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Dear readers,

The month of October was very important for European integration, especially from the perspective of future economic policy. Three conclusions or documents came into existence that could be very significant for the future coordination of economic policies at the EU level.

Primarily, the summit of the European Council adopted the entirely legitimate requirement to reinforce not only fiscal, but also the macroeconomic discipline, between the respective member states. It seems that after years of pretending or even ignoring facts, this issue is finally being taken seriously and we will soon see the levels of public finance deficits not only start to decrease, but also see an established system of sanctions introduced which will serve as a warning for states against headlong running into debts. The lesson from the recent developments seems to be alarming indeed. Moreover, the possibility of penalties for undisciplined behaviour is proposed as an amendment to the basic treaty, which in the case of chronically untenable conduct should lead to a suspension of certain fundamental rights of the EU member state.

The second key document is the European Commission's communication called the Budget Review that has a direct and logical relationship with the Fifth Cohesion Report, which is a scenario of the basic architecture of the future use of European funds. Here too, the key words are "economy" and "effectiveness". Most probably, there will be some redistribution of the basic items of the European budget away from agriculture towards the promotion of research and competitiveness. A generous portion of funds should be given to regional and cohesion policies, which suggests that there will still be fairly large amounts of money from European funds even after 2013. However, they will most likely be distributed and controlled differently. The role of net payers is growing, the volume of the budget will not be increased and the taxpayers from the richer member states are rightfully asking what is the effect brought by "their" money allocated somewhere in eastern or southern Europe. Greater transparency, stronger control, reinforcement of the elements of return – these are the apparent parameters for which it is appropriate to get prepared.

From the perspective of a liberal conception of the functioning of the EU single internal market, I consider most compelling a recent publication of the European Commission dealing with the potential to improve the single internal market environment. This publication includes 50 proposals designed mainly from a very pragmatic rather than socially engineering position. It focuses on the removal of many apparent or more hidden barriers hindering the single market's full development rather than on a sectoral approach, which proved to be wrong in the course of time.

Using the example of these three events, October can be also evaluated as a time of enhanced responsibility, pragmatism and realism. And that is quite good news after the hectic developments and hysteria of the past few months.

Petr Zahradník

The October EU summit confirmed the possibility of a change in the Lisbon Treaty. The reason is the need to anchor a permanent rescue mechanism for member countries facing financial difficulties. Leaders of the member states at the European Council followed the position of their finance ministers and supported a milder way of imposing the sanctions for the infringement of the Stability and Growth Pact. Automatic sanctions proposed by the European Commission will not be implemented.

POLITICS

EU Summit Accepts Changes in the Lisbon Treaty

Leaders from the EU member states and EU institutions conceded at the European Council meeting in Brussels that there will be changes in the Lisbon Treaty. **Changes will be limited** and agreed upon by the EU summit in December.

The reason for the adjustment of the document is the fear of the recurrence of the financial crisis, which brought Greece to the brink of bankruptcy and significantly shook the stability of the single currency. Therefore, the member states quickly **decided to adopt a rescue mechanism,** which, however, has the status of an interim measure and will expire as early as by the end of 2013.

Before the start of the summit, German Chancellor Angela Merkel came up with a proposal for the EU to re-open negotiations on the Lisbon Treaty and to **include in it a permanent crisis mechanism.** The European Council agreed given that member states have recognized the necessity to establish that mechanism and allowed limited changes in the Lisbon Treaty.

The politicians also discussed the possibility of **prearranged controlled bankruptcy for countries** facing similar difficulties as Greece. At present, there are no rules for state bankruptcy in the EU. “No one yet knows how this mechanism should look like. One possibility is that a state, which is unable to fulfil its obligations, would undergo debt restructuring, which in fact is controlled bankruptcy. No financial means would paid and there would be no financial guarantees for the debts,” explained Prime Minister Petr Nečas to the Czech Radio.

Permanent President of the European Council Herman Van Rompuy will try to ascertain whether the change in the Lisbon Treaty has a chance to succeed with member states and his conclusions will be **submitted to the next European summit** to be held on 16 to 17 December.

Changing primary EU legislation is a long haul, with which our country in particular has rich experience. If the rules to govern controlled bankruptcy and the rescue mechanisms could be codified through regulations or directives, it would certainly be an easier solution. In addition, amendments to the Lisbon Treaty **could give rise to discussions on the reopening of other already closed chapters.**

http://consilium.europa.eu/uedocs/cms_data/docs/pressdata/en/ec/117496.pdf

Czech EU Presidency Deemed Successful, Hungarian Prime Minister Praises the CR

Hungarian Prime Minister Viktor Orbán visited the Czech Republic for a short working visit, during which he met with his Czech counterpart Petr Nečas. **The two politicians discussed mainly European issues.** Orbán also came to the Czech Republic for advice on the upcoming Hungarian EU presidency, which will start on 1 January 2011.

As Prime Minister Petr Nečas told the journalists, the talks with the Hungarian Prime Minister Viktor Orbán were dominated by European topics given that in less than three months **Hungary will assume the EU presidency after Belgium.** Orbán went to Prague as part of his tour of EU capitals during which he collects ideas and plans of the respective governments for the upcoming period.

“We have a number of common positions and observations,” Nečas summed up the negotiations. The politicians allegedly found understanding particularly in **strengthening economic cooperation and coordination of budgetary policies.** According to both prime ministers, common interests can be also traced in energy, especially in interlinking the energy systems, and also in the relation to the so-called Eastern Partnership initiative, which was launched by the last year’s Czech presidency.

Another topic which, according to Viktor Orbán, the representatives of both governments discussed at their meeting and in which they found common ground was the EU enlargement. This included mainly Croatia, which borders Hungary. The two prime ministers also agreed on the need to **leave the door to the EU open to other Western Balkan countries** – especially Serbia.

And what was that experience with the EU presidency, for which the Hungarian Prime Minister came to the Czech Republic? “The first advice that I gave to the Prime Minister was that, if possible, they should **not change the government during the presidency,**” said Czech Prime Minister Nečas. His Hungarian counterpart promised to take the advice to heart and added that “despite internal political difficulties, the Czech presidency was a success.”

http://www.vlada.cz/cz/media-centrum/tiskove-konference/tiskova-konference-petra-necase-a-madarskeho-premiera-viktora-orbana--20--rijna-2010-77292/

ECONOMY AND EURO

Modest Sanctions for Budget Offenders

The heads of states and **government agreed at the European Council meeting to change the budget rules** and possible sanctions for violating them.

The summit confirmed what the finance ministers of EU member states agreed in advance a week earlier: the states whose budget deficit exceeds 3% of GDP **will be punished by a fine of 0.2% of gross domestic product.** The sanctions will be applied even if the state has a public debt of over 60% of GDP and the government makes no appropriate steps to reduce it.

The summit also approved the procedure for imposing. Nevertheless, France with the support of Germany eventually **prevented their fully automatic nature** as proposed by the European Commission.

Finance ministers will continue to decide on sanctions within a six-month period. If during that period, no decision is made and the economy of the country in question does not improve, the decision on the sanctions would pass to the European Commission. Its decision could be reversed only by a qualified majority of member states in the Council.

The current proposal is **rather a victory for the proponents of the "soft" mode** without automatic sanctions, represented by Paris, Warsaw and Rome. In their opinion, the countries should be given a chance to try to remedy their situation prior to the imposition of sanctions.

The enactment of the above-mentioned mechanism **will be implemented through a revision of the Stability and Growth Pact.** It will not be necessary to change the Lisbon Treaty.

A tougher variant of punishments for delinquent states was promoted at the summit by German Chancellor Angela Merkel, who required that the punishments should also include the **removal of voting rights in the EU Council.** The proposal, however, was swept aside by her colleagues.

