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Dear readers,

In September, the European Union and its institutions have begun to gather their usual pace of work performance. The start was more than ceremonial and groundbreaking. European Commission President Jose Manuel Barroso delivered his first ever "State of the Union" address imposed on him by the Treaty of Lisbon in which he tried to present the picture of European integration. It was a picture full of evaluations, outlined plans as well as criticism of undesired phenomena – a picture whose acceptance and reception not only in the European Parliament where it was sketched, but also by the commentators and the media was surprisingly favourable.

Barroso has stated objectively that the state of the EU economy, though by no means rosy, is sure to be in much better shape and condition than a year ago. He believes that to transform this state into a more visible and longer-term phenomenon, it is necessary to find agreement on the key priorities of economic development and address them by common sharing of resources and policy coordination. Enhanced cohesive economic policy within the EU was logically one of the key issues, as well as the removal of the still evident, albeit hardly seen at first glance obstacles and obstructions within the single internal market.

Barroso dealt thoroughly with two issues that attracted perhaps most attention in his speech: energy and the fight against racism. He identified these areas as crucial in terms of the future direction of the Union. Maintaining economic prosperity and high living standard is not conceivable without reliable and safe energy resources. As a sore in the relations between people were mentioned the escalating manifestations of racism, which could become a fragmentation bomb in achieving the still so fragile European unity. In this connection, Barroso voiced the perhaps most rewarding moment of his speech – at least in the media – in which he commented on the French President Sarkozy's efforts to solve the problem of immigrant camps. The exchange of views between the two politicians got further escalated a few days later at the European Council Summit during which there was an open clash between them. It should be noted that at this time, Barroso's view is supported by more heads of states and governments than the view of the French president.

In the context of the topic of regulation of financial markets and strengthening not only the fiscal but also the economic discipline, September has brought many additional contributions to this debate. At the very end of the month there was – as many observers believe – a rather too soft determination of the rules of fiscal discipline, relating also to the amount or level of public debt. A few days before, it was agreed that the new BASEL III capital adequacy directive should be adopted next year and on the agenda also was the subject of derivatives and their regulation.

It is also appropriate to congratulate the city of Plzeň and salute the city of Ostrava in connection with the nomination of the European Capital of Culture 2015.

Petr Zahradník

European Commission President José Manuel Barroso delivered the first ever State of the Union address to the MEPs. He focused particularly on the economic crisis, the common energy policy and immigration issues. European Commission proposes new form of sanctions for breaches of the Stability and Growth Pact. Financial penalties should be implemented automatically in the future and could be reversed only by a qualified majority decision of the Ecofin.

POLITICS

Barroso delivered his first State of the Union address

Early in September, European Commission President Jose Manuel Barroso **gave his first ever State of the Union speech at the plenary session of the MEPs.** In addition to the omnipresent economic crisis, he also dealt with topics, such as energy, unemployment and human rights.

In this way, the Commission President fulfilled its promise given to the MEPs after his second appointment to lead the "EU executive". According to Barroso, **this event will now be repeated every year.**

In his nearly forty-minute speech, the Commission President – in the manner of the US presidents – **focused mainly on the economic crisis that continues to trouble the Union's economy.** Barroso believes that the crisis was one of the most important tests, which the member states had to go through together. And according to his words, they have done well in their actions.

"(...) we have been able to build a base camp from which to modernise our economies**. Europe has shown it will stand up** and be counted," said Barroso and then added: "Those who predicted the demise of the European Union were proved wrong."

Although – according to Barroso – the worst moments of Europe are over, the **EU should not slacken its efforts to escape from the crisis**. "Now is the time to make the right investments for our future."

The Union should therefore focus on structural reforms and **modernisation of the social market economy**. The EU should also reduce unemployment and do everything possible to prevent the recurrence of economic crisis in the future.

Besides the necessity to revive economic growth, Barroso also mentioned in his speech **the need for the establishment of a common energy policy.** Europe has to "ensure energy security and solidarity," he said.

Barroso has not omitted the question of immigration and asylum policy, stating that immigrants who have all due permits will find a place in Europe where human rights are respected and observed. On the other hand, he promised that the EU would adopt **tough measures to fight illegal immigration.**

http://europa.eu/rapid/pressReleasesAction.do?reference=SPEECH/10/411

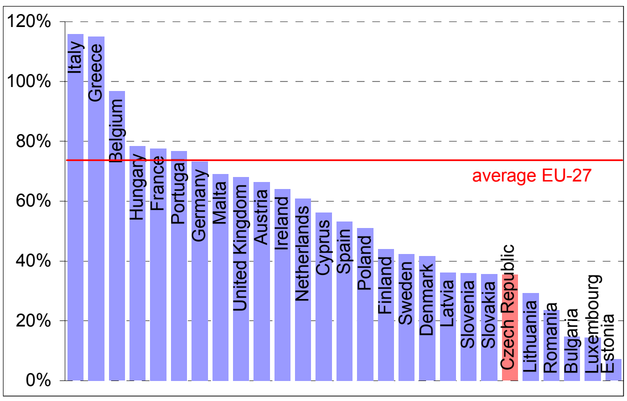
ECONOMY AND EURO

Commission proposes semi-automatic sanctions for budget sinners

The European Commission published a proposal for stricter penalties for non-compliance with the budget policy. The fines should reach 0.2% of GDP and be applied on a semi-automatic basis, **i.e. immediately after the violation is detected.** The penalties will apply only to countries within the euro area with a budget deficit higher than 3% of GDP or total debt over 60% of GDP, which will fail to prove clearly their efforts to reduce the debt.

Budget sinners, however, **will have a good chance to get back the money** if they try to remedy the excessive budget deficits and overall debt, says the Czech News Agency (ČTK). The whole mechanism will be divided into three stages. In the first stage, when it turns out that a state fails to meet its budget resolutions, it will have to make a deposit in Brussels of 0.2% of GDP, on which, however, interest will accrue for the state. In the second stage, when the EU has to take some remedial measures against the state, the interest on the deposit will be divided among member states. Only in the third stage, when potential offender fails to remedy its own economy, the money will be forfeited to the Union.

General government debt as % of GDP in 2009



Source: Eurostat

The introduction of sanctions should be semi-automatic in its nature. This means that the sanctions will start running automatically after the proving of the budget violations and **might be stopped only based on a decision of a qualified majority of finance ministers.**

In the course of time, the system of semi-automatic punishment should be extended to the countries outside the

eurozone. Here, however, it should be more likely in the **form of the withdrawal of European subsidies.**

The proposal for semi-automatic sanctions has a number of opponents and it is not clear whether it stands a chance of success, because in this way, **a number of budget sinners would make a rod for their own backs.** French Finance Minister Christine Lagarde has rejected the European Commission's proposal for semi-automatic sanctions and requested that their cancellation be decided by a simple majority of member states, which is more easily attainable.

We support the sanctions, because **the current form when the sanctions are decided on by the finance ministers has proved toothless.** Even with a long-term dismal state of public finances in the great majority of member states, no one state has ever been financially penalised.

http://europa.eu/rapid/pressReleasesAction.do?reference=IP/10/1199

EU states will send their budgets to Brussels since next year

The so-called **"European semester"** during which member countries will send the basic outlines of their budgets to Brussels for preliminary assessment, **was successfully passed at the September meeting of EU finance ministers.** In this way, the European Union wants to tighten the supervision of national budgets and prevent the recurrence of debt crises like the one that hit Greece in the past.

