vague prospects of completing these negotiations. Very interesting is also the discussion regarding the relation of the EU with Switzerland, which is sometimes called the "Swiss way of European integration". The July meetings at a very high level have only adapted the current content of these relations to the present situation and essentially confirmed that Switzerland is de facto integrated into the EU much more than some member countries and is able not only de jure to maintain an extraordinarily strong degree of its own autonomy. Not every country, however, has the privilege of being Switzerland.

Petr Zahradník


The finance ministers of member states finally approved at the EU Council meeting the accession of Estonia to the euro area with effect from 1 January 2011. The conversion rate was set at 15.6466 Estonian kroons per euro. Slovakia signed as the last country of the euro area the framework agreement on the establishment of a rescue mechanism for the countries using the euro. The European Parliament proposed regulatory measures defining the rules for payment of bonuses in the banking sector.

## ECONOMY AND EURO

### Member states finally decided to admit Estonia to the eurozone

**On 1 January 2011, Estonia will become the seventeenth eurozone member state.** The country was given the final consent by the EU finance ministers. The Estonians will replace their currency at a rate of 15.6466 kroons to one euro, which corresponds to the current central rate.

The approval of the most probably last enlargement of the eurozone for a long time at the meeting of the finance ministers at the Ecofin Council was merely a formality**. It has been already approved by all the key EU institutions:** the European Commission, the European Parliament and the European Council.

At a time when the euro area is buffeted by a crisis of confidence resulting from fears of bad management of some member states, **this small Baltic country belongs to high achievers.** Last year, despite the huge economic downturn of 14.1%, Estonia managed to approve austerity measures thanks to which the public finance deficit (1.7% of GDP) came in comfortably below the 3% limit of the Maastricht criteria. The country has the lowest debt of the entire EU (last year only 7.2% of GDP).

The average inflation rate in the reference period that was crucial for the decision to join the euro was 0.7%, which is **lower than the average inflation rate of three member countries with the lowest inflation rate,** which at that time was around 1% (the candidate for adopting the euro may not exceed this rate by more than 1.5 percentage points).

The Commission was not able to assess the interest rate criterion in its convergence report because due to its budget surpluses the country **was not forced in the past to issue government bonds**. Therefore, the Commission merely stated that it trusted Estonia in this issue.

As regards the participation in the ERM II exchange rate mechanisms, Estonia joined them already six years ago (while the criteria require at least two years of participation). **There has not been any significant deviation from the central rate** throughout that period.

Estonia's interest in the euro and its adoption is a proof that – despite the current difficulties of some of its members – the **eurozone project remains credible.** At the same time, Estonia has proved that where is a will there is a way. While in other countries, the economic crisis was an excuse for the chronically poor state of public finances, the Estonians were able to economise and decrease the deficit even in the most difficult times.

http://www.eutrio.be/files/bveu/100713_ECOFIN-PRestonia_EN.pdf

**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*

### Slovakia retreated to support its participation in the stabilisation mechanism

The government of Prime Minister Iveta Radičová **approved the participation of Slovakia** in the European rescue mechanism totalling 750 billion euros. The approval of the contribution of 4.37 billion euros was given to Brussels by the previous government of Robert Fico, which however failed to finally sign it because of the elections.

**Slovakia was the last country to append its signature** under the framework agreement on a rescue mechanism for the eurozone countries. The resolution, on which the Slovak government ministers voted, includes also a requirement to tighten the supervision of the compliance with the eurozone budget rules.

The rescue mechanism totalling 750 billion euros was agreed by the EU finance ministers in May. The mechanism consists of three parts. **The eurozone member states will contribute by 440 billion euros** while 220 billion should be provided by the International Monetary Fund and the remaining 60 billion by the European Commission.

**The contribution by the member countries will take the form of loan guarantees,** which can be provided to the overindebted countries by the Union through the so-called European Financial Stability Facility (EFSF), whose establishment was agreed by the finance ministers on 7 June.

The EFSF will take the form of a joint-stock company and all the eurozone member states will become its shareholders. In the event that a country finds itself in trouble with paying its debt, the EFSF will issue bonds and lend the money earned to the affected state. The contributions, whose amounts are calculated for each country based on its capital interest in the ECB (in the case of Slovakia it represents the aforementioned 4.47

billion euros), **will serve as guarantees of the states for the bonds issued.**

Although the government agreed to participate in the rescue mechanism, it **refused to support the loan to Greece** promised by the former Prime Minister Fico's cabinet.

The unlocking of the stabilising mechanism by the Slovak consent was a necessary action, which would otherwise **threaten to bring back panic to the financial markets.** In civilised countries, the strategic international agreements of this type are honoured regardless of the fact that they were negotiated by one government and that they should be approved and implemented by the next one.

http://www.rokovania.sk/Rokovanie.aspx/GetUznesenia/?idRokovanie=535

# FINANCE

## European banks succeeded in stress tests

Following the stress testing, the European banks should get new capital more cheaply – this applies even to those that have failed. The tests have proved that they **will not need so much money as initially expected.**

**Seven out of the 91 tested banks have failed:** five local savings banks (the so-called cajas) from Spain, the Greek state-owned ATEbank and the problematic German mortgage bank Hypo Real Estate. This is a slightly better outcome than generally expected. Moreover, according to the results, the banks that failed need only around 3.5 billion euros in additional capital, which is also much less than expected.

Banks which failed the stress testing

- Hypo Real Estate - Germany
- ATEbank - Greece
- Diada - Spain
- Espiga - Spain
- Unnim - Spain
- Banca Civica - Spain
- Cajasur - Spain

The group of 91 tested banks represents 65% of the banking sector of the whole European Union. The biggest Czech banks have not been tested directly, but through their parent banking groups. All the parent banks of the Czech financial institutions **succeeded in the test without any problems.**

The outcome of the stress tests, which were implemented by the Committee of European Banking Supervisors (CEBS), has been criticized by some experts for low rigorousness. Neither – even the most pessimistic – scenario of developments in financial markets **has supposed the bankruptcy of any member country.** Christian Noyer, member of the Executive Board of the European Central Bank, explained that it was because the euro area countries, along with the International Monetary Fund, supplied billions of euros to exclude completely this hypothesis.

Although the tests were set moderately, the information that the banks had to disclose was useful and the **sector could get a similar boost** as the US banks at the beginning of this year. At that time, the markets responded positively and the US financial institutions reduced their lending costs.