The summit results could have been predicted already after the surprising conclusion of the Ecofin meeting, where the hitherto adamant Germans yielded to France and rejected the automatic variant of the application of sanctions proposed by the European Commission. The conclusion of both the Ecofin and the European Council is therefore disappointing. **The change in the Stability and Growth Pact will not be sufficient** to discourage member states from irresponsible fiscal policy in the future.

http://consilium.europa.eu/uedocs/cms_data/docs/pressdata/en/ec/117496.pdf

Parliament to Back Plan for "Mr. or Ms. Euro"

The economic policies of EU member states need coordination. Being aware of this fact, the European Parliament is expected to support the proposal **to establish a new EU function, which is known as a "Mr. or Ms. Euro".** The actual establishment of such a position, however, will require an amendment to the Lisbon Treaty.

Members of the European Parliament are set to endorse a series of measures, which they hope would enable the EU to recover more quickly and strongly from the negative impacts of the global financial crisis, while **ensuring greater financial and economic stability in the future.** The proposals to be debated by the MEPs include the idea of appointing a new position in charge of **coordinating the economic policies of EU member states.** This position is generally referred to as a "Mr. or Ms. Euro".

If the new position is really created, this person would take over the responsibilities that **are currently shared by three people.** First, this "Mr. or Ms. Euro" would be a vice-president of the European Commission in charge of economic and monetary union affairs, which is a job currently being done by the Finnish commissioner Olli Rehn (except that he is not a vice-president of the Commission).

Second, **"Mr. or Ms. Euro" would preside over meetings of the EU Council of Ministers for Economic and Financial Affairs (Ecofin)** which until now has always been chaired by the finance minister of the country holding the rotating EU presidency and, third, she or he would also chair the regular meetings of finance ministers of the euro area (Eurogroup) which has been chaired since 2005 by Jean-Claude Juncker, the prime minister of Luxembourg.

The appointed person would take part in the European Council meetings and would **also represent the EU in various international bodies** dealing with economic issues.

We do not believe that the current problems of the euro area relating primarily to the different performances of the fiscal policies of member states would be resolved by the establishment of the new position. More likely, it will be a **symbolic post without any major transfers of powers.**

http://www.europarl.europa.eu/sides/getDoc.do?type=REPORT&mode=XML&reference=A7-2010-0267&language=EN

BUDGET

Governments Criticise Parliament for Budget Increase

In Brussels, a dispute between MEPs and national governments erupted. The European Parliament adopted a

The European Parliament cannot find agreement with the Council on the shape of the common EU budget for next year. While member states in the Council prefer the more economical variant, MEPs would prefer to see a more generous budget. The European Parliament passed a regulation, which establishes a standard 30-day deadline for payment of invoices. To enter into force it has to be approved by the Council.

draft of the Union's budget for 2011 which **allows for more bulky spending than requested by member states.** Currentlt there is a "conciliation" period ahead of the Council and the Parliament during which they should agree on the amount of the EU treasury spending.

According to the proposal approved by the MEPs, the **Union's budget should increase next year by 5.9% as against this year.** Although the MEPs have slightly reduced the expenditures submitted by the Commission in April, most member states are indignant at the Parliament's vote.

EU Budget drafts for 2011 (appropriations for payments)

€ Million	Commi-ssion	Council	Parllia-ment
Competitiveness for growth and employment	12 110	11 219	12 128
Cohesion for growth and employment	42 541	41 466	42 551
Preservation and management of natural resources	58 136	57 315	58 512
Freedom, security and justice	853	803	848
Citizenship	639	620	649
The EU as a lobal partner	7 602	7 011	7 646
Administration	8 256	8 094	8 224
TOTAL	**130 136**	**126 527**	**130 559**

Source: European Parliament, situation after vote on 20 October 2010

The final amount of spending, for which the vast majority of the MEPs voted, has climbed to 130 billion euros, while the **countries of the Council called for cuts** that would have stopped at 126.5 billion euros. The main argument of the representatives of national governments is that at the time of austerity measures, Brussels should set an example for member countries. According to the Parliament, however, the EU should use more money for its management in 2011 than this year.

In the eyes of the members of Parliament, it is necessary to **face the crisis by supporting education, research or energy.**

For this reason, the MEPs focused on enhancing the chapter of competitiveness for growth and employment, from where the funds should flow to the project of lifelong education, entrepreneurship and innovation. A new item in the expenditure of the Union will be formed by the new diplomatic service (EEAS).

The version of the budget passed by the European Parliament on 20 October is not final, but the **final version must be agreed also with the member states represented in the Council.** Starting from 27 October, the two institutions will have three weeks to find jointly a compromise solution. The final form of the budget will be discussed by the MEPs at their December session in Strasbourg.

If, however, the European representatives in Brussels fail to reach an agreement, **there will be for the first time ever in Europe's history a threat of interim budget.**

http://www.europarl.europa.eu/cs/pressroom/content/20101020IPR88368

FINANCE

EU Watchdogs Show Teeth Over Bank Bonuses

The Committee of European Banking Supervisors (CEBS) **requests tough regulation of bonuses in the banking sector.** It hopes to reduce the willingness of bankers to run large-risk deals, which according to the European politicians has contributed to the financial crisis.

The proposed regulatory measures prepared by CEBS **will likely take effect from January next year.** Thus, the proposal goes hand in hand with the calls of European politicians to reduce the high bonuses in the banking sector. Some of them believe that they formed a stone in the mosaic that brought the EU into a deep financial crisis.

So what will the proposal bring? Bonuses will be paid to bankers based on the bank's profits and if it is proved that a banker takes undue risk, **he or she may be deprived of them.**

Only a portion of a bonus will be payable upfront, with **40-60% deferred over three to five years.** At the same time, half of any upfront bonus must be in the form of shares or other securities. Accordingly, the banker could only receive 20% of the overall bonus in cash immediately.

CEBS's proposal also addresses the so-called golden parachutes providing the members of managements with abundant severance payments in case of their dismissal. The proposal envisages that the banks will not award them if they are unrelated to their performance. Multi-year guaranteed bonuses will be banned.

The final version of the **amended Capital Requirements Directive,** in which the draft regulation of bonuses is included, will be submitted by CEBS to the European Commission after the end of the monthly public consultations.

CEBS's proposal builds on the already discussed proposals prepared by the European Parliament. 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.**

http://www.c-ebs.org/News--Communications/Latest-news/CEBS-has-published-today-for-consultation-its-draf.aspx

ENTREPRISE

Late Payments: Parliament Approves General 30-day Deadline to Pay Bills

The European Parliament approved the agreement reached with the Council **laying down a standard 30-day deadline for paying invoices.** The new rules should ensure that small firms no longer face financial problems due to the late payment of bills by public authorities or companies.

As a general rule, the deadline for both public and private sectors to **pay a bill for goods or services will now be 30 days.**

The set 30-day **deadline for payment of invoices issued between two companies can be extended up to 60 days** or even longer, but only if it is not “grossly unfair” to the creditor. The extension of the deadline will be possible only under the condition that it be agreed by both parties on a contractual basis.

The general deadline of 30 days will apply also to public authorities but any **extension will have to be not only “expressly agreed”, but also “objectively justified”.** The Parliament fought hard to ensure that under no circumstances the deadline for public authorities might exceed 60 days. Member states may choose a payment deadline of up to 60 days for public entities providing healthcare.

The Parliament pushed the Council to accept a **statutory interest rate on overdue payments of the reference rate plus at least 8%.** The creditor is also entitled to obtain from the debtor, as a minimum, a fixed sum of 40 euros, as compensation for recovery costs.