According to the proposal approved by the finance ministers, **the member states will have to send their budget plans to the European Commission** by the end of April. The European Commission will then assess whether the long-term plans for reducing budget deficits and the relevant proposals for reforms comply with the "directions" to be agreed annually in March by the member states.

Based on its findings, **the Commission will formulate its opinion,** which will then be discussed at the regular Council meetings in June and July by the finance ministers of the EU and the euro area.

Although the strengthening of the supervision of the national budgets **does not suppose any sanctions so far**, the EU believes that the pressure from the Commission and the member states on the governments will be effective, thus helping to prevent over-indebtedness.

At the same time, there is a discussion on possible adjustments to the Stability and Growth Pact and the possible sanctions for non-compliance. In this context, a group of nine mostly new member countries (including the CR and Slovakia) put forward in August 2010 the **requirement that the new rules should take into account the costs of pension reforms.** The requirement's chances of approval are not large, as Slovak Minister Ivan Miloš put it: "Unfortunately, I do not think so. I think it's a relevant position and we have real reasons for it, but I can't see a general consensus here."

The European semester is a softer form of pressure on member states to make their future public budgets move in a responsible direction. In a situation where fiscal policy falls almost entirely within the competence of member states, **this is the utmost compromise that could have been negotiated.**

http://consilium.europa.eu/uedocs/cms_data/docs/pressdata/en/ecofin/116306.pdf

BUDGET

Commissioner: Farm aid should be a third of EU budget

According to European Commissioner for Budget Janusz Lewandowski, **only one third of the EU budget should go to the EU Common Agricultural Policy rather than the today's almost 40%.** The released funds would be invested by the Union in research and innovation, said the Commissioner in an interview with Reuters.

Commissioner Janusz Lewandowski has admitted that the forthcoming discussions on the future of the EU budget will probably be **the most difficult debate that the European Union has ever been engaged in.** The negotiations that will start in October with the European Commission's proposal will be "pretty hot" for several reasons. Besides the subsidies to European farmers, also the British rebate could be under threat based on which the UK pays into the common EU budget less than would correspond to the level of its economy.

It is expected that after the publication of the draft seven-year budget**, the real negotiations will start no sooner than early next year.** Traditionally, the strongest advocate of agricultural subsidies will be France, while net contributors to EU budget, such as Austria or Germany, will promote their reduction.

Commissioner Lewandowski would like to **increase the spending on science, research and innovation.** Such a

With its affirmative opinion, the European Parliament finally approved the reform of financial supervision in the EU. Three new transnational supervisory authorities should be established for banks, insurance companies and securities markets. The European Systemic Risk Board will be newly established as well. The European Commission prepared a draft regulation, which should bring more transparency to the over-the-counter financial derivatives markets.

shift in priorities is likely to please some of the richer member states, such as Sweden or the Netherlands.

Lewandowski would also like **to increase the amount spent by the Union to strengthen its role abroad** (such as the development and humanitarian aids).

The Commissioner dismissed speculations that the Commission intended to back a new pan-EU levy to help fund its budget. On the contrary, he supports the efforts to simplify the way the budget is collected by removing the obsolete unsystematic exceptions of the type of the British rebate.

Commissioner Lewandowski's plans are following the right direction. However, **things in the European Union are not decided by the Commission,** but in most cases by member states. Accordingly, the final form of the EU budget is uncertain and we will get to know it no earlier than in late 2011 or early 2012.

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

FOREIGN TRADE

EU agrees "new generation" trade deal with South Korea

At its September meeting, the European Council **agreed to sign the long-awaited free trade pact between the EU and South Korea** when Italy, the main opponent of the pact, ultimately accepted a compromise.

In an effort to strengthen its international position and increase foreign trade with Asian partners, the EU agreed at its summit a free trade agreement with South Korea. The agreement, whose **value for European producers is estimated at 19** billion euro, is considered the most important trade agreement that the governments of the 27 member states have ever signed with a third party, and a "new generation" of the EU's bilateral trade agreements.

The EU launched the bilateral negotiations with South Korea already in spring 2007 in an effort to improve the prospects of European exporters on Asian markets. During its ratification, it was frequently criticized by the representatives of the automotive industry associated in the European Automobile Manufacturers Association, who fear the cheap competition of the Asian carmakers in European markets (15% of Asian car production goes to Europe). Also for this reason, the agreement contains an article **that allows the EU the re-introduction of protectionist measures** in the event that there would be a growth in the Korean car imports using subcontractors from other Asian countries.

The agreement was resisted for a long time mainly by Italy, which feared the competition of Korean car makes for its own carmaker Fiat. Fiat is currently not very successful with a 10% drop in sales in the first half of this year. Therefore, Italy requested postponement of the deal's entry into force to 2012. Eventually, it withdrew and accepted a compromise proposal according to which **the agreement takes effect six months later, i.e. 1 July 2011.**

The agreement is **good news both for Europe's competitive export companies** to which it opens the Korean market with about 50 million people and for European consumers who will benefit from a wider range of imported goods.

http://www.consilium.europa.eu/uedocs/cms_Data/docs/pressdata/en/ec/116547.pdf

FINANCE

MEPs approved the reform of financial supervision

The European Parliament gave the final seal of approval to the reform of financial supervision, which was backed in September also by the EU states at the Ecofin meeting. The reform of the supervision of financial markets includes also the **establishment of three trans-national regulatory authorities** for micro-prudential monitoring of the sector:

1. **EBA (European Banking Authority)** – in charge of supervision of the banking sector
2. **ESMA (European Securities and Market Authority)** – in charge of supervision of the securities market
3. **EIOPA (European Insurance and Occupational Pensions Authority)** – in charge of supervision of pension funds and insurance companies.

The new authorities **will be funded from the budgets of the former advisory committees, which they are replacing from January 2011:** the Committee of European Banking Supervisors (CEBS), the Committee of European Insurance and Occupational Pensions Supervisors (CEIOPS), and the Committee of European Securities Regulators (CESR).

In addition, **the European Systemic Risk Board will be established** whose role will be to monitor the macroeconomic stability of the financial sector and to highlight the systemic risks that could threaten the European

financial market (e.g. high indebtedness of member countries).

The most controversial point of the reform **is the question of the division of competencies between the transnational and national supervising authorities.** The national authorities retained the competence to supervise the daily operation of domestic financial markets. The transnational surveillance should intervene only if an "emergency situation" occurs (what is and what is not an emergency situation will be decided by the member states) or at the moment when the EU law is infringed due to poor application of EU regulations by national regulatory authorities.

According to the material from the European Commission, the ESAs will be able to intervene in the decision process also **if there is a case of a transnational character** (in other words, if it concerns, for instance, a multinational bank).

Only the everyday practice will clear the key question of **how much or how often there will be an overlap between the powers of the newly built transnational supervision and the national authorities.**

http://www.europarl.europa.eu/en/pressroom/content/20100921IPR83190/

Revolution for financial derivatives trading

The European Commission proposed a draft regulation, which should **bring more transparency to the OTC** ("over the counter") **derivatives markets.** These complex financial instruments are admitted to trading on an institutionalised trading platform – such as a stock exchange – but they are traded directly based on the contact of the counterparties.