**In general, the exercise of the stress tests has fulfilled its purpose.** After the turmoil on the markets caused by the Greek problems, the investors begin to trust Europe again. The credit markets that were frozen due to the debt crisis are slowly coming to life and responding positively to the stress test results, even though many banks have revealed their exposure to government bonds in a not quite transparent manner.

http://www.c-ebs.org/EuWideStressTesting.aspx

http://www.euractiv.cz/ekonomika-a-euro/clanek/banky-si-po-testech-budou-pujcovat-levneji-007769

## The Union will clamp down on bankers' bonuses

The European Parliament approved the **toughest ever "curtailment" of bankers' benefits among the developed countries.** The vote was relatively straightforward: 625 MEPs were for, 28 against and 37 not present.

The key provision of the new regulations is that bankers **will be entitled to upfront cash of only a maximum of 30% of their bonuses.**

At the same time, at least 50% of any bonus will be paid in the form of employee shares or contingent capital. At least 40% of the bonus will be retained for a period of not less than 3-5 years. There will be yet tougher rules for the payment of large bonuses, whose definition will be determined by national regulators.

The aim of the measures is to motivate bankers to more responsible behaviour by **linking their remuneration to the long-term "condition" of the relevant financial institution** and not only to its short-term profitability. According to many experts and politicians, ignoring the

The European Parliament extended the measures hitherto applicable for travelling by plane and railway to protect also passengers in the case of delays in water transport. The European External Action Service will be fully launched since December this year. This is a newly established EU diplomatic service, introduced by the Treaty of Lisbon. The European Commission has defined a cap on emission permits issued for carbon dioxide in 2013.

growing risk used to be beneficial for the bankers based on the former incentives.

Internal Market Commissioner Michel Barier formulated the reason for the adoption of the directive: Banks must radically change their practices and mentality that led to excessive risk and financial crisis.

For the entry of the legislation into force, **it must be approved by the EU Council,** which is likely to occur after the holidays. If so, the new regulation of bonuses will come into force from the beginning of 2011.

We understand the argument that the state may have a say in economic issues of the type of wage policy in those private banks that the state had rescued from bankruptcy. But the problem of this regulation is that it applies “as a precaution” across the board to all banks, regardless of their financial condition and stability, **regardless of whether they had ever asked the state for financial assistance or not.** For this reason, we consider the proposed measures highly populist and unsystematic.

Moreover, the controversial payments of exorbitant fees were the **domain of large US investment banks,** rather than traditional European banks specialising in corporate and retail banking.

http://www.europarl.europa.eu/news/expert/infopress_page/042-77908-186-07-28-907-20100706IPR77907-05-07-2010-2010-false/default_cs.htm

## Ministers restrict the powers of EU bank supervision “watchdogs” in Brussels

The twenty-seven finance ministers decided **not to transmit their major powers** to the new EU banking sector supervisors. The Union regulators will be able to overrule the decisions of their national counterparts only if there is a breach of EU law.

It should have been a revolution in financial sector supervision  but it will not take place eventually. Above all, the UK insisted that the new supervisors to be created with the European Commission **should not have the power to overrule decisions of national regulators.**

This applies to these two new bodies:

- **European Systemic Risk Board** to oversee the macroeconomic stability of the financial sector,
- **European Supervisory Authorities (ESAs)** in charge of the banking sector, securities markets and pension funds and insurance companies (the European Banking Authority, the Securities and European Market Authority, the European Insurance and Occupational Pensions Authority).

The agreed compromise includes the fact that **the two institutions will not be based in Frankfurt, but in London.** The British were afraid that too much power would be concentrated in the city of Frankfurt where the European Central Bank has its headquarters.

Although it is important that the finance ministers agreed on how the supervision of the EU financiers should look like, it is still not clear whether it will be approved. It is difficult for the member states to find common ground with the MEPs, who **want to shift more powers to Brussels at the expense of individual countries.** The European Parliament postponed last week the vote on the new system of financial supervision until September, because it had no compromise agreement of the finance ministers. It is now on the table, but not all MEPs are positive about its content.

Accordingly, the final form of the new supervisory framework of financial markets is still not clear. To determine **the most effective division of powers between national and EU authorities** in such a complex and globalised industry as is the financial sector, is indeed a tough nut to crack.

http://www.eutrio.be/files/bveu/media/documents/Ecofin13-07_EN.pdf

# ENERGY AND TRANSPORT

## EU extended the rights of passengers travelling by boats

The right to financial compensation in the case of a delay of the means of transport will pertain not only to passengers who travel by air or rail. The European Parliament decided by its vote that **similar measures would apply from 2012 in water transport too.** However, we will have to wait for similar compensations in the case of cancellation or delay of buses and coaches.

Passenger travelling by sea and by inland waterways whose transport is **more than an hour late** (due to the carrier), may require since 2012 **compensation of up to 25% of the ticket price.** If the ship is delayed for more than two hours, the passenger is entitled to compensation of half the ticket price.

But that's not all. Passengers who due to an unexpected situation (besides the above-mentioned delay or complete cancellation of the travel, the draft text anticipates also a lockout or travel via another destination) will happen to find themselves in a port hundreds of kilometres away from their home, **should be granted up to three days**

**accommodation** (the price per night, however, must not exceed 80 euros).

**Protection will apply also to luggage.** The MEPs approved compensation of up to 1,800 euros to be paid by the carrier for lost or damaged luggage and up to 1,300 euros in the case of hand luggage.

These measures, whose fate now lies in the hands of member states (they must be approved by the EU Council), should apply to all boats carrying at least 12 passengers on board. **Excursions and sightseeing tours are excluded from the rules.**

**Buses and coaches are not and most probably will not be that soon** subject to similar degree of passenger protection. The problem lies in the fact that it is not clear from the Commission's draft, which buses or coaches should be covered by the measures – whether long-distance and international, or even urban and regional. Therefore, member states complain of some uncertainty and refuse to adopt so far the appropriate legislation.

http://europa.eu/rapid/pressReleasesAction.do?reference=IP/10/893

## RESEARCH

### EU unveils multi-billion research fund to boost economy

The EU commissioner for research and innovation, Ireland's Máire Geoghegan-Quinn, **announced nearly 6.4 billion euro of investment in research and development** to be spent by the end of 2011. This should be the Union's biggest ever investment in this area.

The money should go to research in such areas as climate change, energy, food security, health and the aging population.