The verification period for ascertaining that the goods or services comply with the contract terms is set at 30 days. This period may be extended in the case of particularly complex contracts, but only if expressly agreed and provided it is not grossly unfair to the creditor. The Parliament secured an undertaking that **verification periods may not be used as a loophole to delay payment unnecessarily.**

The agreement now has to be formally adopted by the Council. The new directive enters into force 20 days after its publication in the EU Official Journal. Member states will then have two years to implement the new measures.

http://www.europarl.europa.eu/cs/pressroom/content/20101020IPR88428

EU Unveils Innovation Blueprint

Patent reform and new sources of finance are at the heart of the EU’s new innovation strategy, published officially in October by the European Commission. The EU has also announced the first “Innovation Partnership” project.

According to Brussels, **European research faces serious threats.** It was heard from the centre of the Union that too few of Europe’s ideas make the journey from “research to retail”.

According to **Máire Geoghegan-Quinn, EU Commissioner for Research, Innovation and Science, and Commission Vice-President Antonio Tajani, responsible for industry and entrepreneurship,** it is important to attract new investors to companies involved in innovations. This should be also contributed by a new cross-border venture capital regime and an expansion of the European Investment Bank’s Risk-Sharing Finance Facility prepared by the European Investment Bank.

The long-awaited plan proposes that governments set aside dedicated budgets for buying innovative products and services, which could **create a procurement market worth at least 10 billion euros a year.** Member states would draw the necessary funds mainly from the European structural funds for research and innovation.

Innovation has currently taken centre stage in EU policymaking. Innovative plans **(called “Innovation Union”)** associated with research and education are one of the cornerstones of the Europe 2020 strategy, which focuses on economic growth and job creation.

European Commission also unveiled what it **calls the European Innovation Partnerships,** the first of which will be a pilot project dedicated to healthy ageing.

Future initiatives in **energy, smart cities, water efficiency, agriculture and raw materials are expected to follow.** The Partnerships will step up research and development, coordinate investment and mobilise demand, the Commission said. In order to attract investors to these

The European Parliament voted to extend the minimum maternity leave to 20 weeks during which period mothers would receive 100% of their previous wages. The final form of the regulation is likely to be softened by the EU Council, which has to approve it. The China-EU summit ended with an offer of China to buy Greek bonds. The foreign ministers of the member states gave a mandate to the European Commission to examine Serbia's application to the European Union.

goals, Brussels will provide core financing in the form of funds.

http://europa.eu/rapid/pressReleasesAction.do?reference=IP/10/1288

EMPLOYMENT AND SOCIAL AFFAIRS

Parliament to Extend Maternity Leave to 20 Weeks With Full Pay

According to the European Parliament, minimum maternity leave in the EU **should be extended from 14 to 20 weeks** with full pay, with some flexibility for countries which already have a form of family-related leave. Hence the MEPs go beyond the Commission's proposal to extend it to 18 weeks.

However, MEPs adopted amendments adding that, when family-related leave is available at national level, the last four weeks of the 20 may be regarded as maternity leave and **must be paid at least at 75% of salary**. MEPs backed the Commission's proposal that out of the total maternity leave, six weeks should be taken after childbirth.

The adopted resolution states that employees on maternity leave must be paid their full salary, which **must be 100% of their last monthly salary or their average monthly salary**. The European Commission proposes 100% of wages in the first six months of maternity leave. For the remainder of the leave, the Commission recommends granting full pay, which is not to be a binding provision but the amount paid must be no less than sick pay.

The draft legislation seeks to **lay down minimum rules at EU level**. Member states may keep existing rules that are more favourable to workers than those laid down in the directive.

Member states are asked by the Parliament to give fathers a similar right to **fully paid paternity leave** of at least two weeks within the period of maternity leave of the mother.

The final form of the harmonisation of maternity leave in the EU will be decided by the vote of the ministers of labour and social affairs of the member states. In view of their comments expressing concerns about the impact on public finances, it could be expected that the final directive will eventually **take a more economical form**.

http://www.europarl.europa.eu/cs/pressroom/content/20101020IPR88388

ENERGY AND TRANSPORT

Aviation to be Included in Emissions Trading

Members of the International Civil Aviation Organisation (ICAO) agreed to **reduce emissions from international aviation.** Thanks to this deal, international air transport may be swiftly included in the emissions trading scheme.

The 190 member states of the ICAO assembly adopted a resolution on capping emissions from international aviation as of 2020. The sector would also **seek to become 2% more fuel-efficient every year up to 2050.** However, the goals are not binding on the member states.

The deal follows nearly a decade of negotiations about the best possible way to cut emissions from international aviation. These are relatively low, but are increasing rapidly. In view of the fast growth of emissions from international aviation, the EU agreed two years ago to **include the sector in its emissions trading scheme from 2012.**

Some US airlines have mounted a legal challenge to the EU's decision to incorporate all flights coming in and flying out of the EU into the ETS. According to the European Commission, the deal has confirmed that the European plan is correct.

It includes guiding principles for **implementing market-based measures to reduce emissions,** such as emissions trading. The Commission said that all the measures were consistent with the EU ETS.

"Crucially, ICAO has refrained from language which would make the application of the EU's ETS to their airlines dependent on the mutual agreement of other states," the Commission said. Instead, **the EU will act as a whole.** The EU agreed to "engage constructively" with third countries when implementing its ETS, particularly on dealing with incoming flights from outside the bloc, it added.

ICAO member states will have to **submit action plans outlining measures to reach the emission reduction goals.** However, countries where air traffic emissions fall below 1% will be exempt from this obligation and they will not have to implement the market-based measures either.

http://europa.eu/rapid/pressReleasesAction.do?reference=MEMO/10/482

ENLARGEMENT

Ministers Endorses Starting Accession Talks with Serbia

The foreign ministers of EU member states send Serbia a clear message: We are ready to start accession talks. As evidence, they **asked the European Commission to assess Serbia's application to the EU,** which was sent by Belgrade to Brussels last December.

Any progress in the negotiations had been frozen since then because the **Dutch leaders insisted on stronger cooperation of Belgrade with the International Criminal Tribunal** for the former Yugoslavia.

According to most commentators, the success that was **achieved at the ministerial meeting is attributed mainly to Belgium**. Steven Vanackere, Belgium's foreign minister, who chaired the negotiation, praised the "good balance" of all the requirements in the final version of the adopted text. The compromise text was also appreciated by Dutch foreign minister Uri Rosenthal.

The head of the EU delegation to Serbia, Vincent Degert, said it would be "realistic" for the country **to start accession talks in a year's time.** But first, this step must be approved by the European Commission, which will evaluate in its statement all aspects of Serbia's readiness for membership.

The fact that the ministers decided to ask the Commission for its opinion was contributed by the recent announcement from Serbia to **start negotiations with the Kosovo political leaders.** Since 2008, when Kosovo declared unilateral independence, its Serbian neighbour has refused to recognise its independence, still considering it its province. Serbia, however, also pointed out that it is not going to discuss the status of Kosovo.

Belgrade accepted the decision of EU heads of diplomacy with moderate optimism. Some ministers even **talked about a historic step and a new era in the modern history of Serbia.**

We do not doubt the future of Serbia in Europe. On the other hand, we do not believe it will happen soon. In our opinion, further enlargement by Croatia – and perhaps even Iceland – could be expected in 2013 or ideally 2012. Serbia will join the EU in the next wave, which in our estimation will take place in the **second half of the future programming period 2014-2020.**

http://www.consilium.europa.eu/uedocs/cms_Data/docs/pressdata/EN/genaff/117314.pdf

EXTERNAL RELATIONS

EU-China Summit: Offer to Help with the Greek Debt

The EU-China Summit was held in early October, following the summit between the EU and Asia. Already on the eve of the summit, China tried to mitigate the expected criticism of its monetary policy. **Beijing offered to purchase Greek government debt** and a promise that it will not reduce its holdings of European government bonds.

