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

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

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

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

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

Dear readers,

After all, December did bring a certain calming towards the end of one of the most tumultuous years that European integration has seen in its history. The calming need be seen as very relative, yet compared to the disturbed waters of late spring (Greek situation) as well as late autumn (Irish case), it is more than palpable. The disturbance and the subsequent calming can exclusively be attributed to economic and financial difficulties due to the crisis, which pointed out and exposed many faults that had been ignored for decades.

The decision of European Council December meeting to establish a permanent mechanism for resolving critical financial and economic defects in member states has no doubt made a major contribution to the calming. So has the gradual, however very fragile and uncertain turn in the development of the real EU economy. There are still a number of sceptics and pessimists, who bet on a high chance of Euro zone disintegration. In this context, nevertheless, it would be very desirable to indicate what alternative to the Euro zone these people envisage under the current circumstances. It is advisable to realize that if the Euro zone fell apart, the greatest economic achievement of European integration - the single internal market - would be fatally endangered. In such a situation, the countries would again strive to fortify their national borders and the freedom of movement of primary production factors and outcomes of business activity would go up in smoke. We have perhaps taken too much for granted that national borders in Europe are somehow automatically permeable and do not constitute any obstacle to an incredible number of activities, which not only bring the Union's member states closer but are also economically and otherwise advantageous.

If gamblers with the homogeneity of the Euro zone prefer the fulfilment of such centrifugal and Euro-destructive scenarios, the dimensions of which grow when you look at the world map, where Europe - relatively petty in size - is surrounded by economic and social giants, many of which were not materially affected by the past crisis, the God help Europe.

One obviously positive example of cohesion and centripetality culminated successfully at the turn of the year: Estonia's journey into the Euro zone is an agreeable simile for a country that - although it had been hit by the crisis worst of all - has managed to be unbelievably disciplined fiscally and enter the Euro zone harbour safely in spite of adverse economic circumstances. Estonia can thus not only be seen as an example of positive economic adjustment and sacrifice, but also a correct fulfiller of its membership obligations within the EU.

On the first day of January, Hungary took over the Council; a shift towards formulating rules and principles concerning future use of funds within the EU Cohesion Policy can be expected during its term. On the other hand, Hungary has not received much ovation for introducing some very extremist tools in the economic, fiscal and media sectors. Let us pray for as little obstinacy during its Presidency as possible.

Petr Zahradník

Hungary assumed new EU Presidency on New Year. The energy sector is among its top priorities. Leaders of Member States agreed at the December meeting of the European Council on establishing a permanent stabilisation mechanism for the Euro zone. To approve it, an amendment of the Treaty of Lisbon and its subsequent ratification by Member States is required. On 1 January, Estonia became the 17th country to adopt the Euro, the common European currency.

POLITICS

Hungarian Presidency to Focus on Energy Sector

During its EU **Presidency, which it took over on 1 January 2011,** Hungary intends to focus on the overall picture of the EU Energy Policy.

The very first summit, to be headed by Hungary in early February, will deal with the energy sector. The meeting, **dubbed simply the Energy Summit,** will revolve primarily around energy infrastructures, support to innovative energy technologies, and co-ordination of the Union's energy policy towards third countries.

The Hungarian Presidency is not going to stay away from energy even after the summit is over. In late February (the 28th), energy ministers of EU Member States are expected to develop **common conclusions on two strategic documents.**

One of them is an EU strategy titled **"Energy 2020",** setting visions and goals for the energy sector in the upcoming decade; the other one is **energy infrastructure priorities** with an outlook beyond 2020. The Commission presented both the documents in November last year. Discussions among members states are scheduled for January.

Another important document that the Hungarian Presidency will deal with is the **updated Energy Efficiency Action Plan.** The Commission is to present it in March. Budapest believes that the energy ministers will approve the document already at their formal meeting in June.

The publication of mid-term strategies is expected to go hand in hand with **the start of discussions on the EU's energy plans until 2050.** However, that paper is not likely to be published before the autumn of next year. The Hungarian Presidency therefore intends to use the time and work intensively on collecting positions of the Member States, to reflect them in the final proposal. That will probably happen at the informal ministerial meeting in Budapest in early May.

Hungary took over the Presidency at a time when its **reputation is severely tainted.** Viktor Orbán's government is under fire of criticism for many controversial steps, among which the new media act and special taxes for selected sectors dominated by foreign companies receive the greatest EU attention. At the same time, it is by far not certain that the Presidential performance will eventually overshadow that criticism.

www.eu2011.hu

EU Alters Lisbon Treaty for a Rescue Fund

Top representatives of Member States agreed on a proposal to amend the Treaty of Lisbon at their December summit. The changes should allow Euro zone countries to **set up a special rescue fund,** from which support can be obtained after 2013 by countries that have seen financial difficulties like Greece and Ireland have.

The Treaty of Lisbon will be expanded with the following two sentences: "Member States where Euro is the currency can set up a stabilisation mechanism, which will b activated in the event of no avoidance to **save the stability of the Euro zone as a whole.** Provision of any financial assistance within the mechanism will follow strict conditions."

The new European Stabilisation Mechanism (ESM) will replace two pillars of the existing system: **the European Financial Stabilisation Fund** (EFSF), composed of securities of Euro zone member states amounting to EUR 440 billion, and the **European Financial Stabilisation Mechanism** (EFSM; EUR 60 billion to be borrowed by the European Commission from markets). Along with a contribution from the International Monetary Fund, overextended Euro zone countries can currently be provided assistance up to EUR 750 billion.

The European Stabilisation Mechanism would assume the form of an **intergovernmental treaty among Euro zone countries,** and the sentences that the politicians agreed to insert in the Treaty of Lisbon only constitute a legal basis for its establishment. The amendment thus does not alter any powers of the European Union, and the amendment of the Treaty of Lisbon can be made following the simplified procedure. It should only be approved by national parliaments.

Detail are to be specified in March 2011. Then, a national ratification process will take place, to be concluded by the end of 2012 so that the **new fund can be set up as of 1 January 2013.**

The mechanism can only be activated as the last instance in case the stability of the entire Euro zone is endangered. The member state will have to apply for the assistance, its **allocation will be conditioned upon the acceptance of**

strict reforms, and investors will have to count on losses in the event of restructuring of the national debt.

If they wish so, countries that are not members of the Euro zone will be allowed to take part in assisting indebted countries from case to case.

The establishment of the stabilisation mechanism **is a logical response to the current turbulence on the financial markets.** Still, it cannot be ruled out that the Euro zone may change before the year 2013 (see Analysis on page 11).

http://www.consilium.europa.eu/uedocs/cms_data/docs/pressdata/en/ec/118578.pdf

http://europa.eu/rapid/pressReleasesAction.do?reference=MEMO/10/636

ECONOMY AND EURO

No Date for Adopting the Euro: Conditions Non-Existent

The Czech Republic's Government decided at its December **meeting not to set the date for the Czech Republic adopting the Euro.** According to both the Ministry of Finance and CNB, the chief reasons for the hesitation are the current budgetary problems in the Euro zone and the volatility of the financial markets. What is more, the country has not met the budgetary criterion for adopting the Euro.

"The Government has resolved that the decision not the set the date for entering the Euro zone is a decision that it stands on," Prime Minister Petr Nečas said after the cabinet meeting that approved the **analysis by the Ministry of Finance and the Czech National Bank** assessing the fulfilment of the so-called Maastricht criteria and the degree of consonance between the Czech economy and the Euro zone economy.

Maastricht criteria in the CR

criterion	2010		2013^{e}	
	threshold	CR	threshold	CR
Public budget def.	-3.0 %	- 5.1 %	-3.0 %	-2.9 %
Public debt	60.0 %	39.3 %	60.0 %	43.3 %
Inflationary	1.9 %	0.6 %	2.7 %	1.7 %
Interest rates	6.0 %	4.2 %	6.8 %	3.9 %

Source: CNB, Ministry of Finance, 2013e – expectation by CNB and MoF

The joint paper by the two institution justifies the recommendation to not set the date for adopting the common European currency for the time being with the fiscal crisis in the Euro zone countries and **increased volatility on financial markets.**

The paper indicates that the economic level of the Czech Republic has **progressively been approaching the average level of the Euro zone** in the recent years and that some harmony is obvious even in terms of the economic cycle. However, the convergence has been significantly affected in the last two years by the economic and monetary crisis, resulting in a recession and worsened condition of public finance.