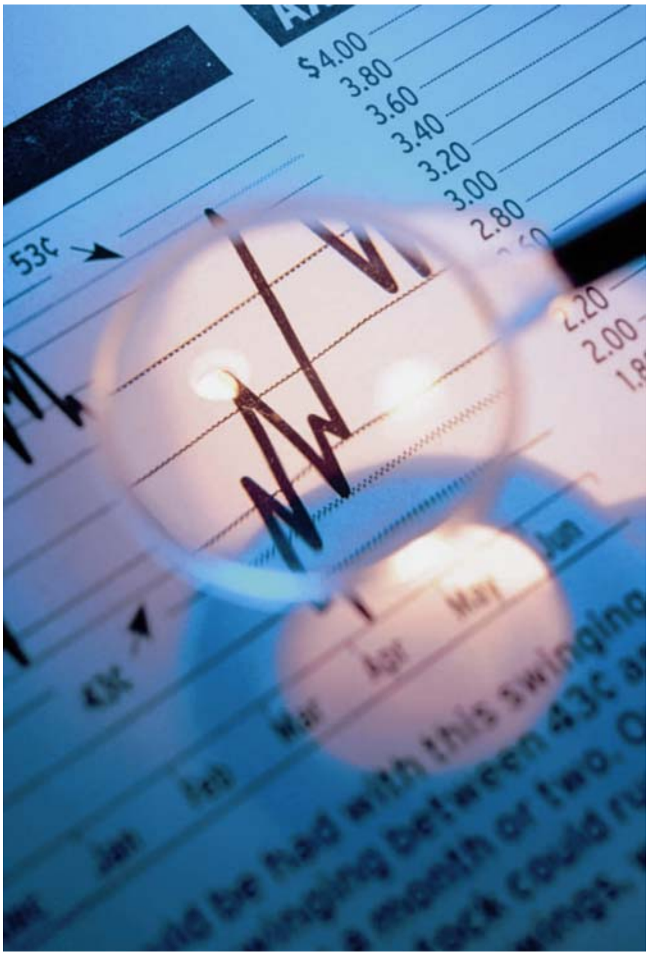
Key elements of the proposal:

Greater transparency

Currently, reporting of OTC derivatives is not mandatory. As a result, the supervisory authorities and market participants do not have a clear overview of what is going on in the market. Trades in OTC derivatives in the EU will have to be reported to central data centres, known as trade repositories. Regulators in the EU will have access to these repositories and the new European Securities and Markets Authority (ESMA) will be responsible for their surveillance. This authority will also be responsible for granting and withdrawing their registration. In addition, trade repositories will have to publish aggregate positions by class of derivatives.

Reducing counterparty risk

OTC derivatives that are standardised will be cleared through central counterparties. These are entities that interpose themselves between the two counterparties to a transaction and thus become the "buyer to every seller", as well as the "seller to every buyer". This will prevent the situation where a collapse of one market participant causes the collapse of other market participants, thereby putting the entire financial system at risk.



Reducing operational risk

There are a number of highly bespoke and complex contracts in the market that still require significant manual intervention in many stages of the processing. This increases operational risk (i.e. the risk of loss due to, for example, human error). The market participants will measure, monitor and mitigate this risk, for example by using electronic means for confirming the terms of OTC derivative contracts.

The opposition of seven member countries has been formed against the EU-wide patent. The future action plan for energy savings should be focused primarily on energy savings in buildings. There will be a stronger interconnection of gas networks in the EU to enable a more efficient response to disruptions in gas supplies, such as those in January 2009. The new regulation includes the obligation to equip the cross-border pipelines with reverse flow technology within three years.

Scope

The proposal applies to all types of OTC derivatives and it applies both to financial firms who use OTC derivatives but also to non-financial firms that have large positions in OTC derivatives. However, when non-financial firms (such as manufacturers) use OTC derivatives to mitigate risk arising from their core business activities ("hedging"), they are exempt from the central counterparty clearing requirements.

http://europa.eu/rapid/pressReleasesAction.do?reference=IP/10/1125

ENTERPRISE

Member States can't agree on the form of the EU patent

Seven EU countries (Cyprus, Greece, Ireland, Italy, Lithuania, Luxembourg and Spain) sent the European Court of Justice a clear signal: **the European Commission's vision of the form of a single EU patent is unacceptable for us**. This points out the serious disagreement existing about this issue throughout the EU, but, at the same time, it is a flagship of the new innovative strategy that the European Commission is going to present soon.

The EU has been trying to introduce a single EU patent for several years. The agreement about it is hampered by the ongoing problems of legal and technical nature. **The biggest complication is the sensitive question of time-consuming and financially costly translations of the accompanying technical regulations,** by which the obtaining of a patent is conditioned.

Therefore, the European Commission has committed itself at the beginning of the year that it will attempt to remove these obstacles and persuade member states to give the EU patent the green light. **Internal Market Commissioner Michel Barnier unveiled a concrete proposal to break the translation deadlock.**

Another problem is the establishment of a single patent court within the jurisdiction of which the existing so-called European patents should fall that **are currently granted by the European Patent Office (EPO),** which is based in Munich and whose members include several countries outside the European Union (e.g. Albania, Macedonia and Turkey).

Whether the concept of the European Commission complies with European law **should be decided later this year by the European Court of Justice (ECJ).**

The issue of introducing a Europe-wide patent, which would greatly reduce the administrative costs for businesses with operations in several member states, has been the Union's long-term challenge. **Its introduction was also one of the priorities of the Czech EU Presidency** in the first half of 2009.

http://ec.europa.eu/internal_market/indprop/patent/index_en.htm

ENERGY AND TRANSPORT

EU's next energy savings plan to focus on buildings

Buildings will be at the centre of the EU's new energy savings plan, which the European Commission is preparing and which it plans to present by the end of the year, said Commissioner Günther Oettinger after an informal meeting of European energy ministers.

To achieve the action plan's objective of making energy **savings of 20% by 2020,** the EU will first have to agree on what every member state and every sector must contribute towards the goal, Oettinger said. From the meeting of the ministers of the member states it follows that savings in buildings would be the most important contributor.

New measures could be, for example, **the establishment of individual national binding targets of energy efficiency** based on the same principle as that used by the Union in the past in the case of the Renewable Energy Directive. Most probably, however, there will be no binding targets in the draft action plan. According to the Commissioner, their fulfilment should be voluntary at first. The Union would take tougher measures only if the states would not fulfil their voluntary targets.

Besides the **preparation of the revised action plan,** Oettinger's department is working on the preparation of materials, which the Commission would like to present in February 2011 at the European summit devoted to energy.

One of these will be a **draft of the new energy infrastructure package,** which should become "more and more concrete over the next weeks," Oettinger said. He pledged to bring Europe's gas and electricity networks up to the same standard as the continent's highway and aerospace sectors.

At the informal meeting, the ministers also debated how to **finance the development of transmission systems, the construction of new interconnections and the smart**

grids that are needed as a prerequisite to develop a modern, Europe-wide grid.

http://www.eutrio.be/pressrelease/informal-energy-council-development-modern-and-integrated-european-grid

Parliament approves rules to secure gas supply

On 21 September, the European Parliament **endorsed a new regulation to enhance Europe's preparedness to deal with gas supply crises.** The first draft of European legislation in this area was published by the Commission in July 2009 in response to the Russian-Ukrainian "gas crisis" in January 2009.