At the start of his working visit to Europe, Chinese Premier Wen Jiabao offered to buy an unspecified number of Greek government bonds. "I have made clear that **China supports a stable euro,"** said Premier Wen. "We will not reduce the holdings of European bonds in our foreign exchange portfolio."

The Chinese government now faces criticism at home for the losses caused by the global financial crisis and needs to **diversify its currency portfolio.** It announced the purchase of Spanish government bonds.

Nevertheless, the question of China's monetary policy, which has been long criticised also by the USA, has become one of the main points of the joint meeting. So far, however, the **Chinese government rejected discussion of its monetary policy and the undervalued yuan.** The Chinese Premier urged the EU to stop the pressure on his country because of the undervalued exchange rate of the yuan. In his opinion, its value will increase gradually.

Premier Wen also **urged the European Union to recognise China's market economy status,** which could protect it against anti-dumping fines from the World Trade Organisation. In return, Beijing offers further strengthening of copyright protection and increasing mutual trade. "China commits to improving investment environment, to intensify copyright protection, widen bilateral trade and upgrade technology cooperation," said Premier Wen.

According to Wen, it is necessary to **be aware that China is an emerging economy.** This is also the reason why excessive strengthening of the yuan would be counterproductive because it could cause social and economic turbulence.

http://www.consilium.europa.eu/uedocs/cms_data/docs/pressdata/en/er/116908.pdf

ENVIRONMENT

EU to Open Protected Sites to Mining

The European Commission provided new recommendations on reconciling the **demand for mining precious metals**

The European Commission issued recommendations on reconciling the demand for mining precious metals and valuable raw materials with the Natura 2000 system of protected sites. The European Parliament passed a regulation according to which all goods imported into the EU from third countries must indicate the country of origin. The new rules will apply only to products intended for end users and will not apply to foods and fish products.

and minerals with the European Natura 2000 system of protected sites.

The document **applies to the so-called non-energy extractive industry** (NEEI) – mining, metals and minerals – whose method of extraction can lead in certain cases to biodiversity loss.

Areas containing resources such as **lithium, magnesium and platinum,** which are key in manufacturing day-to-day products such as computers and medicines, can lie in areas covered by the Natura 2000 network of protected ecological sites.

According to EU Environment Commissioner Janez Potočnik and Antonio Tajani, in charge of industry and entrepreneurship, the guidelines will help member states and extractive industries comply with the EU's Habitats and Birds Directives.

"These new guidelines will give member states and industry clarity regarding the undertaking of non-energy extractive activities **in accordance with Natura 2000 requirements.** There is no change of legislation or policy, but merely guidance on existing law," the two Commissioners said in a joint statement.

The document should advise the mining companies on how to minimise environmental damage by undergoing an "appropriate assessment". As a result, polluting mining projects may still be allowed if measures are taken to **"minimise" their negative environmental impact.**

One of the objectives of the EU's current Environmental Action Programme is to ensure that the **growing demand for resources does not exceed the carrying capacity of the environment and that the direct linkage between economic growth and resource use is broken.**

http://europa.eu/rapid/pressReleasesAction.do?reference=IP/10/1283

HEALTH AND CONSUMER AFFAIRS

European Parliament Requires Clear Country-of-origin Markings on Goods

MEPs decided that goods imported to the EU from third countries **should clearly state their country of origin.**

While many European companies have already been using "made in" indications voluntarily, the EU does not have harmonised rules on stating the origin of imported goods, except for certain cases in the agriculture sector. **This situation should be resolved by the regulation approved by the European Parliament.**

Thanks to it, the consumers will more easily decide which product to buy. This regulation **does not apply to food and fish products** (whose labelling is already covered by other regulations), or goods from the EU, Norway, Iceland, Liechtenstein or Turkey.

The new rules should thus apply **only to products imported from third countries and intended for final consumers.** Country-of-origin markings will have to appear obligatorily on a wide range of products such as textiles, footwear, furniture and pharmaceutical products, and even tools, screws and taps. It will be possible to expand this list in the future.

Imported goods should be marked by the words "made in" and the name of a specific country of origin. These words should be stated in any official EU language that is easily understood by final consumers in the member state where the goods are to be marketed. Moreover, MEPs **allowed, as a possible alternative, the use of English words "made in" anywhere in the EU.**

The origin of the product should be compulsorily **marked not only on the packaging, but also on the product itself.** An exception would be cases where the marking would be impossible due to technical or commercial reasons.

MEPs also insist that the **Commission must propose minimum EU-wide penalties** for infringement, which are missing in the original proposal.

To become effective, **the regulation must be approved by the EU Council.** After the approval, member states will have a year to adapt to the new rules.

http://www.europarl.europa.eu/cs/pressroom/content/20101020IPR89448

From other news that did not fit into the "Events" section, we would like to draw your attention to the published concept of the European Commission regarding taxation of the financial sector. The DG TAXUD report, which focuses on tax systems and reforms in EU member states, deserves particular attention. The Council endorsed the Commission's proposal for stricter regulation of alternative investment funds, which include, e.g. hedge funds or private capital funds. Now, the European Parliament is on move.

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Combating sexual abuse of children, child pornography: http://www.europarl.europa.eu/news/public/story_page/017-83670-270-09-40-902-20100927STO83658-2010-27-09-2010/default_en.htm

Renewed support for the Integrated Maritime Policy: http://europa.eu/rapid/pressReleasesAction.do?reference=IP/10/1268

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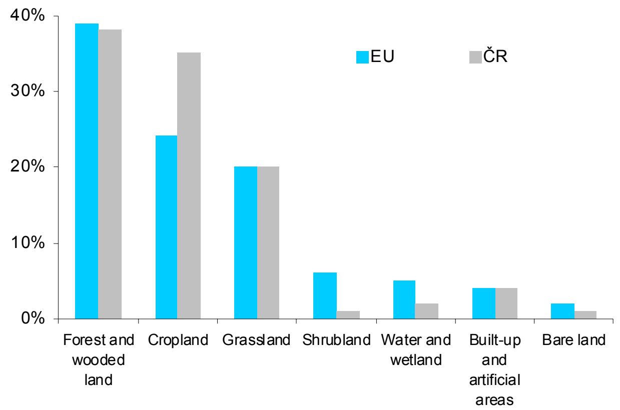
OPEN DAYS 2010 - European Week of Regions and Cities: http://www.cor.europa.eu/pages/PressTemplate.aspx?view=detail&id=ac1bd846-2cd4-4f28-9e38-d8d3110b7826

EIB supports with EUR 200 million Croatia's EU pre-accession programme and activities: http://europa.eu/rapid/pressReleasesAction.do?reference=BEI/10/156

OCTOBER 5

Statistics - Land Use/Cover Area frame Survey Results on EU land cover and use published for the first time: http://europa.eu/rapid/pressReleasesAction.do?reference=STAT/10/145

Land cover in the EU and the CR in the 2009



Source: Eurostat, in EU are not included Bulgary, Romania, Cyprus and Malta

OCTOBER 6

Statistics - Strong increase in EU27 exports to China in the first half of 2010: http://epp.eurostat.ec.europa.eu/cache/ITY_PUBLIC/6-05102010-BP/EN/6-05102010-BP-EN.PDF

EU and Vietnam sign off on a deal that will boost air transport: http://europa.eu/rapid/pressReleasesAction.do?reference=IP/10/1282

OCTOBER 7

EU-Republic of Korea summit - signature of an agreement on free trade: http://www.consilium.europa.eu/uedocs/cms_Data/docs/pressdata/en/er/116896.pdf

OCTOBER 8

European Investment Bank and African Development Bank finance first large-scale wind farm in Africa: http://europa.eu/rapid/pressReleasesAction.do?reference=BEI/10/166

Commission outlines vision for taxing the financial sector: http://europa.eu/rapid/pressReleasesAction.do?reference=IP/10/1298