The Government also concluded that even if it wanted to, the Czech Republic cannot adopt the Euro at the moment anyway **due to its public finance deficit.**

We believe that the expected costs of adopting the Euro in the Czech Republic will decrease with the continuing convergence and that the future of our open and Euro-market oriented economy is in the Euro zone. In the current tangled situation, however, it seems to be wise **to not approach the Euro zone with too much haste.** Given the current uncertainty, estimating the expected date of adopting the Euro in the Czech Republic is tricky; it is unlikely to be before 2016.

http://racek.vlada.cz/usneseni/usneseni_webtest.nsf/web/cs?Open&2010&12-22

First Post-Soviet Republic Adopts the Euro

Estonia, one of the EU's smallest but most stable economies, was the first post-Soviet republic in May last year to meet all the criteria for adopting the Euro and became **the 17th member of the European Monetary Union** on the New Year.

Tallinn did not back out of the Euro adoption even in the face of the worst crisis of the Euro zone so far, which many European politicians think affirms the continuing attraction of the monetary union project. **The symbolic significance of the admission** of Estonia, whose economy makes up less than 1% of the total Euro zone volume, is much more important for the EU now than the factual weight of Estonia's economy.

Still, the Baltic dwarf has things to offer and is not afraid of extending a helping hand. Although its GDP per capita is only USD 18,000 (a full USD 5,000 less than Slovakia, so far the poorest country in the Euro zone), Estonia's Minister of Finance Jürgen Ligi offered that **his country can contribute to the European loan to indebted Ireland** with up to EUR 130 million.

Estonia has **long shown textbook fiscal discipline** and its national budgets have shown profit since 2002. The country also boasts the lowest degree of public debt in relation to

The European Parliament eventually yielded to the pressure of Member States and passed the Union budget for 2011, counting with increased payment expenditures by 2.9%. Ministers of Member States declined the proposal by MEPs to introduce a minimum 20-week maternity leave with an allowance equalling 100% of the pay across the EU.

the Euro zone GDP. For that and other reasons, Estonia is rated as the economically most successful Baltic state, hearing praise from many an economy analyst.

Estonia is an example of an economy that **set the goal to enter the Euro zone** and despite extremely unfavourable external conditions (repercussions of the financial and economic crisis led to Estonia's GDP plummeting by 14.1% in 2009), it has managed to achieve it thanks to its political cohesion and reform enthusiasm.

"Euro zone membership will bring new jobs, higher pensions, and faster economic development. **It will bring stability,"** Prime Minister Andrus Ansip believes. However, the Estonian public is not so firmly persuaded of the advantages of the Euro. The support to adopting the common European currency is little over 50%.

The Euro zone extension process is likely to grind to a halt for a few years now. Lithuania and Latvia have publicly declared their interest to adopt the Euro around 2014; **Poland surprised the circles in December** with its plan to enter the Euro hallway - the ERM II currency system - in 2013.

History of the Euro zone enlargement

1999 – 11 members: Belgium, Finland, France, Ireland, Luxembourg, Italy, Germany, The Netherlands, Portugal, Austria, Spain

2001 – 12 members: + Greece

2007 – 13 members: + Slovenia

2008 – 15 members: + Cyprus, Malta

2009 – 16 members: + Slovakia

2011 – 17 members: + Estonia

http://europa.eu/rapid/pressReleasesAction.do?reference=IP/10/1777

BUDGET

2011 Budget Battle Over But War Only Starting

Members of the European **Parliament put their hands up for the 2011 budget** on 15 December, thus ending the dispute over it with the Council.

The Parliament, Council and Commission had a hard time agreeing on several issues. The cardinal issue was by how many per cent to increase the expenditures compared to this year. Eventually, the alternative pushed by twelve countries headed by the UK won: **the expenditures are to increase by 2.9% only.** The European Union will therefore have a budget worth EUR 126.5 billion in 2011.

Originally, the Union legislators proposed to increase the expenditures by 6.2%, arguing that funding and investment will be required not only in education, research and suchlike, but also in new EU policies, such as the new EU diplomatic service. Eventually, however, the legislators gave in to the pressure of national governments, **demanding cuts in the European budget the way they made cuts in theirs.**

The negotiations between the Parliament and the Council were also frosty because MEPs demanded **more say when deciding on the next financial prospect** (2014-2020) in exchange for the expenditures concession. Member States only agreed with their demands partially and noncommittally.

Approval to the budget **averted the threat of a budgetary stopgap.** If the Union institutions failed to agree on the budget in Brussels, the Union would have to make payments in twelve identical instalment next year. So there wouldn't be enough money for some projects. That would have a fatal effect mainly on the diplomatic service, headed by Baroness Catherine Ashton, new bodies to supervise financial markets, and international co-operation on the ITER nuclear reactor, for instance.

However, a new chapter of negotiations will open next year, and will grow even bigger. The reason is that Brussels intends to start **debating the structure and volume of the long-term financial framework to start in 2014.** The essential friction points will include its total size (generous vs. economic), the British rebate, subsidies to regional policies, and the common agricultural policy.

EU budget structure in 2011 in mil. €

Chapter	Commitments	Payments
1a Competitiveness for growth and employment	13.521	11.628
1b Cohesion for growth and employment	50.981	41.652
2 Preservation and management of natural resources	58.659	56.379
3a Freedom security and justice	1.139	813
3b Citizenship	683	646
4 The EU as a global partner	8.754	7.238
5 Administration	8.173	8.172
Total	**141.909**	**126.527**
As % of GNI	1.13%	1.01 %

Source: European Commission

In a time of general fiscal modesty, it is logical that the European Union and its budget ought to obey the same rules.

http://www.europarl.europa.eu/news/public/focus_page/008-106348-001-01-01-901-20101203FCS06328-01-01-2006-2006/default_p001c009_en.htm

EMPLOYMENT AND SOCIAL AFFAIRS

Ministers Decline EP Proposal to Extend Maternity Leave

European ministers of labour and social affairs **swept aside a proposal by MEPs** demanding the extension of maternity leave from the current 14 to 20 weeks and full pay for the duration of the leave.

In Brussels yesterday, as expected, European countries declined the European Parliament proposal for a unified EU **minimum maternity leave of 20 weeks with full pay** for the women during it. The United Kingdom and France had declared in advance that they would not accept such a proposal because it would make disproportionate demands on their budgets. The Czech Republic opposed it for the same reason.

The EP's proposal was **even more generous than the EC's idea,** which originally only counted with an increase by four weeks. What is more, its proposal recommended rather than ordered the full pay throughout the leave. The Commission thought it should be at least at the level of sick pay.

European lawgivers were also urged to be modest by Commissioner Viviane Reding, who **had warned in late September against the impacts of the amendment on the Member States' budgets.**

"The Czech Republic has a 28-week maternity leave, which is **among the longest in the EU,** and we see no reason why to shorten it. We see the pecuniary benefits adequate as they are," Viktorie Plívová, spokeswoman for the Ministry of Labour and Social Affairs, explained. During their maternity leave, mothers are compensated for lost income with a pecuniary maternity assistance, one of the allowances within the health insurance system. It is paid out as 70% of the assessment basis. From January 2009, the maximum pecuniary maternity support was CZK 28,890.

With its proposal, the European Parliament missed reality; what is more, it did so in a fiscal crisis of Member States. The public budgets of EU Member States cannot currently afford it, plus it might turn against mothers on maternity leave, who might become victims of discrimination on the labour market as a result of more "protection".

http://www.consilium.europa.eu/uedocs/cms_data/docs/pressdata/en/lsa/118254.pdf

TRANSPORT AND ENERGY

Galileo Administration to Be Headquartered in Prague

The European navigation system Galileo, the European Union's largest space project, **will be headquartered in Prague.** Ministers of Member States approved it unanimously at the EU Council for Competitiveness.

Prague Holešovice will thus become the seat of the so far most ambitious space project of the European Union; the **GSA** (Galileo Supervising Authority) will relocate here within a year or two along with **the Galileo Board** with approx. 70 to 80 employees.

The project launch is expected in 2014. By then, the orbit should contain at least 14 satellites, which are necessary for the navigation system to operate. Galileo should rid Europe of its dependence on the US military system GPS.

Originally, Galileo was to be fully functional by 2010. The delay is due to **disagreements concerning the financial issues of the project.** The private sector was to be involved in it with two thirds. Eventually, European ministers of finance agreed to fund the first stage of Galileo fully from the European budget, amounting to EUR 3.4 billion. According to the regulation, the European Commission should present a proposal for funding the system after 2013 in 2010.

Public tenders and public competitions will be announced for building the system infrastructure, while the infrastructure will be divided into **six main work packages:**

- system engineering support;
- completion of infrastructure for the ground mission control;
- completion of ground control infrastructure;
- satellites;
- launchers;
- operation.

Additional packages are envisaged besides those above.

