



# EU News

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Dear Readers,

One of the central economic topics of the last year and a half has been the “Greek Bankruptcy”. An extraordinary summit of the European Council, held during the otherwise holiday atmosphere of July, was certainly the most important event of the past month and gave this slightly fuzzily interpreted theme a more distinct shape with definite outlines of what the bankruptcy of a European country under the conditions of the early twenty-first century really means.

The verdict passed down by the European Council led to two key decisions, which made it possible to conceptualise exactly what the bankruptcy of a long-term problematic country under current European conditions really means – a country towards whom everyone has been acting benevolently for years (and whose problems are more or less known and are in fact nothing new). Specifically, the time period allowed for meeting obligations was significantly extended for Greece under more favourable financial conditions and the solution includes the participation of the private sector (primarily banks and other financial institutions) in the solution to the entire problem.

The time extension provided for the Greek obligations is a realistic reaction that is intended to ensure that the fulfilment of these obligations can actually take place and is feasible. If any economy creates a problem as chronic as in this case, it would be illusory to believe that the problem can be solved in only a fraction of that time. However, this extended period should be that much more carefully monitored and made conditional upon the completion of certain individual tasks, which will ultimately lead to the attainment of the final goal, in order to make sure that not one single day is wasted. The involvement of private institutions is also logical. Firstly, an number of them have already been involved in the entire problem over the long term and the options now offered will allow them to gain back some of the funds they have invested (albeit under different conditions and at a later date). In the current situation, Greece needs to undergo restructuring and to strengthen the competitive strength of its economy like a fish needs water. In order for this to happen under the partial direction of banks can be a bilaterally effective and advantageous step (God save us though if even this additional bank participation fails).

The generous decision of the European Council certainly does not provide a definitive solution to the Greek problem – it only creates a framework that provides Greece with the opportunity of proving exactly “what it has”. Either the country will use this opportunity in a rational manner (and following, for example, the sample set by some of the Baltic states will perform an internal devaluation, revive and revitalise its industrial sector and improve the effectiveness of everything in any way related to its economy), or it will let this opportunity pass and will drown in its internal problems and disputes. If the latter occurs, then the harsher forms and consequences of bankruptcy will fall into play – almost certainly without a human face and with the possible loss of national and political influence within the borders of its own country. This last decision is simply the last attempt to resolve things “by fair means”.

Petr Zahradník



At an extraordinary summit, the European Union's leaders agreed to provide another rescue package of EUR 109 billion to Greece. The Ministry of Finance has published a report in which it states that the Czech Republic's net position in relation to the EU budget for the first half of 2011 is CZK 17.4 billion. The European Banking Authority has published the results of additional stress tests performed on EU banks. Out of ninety institutions that were tested, eight banks failed the test.

## ECONOMY AND EURO

### EU leaders propose solution to the Greek crisis

At an extraordinary summit, the top representatives from the eurozone countries attempted **to draw the final line with regard to the Greek debt crisis**. Athens is slated to receive an additional EUR 109 billion from the countries of the eurozone and the IMF through various forms of support by 2014. Private investors will participate on a voluntary basis in helping to rescue Greece's public financing.

The politicians agreed on a change to the competencies of the EFSF rescue fund. In the future, it could provide a line of credit to countries that are only facing the threat of a crisis. In this way, countries like Italy and Spain, on which the financial markets started focusing their attention in relation to the last events of the Greek drama, could receive aid from the fund. At the same time, the EFSF will be able **to purchase Greek obligations directly on the secondary market** (if the ECB considers this step to be necessary). Finally, the EFSF will also be able to participate in the recapitalisation of the affected banks.

The ECB promised **to continue providing loans against collateral provided in the form of Greek bonds** guaranteed by the EFSF fund. Without this condition, the entire Greek banking sector, which is dependent on loans from Frankfurt, would basically collapse.

The politicians also agreed **to extend the maturity date for the loans made to Greece to fifteen and more years**. In addition, the interest rate that Athens is paying to the Union and to the IMF will be reduced by one percentage point (to 3.5%). The interest rate on the similar loans made to Ireland, which has up to now been paying 5.8%, will be reduced to the same level.

Greece will also be helped by **the "Marshall Plan" for European investments**, which should help the Greek economy grow at a faster rate. The details of this plan have not yet been made public.

For the first time in history, **representatives from the world of finance participated** in a summit of the political elite from the eurozone states. They were led by Josef Ackerman, the CEO of Deutsche Bank and the Chairman of the Institute for International Finance, and Baudouin Prot, the CEO of BNP Paribas.

The final consensus includes several options for the participation of the private sector:

- **The exchange of Greek bonds for new ones** with a longer maturity period (with an EFSF guarantee);

- **The obligation to purchase new long-term Greek bonds** (with an EFSF guarantee) at the time the current ones mature; and
- **The buyback of state bonds for a price** that is lower than their nominal value.

The private sector will contribute EUR 106 billion to the rescue effort by 2019. This will **decrease the Greek debt towards private investors by approximately 21%**.

The conclusions from the extraordinary summit of the European Council are encouraging and are headed in the right direction. Nevertheless, we believe that, in order for Greece to escape from its trap of debts, **even more significant write-off of its obligations will be necessary**.

<http://www.european-council.europa.eu/home-page/highlights/a-common-response-to-the-crisis-situation.aspx?lang=en>

## BUDGET

### The CR received 17 billion more from the EU than it paid in 1H 2011

During the first half of 2011, the Czech Republic received 36.9 billion crowns from the EU's common budget as compared to the 19.5 billion it paid into it. **The CR's net position for the first half of 2011 is significantly positive as can be seen in the 17.4 billion crown difference**.

The Czech Republic's positive balance with regard to the European budget is the result of the traditional **income received from the structural funds and the Cohesion Fund**, but the main contribution was from the **resources received from the Common Agricultural Policy**, which are consistently increasing in line with the Accession Agreement.

The Czech Republic received **CZK 13.4 billion** for cohesion policy, which is paid out in the form of **subsidies from the EU's funds**, during the first half of the year. Of this amount, approximately 94% was received from the structural funds and the remaining 6% from the Cohesion Fund. The mid-year balance for **income from the Common Agricultural Policy is CZK 23.5 billion**. Two-thirds of this amount (CZK 15.8 billion) reflects the increasing volume of direct payments and the remaining one-third consists of resources for rural development.

As far as the CR's contributions to the EU's budget are concerned, as is customary, the highest amount was the contribution calculated on the basis of GNI.

Since the CR's accession to the EU in May 2004, our positive net balance with regard to the common European budget is CZK 162.2 billion.

We can **expect to see an additional increase in our net positive balance** over the next two years as the interim period during which Czech farmers receive limited direct payments is gradually eliminated. We also anticipate that we will maintain a **positive balance in relation to the EU budget during the 2014-2020** programming period, although, as a result of the lower subsidies provided for cohesion policy, it will be lower than it currently is.

**Net position of the Czech Republic in relation to the EU, first half of 2011, in millions of CZK**

Structural operations	13 410.68
Structural funds	12 547.21
Cohesion fund	863.47
Agriculture	23 471.80
Pillar I *	15 741.47
Pillar II*	7 730.33
Pre-accession instruments of the EU	-8.04
Total revenue of the EU budget	36 874.44
Total expenditure of the EU budget	19 488.78
Net position of the Czech Republic	+ 17 385.66

Source: Ministry of Finance, \*) direct payments, market measures, veterinary operations; \*\*) funds for rural development and fisheries

[http://www.mfcr.cz/cps/rde/xchg/mfcr/xsl/tiskove\\_zpravy\\_ministerstva\\_63356.html](http://www.mfcr.cz/cps/rde/xchg/mfcr/xsl/tiskove_zpravy_ministerstva_63356.html)

## FINANCE

### Eight banks fail European stress tests

In mid-July, the European Banking Authority (EBA) performed **stress tests on ninety important banks** in twenty-one of the European Union's member states. The objective of the testing was **to assess the resilience of banking institutions against unfavourable macroeconomic and financial scenarios**.

The results of the stress tests for European banks are as follows:

- At the end of 2010, in the case of **twenty of the banks that were tested**, the capital adequacy indicator (Core Tier 1 Ratio) would decrease **below the critical level of 5% in over the next two years in the case of a negative scenario**.
- Between January and April 2011, **the problem banks increased their capital by EUR 50 billion**, as a result

of which the situation improved at the end of April 2011 and the test results were as follows:

- **Eight banks did not pass the test**. Their capital adequacy ratio would decrease below the 5% level and they would need a capital injection of EUR 2.5 billion.
- In the case of sixteen other banks, the capital adequacy ratio would be between 5 and 6%.

Of the eight banks that did not pass the tests, **five are in Spain** (CatalunyaCaixa, Banco Pastor, CAM, Unnim, and Caja3), **two in Greece** (ATE Bank and the Agricultural Bank of Greece) and **one is in Austria** (Volksbanken).

**Czech banks**, which have **above-average capital position** as compared to their counterparts in the other EU countries, were not included as test subjects.

Only eight banks with a lack of capital totalling EUR 2.5 billion is not a negative result. It is possible that this result, rather than providing evidence of a healthy European banking system, might be **an indicator that the stress tests are not strict enough**. The most negative scenario included in the testing anticipated only a 15% drop on the stock markets and a decrease of 0.5% in the eurozone's economy. A scenario anticipating the bankruptcy of the peripheral countries of the eurozone, with Greece and the resulting significant write-off of its debts leading the pack, was not considered at all.

The implemented **stress tests for the European banks are a good tool for assessing the financial health of the EU's banking sector**. They are however only of an **auxiliary nature**. Placing too much value on the results and relying on them might not pay off.

<http://www.eba.europa.eu/EU-wide-stress-testing/2011/2011-EU-wide-stress-test-results.aspx>

## ENTREPRISE

**It will be possible to block the accounts of non-payers throughout the entire EU**

The European Commission has proposed a **new legal instrument** that is intended to help businesses collect their receivables from the other EU member states. Currently, there is no such legal protection for receivables due from debtors abroad that is comparable to that which creditors have in their home country. The document proposal specifies that, with the use of a **special European order**, creditors will be able to "prevent the transfer or withdrawal of funds from a debtor's account at any bank located in the European Union."