OCTOBER 11

Smart regulation - ensuring that European laws benefit people and businesses: http://europa.eu/rapid/pressReleasesAction.do?reference=IP/10/1296

Statistics - One in three men and one in five women aged 25 to 34 live with their parents: http://epp.eurostat.ec.europa.eu/cache/ITY_PUBLIC/3-08102010-AP/EN/3-08102010-AP-EN.PDF

OCTOBER 12

Taxation and Customs Union - 2010 report on monitoring tax revenues and tax reforms in EU Member States - tax policy after the crisis: http://ec.europa.eu/taxation_customs/resources/documents/taxation/gen_info/economic_analysis/tax_papers/taxation_paper_24_en.pdf

OCTOBER 13

Climate change - European Union making deeper emission cuts than promised: http://ec.europa.eu/dgs/jrc/index.cfm?id=1410&obj_id=11850&dt_code=NWS&lang=en

European Gender Equality Law Review: http://ec.europa.eu/social/main.jsp?langId=en&catId=89&newsId=911&furtherNews=yes

OCTOBER 14

Digital Agenda - household survey reveals more Europeans on-line but concerned about costs and security: http://europa.eu/rapid/pressReleasesAction.do?reference=IP/10/1328

Offshore oil drilling: European Commission envisages EU safety rules: http://europa.eu/rapid/pressReleasesAction.do?reference=IP/10/1324

The EU budget, a guide: http://www.europarl.europa.eu/news/public/focus_page/034-83461-266-09-39-905-20100923FCS83457-23-09-2010-2010/default_en.htm

OCTOBER 15

ICT research - EU funded project helps to map pollution: http://europa.eu/rapid/pressReleasesAction.do?reference=IP/10/1333

EIB lends CZK 800 million in continued support for regional infrastructure in the Zlín Region (CR): http://europa.eu/rapid/pressReleasesAction.do?reference=BEI/10/174

OCTOBER 18

Main results of the Environment Council: http://www.consilium.europa.eu/uedocs/cms_data/docs/pressdata/en/envir/117097.pdf

The fiscal implications of climate change adaptation:

http://ec.europa.eu/economy_finance/publications/external_studies/ex_study1_en.htm

EU to negotiate an ambitious air transport agreement with Brazil: http://europa.eu/rapid/pressReleasesAction.do?reference=IP/10/1342

OCTOBER 19

Smoked sheep's cheese to get TSG status after Slovak request:
http://ec.europa.eu/agriculture/newsroom/04_en.htm

Commission rewards companies for championing the EU Ecolabel: http://europa.eu/rapid/pressReleasesAction.do?reference=IP/10/1345

ICT research - Commission-backed project to help identify systemic financial market risks: http://europa.eu/rapid/pressReleasesAction.do?reference=IP/10/1344

OCTOBER 20

Budget review - Lessons learnt for tomorrow's budget: http://ec.europa.eu/budget/reform/index_en.htm

European Commission adopts strategy to ensure respect for EU Charter of Fundamental Rights:

http://europa.eu/rapid/pressReleasesAction.do?reference=IP/10/1348

OCTOBER 21

Stricter regulation for hedge funds: http://www.consilium.europa.eu/showFocus.aspx?id=1&focusId=526&lang=en

Commission and Parliament sign revised Framework Agreement: http://europa.eu/rapid/pressReleasesAction.do?reference=IP/10/1358

Commission sets out its plans for a new EU framework for crisis management in the financial sector: http://europa.eu/rapid/pressReleasesAction.do?reference=IP/10/1353

Statistics - A new Eurostat publication on the EU and the G-20: http://epp.eurostat.ec.europa.eu/cache/ITY_PUBLIC/1-20102010-AP/EN/1-20102010-AP-EN.PDF

OCTOBER 22

3039th Employment, Social Policy, Health and Consumer Affairs Council meeting: http://www.consilium.europa.eu/uedocs/cms_data/docs/pressdata/en/lsa/117263.pdf

OCTOBER 25

Environment - Vitoria-Gasteiz and Nantes to be next European Green Capitals: http://europa.eu/rapid/pressReleasesAction.do?reference=IP/10/1366

Digital Agenda - Survey of children's Internet use; competition for high quality online content: http://europa.eu/rapid/pressReleasesAction.do?reference=IP/10/1368

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A new partnership between the EIB Group and six turkish financial institutions: http://europa.eu/rapid/pressReleasesAction.do?reference=BEI/10/181

OCTOBER 27

Flexible work arrangements help both employers and employees: http://ec.europa.eu/social/main.jsp?langId=cs&catId=89&newsId=915&furtherNews=yes

Commission proposes to improve European disaster response: http://europa.eu/rapid/pressReleasesAction.do?reference=IP/10/1381

OCTOBER 28

Conciliation Committee starts work on EU budget 2011: http://www.consilium.europa.eu/uedocs/cms_data/docs/pressdata/en/ecofin/117427.pdf

Commission adopts strategic priorities for 2011: http://europa.eu/rapid/pressReleasesAction.do?reference=IP/10/1399

OCTOBER 29

Commission requests Czech Republic to comply with EU gender equality rules: http://ec.europa.eu/social/main.jsp?langId=cs&catId=89&newsId=920&furtherNews=yes

Commission requests Czech Republic and Sweden to end discriminatory treatment for pensions: http://europa.eu/rapid/pressReleasesAction.do?reference=IP/10/1406

The EU Council meeting regarding justice and home affairs will address a wide range of issues from a common asylum and immigration policy to cooperation in the fight against terrorism to combat organised crime. The agenda for the EU Council meeting regarding competitiveness consisting of the ministers of economy, industry and science, includes issues concerning the internal market, industry, science, tourism, more effective regulation, and certain aspects of consumer protection and competition.

Meeting of the key EU institutions

8. -9. 11. 2010	**Brussels, Belgium**	- Justice and Home Affairs Council
10. 11. 2010	**Brussels, Belgium**	- Competitiveness Council
10. - 11. 11. 2010	**Brussels, Belgium**	- Session European Parliament in Brussels
11. 11. 2010	**Brussels, Belgium**	- Economic and Financial Affairs Council
16. 11. 2010	**Brussels, Belgium**	- Eurogroup meeting
17. 11. 2010	**Brussels, Belgium**	- Economic and Financial Affairs Council
18. – 19. 11. 2010	**Brussels, Belgium**	- Education, Youth, Culture and Sport Council
22. 11. 2010	**Brussels, Belgium**	- General Affairs Council
22. 11. 2010	**Brussels, Belgium**	- Foreign Affairs Council
22. - 25. 11. 2010	**Strasbourg, France**	- European Parliament Plenary Session
25. – 26. 11. 2010	**Brussels, Belgium**	- Competitiveness Council
29. 11. 2010	**Brussels, Belgium**	- Agriculture and Fisheries Council

The main topic of the November issue of the EU News Monthly, continues to examine the anticipated priorities and substantive needs of regional development that are likely to form the core support within the next programming period of EU Cohesion Policy after 2013.

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

The typical development priorities – or, if we wish, the qualitatively more demanding priorities – include a set of priorities dealt with by the EU 2020 Strategy. Its content does not distinguish in principle the EU member states in terms of very developed or underdeveloped; although it takes into account the fact that economic, social and territorial cohesion represents the core of EU 2020 Strategy, the strategy's objectives are open to all EU member countries and regions based on the application of the so-called Integrated Development Framework.

Accordingly, the EU 2020 Strategy itself – endorsed by the European Council – considers the support for economic, social and territorial cohesion and infrastructure development that will bring the less developed EU regions closer to those more developed to be a necessary prerequisite for its fulfilment.