The location of the project in Prague is a very prestigious affair and an unquestionable success of Czech diplomacy. The Netherlands was the last rival for the Czech Republic struggling to acquire the Galileo headquarters. In addition to prestige, the scheme can be expected to **increase the**

Montenegro has become the fifth country with a current status of official candidate for EU accession. Among the five, Croatia is the closest to full-fledged membership, possibly expanding the ranks of the EU-27 in 2013. Representatives of both primary EU decision-making bodies agree on a new standard under which EU vans will have to cut their CO2 emissions to no more than 175 grams per kilometre by 2017. Europe agrees on a design for the universal mobile phone charger.

domestic know-how in astronautics, more business for local companies, and an influx of associated private investment.

http://www.consilium.europa.eu/uedocs/cms_data/docs/pressdata/en/intm/118426.pdf

Europe Drafting Legislation for Future Gas Crises

New EU legislation on security of natural gas supplies entered into force in early December. It should protect EU citizens from gas blackouts and other negative impacts of potential gas crises.

Who should respond to an emergency in the event of a gas blackout, when and how, should now be defined by each of the 27 member states under the new regulation. The regulation, approved in October 2010, **binds the states to secure natural gas supplies** by consistently applying market mechanisms and only allows introduction of emergency measures when the market stops working.

Member states should also clearly define responsibilities and **set mechanisms for co-ordinating their response to emergencies.** Under the new regulation, they should also define groups of sheltered customers or maintain solidarity with other member states.

The new regulation expects the establishment of specialized authorities in each state to supervise the progressive fulfilment of the new rules, develop critical solutions to emergencies, or agree with other states in their region on joint precautionary strategies. At the Union level, the common EU gas policy will be supervised by the **Gas Coordination Group,** composed of representatives of the member states, the gas industry, consumers, and others.

For example, the new regulation allows for the **Commission to declare an emergency** in the EU even if only one of the 27 member states enters a crisis. If two states enter an emergency, the Commission shale declare an emergency in all of the EU automatically. Brussels expects the new regulation to bring more transparency in the EU co-ordination when negotiating new contracts with third parties concerning gas supplies and pipeline construction.

The regulation is one of the elements of the common EU energy policy, which should lead to **more secure and efficient supplies of energy raw materials to member states**. The follow-up steps should include interconnecting the energy networks and building new storage capacities or extending the existing ones.

http://europa.eu/rapid/pressReleasesAction.do?reference=MEMO/10/641

ENLARGEMENT

Montenegro Now Candidate for Joining the EU

Heads of the EU-27 member states have heard the calls of the European Commission and **granted Montenegro the candidate status for EU accession.** Being granted that status entitles Montenegro to open accession negotiations. Their start has not been scheduled yet, and is not likely to be set soon.

The Montenegrin government is aware of that, and admits the **need for further necessary reforms.** "The decision of the EU-27 leaders is a great encouragement for Montenegro and affirmation of our long-term endeavour," Igor Lukšić Deputy Prime Minister of Montenegro, said to German DPA.

The European Commission proposed to grant the candidate status to Montenegro in November this year but highlighted several areas where Podgorica has to push harder for reforms.

According to Štefan Füle, EU Commissioner for Enlargement, Montenegro still has serious deficiencies in the legal area, and the **country's representatives now have seven main priorities** to fulfil in order to commence the accession talks.

The official candidates for EU accession now include the following:

- Croatia,
- Iceland,
- Macedonia (FYROM),
- Turkey,
- Montenegro.

Out of the five candidate countries, the EU has so far only opened accession talks **with Turkey and Croatia.** The

opening of the accession talks with Iceland is expected for the first half of the next year.

Croatia has the greatest prospect of joining the Union soon; it concluded another three negotiation chapters in December. Zagreb has thus completed 28 out of the 35 chapters, and does not waive its dreams to complete the accession talks by mid 2011 and join the European Union in the following year. In our opinion, it will not succeed in that, since negotiations in the environmental chapter will be a hard nut to crack, and will only **become the 28th EU Member State on 1 January 2013.**

http://www.consilium.europa.eu/uedocs/cms_data/docs/pressdata/en/ec/118578.pdf

EU Agrees to Reduce Emissions for Vans by 2017

Light utility vehicles manufactured in the EU after 2017 will be allowed to emit no more than 175 grams of CO2 per kilometre. Representatives of the European Parliament and the Council agreed on that. **The objective is to reduce the greenhouse gas emissions** and dependence on fossil fuels, mostly imported.

Still, the exhaust gas emission reduction will be slower and somewhat smaller than the EC had originally proposed.

Newly manufactured vans, minibuses and other light utility vehicles should **produce no more than 175 grams of CO2 per kilometre after 2017.** By 2020, the emissions should go down to 147 g/km.

The EC proposal **included more ambitious emission reduction.** European vans and minibuses were meant to achieve 175 grams of CO2 per kilometre already in 2016 and emit only 135 g/km in 2020.

The final proposal is thus a win primarily for big European car makers, which pushed the EC for softer targets. Their interests in the negotiations were enforced mainly by France and Germany, which had pushed for a less strict alternative of the proposal from the very start.

According to EU Commissioner for Climate Connie Hedegaard, the agreement is a success. "The agreed regulation will reduce emissions from light utility cars and **contribute to our overall endeavour to reduce transport emissions,"** the Commissioner said.

The agreed measure is another in the series of tools to reduce carbon dioxide emissions. The deadlines of 2017 and 2020 appear to be far enough for EU car manufacturers to prepare for them. Ultimately, consumers themselves will appreciate the more efficient engines, saving fuel costs.

http://europa.eu/rapid/pressReleasesAction.do?reference=IP/10/1728

INFORMATION SOCIETY

Newly in the EU with a Unified Mobile Charger

The European standardization authorities CEN-CENELEC and ETSI have developed **technical standards for a unified universal mobile telephone charger.** It is the latest result of the process to find a common mobile phone charger, initiated by the European Commission in December 2009 by mandating the authorities to find an appropriate solution.

Identifying the common charger **follows up on an agreement of fourteen major mobile phone manufacturers of June 2009** aiming at harmonizing chargers for so-called smartphones to be connectible with computers. The agreement was made by the following companies: Apple, Emblaze Mobile, Huawei Technologies, LGE, Motorola Mobility, NEC, Nokia, Qualcomm, Research In Motion (RIM), Samsung, Sony Ericsson, TCT Mobile (Alcatel), Texas Instruments, and Atmel.

"I am very happy to see that the European standardization authorities have met our requirements and developed technical standards for the common mobile phone charger in a short time. Now it is up to the manufacturers to fulfil their obligations and **start selling telephones for the new charger,"** EU Commissioner for Industry and Entrepreneurship Antonio Tajani said in a press release.

In addition to the actual user comfort - a family or office will make do with a single charger, they will not have to carry their mobile charger when visiting because they can borrow their hosts' - **the single charger will resolve a major environmental problem.** That has arisen due to heaps of thousands of tonnes of old chargers a year, becoming redundant after buying a new telephone.

The new universal chargers will have **an identical connector of the Micro-USB format,** which some mobile phone manufacturers are already using and experts think has the brightest future. The advantage of this type of connector is that it can charge the phone even when connected to a computer.

Unification of mobile chargers is a textbook example of harmonization and standardization that **brings clear positive results in multiple areas.**

http://europa.eu/rapid/pressReleasesAction.do?reference=IP/10/1776

The European Commission proposes a universal pan-European telephone number for EU businesses. Thanks to it, EU business would be better able to offer their products and services across the borders. The initiative is currently in the consultation stage. Eurostat statistics show that the Czech Republic is among countries with less than average use of the Internet. The European Commission presents a proposal opening a path to "reinforced co-operation" in the area of universal patenting.