Under the new regulation, the **states should establish preventive action and emergency plans** and grant the European Commission a stronger role in coordinating emergency responses. The EU executive will also scrutinise the prevention plans with a view to ensuring that they do not endanger another member state's security of supply.

The regulation also **seeks to remedy inadequate gas infrastructure interconnections between the countries,** which was identified as having greatly contributed to the difficulties in getting supplies to Eastern Europe, where natural gas was largely cut off during the January 2009 Russia-Ukraine gas row.

EU countries will have four years to get their gas networks up to a standard where they can meet gas needs on days of "exceptionally high demand" even when their biggest source of gas or a major section of the network fails. Moreover, they will **have to put in place reverse flow technology** in all cross-border interconnections within three years.

In this respect, the states are supported by the European Energy Recovery Programme (EEPR), which is co-financing with **1.4 billion euros the investment in cross-border gas infrastructure.** Most member states have already started risk assessments and put in place the infrastructure required to safeguard gas supplies, the Commission said.

The approved regulation also seeks to shield private consumers (households) from the impact of supply disruptions. It obliges gas **companies to guarantee supplies to householders for at least 30 days** during periods of exceptionally high demand or in the event of infrastructure disruption under normal winter conditions.

http://www.europarl.europa.eu/en/pressroom/content/20100920IPR82928/

AGRICULTURE

Proposals to change CAP priorities are mounting

Although it is not yet clear how much money will be allocated in the next EU budget for the Common Agricultural Policy (CAP), the debate in Brussels turns towards new priorities. The growing rhetoric around the concepts of "public goods" and "green growth" suggest that the CAP **priorities could be shifted to protecting the environment and boosting rural economies.**

The ongoing debate over the CAP's future is taking place in a broader context than previous reforms. First, as farm policy still represents around 40% of the EU budget, the debate about its future form **is closely linked to the debate about the future financial perspectives for the 2014-2020 period.**

Although it is not yet clear how much money will be allocated in the next EU budget for the Common Agricultural Policy (CAP), the debate in Brussels turns towards new priorities. Following the pressure from the regions, the Czech Government has reconsidered its austerity measures and is going to continue to provide co-financing for projects supported by the ROPs.

The current debate is also strongly affected by the discussions over how to recover from the **economic crisis and deal with major global issues as climate change and the increasing volatility** of world commodity markets.

The European Commission has made no secret of the fact that it would like to have the CAP (Common Agriculture Policy) **combined with the objectives of the future Europe 2020 strategy.**

In addition, the CAP's contribution to environmental challenges, in particular the fight against climate change and biodiversity loss, as well as boosting resource efficiency, water management and bio energy, "are expected to be reinforced," the European Commission says.

The most popular concepts discussed currently in **connection with the reform of European agriculture include the concept of "public goods".** A recent study commissioned by the European Commission identified ten of these:

- agricultural landscapes,
- farmland biodiversity,
- water quality,
- water availability,
- soil functionality,
- carbon storage
- climate stability,
- greenhouse gas emissions,
- air quality
- resilience to fire and flooding.

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

REGIONAL POLICY

Government retains co-financing of ROPs from the state budget

The Government decided **to re-establish the co-financing of regional operational programmes from the state budget amounting** to 7.5%. It was suspended in August as part of the austerity measures, which – according to the Cabinet of Prime Minister Nečas – should take place also at lower levels of the state administration.

In the current programming period 2007-2013, 85% of the budget of the operational programmes is formed by subsidies from European funds and 15% by domestic public resources. In mid-August, the Government of Prime Minister Petr Nečas came up with a proposal **that supposed within the austerity measures to stop the co-financing** of all seven regional operational programmes (ROPs) from the state treasury.

However, the Government's intent failed to be accepted by the Regional Presidents, e.g. the ROP Southeast, from which the European projects in the Regions of South Moravia and Vysočina are financed, **suspended the acceptance of new applications and the signing of contracts with successful applicants.**

The change in the Government's decision is based on a **series of negotiations with Regional Presidents** headed by Michal Hašek, Regional President of the South Moravian Region and chairperson of the ROP Southeast managing authority.

"Such a result of patient efforts and negotiations of the Regional Presidents with the Government is good news for cities and municipalities as well as for the non-profit sector, because the projects can be further implemented and the applicants will not live in lasting insecurity resulting from the original verdict of the Government," said Hašek. "In times of economic crisis, **these projects mean that they support the regional economy,** bringing employment and tangible work to regional businesses. And that's the most important thing."

Hašek has also confirmed that the Government has agreed with the Regional Presidents that the co-financing from the state budget will not include regional projects. **The remaining funds will be paid from the budgets of the regions,** reads the statement of the Ministry for Local Development.

http://www.mmr.cz/Pro-media/Tiskove-zpravy/2010/MMR--obnovime-kofinancovani-regionalnich-operacnic

Performance of individual ROPs (in CZK mil.)

ROP	Total allocation	Approved grants
Southeast	20.761	14 296 (68.9%)
Northwest	21 821	14 809 (67.9%)
Northeast	19 371	11 087 (57.2%)
Southwest	18 123	8 136 (44.9%)
Central Moravia	19 413	8 679 (44.7%)
Central Bohemia	16 382	7 280 (44.4%)
Moravia-Silesia	20 998	7 823 (37.3%)

Source: www.strukturalni-fondy.cz; data as of 4th August, the figures in brackets is the ratio approved grants to total allocation.

Based on the EU rules, the supplies of 100-watt bulbs to our stores ended last year and from 1 September, the 75-watt bulbs met the same fate. The illegal Roma camps in France and President Sarkozy's plan for the forced eviction of their inhabitants has generated widespread debates even in the EU institutions. One of their outputs is also the establishment of a working committee by the Commission to assess how successfully the member states have used EU funds for social inclusion.

SEPTEMBER 1

Lights go out on 75 W light bulb: http://www.europarl.europa.eu/news/public/story_page/051-80680-243-08-36-909-20100831STO80668-2010-31-08-2010/default_en.htm

Future phones just got smarter: http://ec.europa.eu/research/headlines/news/article_10_09_01_en.html

SEPTEMBER 2

The European Commission green lights the exchange of audit working papers with Australia and the USA: http://europa.eu/rapid/pressReleasesAction.do?reference=IP/10/1083

Europe's seas: Commission sets out criteria for good environmental status: http://europa.eu/rapid/pressReleasesAction.do?reference=IP/10/1084

SEPTEMBER 3

The European Union approves EUR 264 million to help 19 African, Caribbean and Pacific States face the consequences of the economic crisis: http://europa.eu/rapid/pressReleasesAction.do?reference=IP/10/1091

Commission adds two Ghanaian airlines to the EU list of air carriers subject to an operating ban: http://europa.eu/rapid/pressReleasesAction.do?reference=IP/10/1090

SEPTEMBER 6

Four agricultural product names registered: http://ec.europa.eu/agriculture/newsroom/en/408.htm

SEPTEMBER 7

2012 to be the European Year for Active Ageing: http://ec.europa.eu/social/main.jsp?langId=en&catId=89&newsId=860&furtherNews=yes

SEPTEMBER 8

The European semester - for a more robust economy: http://consilium.europa.eu/uedocs/cms_data/docs/pressdata/en/ecofin/116306.pdf