According to the Commission's estimates, the projects supported by the package will involve the work of **16,000 researchers including employees of about three thousand SMEs.**

The Commission wants the funds to be directed to several priority areas. The package earmarks 1.2 billion euros to promote information and communication technologies and 600 million euros to support research in the health sector. More than 1.3 billion euros will be reserved for the best creative scientists selected by the **European Research Council,** and SMEs will receive close to 800 million euros.

Geoghean-Quinn outlined EU efforts to bring research discoveries into **mainstream use and to the market more quickly.** For example, a third of the health allocation would be spent on clinical trials to get new drugs on the market as soon as possible, she said.

As for nanotechnology, the Commission would make investments in research whose **expected results should lead to patenting protection and commercialisation opportunities,** the Commissioner said.

The fund is seen as part of the EU's flagship **"Innovation Union",** which should be one of the supporting initiatives of the upcoming Europe 2020 strategy, which should replace the unsuccessful Lisbon strategy. The initiative should be launched by the EU executive this autumn.

http://europa.eu/rapid/pressReleasesAction.do?reference=IP/10/966

## EXTERNAL RELATIONS

### EU wants diplomatic service up by December

**The new diplomatic service will operate from December 2010,** exactly a year after the Treaty of Lisbon came into force. It was finally decided by the foreign ministers of member states and now it is only necessary to settle the financing of the new corps and to assign the remaining top positions.

Catherine Asthon, High Representative of the Union for Foreign Affairs and Security Policy, who will lead the new **European External Action Service (EEAS),** branded the move as an “historic decision”.

The biggest debate led by the parties involved dealt with the principle of arrangement of the whole service.

Member states with the support of MEPs strived to have the EEAS based on intergovernmental cooperation, while the European Commission preferred the communitarian principle. The resulting compromise is as follows**: at least one third of EEAS staff will be provided by member states** and another 60%, at least, will be the existing staff of EU institutions.

Although the ministerial decision can be regarded as an imaginary end of exhaustive negotiations, there are still some unsettled issues lying on the table. **The most important of them is the diplomatic service funding.**

Since the negotiations on the form of the EEAS reached the final stage, member states are escalating the diplomatic battle to win the most coveted positions within the new service. Most member states make no secret of their ambitions to “catch” some of them.

The most wanted top positions are the post of secretary-general of the service; the positions of two deputy secretary-generals; two top security positions, heading the Political and Security Committee and the intelligence-sharing body; the post of budget and HR chief; and the top four director-generals. Another battle concerns **30 key posts in the most important EU embassies around the world.** The recruiting has already started.

http://www.consilium.europa.eu/uedocs/cms_Data/docs/pressdata/EN/genaff/115960.pdf

## ENVIRONMENT

### EU sets 2013 cap under emissions trading scheme

In 2013, the EU will issue a **maximum of 1.927 billion emission allowances.** The European Commission announced the emission cap for the industries covered by the EU’s emissions trading scheme (EU ETS).

The system includes approximately 11,000 industrial installations and power plants in the EU.

In line with the expectations for the third trading phase (2013-2020), **the cap for each year is derived from the average values from the previous phase** (2008-2012). Moreover, the annual cap will be lowered regularly by 1.74% after 2013. In practice, this amounts to a reduction of around 35.4 million allowances per year, the Commission calculated.

However, the published figures will not be final. The Commission will revise in autumn the cap and the number of allowances issued to take into account the extension of the scheme’s scope post-2012. At present, it does not account for some new sectors such as aluminium or gases like nitrous oxide, for instance.

**Emission allowances allocation for 2008-2012** (annual average in mil. tons)

| | | | |
|---|---|---|---|
| Germany | 451.5 | Austria | 32.3 |
| UK | 245.6 | Denmark | 24.5 |
| Poland | 205.7 | Sweden | 22.4 |
| Italy | 201.6 | Ireland | 22.3 |
| Spain | 152.2 | Hungary | 19.5 |
| France | 132.0 | Norway | 15.0 |
| **CR** | **86.7** | Estonia | 11.8 |
| Netherlands | 86.3 | Lithuania | 8.6 |
| Romania | 73.2 | Slovenia | 8.3 |
| Greece | 68.3 | Cyprus | 5.2 |
| Belgium | 58.0 | Latvia | 3.4 |
| Bulgaria | 42.3 | Luxembourg | 2.5 |
| Finland | 37.6 | Malta | 2.1 |
| Portugal | 34.8 | Lichtenstein | 0.2 |
| Slovakia | 32.5 | **Total** | **2086.5** |

*Source: European Commission*

“Final figures for the 2013 cap may thus not be available before 2013,” the EU executive said.

A significant change would result only from a decision of the EU countries to **tighten their reduction target from 20% to 30% by 2020.** However, the condition for such a step is progress in the global climate negotiations under the auspices of the UN.

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

There will be a major change in EU ETS starting from 2013, **when auction sales will be introduced for purchases of permits** that so far the companies have received free of charge.

http://europa.eu/rapid/pressReleasesAction.do?reference=MEMO/10/314


MEPs approved at the second attempt the SWIFT agreement on banking data sharing between the EU and the US. The agreement was rejected in the spring because of weak privacy guarantees of bank clients. The EU has formally opened accession negotiations with Iceland. The opening of the various negotiating chapters should begin around the middle of next year. The latest Eurobarometer survey has found that the biggest willingness to move abroad to work was expressed by the Danes, Estonians and Swedes.

### JULY 1

Cheaper calls and SMS's start 1 July: http://www.europarl.europa.eu/news/public/story_page/058-76969-176-06-26-909-20100625STO76848-2010-25-06-2010/default_en.htm

A toolbox for stronger economic governance in Europe: http://europa.eu/rapid/pressReleasesAction.do?reference=MEMO/10/288

### JULY 2

€ 30 million EU support for the promotion of agricultural products: http://europa.eu/rapid/pressReleasesAction.do?reference=IP/10/873

Over 188 million people in Europe now have a European Health Insurance Card: http://ec.europa.eu/social/main.jsp?langId=en&catId=89&newsId=841&furtherNews=yes

### JULY 5

Commission gives details of who received EU funds in 2009: http://europa.eu/rapid/pressReleasesAction.do?reference=IP/10/878

Short-time work helps firms deal with crisis: http://ec.europa.eu/social/main.jsp?langId=en&catId=89&newsId=843&furtherNews=yes#