DECEMBER 1

Two agricultural product names registered: http://ec.europa.eu/agriculture/newsroom/11_en.htm

Families across borders - untangling the knot: http://www.europarl.europa.eu/news/public/story_page/047-102191-333-11-49-908-20101129STO02028-2010-29-11-2010/default_en.htm

DECEMBER 2

Citizens' initiative takes one step closer: http://www.europarl.europa.eu/news/public/story_page/001-102228-333-11-49-901-20101129STO02030-2010-29-11-2010/default_en.htm

Cohesion policy in the news: http://ec.europa.eu/regional_policy/index_en.htm

Commission launches debate on the future of Value Added Tax (VAT): http://europa.eu/rapid/pressReleasesAction.do?reference=IP/10/1633

DECEMBER 3

Industrial policy takes centre stage: http://ec.europa.eu/enterprise/newsroom/cf/itemlongdetail.cfm?lang=en&item_id=4750

Transport: Belgium, France, Germany, Luxembourg, the Netherlands and Switzerland sign agreement towards the Single European Sky: http://europa.eu/rapid/pressReleasesAction.do?reference=IP/10/1648

DECEMBER 6

Justice and Home Affairs Council meeting: http://www.consilium.europa.eu/uedocs/cms_data/docs/pressdata/en/jha/118183.pdf

Commission confirms unannounced inspections in pharmaceutical sector: http://europa.eu/rapid/pressReleasesAction.do?reference=MEMO/10/647

Key indicators for the euro area: http://ec.europa.eu/economy_finance/db_indicators/key_indicators/index_en.htm

European Commission ready to start talks with US on personal data agreement to fight terrorism or crime: http://europa.eu/rapid/pressReleasesAction.do?reference=IP/10/1661

Employment, Social Policy, Health and Consumer Affairs Council meeting: http://www.consilium.europa.eu/uedocs/cms_data/docs/pressdata/en/lsa/118254.pdf

DECEMBER 7

Digital Agenda - Single Europe-wide phone number for EU businesses: http://europa.eu/rapid/pressReleasesAction.do?reference=IP/10/1664

New website to identify greener and more efficient vehicles: http://europa.eu/rapid/pressReleasesAction.do?reference=IP/10/1654

DECEMBER 8

Combating tax fraud - Agreement on strengthened mutual assistance and the exchange of information: http://www.consilium.europa.eu/uedocs/cms_Data/docs/pressdata/en/ecofin/118257.pdf

Council conclusions on crisis prevention, management and resolution: http://www.consilium.europa.eu/uedocs/cms_Data/docs/pressdata/en/ecofin/118266.pdf

Statistics: Nearly one woman in five aged 25-54 outside the labour market: http://epp.eurostat.ec.europa.eu/cache/ITY_PUBLIC/3-07122010-AP/EN/3-07122010-AP-EN.PDF

Good progress in cutting red tape: lending a hand to businesses: http://europa.eu/rapid/pressReleasesAction.do?reference=IP/10/1670

DECEMBER 9

Main results of the Economic and Financial Affairs Council: http://www.consilium.europa.eu/uedocs/cms_data/docs/pressdata/en/ecofin/118290.pdf

Promotion of EU agricultural products outside the EU: http://europa.eu/rapid/pressReleasesAction.do?reference=IP/10/1682

Strengthening sanctions for violations of EU financial services rules - the way forward: http://europa.eu/rapid/pressReleasesAction.do?reference=IP/10/1678

DECEMBER 10

Competitiveness Council meeting: http://www.consilium.europa.eu/uedocs/cms_data/docs/pressdata/en/intm/118426.pdf

Commission proposes new measures to improve future stability in the dairy sector: http://europa.eu/rapid/pressReleasesAction.do?reference=IP/10/1691

European Commission assesses measures taken by Greece in economic adjustment programme: http://ec.europa.eu/economy_finance/articles/sgp/2010-12-09-greece_en.htm

Commission launches Strategy to boost development of the Danube Region: http://europa.eu/rapid/pressReleasesAction.do?reference=IP/10/1687

DECEMBER 13

Foreign Affairs Council meeting: http://www.consilium.europa.eu/uedocs/cms_data/docs/pressdata/EN/foraff/118456.pdf

New European cultural heritage platform in 2011: http://www.eutrio.be/pressrelease/new-european-cultural-heritage-platform-2011

ESA test centre simulates Galileo launch: http://ec.europa.eu/enterprise/newsroom/cf/itemlongdetail.cfm?item_id=4781&lang=en&tpa=0&displayType=news

DECEMBER 14

General Affairs Council meeting: http://www.consilium.europa.eu/uedocs/cms_data/docs/pressdata/EN/genaff/118495.pdf

Agriculture and Fisheries Council meeting: http://www.consilium.europa.eu/uedocs/cms_data/docs/pressdata/en/agricult/118455.pdf

New security rules enter fully into force on 1 January 2011: http://europa.eu/rapid/pressReleasesAction.do?reference=IP/10/1700

DECEMBER 15

European Commission to cut red tape in cross-border court cases for businesses and consumers: http://europa.eu/rapid/pressReleasesAction.do?reference=IP/10/1705

Stricter financial regulation can help contain future asset bubbles and reduce macroeconomic imbalances: http://europa.eu/rapid/pressReleasesAction.do?reference=IP/10/1703

DECEMBER 16

Statistics - 80% of young internet users in the EU27 active on social media: http://epp.eurostat.ec.europa.eu/cache/ITY_PUBLIC/4-14122010-BP/EN/4-14122010-BP-EN.PDF

Households with internet access in 2010 in %

Netherlands	91	Estonia	68
Luxembourg	90	Slovakia	67
Sweden	88	Poland	63
Denmark	86	Lithuania	61
Germany	82	**CR**	**61**
Finland	81	Latvia	60
UK	80	Hungary	60
France	74	Spain	59
Belgium	73	Italy	59
Austria	73	Portugal	54
Ireland	72	Cyprus	54
Malta	70	Greece	46
EU27	**70**	Romania	42
Slovenia	68	Bulgaria	33

Source: Eurostat

Commission opens the way for some Member States to move forward on a unitary patent: http://europa.eu/rapid/pressReleasesAction.do?reference=IP/10/1714

Digital Agenda - eGovernment Action Plan to smooth access to public services across the EU: http://europa.eu/rapid/pressReleasesAction.do?reference=IP/10/1718

DECEMBER 17

Economic and Financial Affairs Council meeting: http://www.consilium.europa.eu/uedocs/cms_data/docs/pressdata/en/ecofin/117790.pdf

European Council: http://www.consilium.europa.eu/uedocs/cms_data/docs/pressdata/en/ec/118578.pdf

EU budget myths: http://ec.europa.eu/budget/documents/publications_en.htm?go=t1_3#table-1_3

Single Euro Payments Area - Commission sets deadline for pan-European payment system: http://europa.eu/rapid/pressReleasesAction.do?reference=IP/10/1732

DECEMBER 20

Environment Council meeting: http://www.consilium.europa.eu/uedocs/cms_data/docs/pressdata/en/envir/118652.pdf

EU and US launch joint website against counterfeiting and piracy: http://europa.eu/rapid/pressReleasesAction.do?reference=IP/10/1740

Enterprise and Industry: Commission welcomes decision by European Parliament and Council to repeal eight outdated metrology directives: http://europa.eu/rapid/pressReleasesAction.do?reference=IP/10/1724

DECEMBER 21

Taxation - Removing cross-border tax obstacles for EU citizens: http://europa.eu/rapid/pressReleasesAction.do?reference=IP/10/1751

Monthly Labour Market Monitor December 2010: http://ec.europa.eu/social/main.jsp?langId=en&catId=89&newsId=962&furtherNews=yes

DECEMBER 22

Turku and Tallinn - European Capitals of Culture in 2011: http://europa.eu/rapid/pressReleasesAction.do?reference=IP/10/1766

EU and EFSF funding plans to provide financial assistance for Ireland: http://europa.eu/rapid/pressReleasesAction.do?reference=IP/10/1768

DECEMBER 23

Three new chapters closed in accession negotiations with Croatia: http://ec.europa.eu/enlargement/index_cs.htm

January too will see a number of sessions of the crucial decision-making body of the European Union: the Council of the European Union, composed of Member State ministers. In addition to general matters, the Budapest session of the Council will deal with the priorities of the biannual Hungarian Presidency and prepare the agenda for the extraordinary February session of the European Council concerning energy and innovation issues.

Meeting of the key EU institutions

14. 1. 2011
- Informal General Affairs Council

17. 1. 2011
- Eurogroup

18. 1. 2011
- Economic and Financial Affairs Council

20. – 21. 1. 2011
- Informal meeting of JHA ministers

24. 1. 2011
- Agriculture and Fisheries Council

31. 1. 2011
- General Affairs Council

31. 1. 2011
- Foreign Affairs Council

Public consultation on EU legislation

Topic of the consultation	Organiser	Deadline
Legislative changes to the UCITS depositary function	DG MARKT	31.1.2011
Appropriateness of setting targets for bio-waste recycling	DG ENVI	31.1.2011
Review of the Markets in Financial Instruments Directive	DG MARKT	2.2.2011
Auctioning third phase EU Allowances prior to 2013	DG ENVI	7.2.2011
Implementation of the internal market for motor vehicles	DG ENTR	16.2.2011
Reinforcing national sanctioning regimes in the financial sector	DG MARK	19.2.2011
The external dimension of the EU energy policy	DG TREN	21.2.2011
EU funding in the area of home affairs after 2013	DG JHA	6.3.2011

Entering the new year 2011, filled with expectations as well as fears of further escalation of the European fiscal crisis, we bring a special analysis on this year's developments in the Euro zone. On the whole, we can conclude that the current financial instability in the Euro zone is not going to improve with the wave of a magic wand in the next year. However, the monetary union is not going to fall apart in spite of all its difficulties, because all EU countries, including the Czech Republic, would suffer a loss.