The correspondence between EU 2020 Strategy and the future direction of EU cohesion policy should also be in the integrated development framework that combines and coordinates in itself the individual investment and non-investment activities in various selected areas (infrastructure, human resources, business environment, innovation) in the national, regional and local contexts. It is on this basis that there is a common space to reconcile the priorities of EU 2020 Strategy with the priorities of the future EU cohesion policy. Our aim in this paper is to identify this area more specifically, uncover the nature of these priorities in detail and provide it with a certain initial quantification, which at this stage is more of a very thorough estimate of the possibilities that we will refer to as the absorption capacity potential.

OTHER KEY PARAMETERS OF THE DISCUSSION: EU BUDGET AND SINGLE INTERNAL MARKET

It is certainly quite legitimate to consider the content and structure of the substantial priorities for future EU cohesion policy. However, it is at least equally important to consider the financial framework for the future cohesion policy, which is part of the future EU budgetary framework, which should be reformed for the upcoming period.

The starting framework of the EU budget reforms is described in the box below and its content is inspired by the recently published document of the European Commission regarding the reform of the EU budget.

We can perhaps say that the main spending areas of the EU budget (cohesion policy, agricultural policy, external relations of the EU) are likely to remain preserved, even though the balances between them may change. At the same time, however, it is probable that there will be a greater emphasis on the financing of the so-called new

Indicators and objectives of EU 2020 Strategy

Indicator	*Objective*
• Employment rate of persons aged 20-64 years	75% of the population aged 20-64 years should be employed
• Gross domestic expenditure on research and development (GERD)	3% of EU's GDP should be invested in research and development
• Greenhouse gas emissions • Share of renewables in gross final energy consumption • Energy intensity of economy (energy-saving indicator)	Fulfilment of indicator 20-20-20 in climate and energy objectives (including an increase to 30% reduction in emissions where the conditions are already met)
• Reducing early leaving from the education system and vocational training • Achievement of tertiary education in the age group of 30-34 years	The share of persons terminating early the education process should be below 10% The share of persons aged 30-34 years with finished tertiary education should be at least 40%
• Population at risk of poverty or exclusion o people living in households with very low labour intensity o risk of poverty after social transfers o severe material injury and damage	Reducing poverty by at least 20 million persons living in risky conditions of poverty or exclusion

issues or new challenges (climate change, competitiveness, energy, internal and external security of the EU, etc.).

European Commission Document on the Reform of the EU budget (19 October 2010; Communication of the European Commission)

The Budgetary Review is based on the belief that by 2020, the EU must take decisive steps in the area of an intelligent, sustainable and integration-friendly society. The future EU budget – also with regard to the need for a general fiscal consolidation of the EU – should be a budget that is simultaneously cost-saving, disciplined and concentrated strongly on the results. As compared with the present, it should show stronger flexibility and be more compatible with innovative financial instruments of fiscal intervention. General considerations will be embodied by mid-2011 in specific proposals, including parameters for the multi-annual financial framework of the EU and individual member states.

From the viewpoint of the Czech Republic and its regions, the priority interest is the preservation of the seven-year period providing for the medium-term perspective in terms of the amount of available resources. In the case of a shift of balances between key budget chapters, it is in our interest to support a shift of resources in favour of a policy promoting cohesion and maintaining the volume of the budget at the least reduced amount (relative to EU's GDP), where we – as a less developed EU country – would most likely preserve our **position of a net beneficiary** even for the period after 2013.

It is in the interest of our development that the **purposefulness and effectiveness of EU funds** used in the Czech Republic and its regions would be significantly enhanced, while respecting the principle of subsidiarity and proportionality (funding at an optimal level in terms of factual addressing of projects; funding only those priorities that ensure sufficient European added value and that cannot be fulfilled in full extent from national funds).

The purposefulness and effectiveness of the EU budget and/or the funds devoted to the EU cohesion policy should not be measured merely by the rudimentary "spending" and "ability" to utilise the "cohesion" money in full, without a deeper and more thorough study of the impact and consequences of the supported activities.

Within the general logic of activities carried out at EU level, the purpose of EU cohesion policy is to overcome the disparities between the respective regions primarily through the finding of accelerators of development in the less developed regions. In the list of these accelerators, there is still stronger emphasis on fostering openness, resilience and preparedness of these regions for the European and global competitive environment.

Being aware of all the problems and "backlogs", there apparently is a consensus over the fact that so far, the largest economic benefit of the current process of European integration is the **single internal market.** It must be the **point of focus** of all supporting policies that are applied at the EU level, including coordination of the economic policies of member states.

Gross domestic expenditures for Research and Development in EU (% of GDP)

	2006	2007	2008
EU-27	**1.85**	**1.85**	**1.90**
Belgium	1.86	1.90	1.92
Bulgaria	0.48	0.48	0.49
CR	**1.55**	**1.54**	**1.47**
Denmark	2.48	2.55	2.72
Germany	2.53	2.53	2.63
Estonia	1.14	1.11	1.29
Ireland	1.25	1.28	1.43
Greece	0.58	0.58	0.56
Spain	1.20	1.27	1.35
France	2.10	2.04	2.02
Italy	1.13	1.18	1.18
Cyprus	0.43	0.44	0.46
Latvia	0.70	0.59	0.61
Lithuania	0.79	0.81	0.80
Luxembourg	1.65	1.58	1.62
Hungary	1.00	0.97	1.00
Malta	0.61	0.58	0.54
Netherlands	1.78	1.71	1.63
Austria	2.47	2.54	2.67
Poland	0.56	0.57	0.61
Portugal	1.02	1.21	1.51
Romania	0.45	0.52	0.58
Slovenia	1.56	1.45	1.66
Slovakia	0.49	0.46	0.47
Finland	3.48	3.48	3.73
Sweden	3.74	3.61	3.75
UK	1.75	1.82	1.88

Source: Eurostat

In accordance with the removing of the differences between the economic advancement of the individual EU regions, the remedy is aimed at distortions that still prevail in the single internal market and complicate and hinder the more intensive forms of increased involvement of regions

in the process of European unification, which for many of them becomes only a latent and therefore unused possibility.

Of key importance is the complexity of the perception of the internal market environment, which in the practice of EU policies is often degraded by sectoral fragmentation. For this reason, the **future** cohesion policy, reflecting the development needs of regions and their possibilities of **actual** involvement in the internal market environment, should be in accordance with the single internal market – specifically with the **competition policy,** a traditionally powerful tool for strengthening an integrated and competitive market, with the **industrial policy, consumer protection policy, energy policy, transport policy, social policy, environmental policy and climate change reflection policy,** and the **tax policy.**

If we generalise and thereby partly simplify the non-trivial and highly hierarchical relationship between the effort to strengthen the single internal market environment and to enhance the effectiveness of cohesion policy after 2014, the common denominator is certainly **infrastructure** (its modernisation or its complete acquisition), as an environment that will make it possible for the economic entities to realise their competitive advantages and opportunities.

The regions of the Czech Republic still show certain **handicaps** in the area of infrastructure underdevelopment; hence, it is highly recommendable to monitor the strategy to support infrastructure as a prerequisite for the involvement in the internal market environment.

Furthermore, it is recommended that the principle of conditionality be applied in the use of EU structural funds in relation to those member states, which are exemplary in the process of transposition of the directives related to the single internal market.

Stricter conditions are intended to apply even in the case where companies that made use of structural funds move to another state. But the question remains as to how the problem should be tackled in the case of extending the concept of EGTC (see below) or macro-regions (see also below) applying regional cooperation between regions in the cross-border context (which may cause a natural need of the company to move its main activity within the framework of this interpretation of a region).

Opening up the space – even in connection with the adoption of the concept of cross-border territorial cooperation and territorial cohesion – comes forward ideally in the case of trans-European networks, which should interconnect more strongly the national markets; in this respect, cross-border infrastructure should not cover only the backbone projects across the European continent, but also the infrastructure projects having "only" cross-border, regional or local importance. If the funds under the cohesion policy after 2013 will be directed in favour of the interconnection of national markets also at regional and local levels, the future cohesion policy will be in line with the needs of the single internal market.