### JULY 6

Making transport smarter: http://www.europarl.europa.eu/news/public/focus_page/008-76988-176-06-26-901-20100625FCS76850-25-06-2010-2010/default_p001c003_en.htm

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

### JULY 7

Commission updates list of airlines banned from European airspace: http://europa.eu/rapid/pressReleasesAction.do?reference=IP/10/892

Assessing ongoing progress by Bulgaria and Romania: http://ec.europa.eu/dgs/secretariat_general/cvm/index_en.htm

Statistics - EU27 member States granted citizenship to 696.000 persons in 2008: http://epp.eurostat.ec.europa.eu/cache/ITY_PUBLIC/3-06072010-AP/EN/3-06072010-AP-EN.PDF

### JULY 8

New EU Investment package set to boost trade and underpin investor rights: http://europa.eu/rapid/pressReleasesAction.do?reference=IP/10/907

### JULY 9

Stricter rules on industrial emissions:

http://www.europarl.europa.eu/news/public/focus_page/008-76988-176-06-26-901-20100625FCS76850-25-06-2010-2010/default_p001c013_en.htm

Parliament gives green light for SWIFT II: http://www.europarl.europa.eu/news/public/focus_page/008-76988-176-06-26-901-20100625FCS76850-25-06-2010-2010/default_p001c017_en.htm

### JULY 12

EEAS decision - main elements: http://europa.eu/rapid/pressReleasesAction.do?reference=MEMO/10/311

### JULY 13

Limiting animal testing without hindering scientific research: http://www.europarl.europa.eu/news/expert/infopress_page/032-78621-193-07-29-904-20100712IPR78616-12-07-2010-2010-false/default_en.htm

Commission proposes package to boost consumer protection and confidence in financial services: http://europa.eu/rapid/pressReleasesAction.do?reference=IP/10/918

Labour migration is crucial for EU growth: http://ec.europa.eu/enterprise/newsroom/cf/itemshortdetail.cfm?item_id=4448&lang=en

### JULY 14

European Commission proposes common entry and residence conditions for third-country seasonal workers: http://europa.eu/rapid/pressReleasesAction.do?reference=IP/10/930

Commission will continue to support Turkey's reform:

http://ec.europa.eu/enlargement/press_corner/whatsnew/turkey_en.htm

Three agricultural product names registered: http://ec.europa.eu/agriculture/newsroom/en/403.htm

### JULY 15

Protection of the EU's financial interests - Commission publishes annual report: http://europa.eu/rapid/pressReleasesAction.do?reference=IP/10/937

Kitchen, food waste - MEPs want new recycling rules:

http://www.europarl.europa.eu/news/public/story_page/064-78553-190-07-28-911-20100709STO78533-2010-09-07-2010/default_en.htm

Main results of the Council: http://www.consilium.europa.eu/uedocs/cms_data/docs/pressdata/fr/ecofin/115800.pdf

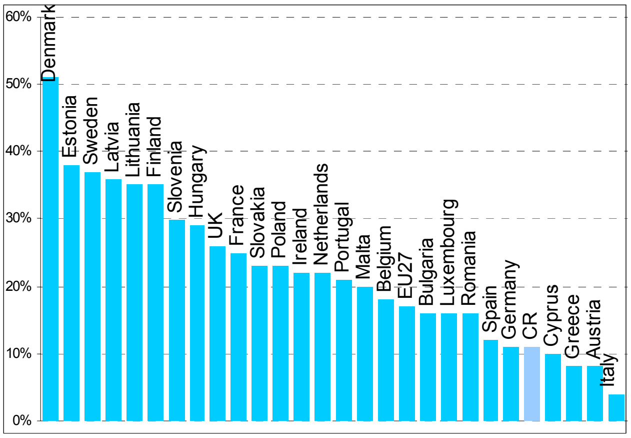
Renewables account for 62% of the new electricity generation capacity installed in the EU in 2009: http://ec.europa.eu/enterprise/newsroom/cf/itemshortdetail.cfm?item_id=4450&lang=en

## JULY 16

Half of Europeans would consider moving for work:

http://ec.europa.eu/social/main.jsp?langId=cs&catId=89&newsId=847&furtherNews=yes

**Do you envisage to work abroad?**




*Source: Eurobarometer 337 (XI-XII/2009)*

EU launches negotiations on Association Agreements with Armenia, Azerbaijan and Georgia:

http://europa.eu/rapid/pressReleasesAction.do?reference=IP/10/955

Digital Agenda - ICT Research: new railway scheduling tool reduces waiting times and train delays:

http://europa.eu/rapid/pressReleasesAction.do?reference=IP/10/952

## JULY 19

The Commission safeguards taxpayers' right to VAT refunds: http://europa.eu/rapid/pressReleasesAction.do?reference=IP/10/950

Commission proposal for an EU Regulation to facilitate professional cross-border transportation of euro cash by road: http://ec.europa.eu/economy_finance/articles/euro/2010-07-14-cross-border-cash_en.htm

## JULY 20

Société Générale and the EIB lend an additional EUR 300 million for SME investment:

http://europa.eu/rapid/pressReleasesAction.do?reference=BEI/10/127

## JULY 22

Political milestones in the first half of 2010: http://www.europarl.europa.eu/news/public/focus_page/008-77272-181-06-27-901-20100630FCS77235-30-06-2010-2010/default_en.htm

Commission promotes the right to information in criminal proceedings: http://europa.eu/rapid/pressReleasesAction.do?reference=IP/10/989

Monthly Labour Market Monitor July 2010:

http://ec.europa.eu/social/main.jsp?langId=en&catId=89&newsId=850&furtherNews=yes

ICT research - EU-funded technology helps disaster workers save lives: http://europa.eu/rapid/pressReleasesAction.do?reference=IP/10/994

Commission publishes Annual Report on EU Customs actions to enforce intellectual property rights: http://europa.eu/rapid/pressReleasesAction.do?reference=IP/10/995

## JULY 26

Commission to provide €250 million for more than 200 new LIFE+ projects: http://europa.eu/rapid/pressReleasesAction.do?reference=IP/10/1002

## JULY 27

Foreign Affairs Council meeting: http://www.consilium.europa.eu/uedocs/cms_data/docs/pressdata/EN/foraff/115976.pdf

General Affairs Council meeting: http://www.consilium.europa.eu/uedocs/cms_data/docs/pressdata/EN/genaff/115975.pdf

Health-EU – the offcial Public Health Portal of the European Union: http://ec.europa.eu/social/main.jsp?langId=cs&catId=89&newsId=851&furtherNews=yes