The Council of the EU approved a directive on the basis of which the member states will submit to the European Commission their national plans for handling nuclear waste. The Turkish government threatens to freeze its relations with the European Union if, by the time that Cyprus takes over the presidency of the Council of the EU in the second half of 2012, Cyprus is not reunited.

If a **creditor is able to prove** that his/her claim is justified and that there indeed exists the risk that a receivable will become uncollectible, the creditor will be able to request the issuance of a European Account Preservation Order. On the basis of this order, the applicable bank will place a hold on the debtor's account equal to the amount that the creditor is requesting to be paid.

This special order is intended to serve as a **“protective” measure** and the fact that one is issued does not mean that the bank will automatically pay the creditor. It will however greatly increase the likelihood that the creditor will receive the amount of money that is due.

The Preservation Order will apply **only to cross-border cases**. The relationships between debtors and creditors within the individual states will continue to be addressed by the relevant national legislation. The bank account will be blocked without any prior notification provided to the debtor.

The document also **provides protection against unjustified claims**. If an alleged debtor proves that the claim is unfounded, the would-be creditor making the allegation will have to pay the costs associated with the entire procedure. Another guarantee is offered in the measure on the basis of which the “court may request the creditor to provide a deposit, which will ensure that the debtor is reimbursed for any damages suffered in the event that the Preservation Order is determined to be unjustified.”

Further limitations may apply to **the blocked amount**. When determining the actual amount for which the bank will place a hold on the debtor's account, it will be possible to take into account the living expenses of the debtor and his/her family, or if the enterprise will be capable of continuing operations if the amount is blocked.

In order for the proposed regulation to enter into force, it must be **approved by a qualified majority of the member states** and it must also receive the support of **the European Parliament**. The regulation would not apply in Great Britain, Ireland or Denmark, as these three countries have previously obtained derogations with regard to justice matters.

<http://europa.eu/rapid/pressReleasesAction.do?reference=P/11/923>

## ENERGY AND TRANSPORT

### EU states reach agreement on storage of nuclear waste

The ministers from the member states of the European Union have approved the proposal put forward by the

Commission, which assigns the governments the task of preparing national plans for handling nuclear waste by 2015. In their plans, each of the states will have to specify **how they intend to resolve the disposal of spent fuel**.



The member states should present their plans for the handling of nuclear waste to the European Commission **by 2015**. The Commission will evaluate them and will have the right to veto a plan for, amongst other things, a situation in which the member state does not comply with the security standards adopted by the **International Agency for Atomic Energy (IAEA)**.

According to the declaration made by the Council of Ministers of the EU, within their plans the states will not only have to **provide a solution for the handling of spent fuel**, but will also have to address issues such as the granting of licences, the performance of checks and inspections, enforceability, providing information to the public, financing methods, and the establishment of an independent supervisory authority.

According to FORATOM, Europe's atomic industry association, the nuclear power plants located in the EU

**produce approximately 50,000 tonnes of radioactive waste annually.** Of this volume, 15% consists of waste with high radiation levels. Currently, the waste is **placed in underground and aboveground storage areas**, where the fuel gradually cools.

The European Commission considers the most suitable and safest method for the final disposal of spent fuel to be **deep geological repositories**. However, this type of repository does not currently exist anywhere in the world. Even the Commission estimates that constructing and preparing this type of permanent repository will take at least forty years. It is specifically for this reason that the states should not put off for long the preparation of their national plans.

Although the directive does not provide any specific information that would serve the member states as a guideline for what a deep geological repository should look like, **the members of Oettinger's team** said that, ideally, it should be **100 to 700 metres underground** and should be built **in clay or granite rock**. The directive states that it will be possible to transport nuclear waste from one member state of the EU to another on condition that several member states agree on developing a common repository. It will also be possible to export the waste to a third country where a deep geological repository already exists.

[http://www.consilium.europa.eu/uedocs/cms\\_data/docs/pressdata/en/trans/123937.pdf](http://www.consilium.europa.eu/uedocs/cms_data/docs/pressdata/en/trans/123937.pdf)

## Biofuel certification systems trigger mixed reactions in the EU

The European Commission has **approved the first seven schemes** that will make it possible **to certify biofuels from the perspective of their sustainability**. According to the new system, biofuel producers will be able to obtain the certification, without which they will not be able to introduce their products on the market, either through the European certification system or through one of the approved national schemes.

Only biofuels that produce **35% less greenhouse gas emissions than petrol will be certified**. Starting in 2018, this level will be increased to 60%.

According to EU Energy Commissioner Günther Oettinger, **the "entire production chain" will be monitored** and biofuels originating in "areas of high biodiversity" will not be granted a certificate.

According to the critics of the certification proposal, additional issues associated with regulation and the specific

**impact of indirect land use change (ILUC)** need to be resolved. ILUC is the designation for the process as a result of which the growing of energy crops pushes out food crops, with their cultivation gradually moving onto land obtained through the clearing of rainforests, the draining of wetlands, and other similar activities. As a result of this process, the overall amount of greenhouse gas emissions actually increases.

The European Commission has postponed the publication of its communication on ILUC until the autumn, however it is well known that **the directorate general for energy is inclined to favour less strict criteria from the perspective of CO2 emissions**.

Commissioner Oettinger however emphasised that Brussels has at least adopted measures that should prevent energy crops from being grown on soil that is obtained by the clearing of rainforests specifically for the purpose of growing crops for the production of biofuels.

**Independent auditors**, who will be monitored by Brussels, will be present onsite to ensure compliance with the criteria for sustainability.

The European Union has previously committed itself to **increasing the level of renewable sources used for transport up to 10% by 2020**. This percentage can include biofuels as well as other means of propulsion, such as fuel cells, electricity or hydrogen.

<http://europa.eu/rapid/pressReleasesAction.do?reference=IP/11/901>

## INTERNATIONAL RELATIONS

### Turkey threatens to cut off diplomatic ties with the Cypriot Presidency

At a recent press conference Turkish Minister of Foreign Affairs Ahmet Davutoğlu said that if, **by the time that Cyprus takes over the Presidency of the Council of the EU** in the second half of 2012, divided Cyprus is not reunified, Turkey will freeze diplomatic relations with the European Union.

"If the Greek Cypriot side stalls negotiations (*on Turkey's accession to the EU*) and takes over the presidency of the European Union in July 2012, this means not only a deadlock on the island, but also a blockage, a freezing point in Turkey-European Union relations," according to Ahmet Davutoğlu, Turkey's Minister of Foreign Affairs.

**Cyprus has been divided into two sections** – the Greek part and the Turkish part – **since 1974**, when, in reaction to an attempted coup on the part of the Greeks, Turkey's



The European Commission has proposed reforms to the EU's Common Fisheries Policy, which is aimed at ensuring the permanent sustainability of the fishery industry. The proposal includes support for freshwater aquaculture. Brussels wants to motivate European automobile manufactures to implement eco-innovations at a faster rate though providing these companies with free emission permits.

leaders in Ankara issued the order to occupy the northern part of the island. The Turkish Republic of Northern Cyprus was established a few years later. It is however recognised only by Turkey. The Greek part of Cyprus became an EU member state in 2004.

"A freeze of relations with the Presidency of the EU at the time it is held by the Greek Cypriot side is only one option," said Egemen Bağış, the head of Turkish diplomacy and the current Turkish Minister for European Affairs, in an attempt to soften the tone.

**Accession talks between Turkey** and the European Union were launched in October 2005 with a total of thirty-five chapters. Since that time, Ankara **has successfully closed one chapter** (on science and research). Negotiations are underway with regard to eleven chapters, but they have been suspended in the case of an eight additional chapters **due to Turkey's unwillingness to implement the Ankara Protocol**, which would reopen Turkish ports and airports to ships and planes from the Greek part of Cyprus.

Even though the accession talks were started with Turkey in 2005, we do not believe that Turkey will become a member of the EU by 2020.

<http://europa.eu/rapid/pressReleasesAction.do?reference=M.EMO/11/510>

## Brits torpedo plans for EU's general command centre

The atmosphere **at the session of the Council of the EU's Ministers for Foreign Affairs**, which took place in Brussels, was quite lively. **Great Britain**, as represented by its Foreign Minister William Hague, swept the proposal put forth by the EU's High Representative for Foreign Affairs and Security Catherine Ashton, which proposes **the creation of a permanent operational headquarters for the EU's defence forces**, off the table.

The idea of establishing a "permanent civilian-military planning and conduct of operations capacity", which enjoys the support of countries such as **France, Germany and Poland**, can be implemented only if it receives the agreement of all twenty-seven EU member states.

"I have made very clear that the United Kingdom will not agree to such a permanent operational HQ. We will not agree to it now and **we will not agree to it in the future**. That is a red line for us," Hague told reporters.

"We are opposed to this because we think **it duplicates NATO structures** and permanently disassociates EU planning from NATO planning," he said. "Secondly, it's likely

to be a much **more costly solution** than existing structures; and thirdly, a lot can be done by improving the structures that already exist," he added.

According to the head of British diplomacy, **improving the quality of the defence capacities in Europe** and finding the political will to use them in places like the Balkans and Libya, where NATO forces are currently active, is much more necessary than establishing a European headquarters.

**Alan Juppé, the French Minister of Foreign Affairs**, declared that his country backs the proposal put forth by Baroness Ashton, but that it is willing to discuss other proposals that would take into account Britain's objections. "But for us, progress of the Common Security and Defence Policy is essential. We are in a dangerous and unpredictable world and no single European country has the means to have all the necessary defence capabilities alone," Juppé added.

[http://www.consilium.europa.eu/uedocs/cms\\_data/docs/pressdata/EN/foraff/123935.pdf](http://www.consilium.europa.eu/uedocs/cms_data/docs/pressdata/EN/foraff/123935.pdf)

## AGRICULTURE AND FISHERY

### Brussels proposes reforms to EU Fisheries Policy

The European Commission has published **a proposal that will significantly reform the EU Common Fisheries Policy**. The objective is to ensure that there is a sufficient supply of fish in the future as well as to guarantee that fishermen have a decent standard of living. The current status of the fishery sector is not sustainable over the long term.

According to the new rules proposed by the European Commission, **starting in 2015 it would no longer be possible for fishing quotas to exceed the thresholds of the natural replenishment rate of the fish stock**. This would include a complete ban on throwing back fish that are too small or of a different type than is wanted by the fishermen. In addition, according to the ČTK, these catches would be counted against the total quota.