WHAT OF THE EURO ZONE IN 2011?

Have you read the Economist World 2011 yearbook? I advise you to. Especially those readers for whom the "hot topics" in the Czech puddle are too provincial and are more interested in real global problems and real geopolitical conflicts and want to make a clear picture of what the big politics will be about in the next year. One of the games will be about the future of the Euro zone, or the entire European Union. Let us try to look in the crystal orb and see the end of that game.

Political reasons against disintegration...

Although the single currency and common monetary policy is an economic issue, it has always been taken as a political project as well. Waiving national currencies and passing the powers to the European Central Bank in Frankfurt is another integrating step towards a united Europe. In a time of increasing international competition, unrestrained growth of giant developing economies and toughening globalization, fragmenting Europe would be an irresponsible step, throwing us some 15 years backwards.

Moreover, the disintegration of the Euro zone has the potential for causing a conflict among the countries that would result in centrifugal tendencies across the EU. Which would pose a risk of going back 50 years, which even the most die-hard Europessimists do not wish for.

In the said World 2011 yearbook, the above outlined reasons were plainly summed up by Radek Sikorski, Poland's Minister of Foreign Affairs, saying, "Whoever takes a look at the long-term demographic and economic trends should understand that the Western countries have to work together. We need more support to strategic integration."

... as well as economic ones

In the economic sphere, some advantages of going back to national currencies may be found, but the disadvantages prevail. At present, the term monetary war refers to the struggle of the USA versus China, or their central banks, over which currency will become weaker, which monetary authority manipulates the exchange rate more, and which party threatens with more trade measures. Fortunately, none of this applies to Europe. Yet in the 1980s and early 1990s, the term monetary wars referred to the mutual devaluations of the French franc, the Italian lira, and other currencies to the German mark, with frequent continuation in trade wars.

The European Monetary Union has prevented such disputes; no barriers to mutual trade were imminent even in the worst of times of the present financial and economic crisis, and the single internal market with a population of 500 million has stayed immaculate.

It's up to the Germans to decide

Leaving the Euro zone would not be wise even for its leaders, headed by Germany, which will be the chief decision maker. The hypothetical New Mark would grow by tens of per cent immediately, with deadly effects on the price competitiveness of German exporters. The export-oriented German economy would have a hard time recovering from such a blow, as 43% of German exports are to Euro zone countries. The decision would also have a fatal impact on the German banking sector, which would immediately have to write off investment in countries that have retained the Euro.

Chancellor Angela Merkel understands that when saying that the Euro zone has to be saved at any cost. Other relevant political powers of our western neighbour share similar opinions. It is true, however, that the nostalgia for a powerful mark lingers among German, and an earthquake scenario on Germany's political scene cannot be ruled out. A new populist party may gain preference to abuse the common people's sense of injustice over helping "lazy Greeks" and lead the country out of the Euro zone. The nearest federal election is in 2013.

Anyone to be counted out?

The black sheep of the Euro zone currently include Greece and Ireland, with Portugal up in the queue behind them and partially also Spain. What is the future of these countries? It would be fair to admit that Greece ought not to have been

admitted to the Euro zone. It only happened due to creative national accounting; the Greeks made no substantial convergence progress during their Euro zone presence, quite to the contrary: they have demonstrated that the Euro is too hard a currency for them. They have the chance now to prove regaining competitiveness by internal devaluation. If that fails - and footage of Athens streets on fire does not indicate much will to pinch and scrape among the Greeks - a currency devaluation and debt restructuring is the next step.

Both the steps will have to be taken at once to make any sense. Erasing part of the public debt while keeping the hard Euro will not lead to regaining competitiveness. On the other hand, introducing a weak New Drachma would only increase the nominal value of the debt, denominated in the strong Euro.

If any of the said difficult four ought to follow Greece's example, then that is Portugal. Although they have some brighter prospects still.

Ireland not likely

Ireland, in fact, is quite a different story. The Green Island got its banking sector out of control, as it had become too involved in the overheated real estate market and the regulator failed to pull the brake in time. An autonomous monetary policy would not have resolved the situation fully.

Like its counterparts abroad, the Irish Central Bank would have sensed a consumer inflation and had no mandate to burst the bubbles on the asset market. In spite of that, it is evident that the potential autonomous monetary policy of the Irish Central Bank would have been more restrictive than that of the ECB, the real estate bubble would not have grown so big, and the current bank losses would not be as massive. In a retrospective, however, the crucial failure was the 100% guarantee by the Irish government for deposits of Irish banks as well as bonds issued by them.

Spain has the least economic difficulties out of these countries at present. Given its sheer size (11.5% of the Euro zone), its bankruptcy and restoration of the peseta is hard to imagine. If financial markets ever make a bigger attack on Spain, then the ECB and the EU countries will exert maximum effort to save it. That would be the crucial moment, including installation of non-standard protective mechanisms, including the controversial joint European bonds for instance.

Whatever way the future of the Euro zone goes, one thing is for certain. In 2011, financial analysts will not be bored at work and readers of economic periodicals will not complain about lack of interesting topics.

Supplement: Key macroeconomic figures

Key macroeconomic figures of Greece

in %	2009	2010	2011	2012
GDP yoy growth	-2.3	-4.2	-3.0	1.1
Unemployment rate	9.5	12.5	15.0	15.2
Inflation (HICP)	1.3	4.6	2.2	0.5
Current account balance*	-14.0	-10.6	-8.0	-6.5
Public budget balance*	-15.4	-9.6	-7.4	-7.6
Public debt*	126.8	140.2	150.2	156.0

*Source: European Commission Economic outlook – autumn 2010, *) as of GDP*

Key macroeconomic figures of Ireland

in %	2009	2010	2011	2012
GDP yoy growth	-7.6	-0.2	0.9	1.9
Unemployment rate	11.9	13.7	13.5	12.7
Inflation (HICP)	-1.7	-1.5	0.4	0.6
Current account balance*	-3.1	-1.1	1.5	2.7
Public budget balance*	-14.4	-32.3	-10.3	-9.1
Public debt*	65.5	97.4	107.0	114.3

*Source: European Commission Economic outlook – autumn 2010, *) as of GDP*

Key macroeconomic figures of Portugal

in %	2009	2010	2011	2012
GDP yoy growth	-2.6	1.3	-1.0	0.8
Unemployment rate	9.6	10.5	11.1	11.2
Inflation (HICP)	-0.9	1.4	2.3	1.3
Current account balance*	-10.4	-10.7	-8.0	-6.7
Public budget balance*	-9.3	-7.3	-4.9	-5.1
Public debt*	76.1	82.8	88.8	92.4

*Source: European Commission Economic outlook – autumn 2010, *) as of GDP*

Key macroeconomic figures of Spain

in %	2009	2010	2011	2012
GDP yoy growth	-3.7	-0.2	0.7	1.7
Unemployment rate	18.0	20.1	20.2	19.2
Inflation (HICP)	-0.2	1.7	1.5	1.4
Current account balance*	-5.5	-4.8	-3.8	3.6
Public budget balance*	-11.1	-9.3	-6.4	-5.5
Public debt*	53.2	64.4	69.7	73.0

*Source: European Commission Economic outlook – autumn 2010, *) as of GDP*

After having identified and systemised the development needs and priorities of the individual regions resulting from the synthesis of the processed regional development strategies, which we presented in the last December issue of the EU News Monthly, it makes sense to compare them with selected indicators of the socioeconomic advancement of the respective regions, which will make it possible for us to quantify the absorption capacity potential of these regions.

ABSORPTION CAPACITY POTENTIAL OF CZECH REPUBLIC'S REGIONS IN RESPECT OF FUTURE EU COHESION POLICY – PART I

In another of our essays, the amount and volume of GDP in current prices for each region will serve as the basic directing parameter for defining the absorption capacity potential for each cohesion and administrative region of the Czech Republic. Existing experience indicates that the proportion of funds originating from EU Cohesion Policy instruments in an economy of the Czech type is a little over 3% of the regional GDP. Given the evident similarity of the main parameters and rules of the Cohesion Policy, let us assume that the proportion will be approximately 3.0-3.5% in the next programming period.

In our further calculations, based on identifying both current key development parameters and the relative positions of the cohesion and administrative regions of the Czech Republic and the resulting ranking of their economic maturity and assumed economic maturity, we shall attribute values near 3.0 per cent to the more mature regions in the Czech Republic, and near 3.5% to the less mature. Naturally, Prague has a specific position, being a super-rich region which can no longer reach EU Cohesion Policy funds for convergence priorities, and its welfare and development priorities will be secured at a ratio to its GDP perceptibly lower than in underdeveloped regions.