## JULY 28

EU and China should increase cooperation to fight climate change: http://www.eesc.europa.eu/?i=portal.en.press-releases.10594

EU27 population 501 million at 1 January 2010: http://epp.eurostat.ec.europa.eu/cache/ITY_PUBLIC/3-27072010-AP/EN/3-27072010-AP-EN.PDF

## JULY 29

Enlargement – EU opens accession negotiations with Iceland: http://europa.eu/rapid/pressReleasesAction.do?reference=IP/10/1011

## JULY 30

Commission adopts Report on the European Agenda for Culture: http://ec.europa.eu/culture/news/news2762_en.htm

Due to the regular summer holidays in all the key institutions of the European Union, this month's calendar would be empty. Therefore, we present the calendar of meetings of these institutions for September. Outstanding here is the informal meeting of the heads of states and governments at the European Council in mid-September. Its agenda will be largely influenced by the then currently topical issues. With high probability, however, the talks will deal with the new EU strategy for this decade called Europe 2020.

## Meeting of the key EU institutions

**6. 9. 2010 Brussels, Belgium**
- Informal Energy Council

**6. – 9. 9. 2010 Strasbourg, France**
- EP Plenary Session

**7. – 9. 9. 2010 Liège, Belgium**
- Employment, Social Policy, Health and Consumer Affairs Council

**10. - 11. 9. 2010 Brussels, Belgium**
- Informal Meeting of Foreign Affairs Ministers

**13. 9. 2010 Brussels, Belgium**
- General Affairs Council

**13. 9. 2010 Brussels, Belgium**
- Foreign Affairs Council

**15. 9. 2010 Brussels, Belgium**
-Informal Council Transport

**16. 9. 2010 Brussels, Belgium**
- Informal European Council

**20. - 21. 9. 2010 Brussels, Belgium**
- Informal meeting of the Agriculture Council

**23. - 24. 9. 2010 Gent, Belgium**
- Informal meeting of the Ministers of Defence

**27. 9. 2010 Brussels, Belgium**
- Agriculture and Fisheries

**30. 9. 2010 Brussels, Belgium**
- Informal Internal Market Council

**30. 9. - 1. 10. 2010 Brussels, Belgium**
- Informal Economic and Financial Affairs Council

## Public consultation on EU legislation

| Topic of the consultation | Organiser | Deadline |
|---|---|---|
| Mutual evaluation foreseen by the Services Directive | DG MARKT | 13.9.2010 |
| Raw Materials Initiative | DG ENTR | 19.9.2010 |
| Simplification of VAT collection procedures | DG TAXUD | 31.10.2010 |

Let's resume in this paper the topic presented in the previous issue of our EU News Monthly devoted to strengthening fiscal discipline in EU countries. We have noted that in virtually all EU countries, the level of fiscal discipline is poor or even pitiful and that it is now the right time to remedy. We have mentioned some of the steps and tools that would come into question in this situation.

# PUBLIC FINANCES IN THE EU AND ITS MEMBER STATES: WHAT TO DO NEXT?

The EU budget was mentioned as one of the tools that would enable the EU to strengthen fiscal discipline. Its discipline has been relatively exemplary – at least up to now. Views that the enlargement of the amount of the so far relatively negligible EU budget could help to strengthen fiscal discipline are beginning to appear at the level of discussion forums. An argument in favour of this proposal is that if the EU member states (and some even for 20 and more years) have been unable to have their fiscal discipline "arranged" by themselves then an authority must come from the outside that will help them in doing so. At least today, it seems that the counter-arguments in this debate have stronger support.

They do not concern only the usual focus on the loss of national sovereignty or autonomy, but they mention also the so far very low EU budget (in relative comparison to national budgets). Should the EU budget play a role as a major contributor to the strengthening of fiscal discipline, its volume would have to be greatly increased (of course, the amount of the national budgets should be reduced proportionally so as not to increase the overall level of fiscal redistribution) and the key needs of public services that are fulfilled now by national states would have to be funded from its expenses. Such a revolutionary change is unworkable in practice in terms of years (which is the limit within which it is necessary to carry out the fiscal remedy in the EU).

## EU BUDGET

Let's have a closer look at what structure and what expenditure items the EU budget contains and then let's compare them with what the budgets of national states in the EU must provide at present and hence how much the content structure of the EU budget would have to transform so that it would be able to meet some of the functions of public service provided by national states today.

Although on an annual basis in absolute terms, the EU budget represents a sizeable amount of money (141.5 billion euros for 2010), its amount is negligible in relation to EU's GDP forming less than one percent of EU's economic activities per year (specifically, 0.9 % of EU's GDP in 2010).

Its expenditure structure focuses on two dominant chapters, constituting in sum almost 90% of the EU budget expenditure amount. Since 2008, the most significant has been the sustainable growth chapter, representing in 2010 45.4% of EU budget expenditures. Within its framework, the most important item is the promotion of economic, social and territorial cohesion with a share of 34.9% in the total EU budget expenditures, which in fact is the sum expended for the benefit of EU funds for structural operations, which are the most important individual component of the EU budget. Within the current programming period 2007-2013, about 7.7% of the total volume of EU funds are allocated on average in favour of projects implemented in the Czech Republic.

A smaller part of the sustainable development chapter is then used to finance projects in the various areas of support referred to as direct Community grants. A typical example is the support of projects with all-European coverage or at least those based on partnership of actors from several EU member countries in promoting research and development, support for innovations and business environment, various types of educational programmes, projects and initiatives in tourism and many other areas, mainly of cross-border nature within the EU.

The second largest chapter of the EU budget is the item "Natural Resources", which name may be somewhat misleading, since its clearly largest part are expenditures on the common agricultural policy and common fisheries policy. Their sum represents more than 30% of EU budget expenditures being the second largest single item in the EU budget (after structural measures of cohesion policy), when more than 20 years ago, they were clearly the largest item with more than 50% (in the more distant past even more closer to 60%) of the volume of EU budget expenditures. The reduction of this item corresponding to the real economic weight of the sector of agriculture in GDP should be one of the most fundamental changes in the reform of the EU budget in the period after 2013. Its weight set up by the inertia in the rules of the EU budget will decrease further by 2013 to approximately 26% of the amount of EU budget expenditures. In the current debates – which are yet far from being closed and therefore premature with respect to conclusions – the reduction is mentioned to achieve some 20% of EU budget expenditures (while the agricultural sector represents about 1.6% of the EU's GDP).