"Without reform, **only eight out of the 136 fish stocks caught in the EU** would still be sustainable in ten years' time," specified Maria Damanaki, the European Commissioner for Maritime Affairs and Fisheries, when she introduced the proposal.

Setting limits on fishing obviously does not sit well with the leading fishery nations, with France and Spain at the top of the list. The politicians from these countries argue that in



## Events

both of their countries the fishery industry provides the means of subsistence for the majority of the population living along the coast and the proposed restrictions could have a significant social impact in certain regions.

The reforms also include **the possibility of introducing tradable fishing concessions for certain waters**, which should lead to decreasing the EU's overgrown fishing fleet. The French are against this possibility as well. The ČTK news agency cites Bruno Le Maire, the French Minister of Agriculture and Fisheries as saying, "It is absolutely unacceptable, as it would give an advantage to large businesses."



The proposed reform also focuses **on freshwater aquaculture and fishing and providing support to them**. This is good for land-locked countries such as the Czech Republic. Juraj Chmiel, Czech Deputy Minister of Agriculture, went on to tell ČTK that, "We could use the funding for innovation and modernisation and even for establishing new fishponds or the better processing of catches and restocking."

[http://ec.europa.eu/commission\\_2010-2014/damanaki/index\\_en.htm#](http://ec.europa.eu/commission_2010-2014/damanaki/index_en.htm#)

[http://ec.europa.eu/commission\\_2010-2014/damanaki/headlines/speeches/2011/07/20110713-speech-cfpreform\\_en.pdf](http://ec.europa.eu/commission_2010-2014/damanaki/headlines/speeches/2011/07/20110713-speech-cfpreform_en.pdf)

## ENVIRONMENT

### Automobile manufacturers to receive CO2 permits in return for "eco-innovation"

The European Commission would like to motivate the automotive industry **to speed up the implementation of innovations that will decrease greenhouse gas emissions**. According to a regulation approved by the European Commission, if manufacturers start fitting new cars with pre-approved "**eco-innovations**" they will receive emission permits free of charge.

The Commission hopes that if **car manufacturers are offered the free permits**, which they would otherwise have to purchase within the framework of the European Union's Emission Trading Scheme, they will be motivated to implement innovations that contribute to the reduction of greenhouse gas emissions more quickly.

The legislation adopted by the European Union in 2009 assigns automobile manufacturers **the task of reducing greenhouse gas emissions from new cars to 130 grams per kilometre by 2015**. This decrease should be attained exclusively through the implementation of engine technology innovations. Manufacturers should decrease emissions by an additional 10 grams per kilometre (i.e. to 120 grams per kilometre) through other technological improvements.

Automobile manufacturers should **start implementing the measures gradually starting in 2012**, when the stricter standards must be met for 65% of all new personal cars. This proportion will increase to 75% of all cars in 2013, to 80% in 2014 and should **reach 100% in 2015**.

Manufacturers that do not comply with the EU's requirements will have to pay a fine calculated according to the number of grams of CO2 emissions per kilometre.

The regulation defines an "**eco-innovation**" as any technology that is new to the market, contributes to "significant CO2 savings" and is not otherwise taken into account when determining the level of CO2 emissions from the vehicle in question. This can include improvements to vehicle propulsion, a decrease in the energy consumption of mandatory equipment, or the implementation of solar panels to generate electricity.

The Commission will publish **the specific procedure for submitting an application to approve an eco-innovation** in the near future. A decrease in CO2 emissions as the result of an eco-innovation **will be part of the approval process when a new car is introduced to the market**.

<http://europa.eu/rapid/pressReleasesAction.do?reference=MEMO/11/539>





The European Parliament did not support a proposal to decrease greenhouse gas emissions by up to 30% by 2020. The previously defined 20% goal therefore remains in effect. The European Commission has published its annual progress reports for Bulgaria and Romania, which evaluate the course of the judicial reforms and the fight against organised crime in these two countries. In the case of both of the countries, the reports were not very positive.

## Europarlament does not support a stricter climate policy

At the start of July, the Members of European Parliament **did not support increasing the commitment** that would require the EU countries to decrease greenhouse gas emissions to 30% of 1990 levels by 2020. A total of 347 MEPs voted against the proposal, 258 were in favour of it and 63 abstained from voting.

The original proposal, prepared by Green Party representative Bas Eickhout, was changed by MEPS's from the European Conservative Party and the European People's Party to such a degree that the Greens and Socialists refused to support the proposal.

British Conservative MEPs were also against increasing the target for the reduction of emissions. They did however support the addendum proposed by the EPP faction, which agrees with an increase of the commitment to 30% as soon as the appropriate conditions exist.

The results of the vote apparently made Energy Commission Günther Oettinger happy. In the past, **he has expressed his concerns that the shift to a 30% goal could lead to the "deindustrialisation of Europe"**.

In its 2008 Climate and Energy Package, the European Union defined **the goal of decreasing greenhouse gas emissions by 20% by 2020** and, at the same time, promised that it would increase this goal to 30% on the condition that other large polluters of the world agreed to a comparable reduction in emissions. Brussels is however feeling the pressure exerted by those who are requesting stricter reduction measures independently of how the rest of the world acts.

At the end of last year, Connie Hedegaard, the European Commissioner for Climate Action, presented a study stating that, **as a result of the economic crisis, meeting a 30% goal might be less expensive** than was originally expected. In its "Roadmap for moving to a competitive low-carbon economy in 2050", the Commission stated that if the EU also meets its non-binding commitment to increase energy efficiency by 20% by 2020, emissions might decrease by as much as 25%. According Commissioner Hedegaard, the results of the vote show that **a significant majority of the MEPs support the idea** that meeting the goal for energy efficiency by 2020 could lead to a reduction of more than 20% for CO2 emissions.

<http://www.europarl.europa.eu/en/pressroom/content/20110704IPR23285/html/Parliament-decides-against-new-climate-policy-resolution>

## JUSTICE AND HOME AFFAIRS

### MEPs against further exceptions to the Schengen Agreement

A strong majority of the European Parliament voiced its disagreement with the intentions of the European Commission and the member states of the EU, who, at the June summit of the European Council, agreed on the necessity of revising the Schengen Rules in a way that would allow the states **to temporarily reintroduce border controls in the event of "extraordinary circumstances"**.

At yesterday's meeting in Strasbourg, the MEPs approved a resolution, the adoption of which was supported by the European People's Party (EPP), the Socialists (S&D), the Liberals (ALDE), and the Greens. With this resolution, the Parliament makes it quite clear that it does not agree with the revisions to the Schengen Rules, which would allow the member states to reinstate border controls on a temporary basis.

The document also shows that, according to the majority of the MEPs, **the existing system is reliable** and, rather than creating new exceptions, it is more necessary to monitor proper compliance with the Schengen Rules. For this reason, the MEPs have requested the Commission to prepare a proposal for ensuring stricter compliance with the rules.

In addition, the MEPs believe that **the "community approach" should be strengthened**. In other words, the MEPs think that the Schengen Evaluation Mechanism, which is used to determine the level to which the member states meet the obligations associated with their membership in the border-free area, should be monitored not only by the member states, but also by other EU institutions.

The mechanism should **include sanctions against those states that do not fulfil their obligations** and therefore jeopardise overall security in the Schengen Area. At the same time, it would give the member states the opportunity to request the EU for assistance in the event that any extraordinary pressure is exerted on the external borders.

According to the MEPs, the current issues with Schengen are primarily the result of the **unwillingness to implement additional common Union policies**, in particular a common asylum and migration policy. The MEPs believe that the adoption of such a policy would solve the problem of irregular migration and help fight organised crime.

## Unauthorised Danish border controls and the spirit of Schengen not respected by France

After Denmark was visited by a group of experts, who investigated whether the reintroduction of customs controls at the German and Swedish borders was a breach of the Schengen Border-Free Agreement, the European Commission published a preliminary opinion. In it, the Commission stated that the Danish authorities did not provide the required information and, as a result, the customs controls were deemed to be “unauthorised”.

Another statement issued by the European Commission concludes that **neither France nor Italy were guilty of breaching the rules of the Schengen border-free area**, when, due to a massive influx of African immigrants, Paris instituted stricter controls at the Italian border, as Italy was not capable of absorbing the incoming wave of immigrants. However, according to Cecilia Malmström, the European Commissioner for Home Affairs, the “spirit” of Schengen suffered as a result.

<http://www.europarl.europa.eu/en/pressroom/content/20110706IPR23543/html/Parliament-against-reintroduction-of-border-controls>

## Commission issues annual report cards for Romania and Bulgaria

Neither Romania nor Bulgaria will want to display the report cards that they have received from the European Commission for the fourth year in a row.

**The regular monitoring report issued within the framework of the Cooperation and Verification Mechanism (CVM)**, which evaluates the progress of judicial reform and the fight against organised crime and corruption in Romania and Bulgaria, i.e. in the last two countries that acceded to the Union, are published by the European Commission biannually.

Attaining the level of European standards is very important for both countries, as this is **a condition for their entry to the Schengen border-free area**.

Both countries are still battling certain problems however. Bulgaria is criticised for the fact that **the number of not guilty verdicts passed down in cases involving corruption or organised crime has increased** over the past year. Bulgaria also continues to suffer from inadequate transparency when appointing individuals to important positions in the state judiciary system and the frequent appointment of the immediate family members and close relatives of highly-placed politicians to important positions

associated with state administration. The Commission continues to insist that Sofia must adopt legislation that will allow the confiscation of property that a perpetrator has obtained through illegal activities (such as corruption or organised crime).

In the case of Romania, there have been a **few “significant successes”** with regard to judicial reform. Court proceedings have been simplified; reforms were implemented for both the Criminal Code as well as the Code of Civil Procedure; and the legal basis for the National Integrity Agency was re-established. Nevertheless, the **Commission continues to criticise Romania for the corruption present in top-level politics** and the lack of an effective anti-corruption strategy and tangible results.

The EU has decided that an **overall assessment will be published in the summer of 2012**, which will provide information on the progress achieved by both countries in the aforementioned areas since their accession to the EU. The Commission will decide on the next steps to be taken based on the findings in the report.