Given the need to identify a reasonable proportion of all types of priorities, especially development and convergence ones, regions with a powerful innovative potential above all receive a certain bonus when calculating the regions' absorption capacity potential.

GDP IN CURRENT PRICES – REGIONAL BREAK-UP

Volume of GDP in current prices – historical data

GDP in current prices in the Czech Republic (mil. €)

	1995	2000	2004	2005	2006	2007	2008
Czech Republic	**1 466 522**	**2 189 169**	**2 814 762**	**2 983 862**	**3 222 369**	**3 535 460**	**3 688 994**
Czech Republic without Prague	1 172 864	1 685 637	2 152 754	2 267 637	2 441 498	2 654 597	2 754 899
CR without Prague and Central Bohemia	1 037 143	1 462 409	1 854 446	1 958 909	2 095 555	2 272 811	2 359 407

Source: Czech Statistical Office

GDP in current prices in the CR's region NUTS II (mil. €)

	1995	2000	2004	2005	2006	2007	2008
Prague	293.658	503.532	662.008	716.225	780.871	880.863	934.095
Central Bohemia	135.722	223.229	298.308	308.728	345.943	381.786	395.492
SouthWest	159.667	232.961	300.097	316.054	341.059	361.111	374.803
NorthWest	151.601	198.055	251.336	261.785	278.606	298.867	315.769
NorthEast	193.703	285.557	346.951	366.130	389.410	419.985	428.487
SouthEast	218.854	316.897	404.479	425.864	460.278	505.359	525.648
Central Moravia	153.533	216.077	268.009	280.108	299.581	327.451	342.242
Moravia-Silesia	159.785	212.862	283.574	308.968	326.621	360.037	372.458

Source: Czech Statistical Office

GDP in current prices in the CR's region NUTS III (mil. €)

	1995	2000	2004	2005	2006	2007	2008
Prague	293.658	503.532	662.008	716.225	780.871	880.863	934.095
CentralBohemia r.	135.722	223.229	298.308	308.728	345.943	381.786	395.492
SouthBohemia r.	83.383	122.662	154.181	164.609	177.119	185.664	195.115
Plzeň region	76.284	110.299	145.916	151.445	163.940	175.447	179.688
Karlovy Vary region	40.474	54.360	65.063	66.895	68.609	74.642	78.367

Ústí nad Labem r.	111.127	143.695	186.273	194.889	209.997	224.225	237.402
Liberec region	55.211	81.807	94.693	104.689	109.657	114.090	114.121
Hradec Králové r.	73.382	111.179	135.420	139.985	146.242	160.244	162.711
Pardubice region	65.110	92.571	116.838	121.457	133.511	145.651	151.655
Vysočina region	62.621	91.765	120.038	126.025	135.150	147.958	152.148
SouthMoravia reg.	156.233	225.131	284.441	299.839	325.128	357.402	373.500
Olomouc region	77.028	109.552	138.214	141.197	148.755	162.226	173.089
Zlín region	76.505	106.525	129.796	138.911	150.827	165.225	169.153
Moravia-Silesia r.	159.785	212.862	283.574	308.968	326.621	360.037	372.458

Source: Czech Statistical Office

In the absolute nominal expression for 2008, the average value is CZK 461,124 million for the NUTS 2 cohesion regions, and CZK 263,500 million for regions.

GDP: relative position of regions NUTS II and NUTS III to the average of the CR in 2008

NUTS 2 Region	Relative position (CR's average = 0)	NUTS III Region	Relative position (CR's average = 0)
Prague	+10,0	Prague	+10,0
Central Bohemia	-1,4	CentralBohemia region	+5,0
SouthWest	-1,8	SouthBohemia region	-2,6
NorthWest	-3,1	Plzeň region	-3,2
NorthEast	-0,7	Karlovy Vary region	-7,0
SouthEast	+1,4	Ústí nad Labem region	-1,0
Central Moravia	-2,6	Liberec region	-5,8
Moravia-Silesia	-1,9	Hradec Králové region	-3,8
		Pardubice region	-4,2
		Vysočina region	-4,2
		SouthMoravia region	+4,2
		Olomouc region	-3,4
		Zlín region	-3,6
		Moravia-Silesia region	+4,1

Source: Czech Statistical Office

It follows clearly from the table of absolute values and relative positions that in convergence regions, the absolute value of its GDP itself is a significant determinant of the overall absorption capacity potential. According to that rule, the larger the region, or its production base, the higher its absorption capacity potential. At the cohesion region level, excepting Prague (whose specific position we have described earlier and which thus in fact does not belong in our ranking), NUTS2 Southeast has the most convenient position for the absorption capacity potential calculation; NUTS2 Northwest has the worst one.

This starting position, however, is then modified by a number of additional parameters: quantitatively by the assumed projection of regional development, and qualitatively by numerous other parameters and variables employed in our exploration.

To assess the future trend in regional development at the cohesion and administrative region levels, we are assisted by a projection of the expected development in the region's GDP, which is based on the currently assumed development potential of the Czech Republic as a whole. True, making a long-term projection is a qualified wish rather than a meaningful rational estimate in the present time of increased uncertainty, yet we can assume the projection data to help us further specify the absorption capacity potential for each cohesion and administrative region of the Czech Republic.

Volume of GDP in current prices – long-term outlook

Long-term outlook of GDP in current prices in the Czech Republic (mil. €)

	2008	2010	2012	2015	2018	2020
Czech Republic	3 688 994	3 621 156	3 927 059	4 495 821	5 141 604	5 646 577
Czech Republic without Prague	2 754 899	2 713 018	2 929 144	3 329 608	3 829 894	4 214 190
CR without Prague and Central Bohemia	2 359 407	2 330 103	2 511 000	2 854 731	3 285 400	3 602 396

Source: Czech Statistical Office

Long-term outlook of GDP in current prices in the CR's regions NUTS II (mil. €)

	2008	2010	2012	2015	2018	2020
Prague	934 095	908 138	997 915	1,166 213	1,311 710	1,432 387
Central Bohemia	395 492	382 915	418 144	474 877	544 494	611 794
SouthWest	374 803	366 745	396 634	454 781	531 480	602 804
NorthWest	315 769	308 980	330 979	379 501	439 280	484 306
NorthEast	428 487	419 574	449 448	505 521	579 631	626 929
SouthEast	525 648	524 807	562 173	638 449	725 074	791 780
Central Moravia	342 242	338 135	365 693	415 310	476 194	510 099
Moravia-Silesia	372 458	371 862	406 073	461 169	538 741	596 478

Source: Czech Statistical Office

Long-term outlook of GDP in current prices in the CR's regions NUTS III (mil. €)

	2008	2020
Prague	934 095	1,432 387
CentralBohemia r.	395 492	611 794
SouthBohemia r.	195 115	316 473
Plzeň region	179 688	286 331
Karlovy Vary region	78 367	121 228
Ústí nad Labem r.	237 402	363 078
Liberec region	114 121	169 271
Hradec Králové r.	162 711	238 233
Pardubice region	151 655	219 425
Vysočina region	152 148	227 537
SouthMoravia reg.	373 500	564 243
Olomouc region	173 089	255 050
Zlín region	169 153	255 050
Moravia-Silesia r.	372 458	596 478

Source: Czech Statistical Office

In the absolute nominal expression for 2008, the average value is CZK 461,124 million for the NUTS 2 cohesion regions, and CZK 263,500 million for regions.