Since relatively recent time, the support policies have distinguished between focusing exclusively on agricultural activities and on rural development (assuming support for non-agricultural activities operated in rural areas and accentuating problems, such as difficult accessibility by transport, remoteness, worsened conditions for business and finding job opportunities in comparison with the city centres but also the diversity of business activities in rural areas) – additional approximately 10.5% of the volume of EU budget expenditures is devoted to this purpose.

The natural resources chapter includes also the "Environment" item whose support is predominantly based on national sources of public finances, but it naturally occurs also among the areas of aid financed by the structural operations within EU cohesion policy. This chapter, however, devotes to the environment only 0.2% of the EU budget. We can assume that, given the considerable degree of the greening trends in virtually all human activities (not just entrepreneurial or productive), the weight of expenditure designed for this purpose in the fiscal framework of the next EU budget period will increase.

Compared with the two dominant chapters, the other chapters of the EU budget are noticeably lower. The spending for the purposes of EU's active operation in the global environment represents 5.7% of the total EU budget expenditures. Approximately the same weight is designed for administration and performance of all institutions and the organisations associated with them, employing a total of almost 40,000 workers (which, by the way, is an amount of about three percentage points lower than the share of administrative expenses in total expenditures in national budgets of EU member states).

**EU Budget and its expenditures**

| **2010 EU budget: 141.5 bn EUR = 0.9% GDP EU** | |
|---|---|
| Sustainable growth: | 45.4% |
| • *Competitiveness* | *10.5%* |
| • *Cohesion* | *34.9%* |
| Natural resources: | 42.0% |
| • *Agriculture* | *31.0%* |
| • *Rural Development* | *10.2%* |
| • *Environment* | *0.2%* |
| Citizenship, Freedom, Security and Justice | 1.2% |
| EU as a global partner | 5.7% |
| Administration | 5.6% |

*Source: European Commission*

And finally, the smallest chapter – consuming some 1.2% of EU budget expenditures – is aimed at promoting freedom, security, justice and European citizenship.

The income side of the EU budget is not based on any specific tax and it essentially ensues from the contributions that each EU member state provides. This type of income represents clearly majority financial income contributing with more than three-quarters to the total income.

The second greatest income by volume is significantly lower and in comparison with the national budgets it is rather specific. It reflects the existence of a common EU trade policy and common trading conditions for trade with third countries. 12% of the EU budget incomes consist of customs duties and sugar levies arising from foreign trade with non-EU member countries.

Approximately 11% of the budget is formed by the revenue from the collected value added tax, which represents in the individual member states the most important single tax, and a negligible 1% are other types of income, which might include, for instance, refund of money amounts coming from wrongly-implemented projects supported by EU funds, various types of irregular and one-off income, etc.

**EU Budget and its revenues**

| | |
|---|---|
| GNI based resource | 76 % |
| Agricultural + custom duties, sugar levies | 12 % |
| VAT based resource | 11 % |
| Others | 1 % |

*Source: European Commission*

We can see that the EU budget does not include at all the key items that are traditionally part of the budgets of national states or, more precisely, the public finance systems comprised in them in the past few decades (for instance, expenditure on social security and pension purposes or health care; the EU budget almost does not include expenditures on the environment; and there are very limited expenditures on defence and security only if they relate to joint projects in these activities).

Material focus of the EU budget is concentrated on areas that are ensured by national resources only to a small extent, or that are complementary to national resources. On the other hand, national public resources are much bulkier (relative to GDP) and in many areas, they are the exclusive source of funding for the relevant type of public service.

## The model and structure of national budgets of EU member states

As the following table clearly shows, the main difference between the EU budget and the average budget of an EU member country lies in the gap in the level of redistribution, where the compound tax quota in the national budgets of EU countries is approaching 44% and the share of expenditures in GDP exceeds 50%. Recently, under the influence of the crisis, there has been dramatic deepening of the average deficit in national budgets or the system of public finances in the EU. The developments in the just ending decade are shown in the following table.

**Public services in EU member states – national budgets (in % of GDP)**

| | 2000 | 2005 | 2007 | 2009 | 2010 |
|---|---|---|---|---|---|
| expenditures/HDP | 44.8 | 46.8 | 45.7 | 50.7 | 51.0 |
| revenues/HDP | 45.8 | 44.4 | 44.9 | 43.9 | 43.8 |

*Source: European Commission, Eurostat*

The variances further continue in dramatic differences in the composition of the income and expenditure sides.

The income side of the budget in EU countries generally consists of the following components:

- Direct taxes on income of taxpayers or their property; usually – in terms of the total tax revenue – they represent a relatively less important tax in the total tax spectrum; they are focused on the taxation of incomes of natural and legal persons, their property or transfers thereof, taxation of inheritance and gifts and in many countries also the use of transport infrastructure in the form of road tax with various specific models in different states; in the field of direct taxation, EU member states have almost exclusive tax autonomy and they adapt the particular form of their tax systems to their needs;
- Indirect taxes on sale of goods and services consisting of value added tax and excise tax; in this area of tax instruments, there is a certain degree of harmonisation at EU level, hence their form in the member states is based on a similar model; these are the most important tax instruments in most member states;
- Social insurance or, more precisely, contributions to the system, are in many EU member states including the Czech Republic the largest single item of income and overwhelmingly the major reason for the deficits in the system of public finances or, as the case may be, for the limitation of their economic competitiveness. In the Czech Republic, for instance, this tax revenue represents a volume of about 10 percentage points higher than the total tax revenue derived from indirect taxes accounting for more than one-third of the overall budgetary income base;
- In view of the fact that particularly in under-developed EU countries, the possibilities of drawing on EU funds are literally generous, they represent even in aggregate a not insignificant sum and an equivalent to approximately 10% of the total budget income (which, by the way, is more than the total revenue of the income tax of individuals – not to mention legal entities – in the period just before the outbreak of the crisis);
- Some countries, especially those which still have significant state or public participation in the economy, or those where large state-owned companies exist, generate a significant proportion of budget revenue from non-tax and capital income (of the type of dividends). In the Czech Republic, this proportion represents approximately 15% of total budget revenues and their volume is comparable to the sum of the two income taxes.