<http://europa.eu/rapid/pressReleasesAction.do?reference=P/11/907>

## EU considering stricter security measures due to events in Norway

As a result **of the recent terrorist attacks in Norway**, of which the Norwegian police have accused right-wing extremist Anders Behring Breivik, the Polish Presidency organised **an extraordinary expert meeting on terrorism** that was held **in Brussels**. In addition to terrorism experts from the Unions anti-terrorism groups (TWP and COTER), the meeting included representatives of the Norwegian authorities. As a result of the events that took place, the EU intends **to introduce stricter rules for the manufacture and distribution of artificial fertilisers** and other substances that can be used to produce home-made explosives.

The Norwegian Prime Minister Jens Stoltenberg announced that his government will appoint a special apolitical investigating commission (to be known as the “22<sup>nd</sup> of July Commission”), which will have the task of investigating the attacks and **proposing stricter security measures** that would prevent similar events from occurring in the future.

One week after the terrorist attacks, the Norwegian police started facing an increasing number of accusations that it did not act promptly and effectively.



## Events

In addition to expressing their condolences to the Norwegian nation, the objective of the expert meeting in Brussels was to exchange information and analyse the entire tragedy. The participants all agreed that not only Norway, but the entire European Union as a whole should take a lesson from the events.

Timothy Jones, the Representative of the EU Counter-Terrorism Coordinator, informed the media that **a new Europol network will be launched**, which will be responsible for coordinating the information provided by the secret service agencies in relation to terrorism.

According to him, additional measures will follow. However, these will have to wait until the results of the investigation performed by Norway's special commission are available. The greatest priority at this time is to institute **controls for the manufacture and sale of substances** that can be used to produce home-made bombs.

The Norwegian Secret Service announced on Monday that the instigator of the attacks, Breivik, has been on their list of persons suspected of purchasing chemical substance since March of this year.

[http://www.consilium.europa.eu/uedocs/cms\\_data/docs/pres\\_sdata/en/jha/124072.pdf](http://www.consilium.europa.eu/uedocs/cms_data/docs/pres_sdata/en/jha/124072.pdf)

### INFORMATION SOCIETY

#### Roaming prices and prices for domestic calls to be even closer?

The European Commission has presented a proposal intended to provide a long-term solution to **the high rates charged for using mobile phones** and other mobile equipment when travelling throughout the EU (roaming charges) as compared to the rates charged for domestic calls.

The proposed regulation would be the first to introduce **structural measures intended to strengthen economic competition**. Starting on 1 July 2014, it would allow customers to enter into more beneficial agreements for mobile roaming services. These agreements would be separate from the contracts for domestic mobile services, but the customers would use the same phone number. In addition, according to this proposal, mobile operators (including the virtual mobile operators who do not have their own networks) would obtain the right to use other operator networks in the other member states for regulated wholesale prices. **This would lead to the ability of more operators to compete on the roaming market.**

The Commission presented its proposal for a long-term solution to the use of mobile phones domestically and abroad (roaming). The Polish Presidency published a study on the Cohesion Policy, which provides evidence that investments made to decrease inter-regional difference in the EU pay off even for the richer member states. The number of the Community's programmes might increase by one to include a programme that will provide support to young scientists and innovators.

For the interim period, before the structural solution is fully implemented and prior to the time that retail prices decrease as the result of economic competition, the Commission proposes that the following measures be applied:

- The **introduction of new retail price ceilings** for data roaming that would remain in effect until mid-2016;
- The **retention of the retail price ceilings** for roaming calls and text roaming until mid-2016;
- **Limiting the charge for data** downloads using mobile networks abroad to EUR 50 per month, unless the customer expressly requests a different limit; and
- **Retaining the wholesale price ceiling** that is in effect amongst operators for all roaming services (calls, text and data) until 2020.

We fully support these proposals aimed at **expanding the offer available on the mobile telecommunication services market**, as, in some regions the telecommunications market takes on the form of an oligarchy. We however continue to consider direct price regulation a very controversial measure, which, over the medium- and long-term timeframes could have a very negative impact.

#### Current and proposed retail price caps (excluding VAT)

In EUR	Current	1 July 2012	1 July 2013	1 July 2014
<b>Data</b> (per MB)	None	0.90	0.70	0.50
<b>Voice-calls made</b> (per minute)	0.35	0.32	0.28	0.24
<b>Voice-calls received</b> (per minute)	0.11	0.11	0.10	0.10
<b>SMS</b> (per SMS)	0.11	0.10	0.10	0.10

Source: European Commission

<http://europa.eu/rapid/pressReleasesAction.do?reference=P/11/835>

[http://ec.europa.eu/news/science/110706\\_en.htm](http://ec.europa.eu/news/science/110706_en.htm)

### REGIONAL POLICY

#### The Polish Presidency says: investments in the EU's Cohesion Policy pay off

The European Commission and the Polish Presidency have published expert documents in which they **defend the benefits brought by Europe's regional policies** and prove that cohesion policy will pay off in Europe.

In the first document, the Brussels executive branch addresses the **"myths about the EU budget"**. The second

covers **the added value brought by the funds paid out from the European budget.**

The European Commission claims that between 2000 and 2006 **each euro invested through the European funds earned an additional 2.1 euro.** By 2020, the earnings from one euro should increase to 4.2 euro.

According to the Union's executive branch, the subsidies provided from the European funds and invested between 2000 and 2006 resulted in **5.6 million new jobs** by 2009. This is equal to 560,000 more jobs each year than would be the case if cohesion policy did not exist. The executive branch goes on to estimate that, by 2020, the cumulative **GDP in the European Union will be, on average, 4% higher** than if there were no cohesion policy. In the case of the older member states, it is predicted that GDP will increase by 3.3%.

The document published by the Polish Presidency attempts to prove that even the net payers to the EU budget benefited from each euro invested in Poland. Specifically, it says that the investments that the country received through cohesion policy **increased domestic demand**, which was subsequently reflected in the volume of imports from other EU countries.

According to the report, each old member state of the EU received 0.36 euro for every euro used by Poland from the funds **as the result of their subsequent export of goods and services** to Poland. In the case of Germany, these earnings were 0.72 euro.

[http://www.mrr.gov.pl/english/Presidency/Main/event\\_shedule/Strony/1KWEvidenceBasedCohesionPolicy18052011.aspx](http://www.mrr.gov.pl/english/Presidency/Main/event_shedule/Strony/1KWEvidenceBasedCohesionPolicy18052011.aspx)

<http://europa.eu/rapid/pressReleasesAction.do?reference=MEMO/11/459>

<http://europa.eu/rapid/pressReleasesAction.do?reference=MEMO/11/469>

## EDUCATION AND SPORT

### EU preparing new programme for supporting young scientists and innovators

In addition to the Erasmus programme for entrepreneurs, which is aimed at providing support for the start-up activities of entrepreneurs, Europe might soon see the launch of a new project. This time however, the focus would be on **providing assistance for realising the ideas of young scientists and innovators.**

**Another programme may soon be added** to the existing Erasmus for Young Entrepreneurs programme, which is

designed for starting entrepreneurs who want to obtain experience in existing companies located in the other member states of the EU-27.

This particular programme would be aimed **at young scientists and innovators between the ages of 16 and 36 years**, who could use this programme to assist them in their effort to realise their ideas in a small or large company, in a government agency, in a non-profit organisation or at a university in a different EU member state.



**The European Young Innovators Forum (EYIF)** came up with the idea, which has already caught the attention of several MEPs from various political factions.

**If the idea obtains the approval of the entire European Parliament**, the pilot phase of the project could even be financed by the European Parliament. If it is successful, the European Commission could then make a decision to implement it as a permanent programme.

As compared to the aforementioned Erasmus for Young Entrepreneurs programme, which is focused on **financing an entire business plan**, which does not however have to contain innovative elements, the new project's defined objectives are to provide assistance for removing problems during the first stages of developing an idea, to motivate young Europeans to face risk and, no less importantly, to support innovation in the EU.

According to Maria Dantz, who is the project manager for the entire initiative, "The Young Innovators Mobility programme is designed to address the dual priorities of narrowing Europe's innovation gap by changing the mindset and **promoting cross-border mobility.**"

<http://www.euractiv.cz/vzdelavani0/clanek/v-eu-se-rysuje-novy-program-na-podporu-mladych-vedcu-a-inovatoru-008955>



The European Parliament has approved a non-binding resolution, on the basis of which the number of women holding managerial positions would increase. The European Commission has published a non-binding recommendation on the basis of which all EU citizens would have access to basic bank accounts that are reasonably priced. At the start of this year, the European Union had a population of 502.5 million, which reflects a year-on-year increase of a very low 0.3%.

#### 1 JULY

The EU budget in your country: new web tool:  
<http://www.europarl.europa.eu/en/pressroom/content/20110630IPR23042/html/The-EU-budget-in-your-country-new-web-tool>

EU – Fight against tobacco: European Commission launches a pan-European campaign:  
[http://osha.europa.eu/en/news/fight\\_against\\_tobacco\\_european\\_commission\\_launches\\_pan\\_european\\_campaign](http://osha.europa.eu/en/news/fight_against_tobacco_european_commission_launches_pan_european_campaign)

#### 4 JULY

Commission adopts Framework Regulation for Macro-Financial Assistance to third countries:  
<http://europa.eu/rapid/pressReleasesAction.do?reference=P/11/828>

#### 5 JULY

MEPs debate Hungarian presidency results with Prime Minister:  
<http://www.europarl.europa.eu/en/pressroom/content/20110701IPR23193/html/Evaluating-the-Hungarian-presidency-debate-with-Prime-Minister-Viktor-Orb%C3%A1n>

EFSA publishes report from its Task Force on the E. coli O104:H4 outbreaks in Germany and France in 2011 and makes further recommendations to protect consumers:  
<http://www.efsa.europa.eu/en/press/news/110705.htm>

#### 6 JULY

Parliament decides against new climate policy resolution:  
<http://www.europarl.europa.eu/en/pressroom/content/20110704IPR23285/html/Parliament-decides-against-new-climate-policy-resolution>

#### 7 JULY

"Europe is the answer": Donald Tusk presents Poland's EU priorities:  
<http://www.europarl.europa.eu/en/pressroom/content/20110701IPR23197/html/Europe-is-the-answer-Donald-Tusk-presents-Poland's-EU-priorities>

Women in business: Parliament calls for quotas:  
<http://www.europarl.europa.eu/en/pressroom/content/20110706IPR23412/html/Women-in-business-Parliament-calls-for-quotas>