COORDINATION OF ECONOMIC POLICIES AND EU COHESION POLICY

The rules of the future EU cohesion policy will most likely be characterised by a stronger interconnection with the coordinated economic policies of the EU and a strengthened emphasis on fiscal discipline (in the form of the adaptive Stability and Growth Pact, or an additional possible tool focused on the actual enforcement of fiscal discipline within the EU).

The strengthened link between cohesion policy and the Stability and Growth Pact (or in the broader context, the European Economic Governance) should be specifically reflected in the form of:

a) preventive measures; and

b) sanction measures.

Preventive measures

Preventive measures may take the form of linking together the reimbursement of cohesion policy expenditure with structural and institutional reforms, having direct connection with the operation of cohesion policy (such reforms should enhance the efficiency and effectiveness of cohesion policy).

Sanction measures

Sanction measures should strengthen the link with the excessive deficit procedure in the form of suspending the commitments of the structural funds and the Cohesion Fund (as well as the funds aimed to support agriculture and fisheries) and make it possible for the member states to improve the condition and balance of public finances. If the EU Council's recommendations are not respected and implemented by a given EU member state, it would be finally deprived of its allocation under the cohesion policy, as well as the rural development policy and the fisheries policy. Contrarily, in the case of states with exemplary fiscal discipline it is proposed to introduce a "bonus" or incentive; the funds that are unused due to lack of fiscal discipline of some member states would be collected in a "reserve fund" at the EU level and would be used for the benefit of member states and regions that have no problems with fiscal discipline.

It is clear from the above that entering the EU's future cohesion policy with risky or even explicitly negative development of public finances at the level of the whole member state and its individual regions may represent – as opposed to the present state – a far greater handicap in terms of utilisation of the cohesion policy funds. This reason may be excessively accentuated especially by rich member states and net payers (and in a sense, perhaps even abused) to argue in favour of restrictions on financial resources earmarked for the purposes of cohesion policy.

The Czech Republic as a whole and its individual regions should be well and fully aware of this qualitatively new parameter and should put their public finances into such a state that they could not even indirectly constitute a pretext for restricting or reducing the allocations to the detriment of the Czech Republic.

Current Opinion of the European Commission, the European Parliament and the Committee of the Regions

Given that the adoption of a definitive solution at the EU Council level will still take some time and that member states will reach a consensus within the next two years, one should consider the following realities from within the environment of the **European Commission** in its new membership from the beginning of this year:

- EU Cohesion Policy after 2013 should cover the entire EU territory;
- There should be stronger accent on the **urban dimension** and the **EU urban development policy** should be defined based on the principle of subsidiarity;
- There is apparent compliance (but not identity) of the future EU cohesion policy with the strategic priorities of the EU, particularly the EU 2020 Strategy;
- A stable framework should be created for spatial (territorial) cohesion within the next programming period;
- Cohesion policy does not represent only a redistribution system, but a strong development policy for economic development of all European regions with **special emphasis** on **lagging (underdeveloped) areas;**
- The fulfilment of the important social function of cohesion policy (through the European Social Fund) should continue to be adequately accentuated.

An active role in the debate on the future cohesion policy is also played by the **European Parliament,** whose current position on this issus is not so different from the European Commission's. We can find here the keywords, such as: cohesion policy as a policy with the European added value; levelling differences between regions; need for the presence of cohesion policy throughout the Union; cohesion policy as one of the instruments for the fulfilment of the EU 2020 Strategy.

The European Parliament does not agree with the proposals for cohesion policy renationalisation and places increased emphasis on the **urban dimension** and **development of urban areas,** including impacts on the surrounding rural areas. The European Parliament proposes the introduction of an appropriate instrument of cohesion policy, which would reflect this urban dimension.

The position of the **Committee of the Regions** is similar, while it emphasises additionally the importance of the "transition mechanism" for the case of those regions that exceed 75% of GDP per capita relative to the EU average (in terms of preventing a sudden drop-out in the intensity of support to individual regions).

CONTENT OF THE TERRITORIAL DIMENSION OF COHESION POLICY: BROADER AND NARROWER INTERPRETATIONS

As already mentioned, the Lisbon Treaty has extended the content of the concept of cohesion by a spatial (territorial) dimension. However, the territorial dimension of cohesion policy or, as the case may be, the territorial dimension of policies and approaches within the EU had been implemented even before this provision came into effect. We dealt with the broader definition of the concept of territorial cohesion this summer in topics devoted to the effects of the Lisbon Treaty. Let's now define in detail how territorial cohesion is perceived and interpreted in the narrower sense.

Narrower interpretation of spatial (territorial) cohesion

EU regions still represent an extraordinarily divergent and heterogeneous system. It is therefore very difficult to find a common tool to grab a "common denominator" of regional development. On the other hand, an explicit definition of the territorial dimension of cohesion is also necessary and useful.

The size of territorial dimension, unhampered by the existence of national borders, is reinforced by the existence of the single internal market and the Schengen area, but also, **in particular, by the existence and identification of problems that are common or approximate for a given territory, regardless of where the national administrative borders exactly exist. Strengthening the approach based on** the existence of **functional links** and identification of the growth potential of a territory situated in more than one member state form the basis for the content definition of the territorial dimension of cohesion policy.

The content of the territorial dimension is not only a unilateral preference for the cross-border dimension; the urban dimension (even on a cross-border basis) is another possible manifestation of it.

Given the vast differences in the conditions of the individual EU regions, the specific form of support for their development is also very individual. **The purpose is to "tailor" to the region's need the identification of its development potential and fulfil it through appropriate choice of instruments. Individuality** and **differentiation** are the projected important characteristics of the future implementation of the territorial dimension of EU cohesion policy.

Another characteristic is **balance;** a balance within the meaning of **finding a "reasonable" proportion between the support for the lagging regions versus the support for the development activities of the already more developed regions, in which a compelling development potential is contained** (e.g. in the form of an already existing basis for the development of economic competitiveness due to the achieved level of development of science and research or creating favourable conditions for innovative entrepreneurship); by supporting urban areas or territories exceeding the territories of national borders. This concept of territorial dimension has not yet been fully tested by practice and it can be associated with a **risk: incompatibility with the need to reduce the number of operational programmes** (as is clear from the statement of the present government of the Czech Republic); any entity that will have ambitions to "find itself" in this perception of territorial dimension simultaneously gets the ambition to become the governing body or "administrator" of "its own" Operational Programme.

Within the scope of the existing concept of spatial development in Europe, the spatial agenda should provide three main objectives (European Spatial Development Perspective – ESDP):

- development of a balanced and polycentric system of cities and new urban-rural partnerships;
- provision of equal access to infrastructure and knowledge;
- sustainable development, prudent management and protection of nature and cultural heritage.

One of the aspects of the territorial dimension is the focus on urban development in terms of **promoting poles of growth** (i.e. a typical development priority based on the favourable prerequisites of a particular area to become a pole of growth, rather than passive financing of the "mere" backwardness of this area with a very high degree of uncertainty, whether or not this area has the natural growth prerequisites to become a pole of growth). The effort to pursue this aspect of the territorial dimension can be seen in the attempt to find general principles applicable to the creation of a single "optimum" model to address urban policy. In this respect, the most fundamental recent documents at EU level are the Leipzig Charter (2007) and the Marseille Declaration (2009).

Another dimension consists of focusing on the economic importance of strengthening the **functional link** between rural and urban areas. Functional links in this context lie in areas such as accessibility by transport, availability of public services and standards of amenities, the environment and social exclusion.