**Revenues of the CR‘s public budget**

| | |
|---|---|
| Social security contributions | 33.4% |
| VAT | 13.9% |
| Excise taxes | 9.4% |
| Personal income tax | 8.9% |
| Corporate income tax | 8.1% |
| Capital revenues, received subsidies | 24.6% |
| Others | 1.7% |

*Source: Finance Ministry of the CR*

The income side largely corresponds to the expenditure structure of the budget, which in most European countries is literally “contaminated” by the so-called mandatory (or predetermined or compulsory/obligatory) expenditures.

The nature of this predetermination is different, but in the budgets of EU countries they mostly exceed the limit of 70% of total expenditure and additional approximately 15% of them are the so-called quasi-mandatory expenditures (though not directly prescribed by law, they result from contractual relationships or habit or tradition, which are taken for granted as a matter-of-course in the given country).

Typical mandatory expenditures are the ones whose obligation follows from statutory regulations – it is impossible not to expend them; examples are social security benefits, state contributions to supplementary pension insurance and building society saving accounts, welfare benefits or unemployment benefits.

Other mandatory expenditures can include mortgage interest subsidies, exchange rate losses in the management of public debt, the realisation of state guarantees or transfers to international organisations, including e.g. the payments of the EU membership fee.

The quasi-mandatory expenditures include, for instance, spending on active employment policy, the military, foreign aid as well as wages for the public sector workers.

And only the last of these types of spending is not predetermined legally – the state has no statutory obligation to implement them, but conducting such activities makes sense in terms of development priorities. Examples include public investments as the active item of budget expenditure, reflecting the current strategic priorities of the government.

If quantified using the example of the Czech Republic, then more than 38% of budgetary expenditures are represented by social benefits (moreover, as regards income, about 57% of the population of the Czech Republic are entirely or partly dependent on social benefits).

More than 35% of the spending is formed by other current expenditures, which refers to items specified above in the category of other mandatory and quasi-mandatory expenditures.

In the Czech Republic, more than 11% of the spending is formed by non-investment transfers to territorial budgets, primarily to regions and municipalities (the budgets of regions are by about 60% dependent on public subsidies).

Only a little more than 11% belong to "non-mandatory" capital expenditure, i.e. the necessary public investments.

Moreover, a certain proportion of the expenditure here is reserved for the debt service, i.e. the management of public debt. It used to be relatively low in this country in the pre-crisis period, when it represented some 3.5% of the total spending. However, this figure will grow in the future and it will be one of the greatest challenges for fiscal policy to have it stabilised, if not reduced.

**Expenditures of the CR's public budget**

| | |
|---|---|
| Social benefits | 38.3 % |
| Current expenditures | 35.2 % |
| Non-investment transfers to territorial budgets | 11.6 % |
| Non-mandatory capital expenditure | 11.4 % |
| Debt service | 3.5 % |

*Source: Finance Ministry of the CR*

When talking about spending, let's have a look at the structure of its most essential item, i.e. social benefits in advanced countries (in this respect, including the Czech Republic). Nearly 80% of them are paid for pensions, of which four fifths are old-age pensions. Furthermore, for more than 90% of the recipients of public old-age pensions, this is the only source of livelihood.

Approximately 10% of social spending are welfare benefits, of which almost half are children's allowances. Other items include a variety of social allowances, housing allowances, allowances to cover subsistence level and minimum living wage, etc.

Other items are relatively less important in the overall structure – less than 7% go to sickness benefits and 3% to unemployment allowance.

**Structure of social benefits in the CR**

| | |
|---|---|
| Pensions | 78.7 % |
| Welfare benefits | 9.7 % |
| Sickness benefits | 11.6 % |
| Unemployment allowance | 2.9 % |
| Others | 1.8 % |

*Source: Finance Ministry of the CR*

It is thus clear that the transfer of most of these items and areas outside the national level in order to strengthen fiscal discipline would be an unthinkable, irrational and absurd project. Only a small portion of them – which, however, would have no significant effect on the improvement in fiscal discipline – could be legitimately transferred from national to EU level.

## TAX PARAMETERS AND TRENDS IN THE EU

In the last few years – especially after the entry of new member states into the EU after 2004 – certain trends started to gain ground in the development of tax parameters that fundamentally influenced the evolution of fiscal discipline in the EU.

Above all, the weight of direct taxation (personal and corporate) has decreased due to its lower level in the new member states (which are usually the initiators of the process of tax competition across the EU).

In general, the tax rate for personal income tax decreased significantly (from 47.3% in 1995 to 37.8% in 2008). At the same time, the tax rate for corporate taxation is significantly decreasing across the EU.

## CAN THE US BUDGET SERVE AS INSPIRATION?

Contemplating this idea, we could wonder whether centralised fiscal management, such as a strengthened

federal budget, inspired for example by the US model, could be the bearer of the strengthening in fiscal discipline.

Not likely in many respects: it shows a different structure and recently even more debt and higher deficit than the EU average. The average US debt jumped to a level of 94.1% of GDP and the deficit now stands at 10.1% of GDP.

The US budget significantly differs from the European habitualness even structurally – on both the revenue and expenditure sides. The rate of redistribution in the US is by about 10 percentage points lower than the EU average.

## STRATEGY FOR CONVERGENCE AND INTEGRATION

Is there a way that appears to be feasible to restore fiscal discipline in the EU in a relatively short time frame? Most probably, it should not be based on the concepts of fiscal federalism and the transfer of competences from national to EU level (although in a very long time frame, the appropriate modification of the model of fiscal federalism could represent an effective recipe, of course on condition that the degree of mutual convergence and interconnection of the economic and social systems would undergo further significant reinforcement).

Let's assume that the current recipe is based on strengthening the strategy for convergence and integration. It is based on several interconnected levels within the EU (between member states on the horizontal principle; between different levels of public administration on the vertical basis; among the individual imposed instruments of economic policies, based on connectivity in a global context).

If it should be really worthwhile to seek common approaches leading at the EU level to the strengthening of fiscal discipline, it is necessary above all to fully exploit the possibilities of the single internal market, reinforce the interconnection of member states in various areas of the single market or expand it further in response to the technological progress, such as the Internet, information and communication technologies, etc. If the single internal market is functioning at least at a sub-optimal level, it also implies the smoothness of the Economic and Monetary Union and the euro as the single European currency.

The common approach in finding sensitive compromises when coordinating fiscal discipline is conditioned by the strengthened role of the EU in the global context and the ability to influence global economic affairs more vigorously and unanimously. Primarily, however, the common approach depends on restoring confidence in the tool that has the ability to strictly guard fiscal discipline and stability and, at the same time, support rather than hinder the implementation of structural reforms. For convenience, this tool can be referred to provisionally as the Stability and Growth Pact II.