#### 8 JULY

Supporting Europe's bio-sector abroad:  
[http://ec.europa.eu/enterprise/magazine/articles/industrial-policy/article\\_11007\\_en.htm](http://ec.europa.eu/enterprise/magazine/articles/industrial-policy/article_11007_en.htm)

Parliament endorses 2012 as the European Year for Active Ageing and Solidarity between Generations:  
<http://ec.europa.eu/social/main.jsp?langId=en&catId=89&wslId=1052&furtherNews=yes>

#### 11 JULY

EU-funded scientists develop new approaches to fight Alzheimer's:  
[http://ec.europa.eu/research/headlines/news/article\\_11\\_07\\_08\\_en.html](http://ec.europa.eu/research/headlines/news/article_11_07_08_en.html)

#### 12 JULY

European countries need to step up efforts to boost reading skills, study says:  
<http://europa.eu/rapid/pressReleasesAction.do?reference=P/11/846>

European Commission to strengthen rules to fight dangerous new synthetic drugs:  
<http://europa.eu/rapid/pressReleasesAction.do?reference=P/11/855>

#### 13 JULY

2010 was a very active year in competition enforcement and reforms, annual report show:  
<http://europa.eu/rapid/pressReleasesAction.do?reference=P/11/861>

Multiple Framework Contracts with reopening of competition for the provision of behavioural studies:  
[http://ec.europa.eu/eahc/consumers/consumers\\_tenders.html](http://ec.europa.eu/eahc/consumers/consumers_tenders.html)

Offshore oil and gas drilling: tougher environment and safety standards needed:  
<http://www.europarl.europa.eu/en/pressroom/content/20110614IPR21329/html/Offshore-oil-and-gas-drilling-tougher-environment-and-safety-standards-needed>

#### 14 JULY

Cuts in agriculture budget criticised:  
<http://www.europarl.europa.eu/en/pressroom/content/20110711IPR23770/html/Cuts-in-agriculture-budget-criticised>

EESC demands stronger protection for financial consumers:  
<http://www.eesc.europa.eu/?i=portal.en.press-releases.19277>

#### 15 JULY

Green Paper on promoting the tastes of Europe:  
<http://europa.eu/rapid/pressReleasesAction.do?reference=P/11/885>



### 18 JULY

Commission proposes to cut sulphur dioxide emissions from shipping by 90 %: <http://europa.eu/rapid/pressReleasesAction.do?reference=IP/11/888>

### 19 JULY

Special promotion programme for fruit and vegetables: [http://ec.europa.eu/agriculture/newsroom/47\\_en.htm](http://ec.europa.eu/agriculture/newsroom/47_en.htm)

Commission recommends access to basic and affordable bank accounts for all Citizen: <http://europa.eu/rapid/pressReleasesAction.do?reference=IP/11/897>

### 20 JULY

€7 billion boost for research and innovation will create jobs and growth:

<http://europa.eu/rapid/pressReleasesAction.do?reference=IP/11/900>

### 21 JULY

Taxation and Customs Union : Taxation: Results of consultation on cross-border dividends are available: <http://circa.europa.eu/Public/irc/taxud/temp/library>

### 22 JULY

Agriculture and Rural Development: Commission implementation decision on the definitive allocation of European Union aid to Member States under a School Fruit Scheme for the period from 1 August 2011 to 31 July 2012: [http://ec.europa.eu/agriculture/fruit-and-vegetables/school-fruit-scheme/comm-dec-sfs-2011-03-30\\_en.pdf](http://ec.europa.eu/agriculture/fruit-and-vegetables/school-fruit-scheme/comm-dec-sfs-2011-03-30_en.pdf)

Lead Market Initiative – speed up time-to-market of innovations and pilot new innovation policy in Europe:

[http://ec.europa.eu/enterprise/newsroom/cf/itemlongdetail.cfm?item\\_id=5300&lang=en&tpa=174&displayType=news](http://ec.europa.eu/enterprise/newsroom/cf/itemlongdetail.cfm?item_id=5300&lang=en&tpa=174&displayType=news)

Statistics : Foreign citizens made up 6.5% of the EU27 population in 2010:

[http://epp.eurostat.ec.europa.eu/cache/ITY\\_PUBLIC/3-14072011-BP/EN/3-14072011-BP-EN.PDF](http://epp.eurostat.ec.europa.eu/cache/ITY_PUBLIC/3-14072011-BP/EN/3-14072011-BP-EN.PDF)

### 25 JULY

European Union - United States Joint Report: SME Best Practices Exchange:

[http://ec.europa.eu/enterprise/newsroom/cf/itemlongdetail.cfm?item\\_id=5308&lang=en&tpa=0&displayType=news](http://ec.europa.eu/enterprise/newsroom/cf/itemlongdetail.cfm?item_id=5308&lang=en&tpa=0&displayType=news)

### 26 JULY

Call for papers – Skills for a Low Carbon Economy: <http://cedefop.europa.eu/EN/news/18544.aspx>

### 27 JULY

Antitrust: Car price report shows price differentials for new cars in EU narrowing in 2010:

<http://europa.eu/rapid/pressReleasesAction.do?reference=IP/11/921>

### 28 JULY

Tobacco Products : Commission publishes report of a consultation which generated 85 000 responses:

<http://europa.eu/rapid/pressReleasesAction.do?reference=IP/11/926>

### 29 JULY

Enhanced access to micro-credits for Cypriots to start their own business:

<http://ec.europa.eu/social/main.jsp?langId=en&catId=89&wslid=1060&furtherNews=yes>

EU27 population 502.5 million at 1 January 2011:

[http://epp.eurostat.ec.europa.eu/cache/ITY\\_PUBLIC/3-28072011-AP/EN/3-28072011-AP-EN.PDF](http://epp.eurostat.ec.europa.eu/cache/ITY_PUBLIC/3-28072011-AP/EN/3-28072011-AP-EN.PDF)

## Population of foreign citizens in Central Europe, 2010

	Total population, 000s	Total foreign citizens		Citizens of another EU27 Member State		Citizens of countries outside the EU27	
		000s	% of total population	000s	% of total population	000s	% of total population
<b>EU27*</b>	501 098.0	32 493.2	6.5	12 336.0	2.5	20 157.2	4.0
<b>CR</b>	10 506.8	424.4	4.0	137.0	1.3	287.4	2.7
<b>Germany</b>	81 802.3	7 130.9	8.7	2 546.3	3.1	4 584.7	5.6
<b>Hungary</b>	10 014.3	200.0	2.0	118.9	1.2	81.1	0.8
<b>Austria</b>	8 367.7	876.4	10.5	328.3	3.9	548.0	6.5
<b>Poland</b>	38 167.3	45.5	0.1	14.8	0.0	30.7	0.1
<b>Slovakia</b>	5 424.9	62.9	1.2	38.7	0.7	24.2	0.4

Source: Eurostat



As August is the holiday month for the executive organs of the European Union, we will provide information on the important events that will take place in next months. The informal meeting of the Ministers of Foreign Affairs will discuss the European Neighbourhood Policy, with special emphasis on the Eastern Partnership initiative. General Affairs Council of the EU will also have an important agenda. It intends to discuss primarily the proposed financial framework for the EU for the 2014-2020 period.

### The Meeting of the key EU institutions

<b>2 – 3 Sep 2011</b>	<b>Sopot, Poland</b>
- Informal meeting of foreign affairs ministers (Gymnich)	
<b>5 – 6 Sep 2011</b>	<b>Sopot, Poland</b>
- Informal meeting of the EU Transport Ministers	
<b>9 Sep 2011</b>	<b>Wroclaw, Poland</b>
- Informal Meeting of Ministers for Culture and Audiovisual Affairs	
<b>11 – 13 Sep 2011</b>	<b>Wroclaw, Poland</b>
- Informal Agriculture and Fisheries Council (AGRIFISH)	
<b>12 Sep 2011</b>	<b>Brussels, Belgium</b>
- General Affairs Council (GAC)	
<b>12 – 15 Sep 2011</b>	<b>Strasbourg, France</b>
- EP Plenary Session	
<b>16 – 17 Sep 2011</b>	<b>Brussels, Belgium</b>
- Informal Economic and Financial Affairs Council (ECOFIN)	
<b>19 – 20 Sep 2011</b>	<b>Wroclaw, Poland</b>
- Informal Transport, Telecommunications and Energy Council Meeting - Energy (TTE-Energy)	
<b>19 – 20 Sep 2011</b>	<b>Brussels, Belgium</b>
- Agriculture and Fisheries Council	
<b>22 – 23 Sep 2011</b>	<b>Brussels, Belgium</b>
- Justice and Home Affairs Council (JHA)	
<b>22 – 23 Sep 2011</b>	<b>Wroclaw, Poland</b>
- Informal Meeting of EU Defence Ministers	
<b>3 Oct 2011</b>	<b>Luxembourg, Luxembourg</b>
- Employment, Social Policy, Health and Consumer Affairs Council (EPSCO)	
<b>3 Oct 2011</b>	<b>Luxembourg, Luxembourg</b>
- Eurogroup	

In July's issue of the EU News Monthly Journal, we provided information on the formulation of the future parameters for cohesion policy, specifically in the form of an extract from the materials prepared by the Ministry for Regional Development, where the core discussion on this topic has been underway for several months. In this issue, we are continuing with this topic in the form of a brief evaluation and interpretation of these materials.



## THE CZECH REPUBLIC'S DEVELOPMENT PRIORITIES FOR EU COHESION POLICY AFTER 2013 – PART II

The progress of the Czech Republic and of its individual regions should be based primarily on the existence of *programmes*, which are justified by rational analytically supported procedures. The performance of the supporting analyses should be measurable and it should be possible to quantifiably prove the necessity of public financial intervention (and to work within the framework of the possible options as much as possible). The focus of the support provided within the framework of EU Cohesion Policy after 2013 should be aimed solely at interventions that do not cause private capital to be pushed out of the picture. It should be aimed at providing solutions to the consequences of the market failure in those situations where there is an ineffective and insufficient private guarantee for securing public assets and which are definitely in the public interest – in situations where the support decreases poverty and contributes to removing social exclusion, including from the perspective of prevention.