ICT research - preserving Europe's digital data for future generations: http://europa.eu/rapid/pressReleasesAction.do?reference=IP/10/1094

SEPTEMBER 9

Statistics - Foreign citizens made up 6.4% of the EU27 population: http://epp.eurostat.ec.europa.eu/cache/ITY_PUBLIC/3-07092010-AP/EN/3-07092010-AP-EN.PDF

Total foreign citizens in EU member states

	000s	%		000s	%
Luxembourg	215	43.5%	Denmark	320	5.8%
Latvia	404	17.9%	France	3 738	5.8%
Cyprus	128	16.1%	Malta	18	4.4%
Estonia	214	16.0%	Portugal	443	4.2%
Spain	5 651	12.3%	**CR**	**408**	**3.9%**
Ireland	504	11.3%	Netherlands	637	3.9%
Austria	864	10.3%	Slovenia	71	3.5%
Belgium	971	9.1%	Finland	142	2.7%
Germany	7 186	8.8%	Hungary	186	1.9%
Greece	930	8.3%	Lithuania	42	1.2%
UK	4 021	6.6%	Slovakia	53	1.0%
Italy	3 891	6.5%	Bulgaria	24	0.3%
EU-27	**31 860**	**6.4%**	Poland	36	0.1%
Sweden	548	5.9%	Romania	31	0.1%

Source: Eurostat

European Commission to assess Member States' use of European Union funds for Roma integration: http://europa.eu/rapid/pressReleasesAction.do?reference=IP/10/1097

SEPTEMBER 10

EU revises laws to better protect animals used in scientific experiments: http://europa.eu/rapid/pressReleasesAction.do?reference=IP/10/1105

Applications for EU globalisation fund increase six-fold: http://ec.europa.eu/social/main.jsp?langId=en&catId=89&newsId=863&furtherNews=yes

Your Europe - help and advice on your life, work and travel in the EU: all sections are now on line!: http://ec.europa.eu/youreurope/citizens/index_en.htm

SEPTEMBER 13

European Commission publishes Taxation Paper on "Innovative financing at a global level": http://ec.europa.eu/taxation_customs/resources/documents/taxation/gen_info/economic_analysis/tax_papers/taxation_paper_23_en.pdf

Development through trade: http://www.consilium.europa.eu/uedocs/cms_data/docs/pressdata/EN/foraff/116464.pdf

Education - EU steps up academic co-operation with the USA and Canada: http://europa.eu/rapid/pressReleasesAction.do?reference=IP/10/1109

Research – Renewable Energy - EU researchers investigate biogas potential:

http://ec.europa.eu/research/headlines/news/article_10_09_13_en.html

SEPTEMBER 14

EU interim forecast - Recovery progressing in an uncertain global environment: http://europa.eu/rapid/pressReleasesAction.do?reference=IP/10/1111

Last call for companies to register chemicals: http://europa.eu/rapid/pressReleasesAction.do?reference=IP/10/1113

Commission welcomes result of referendum in Turkey: http://ec.europa.eu/enlargement/press_corner/whatsnew/turkey_en.htm

SEPTEMBER 15

EU-citizens - Education higher priority than climate change: http://www.etf.europa.eu/web.nsf/opennews/886596216FACB1F8C125779E00517CE9_EN?OpenDocument

Statistics - Increase in the EU support for the beekeeping sector: http://europa.eu/rapid/pressReleasesAction.do?reference=IP/10/1121

Statistics - Hourly labour costs rose by 1.6% in both euro area and EU27: http://epp.eurostat.ec.europa.eu/cache/ITY_PUBLIC/3-14092010-BP/EN/3-14092010-BP-EN.PDF

SEPTEMBER 16

Enterprise and Industry - Further progress in EU–Africa cooperation in Space: http://europa.eu/rapid/pressReleasesAction.do?reference=IP/10/1133

SEPTEMBER 17

Health and Consumer Policy: Consumers: Most internet sites now safe to buy electronic goods: http://europa.eu/rapid/pressReleasesAction.do?reference=IP/10/1136

SEPTEMBER 20

Monthly Labour Market Monitor September 2010: http://ec.europa.eu/social/main.jsp?langId=en&catId=89&newsId=893&furtherNews=yes

Conclusions of the European Council: http://www.consilium.europa.eu/uedocs/cms_data/docs/pressdata/en/ec/116547.pdf

SEPTEMBER 21

€ 3.25 million available for information projects: http://ec.europa.eu/agriculture/newsroom/en/409.htm

Digital Agenda - Commission outlines measures to deliver fast and ultra-fast broadband in Europe: http://europa.eu/rapid/pressReleasesAction.do?reference=IP/10/1142

SEPTEMBER 22

European Commission proposes common rules against home-made explosives: http://europa.eu/rapid/pressReleasesAction.do?reference=IP/10/1144

Giving Europe a female touch: European Commission adopts new strategy on gender equality: http://europa.eu/rapid/pressReleasesAction.do?reference=IP/10/1149

SEPTEMBER 23

Retailers deliver on green promises: http://europa.eu/rapid/pressReleasesAction.do?reference=IP/10/1157

SEPTEMBER 24

European Day of Languages highlights benefits of multilingualism for small businesses: http://europa.eu/rapid/pressReleasesAction.do?reference=IP/10/1164

Digital Agenda - Two thirds of TV programmes seen in Europe are of European origin: http://europa.eu/rapid/pressReleasesAction.do?reference=IP/10/1163

SEPTEMBER 27

Commission publishes 2009 Agricultural Financial Reports: http://ec.europa.eu/agriculture/newsroom/en/412.htm

Energy - Commission welcomes Ukraine in Energy Community: http://europa.eu/rapid/pressReleasesAction.do?reference=IP/10/1173

SEPTEMBER 28

Statistics - In the EU, nearly 80% of children were studying a foreign language at primary school in 2008: http://epp.eurostat.ec.europa.eu/cache/ITY_PUBLIC/3-24092010-AP/EN/3-24092010-AP-EN.PDF

SEPTEMBER 29

Financial Report 2009: How the EU spent its budget: http://europa.eu/rapid/pressReleasesAction.do?reference=IP/10/1188

European Commission and Imperial Tobacco sign agreement to combat illicit trade in tobacco: http://europa.eu/rapid/pressReleasesAction.do?reference=IP/10/1179

SEPTEMBER 30

Culture - New culture projects to strengthen EU-Russia cooperation: http://ec.europa.eu/culture/news/news2935_en.htm

In October, the calendar of meetings of the key decision-making bodies of the EU is literally crowded. Special attention deserves, for instance, the meetings of the Eurogroup and the following Ecofin (the Council for Economic and Financial Affairs), which will undoubtedly address the proposals for the introduction of semi-automatic sanctions for violation of the rules of responsible fiscal policy as defined in the Stability and Growth Pact.