If Europe wants to go to a common path, it must agree on the selection of priorities and their formulation. Fiscal discipline should definitely be among them. However, when implementing fiscal policy, the public service providers must have adequate financial resources that they redistribute as effectively as possible.

It is hard to imagine in the coming period that a stronger degree of coordination would be possible than the shared creation of budgets. In the longer term, it probably might be possible to increase the weight of the EU budget at the expense of national budgets while maintaining the neutrality principle in terms of tax burden. This step, however, is conditioned by the sufficient number of common areas which will be jointly financed from the common budget and which must be tested by the subsidiarity criterion.

In a very long vision it is conceivable to have a model of fiscal federalism in a certain modified form, based on the Union, national and municipal and regional levels, which must aptly correspond to the relevant union tax, national tax and municipal and regional taxes and, of course, to the most straightforward and most detailed definition of the corresponding expenses.

## 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 | IV-10 | V-10 | VI-10 | IV-10 | V-10 | VI-10 |
| Belgium | 2.9 | 1.0 | -3.1 | 2.2 | -2.9 | 0.5 | 8.5 | 8.6 | 8.6 | 2.1 | 2.5 | 2.7 |
| Bulgaria | 6.2 | 6.0 | -5.0 | -26.8 | -24.0 | -9.4 | 9.7 | 9.7 | 9.7 | 3.0 | 3.0 | 2.5 |
| CR | 6.1 | 2.5 | -4.8 | -3.2 | -0.7 | -1.1 | 7.6 | 7.5 | 7.4 | 0.9 | 1.0 | 1.0 |
| Denmark | 1.7 | -0.9 | -4.9 | 1.5 | 2.2 | 4.0 | 7.0 | 6.7 | 6.6 | 2.4 | 1.9 | 1.7 |
| Germany | 2.5 | 1.3 | -5.0 | 7.6 | 6.7 | 4.9 | 7.1 | 7.0 | 7.0 | 1.0 | 1.2 | 0.8 |
| Estonia | 7.2 | -3.6 | -14.1 | -17.8 | -9.4 | 4.6 | na | na | na | 2.5 | 2.8 | 3.4 |
| Ireland | 6.0 | -3.0 | -7.5 | -5.3 | -5.2 | -2.9 | 12.9 | 13.2 | 13.3 | -2.5 | -1.9 | -2.0 |
| Greece | 4.5 | 2.0 | -2.0 | -14.4 | -14.6 | -11.2 | na | na | na | 4.7 | 5.3 | 5.2 |
| Spain | 3.6 | 0.9 | -3.6 | -10.0 | -9.7 | -5.4 | 19.6 | 19.8 | 20.0 | 1.6 | 1.8 | 1.5 |
| France | 2.3 | 0.4 | -2.2 | -1.0 | -2.3 | -2.2 | 9.9 | 9.9 | 10.0 | 1.9 | 1.9 | 1.7 |
| Italy | 1.5 | -1.3 | -5.0 | -2.4 | -3.4 | -3.2 | 8.6 | 8.6 | 8.5 | 1.6 | 1.6 | 1.5 |
| Cyprus | 5.1 | 3.6 | -1.7 | -11.7 | -17.5 | -8.3 | 6.9 | 7.1 | 7.3 | 2.5 | 1.8 | 2.1 |
| Latvia | 10.0 | -4.6 | -18.0 | -22.3 | -13.0 | 9.4 | na | na | na | -2.8 | -2.4 | -1.6 |
| Lithuania | 9.8 | 2.8 | -15.0 | -14.5 | -11.9 | 3.8 | na | na | na | 0.2 | 0.5 | 0.9 |
| Luxembourg | 6.5 | 0.0 | -3.6 | 9.7 | 5.3 | 5.6 | 5.2 | 5.2 | 5.3 | 3.1 | 3.1 | 2.3 |
| Hungary | 1.0 | 0.6 | -6.3 | -6.6 | -7.0 | 0.2 | 10.9 | 10.4 | 10.4 | 5.7 | 4.9 | 5.0 |
| Malta | 3.8 | 2.1 | -1.9 | -6.1 | -5.6 | -3.9 | 6.9 | 6.7 | 6.5 | 0.8 | 1.8 | 1.8 |
| Netherlands | 3.6 | 2.0 | -4.0 | 8.7 | 4.8 | 5.4 | 4.3 | 4.3 | 4.4 | 0.6 | 0.4 | 0.2 |
| Austria | 3.5 | 2.0 | -3.6 | 3.6 | n/a | n/a | 4.1 | 4.0 | 3.9 | 1.8 | 1.7 | 1.8 |
| Poland | 6.8 | 5.0 | 1.7 | -4.7 | -5.1 | -1.6 | 9.8 | 9.7 | 9.6 | 2.7 | 2.3 | 2.4 |
| Portugal | 1.9 | 0.0 | -2.7 | -9.4 | -12.0 | -10.3 | 10.8 | 10.9 | 10.8 | 0.7 | 1.1 | 1.1 |
| Romania | 6.3 | 7.3 | -7.1 | -13.4 | -11.6 | -4.5 | na | na | na | 4.2 | 4.4 | 4.3 |
| Slovenia | 6.8 | 3.5 | -7.8 | -4.8 | -6.2 | -1.0 | 7.0 | 7.0 | 7.0 | 2.7 | 2.4 | 2.1 |
| Slovakia | 10.6 | 6.2 | -4.7 | -5.7 | -6.6 | -3.2 | 14.8 | 14.8 | 15.0 | 0.7 | 0.7 | 0.7 |
| Finland | 4.9 | 1.2 | -7.8 | 4.3 | 3.1 | 1.3 | 8.8 | 8.6 | 8.5 | 1.6 | 1.4 | 1.3 |
| Sweden | 2.5 | -0.2 | -4.9 | 8.4 | 9.5 | 7.3 | 9.1 | 8.8 | na | 2.1 | 1.9 | 1.6 |
| UK | 2.6 | 0.5 | -4.9 | -2.7 | -1.5 | -1.3 | 7.8 | na | na | 3.7 | 3.4 | 3.2 |
| EU | 2.9 | 0.8 | -4.2 | -1.0 | -1.9 | -1.1 | 9.6 | 9.6 | 9.6 | 2.1 | 2.0 | 1.9 |

| | 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*