Radical innovation in territorial dimension: its cross-border dimension

The qualitatively most radical change in the process of applying the territorial dimension of cohesion policy lies

precisely in its cross-border aspect. This can been seen in the he **concept of macro-regional strategies** or the **concept of the European Grouping of Territorial Cooperation (EGTC).**

The purpose of the concept of **macro-regional strategies** is to create a framework for cooperation on the territory of large territorial entities in the event of major problem areas (reducing energy dependence, enhancing mobility, environmental protection) common to all parts of such a vast territory.

Macro-regional strategy should represent a crosscutting tool, which should better coordinate the procedures for addressing major common problems of large territories. The current two macro-regional strategies (the Baltic Sea and the Danube regions) should be complemented by others (e.g. the Alpine, the Mediterranean, and some others). The macro-regional strategies are still lacking their legal definition and they exist rather in the area of ideas and strategic concepts without an adequate legal framework.

Even the method of defining a clear link between the concept of macro-regional strategy and the future cohesion policy has not yet been completed. One of the possibilities is to establish a **close interconnection** with the EU cohesion policy.

Another possibility lies in a **looser approach** to macro-strategies as the coordinating mechanism, which "only" brings together the existing programmes, tools, institutions and policies for their use within a clearly defined territory and a clearly defined number of limited key themes and priorities.

The concept of the **European Grouping of Territorial Cooperation (EGTC)** has more specific outlines and certain results and experience. This concept is made possible by the Council Regulation (EC) No 1083/2006 of July 2006 and should promote EU development based on enhanced regional cooperation through economic and social openness and interconnectedness.

The purpose of European Grouping of Territorial Cooperation is to eliminate serious problems with coordination and cooperation between member states based on their regional and local authorities. Within this cooperation, there should be consistency and complementarity in relation to the content of the Objective No. 3 of the EU cohesion policy or in the future in relation to a similarly aimed objective that would possibly replace the content of the current Objective No. 3.

EGTC represents an instrument having **legal personality,** which emphasises the specific needs of regional and local authorities, irrespective of national borders.

The subject of cooperation is the implementation of programmes and projects of regional cooperation and the use of the resources of structural funds (ERDF) as well as regional and local resources aimed at addressing priorities that are **common** and **more efficiently solvable on a cross-border basis.**

What is the reality of EGTC? At present, there are several dozens of very diverse projects designed within its framework. Fifteen of them are already approved and functioning and more than twenty others have reached an advanced stage of preparation. The first EGTC project was launched in January 2008 in the form of a socially and structurally very complicated conurbation of a Euro-metropolis of Lille (France) – Kortrijk (Flemish part of Belgium) – Tournai (Walloon part of Belgium).

In conclusion, we can reiterate that the new content of spatial (territorial) cohesion has good support in the adopted Lisbon Treaty, which – with respect to the future cohesion policy – accepts:

- the need for reflection of rapid changes in the concept of cohesion policy;
- a new dimension of cohesion policy arising from the definition of spatial (territorial) cohesion;
- justification and sense of EU cohesion policy even in the upcoming period;
- identification of material priorities of the future EU cohesion policy aimed at:
    - enhancing **competitiveness and employment at regional level** (with an emphasis on **regionally specific advantages**);
    - **facilitating growth in lagging areas** of the Union (in terms of a typical convergence priority for the most needy and facilitating the conditions to catch up the development deficit);
    - covering integration **across borders** (as a response to the new aspect of the territorial dimension, e.g. in the form of EGTC, shared implementation mechanisms or functioning macro-regions).

When extending the concept of integration coverage across borders, it is crucial to respect the principle of subsidiarity through its systematic monitoring and very selective evaluation of which regions, and in what areas the existence of macro-regions or EGTC is advantageous for the regions in the Czech Republic.

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

Key macroeconomic indicators

	GDP growth y-on-y			Current account to GDP*			Unemployment rate			Inflation y-on-y average		
in %	2007	2008	2009	2007	2008	2009	VII-10	VIII-10	IX-10	VII-10	VIII-10	IX-10
Belgium	2.9	1.0	-3.1	2.2	-2.9	0.5	8.7	8.7	8.7	2.4	2.4	2.9
Bulgaria	6.2	6.0	-5.0	-26.8	-24.0	-9.4	10.1	10.0	10.1	3.2	3.2	3.6
CR	6.1	2.5	-4.8	-3.2	-0.7	-1.1	7.0	6.9	6.9	1.6	1.5	1.8
Denmark	1.7	-0.9	-4.9	1.5	2.2	4.0	7.0	6.8	7.0	2.1	2.3	2.5
Germany	2.5	1.3	-5.0	7.6	6.7	4.9	6.8	6.8	6.7	1.2	1.0	1.3
Estonia	7.2	-3.6	-14.1	-17.8	-9.4	4.6	na	na	na	2.8	2.8	3.8
Ireland	6.0	-3.0	-7.5	-5.3	-5.2	-2.9	13.8	13.9	14.1	-1.2	-1.2	-1.0
Greece	4.5	2.0	-2.0	-14.4	-14.6	-11.2	na	na	na	5.5	5.6	5.7
Spain	3.6	0.9	-3.6	-10.0	-9.7	-5.4	20.4	20.6	20.8	1.9	1.8	2.1
France	2.3	0.4	-2.2	-1.0	-2.3	-2.2	9.9	10.0	10.0	1.9	1.6	1.8
Italy	1.5	-1.3	-5.0	-2.4	-3.4	-3.2	8.3	8.1	8.3	1.8	1.8	1.6
Cyprus	5.1	3.6	-1.7	-11.7	-17.5	-8.3	7.1	7.1	7.1	2.7	3.4	3.6
Latvia	10.0	-4.6	-18.0	-22.3	-13.0	9.4	na	na	na	-0.7	-0.4	0.3
Lithuania	9.8	2.8	-15.0	-14.5	-11.9	3.8	na	na	na	1.7	1.8	1.8
Luxembourg	6.5	0.0	-3.6	9.7	5.3	5.6	5.0	5.0	5.0	2.9	2.5	2.6
Hungary	1.0	0.6	-6.3	-6.6	-7.0	0.2	11.1	10.9	10.8	3.6	3.6	3.7
Malta	3.8	2.1	-1.9	-6.1	-5.6	-3.9	6.4	6.2	6.2	2.5	3.0	2.4
Netherlands	3.6	2.0	-4.0	8.7	4.8	5.4	4.6	4.5	4.4	1.3	1.2	1.4
Austria	3.5	2.0	-3.6	3.6	na	na	4.3	4.3	4.5	1.7	1.6	1.8
Poland	6.8	5.0	1.7	-4.7	-5.1	-1.6	9.5	9.5	9.6	1.9	1.9	2.5
Portugal	1.9	0.0	-2.7	-9.4	-12.0	-10.3	10.8	10.6	10.6	1.9	2.0	2.0
Romania	6.3	7.3	-7.1	-13.4	-11.6	-4.5	na	na	na	7.1	7.6	7.7
Slovenia	6.8	3.5	-7.8	-4.8	-6.2	-1.0	7.2	7.3	7.3	2.3	2.4	2.1
Slovakia	10.6	6.2	-4.7	-5.7	-6.6	-3.2	14.5	14.6	14.7	1.0	1.1	1.1
Finland	4.9	1.2	-7.8	4.3	3.1	1.3	8.4	8.3	8.3	1.3	1.3	1.4
Sweden	2.5	-0.2	-4.9	8.4	9.5	7.3	8.5	8.2	8.2	1.4	1.1	1.5
UK	2.6	0.5	-4.9	-2.7	-1.5	-1.3	7.7	na	na	3.1	3.1	3.1
EU	2.9	0.8	-4.2	-1.0	-1.9	-1.1	9.6	9.6	9.6	2.1	2.0	2.2

	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*