The core of the support should be targeted at activities that are decisive for the sustainable growth of the applicable region or specific locality. This should limit, and possibly even eliminate, any one-time activities, which cease to continue or significantly decelerate once the support is no longer provided, as well as activities that are only of a maintenance nature, which serve only to extend the life of existing activities without any comprehensively defined accelerative development potential at either the regional or the local level.

All of the areas of intervention must go through a thorough ex-ante analysis of their impact from the perspective of state aid as well as through an analytical assessment of the intended results and impact.

It is desirable to formulate all of these priorities and needs and to ensure they go through the approval procedure in a manner that guarantees that the shortcomings that occurred in the Czech Republic in the case of both programming periods in which it has participated is not repeated, i.e. to avoid a repeated delay in the country's implementation of the programming period and to ensure that it will be truly possible to realistically and practically launch the entire process in January 2014.

### HOW CAN THE FUTURE COHESION POLICY BE OF BENEFIT TO THE CR?

As its economy continues to be underdeveloped, the Czech Republic should support the position of a traditional strong cohesion policy, the purpose of which is to provide assistance to the less developed regions and localities in order to increase their development and to allow them to realistically join in and enjoy the benefits of the EU's Single Internal Market and other forms of shared interest and cooperation within the EU.

The Czech Republic should not consider cohesion policy to be "solely" an instrument for supplemental fiscal redistribution (in addition to national and regional resources). It should be founded on the concept of an integrated approach to the development of regions and localities (a concept which is currently applied in an entirely negligible manner during the redistribution of national and regional resources and has resulted in obvious gaps during the ongoing EU Cohesion Policy period).

The most important foundation stone for developing an integrated approach is to offer synergetic interventions, which are targeted at a specific place or territory (refer to Fabrizio Barca's report), which can be an entire region, a sub-region or a locality, and which allow the existing development potential to be used through the effective use of public financial sources (as compared to the mutually isolated and fragmented support offered to specific sectors, not taking into consideration how they are linked with other sectors).

The fragmentation of cohesion policy is therefore not a desirable approach and should definitely be avoided. On the other hand, the close coordination of the post-2013 EU Cohesion Policy is desirable, with specific sectoral policy instruments defined not only at the EU level, but also at the level of the individual member states with the goal of achieving effective complementarity.

As far as the level of the Czech Republic's economic development is concerned and from the perspective of obtaining the maximum possible allocation, it is not desirable to implement radical changes in the rules for post-2013 EU Cohesion Policy. In particular there should not be a reduction in the efforts of the EU Cohesion Policy to support the more backward regions and the less developed





## Main topic

member states, which have only limited options for financing their development.

If this type of strategy were to be followed, it might also be to the detriment of the Czech Republic, as it is still one of the more relatively developed countries amongst the underdeveloped member states, following behind Greece, Cyprus and Slovenia, and therefore with a total of eleven countries that are less developed – some even to a drastic degree. The same applies to the position of the individual regions within the Czech Republic, as none of them are amongst the poorest, i.e. below 50% of the Union average, a level at which more than one-sixth of the EU cohesion regions are placed.

Although the Czech Republic's key ambition for the next programming period for cohesion policy should be to take advantage of its position as a country that is not yet fully developed (as compared to the EU average), it is currently apparent that the real convergence process will continue, whereby the Czech Republic's ambition should be not only to come significantly closer or to possibly reach the Union average, but, at the same time and in addition to the convergence (catching up) priorities, be sufficiently prepared to find solutions to qualitatively more demanding areas with primary focus aimed at supporting competitiveness (which should be the strategic objective for the time horizon after the next programming period).

The embodiment of the competitiveness priorities is the previously mentioned Europe 2020 Strategy. There will surely be quite significant advances between this strategic document and the cohesion policy of the future and the Czech Republic should also be prepared for them.

Apparently, the Europe 2020 Strategy should be perceived as follows: the EU's long-term strategic concept up to 2020 is attainable through several instruments – one of these being the cohesion policy (it needs to be said that primarily in its classical form as opposed to a minority instrument). Nevertheless, the Europe 2020 Strategy presents an important contextual inspiration for the specific form that the EU's Cohesion Policy will take on after 2013. Even taking into account a parallel timeframe, the successful handling of the challenges present in the future cohesion policy will be of great importance and critical in order to realise the objectives defined in the Europe 2020 Strategy.

However, in relation to the Europe 2020 Strategy, the EU's post-2013 Cohesion Policy must retain its primary objective and purpose: to be an instrument that reduces disparity (differences) in the level of development attained by the individual regions and the member states of the EU. This is

apparently the crux of the basic strategic dilemma that exists with regard to defining the EU post-2013 Cohesion Policy: to what degree should the policy ensure specifically the convergence functions of the EU's less-developed regions and member states and to what degree should it share in solving qualitatively better and more demanding projects, such as those embodied in the Europe 2020 Strategy.

The common denominator between the EU's post-2013 Cohesion Policy and the Europe 2020 Strategy will thus lie in focusing on a limited number of distinct clearly-defined priorities, the contents of which will comply with the objectives defined in the Europe 2020 Strategy but, at the same time – specifically in the case of the convergence needs of the underdeveloped regions – will be adapted to continuing the real convergence process.

Taking into account the fact that the convergence needs in a number of the EU's regions are fundamentally different together with the fact that, within the set of qualitatively more demanding priorities based on the Europe 2020 Strategy, a specific selection of priorities are more appropriate for the purposes of a specific region and they might significantly differ from the conditions in other regions, it is necessary to ensure a sufficient level of flexibility for the benefit of the member states and their regions that will allow them to make a specific selection of the mix of properly justified priorities that best meet the conditions of each specific member state and its regions.

A useful breakthrough between the convergence topics and those that are more qualitatively demanding for the conditions in each of the member states and its regions will be visible in the final version of the programming documents for the EU's post-2013 Cohesion Policy. This will be a result of the real absorption capacity of each of the countries and regions as well as based on the amount and level of the demands placed by the other member states and regions during the final negotiation process, which should be strategically directed through the actions of the European Commission.

Another key parameter that will play a critical role in defining the contents and focus of the EU's post-2013 Cohesion Policy will be the new EU budget framework and the role played by the cohesion policy within this framework. Taking into consideration the stability of the environment for solving and implementing medium-term strategies and programmes, it is desirable to continue with the practice of seven-year budget framework and consequently seven-year programming periods within them. In addition, for the future cohesion policy, it would also be desirable for this policy to continue in its position – or better yet, to strengthen its

position – as one of the key expenditure priorities and items in the EU budget.

In order to adequately meet the expectations and objectives of the EU's Cohesion Policy after 2013, it is of critical importance to define the basic building blocks upon which it is to be built at the time its basic principles are defined. In addition to ensuring a corresponding position within the EU budget framework and defining the links that exist with regard to the Europe 2020 Strategy, these include:

- **Defining the decisive criteria** for releasing the resources that the cohesion policy has available: In spite of a number of reservations associated with the per capita GDP and per capita GNP indicators, it can be said that all efforts to find an indicator that is as comprehensive and appropriate and that has the same reporting value for this purpose have come to naught. It is therefore possible to become convinced that per capita GDP is the most comprehensive statistical indicator with the best reporting value, which can objectively identify over time the level of socioeconomic development (or stated in a different manner, the backwardness or level of the underdevelopment of the system that is being monitored – in our case, a specific region). Taking into account the status and the short-term perspective of the regions that are the most relevant from the perspective of convergence, it seems that even for the period of 2014 to 2020 a threshold value of 75% of the EU average might be the most appropriate for this particular indicator.
- Even when the above is taken into consideration, the most important purpose behind the existence of cohesion policy, even in the future, should be continued emphasis on supporting the convergence process, focused primarily on the more backward and underdeveloped regions and member states, whose financial sources for ensuring development remain strictly limited and are insufficient for completing the necessary development projects. The convergence objective, which is by far the greatest of all of the cohesion policy objectives for the current period from the perspective of financial allocations (it receives more than 80% of all of the EU's Cohesion Policy resources), already represents a very strong instrument for supporting development, particularly in the new member states that joined the Union between 2004 and 2007. (Almost three-fifths of the EU's Cohesion Policy resources are currently allocated in countries that have a cumulative share

that is less than 10% of the overall Union GDP, which demonstrates the level of solidarity that the richer and more developed countries have with regard to the development of these countries.) Nevertheless, it would be beneficial and advantageous for these countries to maintain the status quo even in the next period (although the strong position of the net payers will continue to increase and the need to define some sort of exit strategy from the position of the convergence states and regions will most likely become a necessity and even a required demand during the upcoming programming period); and

- In addition to the definition of clear criteria, the priorities and the focus of future cohesion policy, another aspect of key significance is the fluidity and transparency of all of the procedures and mechanisms that accompany the specific use of cohesion policy resources. This particular point will however not be elaborated upon within this text.

## FORMULATION OF PRIORITIES WITH REGARD TO THE PERSPECTIVE OF DISCUSSIONS IN THE EU

At the most general level, within the debate that has been launched at the EU level, it is possible to categorise the possible priorities for the EU's future Cohesion Policy into two basic groups:

- **Convergence**, i.e. catching up (which tends to correspond with our still underdeveloped level of socioeconomic development)
- **Developmental** (based on more qualitative demands and depending on the more intensive use of innovation and the use of research and development results for economic development). We can define a third group of priorities that is complementary to the other two groups and which monitors the social aspect to a greater degree.

If we work on the assumption that the main purpose behind cohesion policy is to balance out the differences in the level of the socioeconomic development between the European regions, it is apparent that the main accent with regard to this logic must be placed on convergence priorities, i.e. on catching up.

However, in order to ensure that, in addition to the differences between the regions being eliminated, the average level of the EU's development increases as a whole (thus guaranteeing that the EU does not start to lag behind



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other key global players), it is appropriate to sensibly enrich the elements of cohesion policy in a consistently more intensive manner to include growth (development) priorities, which are based primarily on qualitatively more demanding growth resources.

The conformity of convergence and development priorities and the ratio between them are based on specific and often unrepeatable characteristics that are valid for the socioeconomic indicators for the region in question.

One typical example of convergence priorities, which continue to be valid for the Czech economy and society, ensues from the ongoing development deficit (as compared to developed countries) that is an inheritance dating back to the time of the country's centrally planned and managed economy and development.