Meeting of the key EU institutions

30. 9. -1. 10. 2010	**Brussels, Belgium**
-Informal Economic and Financial Affairs Council	
6. 10. 2010	**Brussels, Belgium**
- Session European Parliament	
7. 10. 2010	**Luxembourg, Luxembourg**
- Justice and Home Affairs Council	
10. 10. 2010	**Luxembourg, Luxembourg**
- Competitiveness Council	
14. 10. 2010	**Luxembourg, Luxembourg**
- Environment Council	
15. 10. 2010	**Luxembourg, Luxembourg**
- Transport, Telecommunications and Energy Council	
18. 10. 2010	**Luxembourg, Luxembourg**
- Eurogroup meeting	
18. 10. 2010	**Strasbourg, France**
- European Parliament Plenary Session	
19. 10. 2010	**Luxembourg, Luxembourg**
- Economic and Financial Affairs Council	
21. 10. 2010	**Antwerp, Belgium**
- Informal meeting of sports ministers	
21. 10. 2010	**Brussels, Belgium**
- The informal meeting of the Ministers for Development Cooperation of the European Union	
21. 10. 2010	**Luxembourg, Luxembourg**
- Employment, Social Policy, Health and Consumer Affairs Council	
25. 10. 2010	**Luxembourg, Luxembourg**
- Agriculture and Fisheries Council	
25. 10. 2010	**Luxembourg, Luxembourg**
- Foreign Affairs Council	
25. 10. 2010	**Luxembourg, Luxembourg**
- General Affairs Council	
28. 10. 2010	**Brussels, Belgium**
- European Council	

Although we are in the middle of the 2007-2013 programming period, the attention of potential beneficiaries is slowly but surely focusing beyond the year 2013. The current main topic of the EU News Monthly is therefore focused on the discussion on the shape of EU Cohesion Policy in the future period 2014-2020, including the considered priorities. Particular emphasis is placed on the position of the Czech Republic in the upcoming negotiations.

THE STATE OF PREPARATION OF EU COHESION POLICY AFTER 2013 AND THE FORMULATION OF ITS KEY PRIORITIES

As regards cohesion policy, the Lisbon Reform Treaty that entered into force less than a year ago in December 2009 has supplemented the dimension of perception of cohesion in the EU context with territorial characteristics. Although its Article 174 specifies that its purpose is to focus on reducing disparities between the development levels of EU NUTS II cohesion regions and on reducing the backwardness of the most handicapped regions, there is no fully unified vision or practical guidance that could be pursued today regarding the ways in which this purpose would be practically implemented.

It was not only the adoption of the Lisbon Treaty that over the period of the past nine months has brought new parameters and characteristics into the cohesion policy paradigm. The other major factors are or will be in the foreseeable future as follows:

- **The Fifth Cohesion Report**, whose publication is expected in November and which should bring the current list of the European Commission's visions of the future architecture of the EU cohesion policy;
- **Communication from the European Commission on the reform of the EU budget**, which will be published in early October and will bring a general insight into the future form of the EU financial framework;
- **Europe 2020 Strategy in its approved version of June 2010**; the strategy for cohesion policy is inspired by the formulation of the EU economic development based on the principles of knowledge-based economy, sustainability and promoting social (through the incentive to work) and territorial inclusion. The strategy approaches the economic development of the EU in a very comprehensive manner (both in sectoral policies and horizontal activities); in the comprehensive approach, resting on a combination of investment or supporting instruments in different areas in the framework formed by national, regional and local contexts, lies the complementarity of the Europe 2020 Strategy and the EU Cohesion Policy after 2013;
- **Activities of the EU Council Presidency**; during the presidency held by the Czech Republic in the first half of 2009, the future of Cohesion Policy – albeit at a very general discussion platform – was one of the priorities of the agenda. There was virtually no attention devoted to this subject during the Swedish Presidency and it regained more interest only during the 2010 Presidency: during the Spanish Presidency, there was an informal meeting of ministers, but without a political agreement on its framework (its output was a summary of the issues discussed without any clear conclusion). During the Belgian Presidency, a ministerial meeting on the EU Cohesion Policy after 2013 is planned at the end of November, where a discussion should take place for the first time over the European Commission's formal proposals. The weight of the perhaps crucial phase of the preparation of the background materials for the decision on the final form of EU Cohesion Policy after 2013 will likely rest in 2011 on the Hungarian and Polish Presidencies, which are expected to initiate the debate about the new financial perspective (of which cohesion policy will form the key and largest part) and the legislative proposals to regulate the EU Cohesion Policy after 2013.

The activities of the EU Council regarding cohesion policy are also aimed at re-evaluating its current course, whose purpose is to learn a lesson from the persisting problems and shortcomings of the programming periods 2007-2013 and 2000-2006. The source that particularly by 2012 should acquire completeness and authenticity is:

- Ex-post evaluation of the period 2000-2006, and
- Medium-term evaluation of the period 2007-2013;
- Strengthening the coordination of economic policies within the EU and enhancing the environment of the EU single internal market; Besides the relevant communications from the European Commission on the spheres of coordination of economic policies, of key importance here are mainly the texts leading to the finalisation of the very valuable and inspiring New Strategy for the EU internal market – in the service of the European economy and society, analytical reports prepared by a team of competent authors led by Mario Monti, former member of the European Commission.

POSITION OF THE CZECH REPUBLIC AT THE END OF 2010: FORMULATION OF GENERAL PRIORITIES AND NEEDS

The procedure of the Czech Republic and its individual regions should be based on the existence of programmes

justified by rational and analytically reasoned procedures (see below). The conducted background analyses should prove in a measurable and quantifiable way the necessity of public financial intervention (and work in alternative variants, if possible). The focus of intervention under the EU Cohesion Policy after 2013 should regard only those interventions that do not cause crowding out of private capital, where the consequences of market failures will be addressed, where there is inefficient and inadequate private provision of public goods that address obvious public interest; where the intervention reduces poverty and helps eliminate social exclusion (even in terms of prevention).

The core of intervention should be focused on activities crucial to sustainable growth of a particular region or locality (accordingly, one-off activities should be restricted or even eliminated, i.e. activities whose continuation after the termination of the intervention vanishes or is significantly diminished, or the "maintenance" activities, which only prolong the simple line of the life of the existing activities without any comprehensive regionally or locally based acceleration development potential). All areas of intervention must ex-ante go through a detailed analysis of their impacts in terms of public aid and an analytical evaluation of the intended outcomes and impacts.

It is desirable to formulate all of these priorities and needs and let them go through the approval procedure in such a way so as to avoid the nuisance that occurred repeatedly in the Czech Republic in the case of both the programming periods in which it has been involved, namely that there were delays in the actual implementation of the programming period, and to ensure that it would be really possible to launch realistically and practically the entire process in January 2014.

HOW COULD THE FUTURE COHESION POLICY BE BENEFICIAL FOR THE CR?

Being still an underdeveloped economy, the Czech Republic should hold the position of a traditional, strong cohesion policy, whose purpose is to help the less developed regions and localities to increase their development and make it possible for them to join and use the environment of the EU single internal market and other forms of reciprocity and cooperation within the EU.

The Czech Republic should not perceive cohesion policy as a "mere" instrument of additional fiscal redistribution (beyond the framework of national and regional resources). The basic element should be the awareness of an integrated approach to the development of regions and localities (which is applied in the redistribution of national and regional resources to a quite insignificant extent and there are obvious gaps even in the current cohesion policy period). The essence of the integrated approach is the offer of the synergic interventions aimed at a specific locality or territory (see Barca report), which could be the entire region, sub-region or locality, which enable comprehensive use of its developmental potential with effective utilisation of public funds (as compared to mutually isolated, fragmented interventions in specific sectors, disregarding their interconnection with other sectors).