Long-term outlook of GDP: relative position of regions NUTS II and NUTS III to the average of the CR in 2020

NUTS II Region	Relative position (CR's average = 0)	NUTS III Region	Relative position (CR's average = 0)
Prague	+10.0	Prague	+10.0
Central Bohemia	-1.3	CentralBohemia region	+5.2

SouthWest	-1.5	SouthBohemia region	-2.2
NorthWest	-3.1	Plzeň region	-2.9
NorthEast	-1.1	Karlovy Vary region	-7.0
SouthEast	+1.2	Ústí nad Labem region	-1.0
Central Moravia	-2.8	Liberec region	-5.8
Moravia-Silesia	-1.5	Hradec Králové region	-4.1
		Pardubice region	-4.6
		Vysočina region	-4.4
		SouthMoravia region	+4.0
		Olomouc region	-3.7
		Zlín region	-3.7
		Moravia-Silesia region	+4.8

Source: Czech Statistical Office

GDP PER CAPITA – REGIONAL BREAK-UP

GDP per capita in the Czech Republic (mil. €)

	1995	2000	2004	2005	2006	2007	2008
Czech Republic	141 957	213 110	275 770	291 561	313 868	342 494	353 701
Czech Republic without Prague	128 630	185 467	238 102	250 347	268 797	290 875	299 302
CR without Prague and Central Bohemia	129 472	183 364	234 634	247 717	264 706	286 277	295 382

Source: Czech Statistical Office

GDP per capita in the CR's regions NUTS II (mil. €)

	1995	2000	2004	2005	2006	2007	2008
Prague	242 161	425 316	567 946	608 975	659 756	736 228	762 352
Central Bohemia	122 544	200 538	262 192	268 429	296 556	321 631	325 034
SouthWest	134 939	197 820	255 481	268 494	288 610	303 787	312 155
NorthWest	134 075	175 024	223 541	232 168	247 042	264 217	276 297
NorthEast	129 675	191 784	234 492	247 107	262 100	281 576	285 086
SouthEast	131 437	191 165	246 683	259 629	280 298	306 655	317 037
Central Moravia	122 591	173 681	217 705	227 836	243 702	266 110	277 589
Moravia-Silesia	124 311	166 891	226 089	246 825	261 316	288 186	297 926

Source: Czech Statistical Office

GDP per capita in the CR's regions NUTS III (mil. €)

	1995	2000	2004	2005	2006	2007	2008
Prague	242 161	425 316	567 946	608 975	659 756	736 228	762 352
CentralBohemia r.	122 544	200 538	262 192	268 429	296 556	321 631	325 034
SouthBohemia r.	132 949	195 948	246 523	262 632	281 664	294 058	307 454
Plzeň region	137 183	199 944	265 681	275 169	296 510	314 809	317 425
Karlovy Vary region	132 660	178 465	214 218	219 627	225 263	244 233	253 964
Ústí nad Labem r.	134 597	173 756	226 991	236 810	255 100	271 616	284 558
Liberec region	128 721	190 641	221 558	244 447	255 133	264 031	261 872

Hradec Králové r.	132 420	201 667	247 572	255 518	266 319	291 076	293 960
Pardubice region	127 497	182 033	231 273	240 245	263 436	286 196	295 219
Vysočina region	121 363	178 550	235 264	247 109	264 423	288 667	295 785
SouthMoravia reg.	135 960	196 834	251 841	265 278	287 472	314 774	326 596
Olomouc region	118 290	169 573	216 033	220 972	232 639	253 277	269 684
Zlín region	127 250	178 119	219 514	235 265	255 695	280 042	286 172
Moravia-Silesia r.	124 311	166 891	226 089	246 825	261 316	288 186	297 926

Source: Czech Statistical Office

In the absolute nominal expression for 2008, the average value is CZK 461,124 million for the NUTS 2 cohesion regions, and CZK 263,500 million for regions.

GDP per capita: relative position of regions NUTS II and NUTS III to the average of the CR in 2008

NUTS II Region	Relative position (CR's average = 0)	NUTS III Region	Relative position (CR's average = 0)
Prague	+10,0	Prague	+10,0
Central Bohemia	-0,8	CentralBohemia region	-0,8
SouthWest	-1,2	SouthBohemia region	-1,3
NorthWest	-2,2	Plzeň region	-1,0
NorthEast	-1,9	Karlovy Vary region	-2,8
SouthEast	-1,0	Ústí nad Labem region	-2,0
Central Moravia	-2,2	Liberec region	-2,6
Moravia-Silesia	-1,6	Hradec Králové region	-1,7
		Pardubice region	-1,7
		Vysočina region	-1,6
		SouthMoravia region	-0,8
		Olomouc region	-2,4
		Zlín region	-1,9
		Moravia-Silesia region	-1,6

Source: Czech Statistical Office

In respect of the different level of economic maturity (measured as GDP per capita), the following regions can be defined as more needy (with a stronger accent on convergence priorities): Central Moravia (especially due to Olomouc Region, but the position of Zlín Region is not much more flattering), and Northwest (especially Karlovy Vary Region); to some degree Northeast (chiefly Liberec Region) and Moravia-Silesia as well. These regions will be treated relatively preferentially compared to the others in the final absorption capacity potential calculation. On the other hand, Central Bohemia, Southeast and Southwest do not require so much intervention in terms of convergence priorities; in this respect, they are more likely to focus on development and welfare interventions.

LABOUR PRODUCTIVITY PER EMPLOYEE – REGIONAL BREAK-UP

Labour productivity per employee in the Czech Republic (CR's average = 100)

	1995	2000	2004	2005	2006	2007	2008
Czech Republic	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**
Czech Republic without Prague	94.5	91.9	91.5	91.3	91.5	90.2	90.1

Source: Czech Statistical Office

Labour productivity per employee in the CR's regions NUTS II (CR's average = 100)

	1995	2000	2004	2005	2006	2007	2008
Prague	129.9	141.8	143.5	143.0	141.2	148.6	148.1
Central Bohemia	94.9	102.0	100.1	100.5	101.9	99.5	99.5
SouthWest	95.1	91.4	91.6	90.6	91.7	88.8	88.2
NorthWest	97.0	89.5	87.8	87.2	87.2	87.4	87.2
NorthEast	91.2	91.3	87.1	86.6	86.4	85.5	84.9
SouthEast	96.3	91.9	92.9	92.9	93.4	92.2	92.2
Central Moravia	93.8	88.6	86.2	86.1	84.4	83.0	84.9
Moravia-Silesia	94.1	89.6	95.4	96.6	96.1	95.6	94.3

Source: Czech Statistical Office

Labour productivity per employee in the CR's regions NUTS III (CR's average = 100)

	1995	2000	2004	2005	2006	2007	2008
Prague	129.9	141.8	143.5	143.0	141.2	148.6	148.1
CentralBohemia r.	94.9	102.0	100.1	100.5	101.9	99.5	99.5
SouthBohemia r.	94.1	91.7	90.8	91.8	92.1	87.3	89.0
Plzeň region	96.2	91.1	92.6	89.2	91.3	90.5	87.2
Karlovy Vary region	90.2	79.3	77.2	73.9	72.6	74.2	75.2
Ústí nad Labem r.	99.7	94.1	92.2	92.9	93.4	93.0	92.0
Liberec region	88.9	90.9	80.7	86.0	84.9	81.7	81.1
Hradec Králové r.	93.1	92.7	93.2	88.8	86.7	88.1	87.0
Pardubice region	91.1	90.1	86.0	84.7	87.4	85.8	85.6
Vysočina region	92.8	88.1	90.3	91.9	90.9	88.8	88.7
SouthMoravia reg.	97.7	93.5	94.0	93.3	94.5	93.7	93.7
Olomouc region	92.4	90.4	88.7	84.5	81.3	80.6	85.0
Zlín region	95.3	86.8	83.7	87.8	87.7	85.4	84.7
Moravia-Silesia r.	94.1	89.6	95.4	96.6	96.1	95.6	94.3

Source: Czech Statistical Office

In the absolute nominal expression for 2008, the average value is CZK 461,124 million for the NUTS 2 cohesion regions, and CZK 263,500 million for regions.

Labour productivity per employee: relative position of regions NUTS II and NUTS III to the average of the CR in 2008

NUTS II Region	Relative position (CR's average = 0)	NUTS III Region	Relative position (CR's average = 0)
Prague	+10,0	Prague	+10,0
Central Bohemia	-0,8	CentralBohemia region	-0,8
SouthWest	-1,2	SouthBohemia region	-1,3
NorthWest	-2,2	Plzeň region	-1,0
NorthEast	-1,9	Karlovy Vary region	-2,8
SouthEast	-1,0	Ústí nad Labem region	-2,0
Central Moravia	-2,2	Liberec region	-2,6
Moravia-Silesia	-1,6	Hradec Králové region	-1,7
		Pardubice region	-1,7

Vysočina region	-1,6
SouthMoravia region	-0,8
Olomouc region	-2,4
Zlín region	-1,9
Moravia-Silesia region	-1,6

Source: Czech Statistical Office

SECTORAL BREAK-UP OF GDP CREATION – REGIONAL BREAK-UP

Sectoral break-up in the Czech Republic in 2008 (%)

	Primary sector	Secondary sector	Tertiary sector
Czech Republic	**2.5**	**37.6**	**59.9**
Czech Republic without Prague	3.3	44.1	52.5

Source: Czech Statistical Office

Sectoral break-up in the CR's regions NUTS II in 2008 (%)

	Primary sector	Secondary sector	Tertiary sector
Prague	0.2	18.3	81.5
Central Bohemia	3.1	42.7	54.2
SouthWest	4.7	42.1	53.2
NorthWest	1.7	49.5	48.8
NorthEast	3.7	44.3	52.0
SouthEast	4.3	39.5	56.1
Central Moravia	3.4	43.9	52.7
Moravia-Silesia	1.6	49.8	48.5