Specifically this is the great potential that can be found for developing the transport infrastructure, including the construction of new high-speed motorways (an activity that was performed in the countries of Western Europe during the period of their extensive development between the 1960s and 1980s), the reconstruction of other types of transport channels (both rail and ground transport) and ensuring that their condition matches the qualitative needs in existence at the start of the twenty-first century. The revitalisation of the options offered by maritime transport and the expansion of the potential of personal and cargo air transport can also be included in this area, albeit at a minor level.

Another important type of infrastructure project that falls within the convergence category consists of the implementation of solutions for public and civic amenities as well as the development of industrial and business premises. The past two decades have seen a significant change in urban and public centres, but, in spite of the period having been prosperous for the most part, it was still not possible to ensure adequate comprehensive facilities in towns and municipalities that are at a level of development and comfort corresponding to the needs of the twenty-first century.

This applies to basic public and civic amenities and their subsequent maintenance (i.e. pavements, lighting, cycling paths, landscaped parks and public areas). It however also applies to entrepreneurial infrastructure (in particular, the issues associated with brownfield sites and unused industrial premises), resulting primarily from the important structural changes that have taken place in relation to the Czech economy. Specifically, the over-industrialisation that took place during the time of the

planned economy had to be logically and necessarily reduced at the time there was a switch to a market economy; the end result is the need to find a purposeful and sustainable alternative for the capacity that remains unused – in particular, the buildings and premises of former significant industrial corporations, which are so numerous and concentrated in certain regions therefore leading to critical socioeconomic problems and limiting regional development.

Certain priorities with a social aspect are also of a convergence nature, as it is obvious that the nature of the majority of social problems that exist today is rooted in the development phenomena we have seen over the past twenty years.

The common denominator linking all of the convergence priorities is the fact that they are limited by the time factor. It is to be expected that, if sufficient effort is exerted for the purpose of realising the convergence priorities, the quality of the transport infrastructure as well as the level of the public, civic and entrepreneurial infrastructures will one day be comparable to those that exist in developed countries.

Most probably this will occur when the Czech Republic's per capita GDP reaches, or exceeds, the average value of this indicator as reported for the entire EU (provided that the scenario of real convergence continues successfully, this could occur at some point between 2017 and 2022; at the time this happens, from the purely economic perspective, it will be possible to state that the economic transformation of the Czech Republic is complete; in the case of other factors, particularly those of a social nature, this culmination will take additional time).

As compared to convergence priorities, development priorities are never-ending, as their specific nature and form change over time. The successful realisation of these priorities is a prerequisite for ensuring that the economy does not revert to a below-average level of development in the future.

Additionally, in order for it to be at all possible and effective for a number of underdeveloped economies to address development priorities, at least a basic level of saturation has to be attained for their convergence priorities. (Under the conditions of a non-existent information infrastructure, the unreliable supply of energy, water and heat, and the lack of highly-skilled employees with a university education, it is difficult to imagine the creation and development of research and innovation centres in the applicable area.)

On the other hand however, it is not possible to postpone development priorities until the successful culmination of convergence priorities, as during this waiting period and as a result of focusing exclusively on convergence priorities, the country or region in question would start to lag behind even further (in relation to countries and regions that are concentrating on development priorities).

It is therefore of the utmost necessity to find the optimal balance between convergence priorities accompanied by development priorities. In addition, the maximum possible timeframe should be set for the realisation of convergence priorities (the sooner, the better). Just to note, the financial injection provided by the German federal government to its new states from the former East Germany is nothing more than public support for finding solutions to convergence priorities.

Typical development priorities, or, we can call them qualitatively more demanding priorities, include the set of priorities specifically covered in the Europe 2020 Strategy. The contents of this document do not in principle differentiate amongst the EU member states with regard to how developed or underdeveloped they are. It does however rely on the principle that “economic, social and territorial cohesion forms a core element of the Europe 2020 Strategy”, but the objectives of the Strategy are open to all of the EU’s member states and regions on the basis of the integrated development model.

The conformity between the Europe 2020 Strategy and the future direction taken by the EU’s Cohesion Policy should also be found within this integrated development model, which combines and coordinates individual investment and non-investment activities in certain selected areas (i.e. infrastructure, human resources, the entrepreneurial environment, and innovation) within the national, regional and local contexts. Specifically on this basis, there exists a common area for bringing the priorities of the Europe 2020 Strategy in line with the priorities for the EU’s future Cohesion Policy. Our aim in this discussion is to identify this common area in more detail, to reveal the nature of these priorities and to add a certain primary level of quantification, which, at this stage, is more of a detailed estimate of the possibilities that we can call absorption capacity potential.

Taking into consideration the fact that the adoption of a final solution at the level of the Council of the EU is still in the future and that the individual positions preferred by the member states will be directed towards reaching a consensus only in approximately two years, it makes sense to seek inspiration for our perception of the future cohesion

policy in some of the recent statements issued from the European Commission:

The EU’s Cohesion Policy for the post-2013 period should apply to the entire territory of the EU;

A stronger accent should be placed on the urban dimension and the EU’s urban development policy should be defined according to the principle of subsidiarity;

It is apparent that there must be conformity (not sameness) between the EU’s future Cohesion Policy and the EU’s strategic priorities, in particular those defined in the Europe 2020 Strategy;

A stable framework should be developed for territorial cohesion as a part of the upcoming programming period;

The Cohesion Policy is not solely a system for the redistribution of resources, but rather a strong growth policy for the economic development of all of Europe’s regions, with special emphasis on the more backwards (underdeveloped) areas and built on the criteria of sustainability, effectiveness and returnability; and

The fulfilment of the important social functions of cohesion policy (through the European Social Fund) should continue to be adequately stressed.

### HOW CAN THE PARAMETERS FOR APPLYING COHESION POLICY IN THE CR INFLUENCE THE EU BUDGET?

From the perspective of the Czech Republic’s interests, the European Commission’s proposal for the future form of the multi-year framework for the EU Budget can be viewed as useful and beneficial. However, at the same time, it requires greater emphasis to be placed on the quality, measurability and sustainability of the effects in order to ensure that these interests are truly met.

On the one hand, the EU Budget is based on a similar principle as the budgets of the individual states. On the other, its actual content differs from the national budgets in the following aspects:

- As relatively expressed in relation to GDP, the EU Budget is significantly lower than the composite tax quota in the national budgets (1% of the EU’s GDP as compared to an average of 42% of the GDP of the EU member states). If we add to this the average deficit of approximately 8% of GDP, the national expenditure of the EU member states is, on average, approximately 50% of GDP whereas the EU Budget is balanced;



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- The EU Budget expenditure is designated for entirely different purposes (regional development through the structural funds, key European-wide projects to support competitiveness, agriculture, and rural development) than are the key chapters of the national budgets (pension and social security systems, healthcare, education, the environment, public infrastructure, etc.); and
- The EU Budget does not have any dominant source of own income (three-quarters of its income is from the contributions made by the member states in amounts that correspond to their size and economic development – as a result, Germany logically contributes significantly more) and, as compared to the national budgets, is balanced, thereby, on the basis of its weight, contributes to fiscal discipline in the Union.



Even the development of the EU Budget over time provides evidence of its transformation, which reflects the changes that have taken place in the EU's economic and social structure and in its competencies. It was not that long ago that the expenditure for the Common Agricultural Policy made up even more than 60% of the total European Budget (in the mid-1980s). Support for projects directly contributing to the Union's competitive strength were significantly lower and the same applies to the financial allocations aimed at strengthening the Union's position at the global level.

The proposal put forth by the European Commission strives to ensure that the structure of the EU Budget better corresponds to the changing economic and social parameters in Europe and to ensure that the EU Budget does not in any way preserve the status of sectors that have difficulties with competitiveness but rather that it plays the role of accelerator in order to meet some of the main global challenges (such as energy, information technology, the environment, and research and development).

It is therefore possible to believe that the European Commission's position might, for the most part, suit the Czech Republic's interests, but it is not possible to assume that these interests will be met from out of the clear blue sky automatically and without any effort being undertaken.

Let us try to look at the main contextual points of the proposal from the perspective of the Czech Republic's interests, in particular those points that strive to change and innovate the existing principles of the EU Budget's functionality:

- **A relative reduction of the volume of EU Budget resources:** Until now, the EU Budget resources were, to a high degree, aimed at the EU's less-developed member states, including the Czech Republic (the position of a net beneficiary vs. a net payer). Any reduction in the total volume of the EU Budget will lead to a decreased position on the part of the net beneficiaries. The European Commission's proposal does specify a nominal increase, however it includes a relative decrease from the current level of 1.06% of the Union's GDP to a level of 1.0%. This reduction, which at first glance appears to be cosmetic in nature, represents a real reduction in value of more than EUR 50 billion for the entire seven-year framework. This particular step might appear to be surprising on the basis of its forceful nature and in and of itself is not to the Czech Republic's advantage. Even in this very early stage of the discussion, the step has been criticised by a number of member states for a variety of reasons (for example, in the case of the UK, Denmark and Sweden, this reduction does not result in sufficient savings; Poland on the other hand considers it to be excessive).
- **The volume of resources allocated to the Cohesion Policy (the EU Funds) should remain approximately the same:** Starting in 2008, the volume of resources designated for cohesion policy became the largest item in the EU Budget. The proposal intends to retain this volume and even to increase it. This particular point of



the proposal is unambiguously beneficial for countries like the Czech Republic. A country which contributes not even 2% to the Union's GDP receives almost 8% of the total volume of resources. The proposal would make it possible to retain this position for another budget period.

- **The use of resources for cohesion policy should be subject to significantly stricter rules from the perspective of effectiveness and sustainability:** It is obvious that generosity with regard to the volume of resources provided for cohesion policy will be accompanied by a strong emphasis on effectiveness and sustainability. The space available for using these resources will be made conditional on qualitative limitations (i.e. the fulfilment of a number of additional conditions, or "conditionalities", such as decreasing the number of themes that will be supported, the greater use of returnable financial engineering instruments and, above all, precise quantification of the impact reported by a supported project. If there is no obvious economic return and specific focus on the prosperity of a certain locality or region, or if there is a deformation of the market environment in the given locality, the project will not receive support from the Union). These steps will definitely place more demands both on project management as well as on project beneficiaries. The most advantageous result of this perspective however is that more stress is placed on the quality of the areas that receive support.
- **A proposal to create new Union funds for infrastructure, energy and the environment:** This part of the proposal is, on the other hand, very disadvantageous for the country like the Czech Republic, as it will limit the possibilities and make it more difficult for our country to receive these financial resources. From our perspective, it would lead to many more positive results if we could use these financial resources according to current European cohesion policy model. If these specific funds come into existence, there will be a very real threat that the generous amount of aid targeted at these areas during the current period will be significantly shortened in real terms.
- **A significant reduction in the expenditure for agriculture and increased fairness with regard to its distribution:** It is obvious that this measure in the form of an absolute decrease in the volume of expenditure for agriculture will be greatly unwelcome on the part of

every agriculturist within the European union. The addendum in the form of increased fairness should lead to significant cuts primarily in the case of farmers in large member states that are very agriculturally oriented (especially France from the old member states or Poland from the new member states). Even in comparison with them, this position is relatively advantageous even for Czech agriculturists. It is decisively advantageous for the overall position of the Czech Republic.