Fragmentation of cohesion policy is not a desirable process and close coordination of EU Cohesion Policy after 2013 is required with the particular tools of sectoral policies both at the EU level and at the level of member states towards their effective complementarity.

Given the level of economic development of the Czech Republic, in view of the aim of obtaining the maximum possible amount of allocation, it is desirable not to press for revolutionary changes in the rules of the EU Cohesion Policy after 2013 and especially not to give up the cohesion policy's effort to support backward regions and less developed member states which have restricted possibilities of funding their development. (Although pursuing this strategy might be treacherous for the Czech Republic, because among the underdeveloped member states, it belongs to the relatively most developed – following Greece, Cyprus and Slovenia, leaving behind eleven countries that are less and some even much less developed. The same applies to the position of the

individual regions of the Czech Republic of which none belongs to the set of the poorest (less than 50% of the EU average, where more than one sixth of the cohesion regions in the EU belong).

Although the key ambition of the Czech Republic in the next programming period of cohesion policy should be to make use of its position of a still underdeveloped country (compared to the EU average), it is also clear that the real convergence process will continue. The Czech Republic's ambition should be to not only approach significantly or perhaps even reach the level of the EU average, but also besides the convergence priorities, to be adequately prepared to address qualitatively more demanding areas predominantly aimed at enhancing competitiveness (which should be a strategic objective beyond the time horizon of the next programming period).

The competitive priorities are embodied in the above-mentioned Europe 2020 Strategy and between this strategy and the future cohesion policy there will surely be a sufficient intersection for which the Czech Republic should be prepared.

The perception of Europe 2020 Strategy should be as follows: The EU's long-term strategic concept until the year 2020 is attainable using several tools – one of them is cohesion policy (it must be said that, especially in its classic form, it is rather a minority tool). Nevertheless, Europe 2020 Strategy is an important inspiration for the specific content and form of cohesion policy after 2013 and in view of the identical time horizon, the successful handling of the challenges of the future cohesion policy could be critical and essential for the fulfilment of Europe 2020 Strategy.

However, EU Cohesion Policy after 2013 has to retain its primary objective and purpose in relation to Europe 2020 Strategy: to be a tool to reduce disparities (differences) in the level of development of the regions and member states of the EU. Here obviously lies the fundamental strategic dilemma in the concept of the EU Cohesion Policy after 2013: to what extent it should provide the convergence functions of less developed regions and countries of the EU, and to what extent it should be involved in addressing qualitatively higher and more demanding projects embodied in Europe 2020 Strategy.

The common denominator between EU Cohesion Policy after 2013 and Europe 2020 Strategy will be the focus on a limited number of clearly and distinctly defined priorities whose content will comply with the objectives of Europe 2020 Strategy, but at the same time, this content – in the case of the convergence needs of underdeveloped regions – will be adapted to the continuation of the process of real convergence: whereas the convergence needs in many regions of the EU are fundamentally different and, at the same time, in the set of qualitatively more demanding priorities based on Europe 2020 Strategy there might be a set of priorities suitable for the purposes of a particular region that may differ significantly from the conditions of other regions; sufficient degree of flexibility should be ensured in favour of member countries and their regions in their concrete choice of the mix of properly justified priorities that suit best the conditions of the particular member country and its regions.

The useful intersection between the convergence topics and the qualitatively more demanding issues for the conditions of each member country and its regions in the final version of the programming documents of EU Cohesion Policy after 2013 will result from the real absorption capacity of the particular country and regions, as well as from the amount and degree of demands of the other member countries and regions during the process of final negotiations, which should be regulated by the strategic activity of the European Commission.

Another of the key parameters that will determine substantially the content and the focus of EU Cohesion Policy after 2013 will be the form of the new EU budget framework and the role of cohesion policy in it. In view of the stability of the environment for addressing and implementing medium-term strategies and programmes, it is desirable to continue the practice of seven-year budget frameworks and the seven-year programming periods within them. It would also be desirable for the future cohesion policy if it would continue to represent or better yet if it would strengthen its position as one of the key expenditure priorities and items of the EU budget.

For the adequate fulfilment of the assumptions and objectives of EU Cohesion Policy after 2013, it is of great importance already at the time of formulating its basic principles to identify the basic foundation stones on which it is built. Besides ensuring the adequate position in the EU budget framework and defining the relationship to Europe 2020 Strategy, these include:

- Determination of the decisive criterion for the release of the funds that cohesion policy has at its disposal; despite a number of reservations related to the indicator of GDP or GNI per capita, it could be stated that the efforts to find an indicator that would be equally comprehensive, informative and more appropriate for this purpose proved fruitless; this could make us convinced that GDP per capita is the most

comprehensive and most informative statistical indicator that identifies on an objective and time-sustainable basis the level of socio-economic advancement (or backwardness or underdevelopment of the system concerned – a region in our case); with respect to the state and short-term perspective of the regions that are most relevant from the convergence point of view, it seems that for the period 2014-2020, the most appropriate limit level may be 75% of this indicator's EU average;

- With regard to the foregoing, the most important purpose for the existence of cohesion policy should be also in the future the emphasis on supporting the convergence process focused primarily on the lagging and underdeveloped regions and member states, whose financial resources for the provision of development remain severely limited and insufficient to carry out the necessary development projects; despite the fact that the convergence objective as by far the largest of all the cohesion policy objectives of the current period in terms of financial security (more than 80% of all the funds of EU cohesion policy) is already today a very powerful tool to promote development mostly in the countries of the EU newcomers from 2004-2007 (almost three-fifths of the EU cohesion policy funds are currently allocated to countries of the aggregate share of less than 10% of EU's total GDP, by which the rich and developed countries demonstrate a considerable degree of solidarity with the development in these countries), it would be beneficial and advantageous for these countries also for the following period to maintain the status quo (although the net payers' position will further increase and the need to outline a kind of exit strategy from the position of a convergence country and region is likely to become both the necessity and a needed requirement during the upcoming programming period);
- In addition to establishing a clear criterion and the priority purpose and direction of the orientation of the future cohesion policy, of crucial importance is the question of the smoothness and transparency of all the procedures and mechanisms accompanying the process of specific use of the cohesion policy tools; this reflection, however, will not be elaborated in detail within this text.

FORMULATION OF PRIORITIES WITH REGARD TO THE PARADIGM OF THE DEBATE IN THE EU

At the broadest level, it is possible in the ongoing debate held at the EU level to divide the possible priorities of the future EU cohesion policy into two major groups: convergence priorities (corresponding to our still rather underdeveloped degree of socio-economic advancement) and development priorities (based on higher qualitative demands, relying on greater use of innovations and utilisation of research and development findings in the economic development). Complementarily to the two groups, we can formulate the third group of priorities pursuing to a wider extent the social emphasis.

On the assumption that the primary purpose of cohesion policy is to level the differences in the socio-economic development between European regions, it is clear that the priority emphasis within this logic must be focused on the convergence priorities.

However, if there should be not only the removing of the differences between regions, but also the ensuring of the growth in the average level of advancement of the EU as a whole (and thus its not legging behind in relation to the other key components of the global economy) it is appropriate to enrich sensitively and with increasing intensity the elements of cohesion policy with the priorities of growth (development) character resting primarily on the qualitatively more demanding sources of growth.

The agreement between the convergence and development priorities and the specific ratio between them is based on specific and often unrepeatable characteristics pertinent to the socio-economic indicators in a particular region.