Source: Czech Statistical Office

Sectoral break-up in the CR's regions NUTS III in 2008 (%)

	Primary sector	Secondary sector	Tertiary sector
Prague	0.2	18.3	81.5
CentralBohemia r.	3.1	42.7	54.2
SouthBohemia r.	5.1	42.8	52.1
Plzeň region	4.2	41.3	54.5
Karlovy Vary region	2.8	43.0	54.2
Ústí nad Labem r.	1.3	51.6	47.0
Liberec region	1.5	46.0	52.5
Hradec Králové r.	4.6	44.0	51.4
Pardubice region	4.5	43.3	52.2
Vysočina region	7.3	51.2	41.5
SouthMoravia reg.	3.1	34.8	62.1
Olomouc region	4.2	39.0	56.7
Zlín region	2.5	48.9	48.6
Moravia-Silesia r.	1.6	49.8	48.5

Source: Czech Statistical Office

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	IX-10	X-10	XI-10	IX-10	X-10	XI-10
Belgium	2.9	1.0	-3.1	2.2	-2.9	0.5	8.4	8.3	8.3	2.9	3.1	3.0
Bulgaria	6.2	6.0	-5.0	-26.8	-24.0	-9.4	10.1	10.1	10.2	3.6	3.6	4.0
CR	6.1	2.5	-4.8	-3.2	-0.7	-1.1	7.1	7.2	7.3	1.8	1.8	1.9
Denmark	1.7	-0.9	-4.9	1.5	2.2	4.0	7.6	7.8	8.0	2.5	2.4	2.5
Germany	2.5	1.3	-5.0	7.6	6.7	4.9	6.7	6.7	6.7	1.3	1.3	1.6
Estonia	7.2	-3.6	-14.1	-17.8	-9.4	4.6	16.2	na	na	3.8	4.5	5.0
Ireland	6.0	-3.0	-7.5	-5.3	-5.2	-2.9	13.9	13.9	13.9	-1.0	-0.8	-0.8
Greece	4.5	2.0	-2.0	-14.4	-14.6	-11.2	12.9	na	na	5.7	5.2	4.8
Spain	3.6	0.9	-3.6	-10.0	-9.7	-5.4	20.6	20.6	20.6	2.1	2.3	2.2
France	2.3	0.4	-2.2	-1.0	-2.3	-2.2	9.7	9.7	9.8	1.8	1.8	1.8
Italy	1.5	-1.3	-5.0	-2.4	-3.4	-3.2	8.4	8.7	8.7	1.6	2.0	1.9
Cyprus	5.1	3.6	-1.7	-11.7	-17.5	-8.3	6.9	7.1	7.2	3.6	3.2	1.7
Latvia	10.0	-4.6	-18.0	-22.3	-13.0	9.4	18.2	na	na	0.3	0.9	1.7
Lithuania	9.8	2.8	-15.0	-14.5	-11.9	3.8	18.3	na	na	1.8	2.6	2.5
Luxembourg	6.5	0.0	-3.6	9.7	5.3	5.6	4.7	4.7	4.8	2.6	2.9	2.5
Hungary	1.0	0.6	-6.3	-6.6	-7.0	0.2	11.0	11.2	11.3	3.7	4.3	4.0
Malta	3.8	2.1	-1.9	-6.1	-5.6	-3.9	6.5	6.5	6.3	2.4	2.2	3.4
Netherlands	3.6	2.0	-4.0	8.7	4.8	5.4	4.4	4.4	4.4	1.4	1.4	1.4
Austria	3.5	2.0	-3.6	3.6	na	na	4.7	4.9	5.1	1.7	2.0	1.8
Poland	6.8	5.0	1.7	-4.7	-5.1	-1.6	9.7	9.8	9.8	2.5	2.6	2.6
Portugal	1.9	0.0	-2.7	-9.4	-12.0	-10.3	11.1	11.0	11.0	2.0	2.3	2.2
Romania	6.3	7.3	-7.1	-13.4	-11.6	-4.5	7.3	na	na	7.7	7.9	7.7
Slovenia	6.8	3.5	-7.8	-4.8	-6.2	-1.0	7.3	7.5	7.5	2.1	2.1	1.6
Slovakia	10.6	6.2	-4.7	-5.7	-6.6	-3.2	14.5	14.5	14.5	1.1	1.0	1.0
Finland	4.9	1.2	-7.8	4.3	3.1	1.3	8.1	8.0	7.9	1.4	2.3	2.4
Sweden	2.5	-0.2	-4.9	8.4	9.5	7.3	8.2	8.1	7.8	1.5	1.6	1.7
UK	2.6	0.5	-4.9	-2.7	-1.5	-1.3	7.8	na	na	3.1	3.2	3.3
EU	2.9	0.8	-4.2	-1.0	-1.9	-1.1	9.6	9.6	9.6	2.2	2.3	2.3

	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	-0.3	-1.3	-6.0	84.2	89.6	96.2	116.0	115.0	116.0	108.3	111.1	113.9
Bulgaria	1.1	1.7	-4.7	17.2	13.7	14.7	40.0	44.0	na	46.2	50.2	52.7
CR	-0.7	-2.7	-5.8	29.0	30.0	35.3	80.0	81.0	82.0	62.4	72.8	70.6
Denmark	4.8	3.4	-2.7	27.4	34.2	41.4	123.0	123.0	121.0	137.4	141.2	144.6
Germany	0.3	0.1	-3.0	64.9	66.3	73.4	116.0	116.0	116.0	101.9	103.8	106.4
Estonia	2.5	-2.8	-1.7	3.7	4.6	7.2	69.0	68.0	64.0	73.1	78.0	75.1
Ireland	0.0	-7.3	-14.4	25.0	44.3	65.5	147.0	133.0	127.0	124.5	127.6	125.0
Greece	-6.4	-9.4	-15.4	105.0	110.3	126.8	91.0	93.0	93.0	90.7	94.0	97.4
Spain	1.9	-4.2	-11.1	36.1	39.8	53.2	105.0	103.0	103.0	92.8	95.4	97.4
France	-2.7	-3.3	-7.5	63.8	67.5	78.1	108.0	107.0	108.0	108.1	110.8	114.3
Italy	-1.5	-2.7	-5.3	103.6	106.3	116.0	104.0	104.0	104.0	102.9	105.6	106.5
Cyprus	3.4	0.9	-6.0	58.3	48.3	58.0	93.0	97.0	98.0	88.1	90.5	91.2
Latvia	-0.3	-4.2	-10.2	9.0	19.7	36.7	56.0	56.0	52.0	66.6	72.6	74.8
Lithuania	-1.0	-3.3	-9.2	16.9	15.6	29.5	59.0	61.0	55.0	60.0	64.7	67.8
Luxembourg	3.7	3.0	-0.7	6.7	13.6	14.5	275.0	280.0	271.0	115.3	119.1	121.3
Hungary	-5.0	-3.7	-4.4	66.1	72.3	78.4	62.0	64.0	65.0	66.7	68.1	65.5
Malta	-2.3	-4.8	-3.8	61.7	63.1	68.6	77.0	78.0	81.0	75.5	78.8	81.4
Netherlands	0.2	0.6	-5.4	45.3	58.2	60.8	132.0	134.0	131.0	101.9	104.0	108.5
Austria	-0.4	-0.5	-3.5	59.3	62.5	67.5	123.0	124.0	124.0	102.2	105.1	107.9
Poland	-1.9	-3.7	-7.2	45.0	47.1	50.9	54.0	56.0	61.0	62.0	69.1	58.6
Portugal	-2.8	-2.9	-9.3	62.7	65.3	76.1	78.0	78.0	80.0	85.7	87.0	89.3
Romania	-2.6	-5.7	-8.6	12.6	13.4	23.9	42.0	47.0	46.0	63.8	60.9	57.5
Slovenia	0.0	-1.8	-5.8	23.4	22.5	35.4	88.0	91.0	88.0	79.0	82.3	85.5
Slovakia	-1.8	-2.1	-7.9	29.6	27.8	35.4	68.0	72.0	73.0	63.2	70.2	73.7
Finland	5.2	4.2	-2.5	35.2	34.1	43.8	117.0	118.0	113.0	119.9	124.3	126.4
Sweden	3.6	2.2	-0.9	40.0	38.2	41.9	125.0	122.0	118.0	115.7	114.5	107.0
UK	-2.7	-5.0	-11.4	44.5	52.1	68.2	116.0	115.0	112.0	112.6	100.1	92.7
EU	-0.9	-2.3	-6.8	58.8	61.8	74.0	100.0	100.0	100.0	100.0	100.0	100.0

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