- **A visible increase in the expenditure for foreign policy:** The advantages of this measure can be noted in the case of countries that have primarily a strong trade and economic diplomacy and interests in third countries. The Czech Republic is not one of them. In addition, the CR does not have a convincing strategy of this type. This measure can therefore be designated as not being very beneficial for us. It is however inspirational and worth following up in the sense of ensuring that, in the future there might be an opportunity to take advantage of it for Czech entities and their interests.
- **A reduction in administrative expenditure:** Any decrease in administrative costs and the reallocation of the financial resources to more productive areas can be considered as positive by any of the member states.
- **Innovation on the income side: tax on financial transactions, special turnover tax and environmental taxes:** Taking into account that the real reasons for imposing these taxes (in particular in the case of the tax on financial transactions) either do not exist in the Czech Republic at all or are inconsequential, increasing the tax burden in this direction would be totally unacceptable from our perspective.

Shortly after it was first made public, the proposed EU Budget for the period 2014– 2020 triggered passionate emotional discussions and reactions in all member states. The final form that it takes on, which we will see in a little over two years from now, will reflect the interests presented not only in the positions of the individual member states, but also those of corporations and other social sectors. This article was primarily motivated with the objective of clearly identifying how the main points of the proposal fit in with the interests of the Czech Republic. Hopefully it has indicated that we can identify with the majority of the measures.



# Statistical window

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

in %	GDP growth y-on-y			Current account to GDP*			Unemployment rate			Inflation y-on-y average		
	2008	2009	2010	2007	2008	2009	IV-11	V-11	VI-11	IV-11	V-11	VI-11
Belgium	1.0	-2.8	2.2	2.2	-2.9	0.5	7.2	7.3	7.4	3.3	3.1	3.4
Bulgaria	6.2	-5.5	0.2	-26.8	-24.0	-9.4	11.1	11.2	11.4	3.3	3.4	3.5
CR	2.5	-4.1	2.3	-3.2	-0.7	-1.1	6.6	6.5	6.5	1.6	2.0	1.9
Denmark	-1.1	-5.2	2.1	1.5	2.2	4.0	7.2	7.3	7.2	2.8	3.1	2.9
Germany	1.0	-4.7	3.6	7.6	6.7	4.9	6.2	6.1	6.1	2.7	2.4	2.4
Estonia	-5.1	-13.9	3.1	-17.8	-9.4	4.6	n/a	n/a	n/a	5.4	5.5	4.9
Ireland	-3.5	-7.6	-1.0	-5.3	-5.2	-2.9	14.0	14.0	14.2	1.5	1.2	n/a
Greece	1.0	-2.0	-4.5	-14.4	-14.6	-11.2	n/a	n/a	n/a	3.7	3.1	3.1
Spain	0.9	-3.7	-0.1	-10.0	-9.7	-5.4	20.7	20.8	21.0	3.5	3.4	3.0
France	-0.1	-2.7	1.5	-1.0	-2.3	-2.2	9.6	9.6	9.7	2.2	2.2	2.3
Italy	-1.3	-5.2	1.3	-2.4	-3.4	-3.2	8.0	8.1	8.0	2.9	3.0	3.0
Cyprus	3.6	-1.7	1.0	-11.7	-17.5	-8.3	7.2	7.4	7.6	3.5	4.1	4.5
Latvia	-4.2	-18.0	-0.3	-22.3	-13.0	9.4	n/a	n/a	n/a	4.3	4.8	4.7
Lithuania	2.9	-14.7	1.3	-14.5	-11.9	3.8	n/a	n/a	n/a	4.4	5.0	4.8
Luxembourg	1.4	-3.6	3.5	9.7	5.3	5.6	4.3	4.4	4.5	4.0	3.8	3.8
Hungary	0.8	-6.7	1.2	-6.6	-7.0	0.2	10.3	10.0	9.9	4.4	3.9	3.5
Malta	5.3	-3.4	3.7	-6.1	-5.6	-3.9	6.2	6.2	6.2	2.4	2.5	3.1
Netherlands	1.9	-3.9	1.8	8.7	4.8	5.4	4.2	4.2	4.1	2.2	2.4	2.5
Austria	2.2	-3.9	2.0	3.6	n/a	n/a	4.2	4.2	4.0	3.7	3.7	3.7
Poland	5.1	1.7	3.8	-4.7	-5.1	-1.6	9.2	9.2	9.0	4.1	4.3	3.7
Portugal	0.0	-2.5	1.3	-9.4	-12.0	-10.3	12.4	12.4	12.2	4.0	3.7	3.3
Romania	7.3	-7.1	-1.3	-13.4	-11.6	-4.5	n/a	n/a	n/a	8.4	8.5	8.0
Slovenia	3.7	-8.1	1.2	-4.8	-6.2	-1.0	8.3	8.3	8.4	2.0	2.4	1.6
Slovakia	5.8	-4.8	4.0	-5.7	-6.6	-3.2	13.4	13.3	13.4	3.9	4.2	4.1
Finland	0.9	-8.2	3.1	4.3	3.1	1.3	7.9	7.8	7.8	3.4	3.4	3.4
Sweden	-0.6	-5.3	5.7	8.4	9.5	7.3	7.5	7.7	7.5	1.8	1.7	1.5
UK	-0.1	-4.9	1.3	-2.7	-1.5	-1.3	7.7	n/a	n/a	4.5	4.5	4.2
EU	0.5	-4.2	1.8	-1.0	-1.9	-1.1	9.4	9.4	9.4	3.3	3.2	3.1

in %	Public budget to GDP*			Public debt to GDP			GDP per capita to Ø EU			Price level to Ø EU		
	2008	2009	2010	2008	2009	2010	2007	2008	2009	2007	2008	2009
Belgium	-1.3	-5.9	-4.1	89.6	96.2	96.8	116.0	115.0	116.0	108.3	111.1	113.9
Bulgaria	1.7	-4.7	-3.2	13.7	14.6	16.2	40.0	44.0	n/a	46.2	50.2	52.7
CR	-2.7	-5.9	-4.7	30.0	35.3	38.5	80.0	81.0	82.0	62.4	72.8	70.6
Denmark	3.2	-2.7	-2.7	34.5	41.8	43.6	123.0	123.0	121.0	137.4	141.2	144.6
Germany	0.1	-3.0	-3.3	66.3	73.5	83.2	116.0	116.0	116.0	101.9	103.8	106.4
Estonia	-2.8	-1.7	0.1	4.6	7.2	6.6	69.0	68.0	64.0	73.1	78.0	75.1
Ireland	-7.3	-14.3	-32.4	44.4	65.6	96.2	147.0	133.0	127.0	124.5	127.6	125.0
Greece	-9.8	-15.4	-10.5	110.7	127.1	142.8	91.0	93.0	93.0	90.7	94.0	97.4
Spain	-4.2	-11.1	-9.2	39.8	53.3	60.1	105.0	103.0	103.0	92.8	95.4	97.4
France	-3.3	-7.5	-7.0	67.7	78.3	81.7	108.0	107.0	108.0	108.1	110.8	114.3
Italy	-2.7	-5.4	-4.6	106.3	116.1	119.0	104.0	104.0	104.0	102.9	105.6	106.5
Cyprus	0.9	-6.0	-5.3	48.3	58.0	60.8	93.0	97.0	98.0	88.1	90.5	91.2
Latvia	-4.2	-9.7	-7.7	19.7	36.7	44.7	56.0	56.0	52.0	66.6	72.6	74.8
Lithuania	-3.3	-9.5	-7.1	15.6	29.5	38.2	59.0	61.0	55.0	60.0	64.7	67.8
Luxembourg	3.0	-0.9	-1.7	13.6	14.6	18.4	275.0	280.0	271.0	115.3	119.1	121.3
Hungary	-3.7	-4.5	-4.2	72.3	78.4	80.1	62.0	64.0	65.0	66.7	68.1	65.5
Malta	-4.5	-3.7	-3.6	61.5	67.6	68.0	77.0	78.0	81.0	75.5	78.8	81.4
Netherlands	0.6	-5.5	-5.4	58.2	60.8	62.7	132.0	134.0	131.0	101.9	104.0	108.5
Austria	-0.9	-4.1	-4.6	63.8	69.6	72.3	123.0	124.0	124.0	102.2	105.1	107.9
Poland	-3.7	-7.3	-7.9	47.1	50.9	55.0	54.0	56.0	61.0	62.0	69.1	58.6
Portugal	-3.5	-10.1	-9.1	71.6	83.0	93.0	78.0	78.0	80.0	85.7	87.0	89.3
Romania	-5.7	-8.5	-6.4	13.4	23.6	30.8	42.0	47.0	46.0	63.8	60.9	57.5
Slovenia	-1.8	-6.0	-5.6	21.9	35.2	38.0	88.0	91.0	88.0	79.0	82.3	85.5
Slovakia	-2.1	-8.0	-7.9	27.8	35.4	41.0	68.0	72.0	73.0	63.2	70.2	73.7
Finland	4.2	-2.6	-2.5	34.1	43.8	48.4	117.0	118.0	113.0	119.9	124.3	126.4
Sweden	2.2	-0.7	0.0	38.8	42.8	39.8	125.0	122.0	118.0	115.7	114.5	107.0
UK	-5.0	-11.4	-10.4	54.4	69.6	80.0	116.0	115.0	112.0	112.6	100.1	92.7
EU	-2.4	-6.8	-6.4	62.3	74.4	80.0	100.0	100.0	100.0	100.0	100.0	100.0

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

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