A typical example of convergence priorities still applicable to the Czech economy and society and ensuing from the enduring development deficit (compared to advanced countries) inherited from the times of the centrally planned economic management and development is the great potential for development of transport infrastructure, including the building of new roads of motorway or highway type (i.e. activities conducted in Western Europe at the time of their extensive development during the 1960s to 1980s), reconstruction of other types of communications (road and railway) and adaptation of their condition to the quality needs of the early 21st century. We can include in this area also the revitalisation of water transport and the expansion

of the potential for both passenger and cargo air transport – albeit to a lesser extent.

Another important type of infrastructure projects of convergence type is the addressing of public, community facilities and the areas of industrial and business nature. The past 20 years, despite majority periods of prosperity, transformed fundamentally the face of urban and village centres, but still failed to provide satisfactorily the comprehensive amenities of towns and villages in a cultured and comfortable form complying with the standard of the early 21st century. This also applies to the basic means of public and community facilities and their subsequent maintenance (adequate pavements, lighting, cycle paths, parks and public spaces). This applies, however, also to the business infrastructure (especially the issue of brownfields and unused factory buildings ensuing from the fundamental structural changes in the Czech economy; the over-industrialisation of the times of planned economy had to be reduced necessarily and logically in the times of the onset of market economy. The result is an effort to find meaningful and sustainable alternative use of the now unexploited capacities – especially buildings and facilities of former major industrial corporations – whose frequency and concentration in certain regions is a major socio-economic problem and a limit for their development.

Convergence character is still contained in some of the priorities of a social nature, although it is clear that the nature of most social problems today has its roots in the developmental manifestations of the last 20 years.

The common denominator of convergence priorities is their limitation in time. We can assume that with sufficient effort to address the convergence priorities, the level of the traffic, public, community and business infrastructures will be comparable some day with the one that exists in developed countries. Most probably, this will happen at a time when the rate of GDP of the Czech economy per capita reaches or exceeds the average value of this indicator for the EU (on the assumption of successful continuation of the real convergence scenario, this could happen already in the period 2017-2022; when this becomes reality, it will be possible to say – from a purely economic viewpoint – that the process of economic transformation in our country is completed; as regards other variables of primarily a social nature, however, this completion will most likely last longer).

Unlike convergence priorities, the development ones are endless, even though their particular character and appearance are changing. Their successful handling is a precondition for ensuring that the economy would not get back again in the future to a below-average level of its development.

In addition, to make it possible and effective for many underdeveloped economies to address the development priorities, their at least fundamental saturation of convergence priorities is needed (in the conditions of non-existent information infrastructure, unreliable supply of energy, water or heat and the lack of highly educated workers with university education, it is difficult to imagine the building and development of research and innovation centres in the particular area).

On the other hand, it is not possible either to be waiting with the development priorities for the final resolution of the convergence priorities, because during this waiting and exclusive focusing on the convergence priorities, the particular country or region is relatively lagging further behind (in relation to the countries and regions that are focused on the development priorities). It is therefore necessary to find an optimal level of symbiosis in addressing the convergence priorities while their being accompanied with the development priorities and determine for the convergence priorities the maximum possible time horizon (the closer the better) for their accomplishment (the Federal Government’s bailouts in Germany in favour of the new federal lands of the former East Germany are nothing else than publicly intervened addressing of the convergence priorities).

Key macroeconomic indicators

in %	GDP growth y-on-y			Current account to GDP*			Unemployment rate			Inflation y-on-y average		
	2007	2008	2009	2007	2008	2009	VI-10	VII-10	VIII-10	VI-10	VII-10	VIII-10
Belgium	2.9	1.0	-3.1	2.2	-2.9	0.5	8.6	8.7	8.7	2.7	2.4	2.4
Bulgaria	6.2	6.0	-5.0	-26.8	-24.0	-9.4	10.1	10.1	10.1	2.5	3.2	3.2
CR	6.1	2.5	-4.8	-3.2	-0.7	-1.1	7.1	7.0	7.0	1.0	1.6	1.5
Denmark	1.7	-0.9	-4.9	1.5	2.2	4.0	7.3	7.0	6.9	1.7	2.1	2.3
Germany	2.5	1.3	-5.0	7.6	6.7	4.9	6.9	6.9	6.8	0.8	1.2	1.0
Estonia	7.2	-3.6	-14.1	-17.8	-9.4	4.6	18.6	na	na	3.4	2.8	2.8
Ireland	6.0	-3.0	-7.5	-5.3	-5.2	-2.9	13.7	13.8	13.9	-2.0	-1.2	-1.2
Greece	4.5	2.0	-2.0	-14.4	-14.6	-11.2	12.2	na	na	5.2	5.5	5.6
Spain	3.6	0.9	-3.6	-10.0	-9.7	-5.4	20.2	20.3	20.5	1.5	1.9	1.8
France	2.3	0.4	-2.2	-1.0	-2.3	-2.2	9.9	10.0	10.1	1.7	1.9	1.6
Italy	1.5	-1.3	-5.0	-2.4	-3.4	-3.2	8.4	8.4	8.2	1.5	1.8	1.8
Cyprus	5.1	3.6	-1.7	-11.7	-17.5	-8.3	7.2	7.1	7.2	2.1	2.7	3.4
Latvia	10.0	-4.6	-18.0	-22.3	-13.0	9.4	19.5	na	na	-1.6	-0.7	-0.4
Lithuania	9.8	2.8	-15.0	-14.5	-11.9	3.8	18.2	na	na	0.9	1.7	1.8
Luxembourg	6.5	0.0	-3.6	9.7	5.3	5.6	4.9	5.0	5.0	2.3	2.9	2.5
Hungary	1.0	0.6	-6.3	-6.6	-7.0	0.2	11.3	11.1	10.9	5.0	3.6	3.6
Malta	3.8	2.1	-1.9	-6.1	-5.6	-3.9	6.5	6.4	6.2	1.8	2.5	3.0
Netherlands	3.6	2.0	-4.0	8.7	4.8	5.4	4.5	4.6	4.5	0.2	1.3	1.2
Austria	3.5	2.0	-3.6	3.6	na	na	4.5	4.3	4.3	1.8	1.7	1.6
Poland	6.8	5.0	1.7	-4.7	-5.1	-1.6	9.5	9.4	9.4	2.4	1.9	1.9
Portugal	1.9	0.0	-2.7	-9.4	-12.0	-10.3	11.0	10.8	10.7	1.1	1.9	2.0
Romania	6.3	7.3	-7.1	-13.4	-11.6	-4.5	7.1	na	na	4.3	7.1	7.6
Slovenia	6.8	3.5	-7.8	-4.8	-6.2	-1.0	7.3	7.2	7.3	2.1	2.3	2.4
Slovakia	10.6	6.2	-4.7	-5.7	-6.6	-3.2	14.4	14.5	14.6	0.7	1.0	1.1
Finland	4.9	1.2	-7.8	4.3	3.1	1.3	8.5	8.5	8.5	1.3	1.3	1.3
Sweden	2.5	-0.2	-4.9	8.4	9.5	7.3	8.1	8.5	8.2	1.6	1.4	1.1
UK	2.6	0.5	-4.9	-2.7	-1.5	-1.3	7.8	na	na	3.2	3.1	3.1
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

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