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under the auspices of Pavel Kysilka
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Dear readers,

Perhaps the European Council summit most deserves to be called January's seminal event. The summit was held to establish a wide array of measures to resolve the current crises and prevent them from happening again. The meeting focused primarily on reaching an agreement on fiscal responsibility.

The main points of this agreement can be summarized by a definition of budgetary discipline indicators with the assistance of a set of maximum established values of various perceived budget deficits, the establishment of budget policy supervision and coordination mechanisms among Member States, coordination and reporting requirements for state bonds issued by individual Member States, cooperation related to economic policies intended to strengthen the environment of monetary union and economic growth, ex-ante discussion of basic economic reforms and budget outlooks, establishing stricter methods for dealing with excessive budgetary deficits, and the creation of a new organization for matters and maintenance of fiscal responsibility.

As was subsequently interpreted, the final two points have become, at least in formal terms, the reason the Czech Republic adopted an unconventional stance regarding the contents of this agreement. At the previous summit the UK made clear its refusal to participate in this process. This is likewise, in principle, the reason for the positions of the euro zone countries for which the contents of the agreement are mandatory. It remains to be seen which form the agreement will take and which countries that have not adopted the Euro will join the agreement. All other states besides the Czech Republic and the UK have said they would.

A similar dispute erupted earlier in January related to a decision about an IMF loan. One faction preferred solidarity, cohesion and an active approach to positive resolution of the situation at hand. The opposing faction argued about the futility and pointlessness of the loan, explaining why we cannot afford it and how this contribution amounts resources being thrown out the window. Meanwhile just two weeks earlier, the arguments that arose were more in favor of shared responsibility. Once again the Czech stance came as a surprise, and an unpleasant one at that. It appeared that if the Czech Republic were to grit its teeth and endorse the IMF loan, an appropriate additional step would be to adopt the same position regarding the agreement on fiscal responsibility as well. This time Sweden and Hungary, two other allies from the group that originally rejected the Euro Plus Pact, abandoned the Czech Republic. Here we have cause to wonder what makes us so dramatically different from the other 25 countries that have joined the agreement more or less without difficulty, and what we have common with Britain. It would be difficult to find any other economies so fundamentally different.

Petr Zahradník

For the time being the Czech Republic will not join the Fiscal Discipline Pact. However, Prime Minister Petr Nečas has not ruled out joining the pact in future. The government supported an IMF loan of CZK 38 billion providing financial assistance to EU countries in debt. The EFSF Rescue Fund lost its top AAA rating. The new Hungarian Constitution and Hungary's ratification of other legislation may result in loss of an IMF loan. The European Commission has commenced legal action against Hungary.

POLITICS

Nečas Attributes Czech “Nay” to Uncertainty About Ratification

The Czech Republic followed suit with the UK at the January EU summit and **refused to join** the fiscal treaty, which requires Member States to enshrine budget discipline rules in their legislation. Prime Minister Petr Nečas said the decision was due to a lack of political consensus regarding the method for ratifying the agreement. However, he did not rule out the possibility that the Czech Republic might join the agreement in the future.

In the end **only 25 EU** Member States supported **the fiscal discipline compact** which obliges Euro zone states to enshrine in their laws a rule requiring balanced structured budgets not influenced by the economic cycle. Top officials from both the EU and the European Central Bank welcomed the approval of the agreement. The UK already stated its refusal to join the agreement at the December summit; the Czech Republic has also decided not to join the treaty.

The agreement, which European politicians have approved, requires that euro zone countries enshrine **a rule** into their national legislation enabling them to reach **a maximum structural budget deficit of 0.5% of GDP.** The document also introduces more automatic sanctions for states that end up with an excessive deficit of public finances exceeding 3% of GDP. However, the Civic Democratic Party (ODS), the most powerful Czech governing party, has reservations regarding the provisions that would enable the Commission to reject proposed sanctions against budget rule violators only if a qualified majority of states agreed with such an approach.

The fiscal agreement also requires that states enshrine a rule in their balanced budget legislation, which if the **debt level exceeds 60% of GDP** would require the government to reduce the debt by 1/20 annually. The prime minister also said that if the Czech Republic adopts the euro in the future it would have to accept the agreement.

We do not understand the Czech government's position, particularly since **the government claims to be strongly in favor of budget responsibility**. The greater emphasis on responsible budget behavior among Member States and automatic sanctions is currently a definitely positive sign. We can even venture to assume that if the agreement had come into force and had been respected over the past ten years, the current European debt crisis could have been averted.

http://www.consilium.europa.eu/uedocs/cms_Data/docs/pressdata/en/ec/127599.pdf

Prime Minister Nečas' Three Arguments Against the Treaty:

- It is not clear **how** the agreement would be ratified in the Czech Republic.
- The Czech Republic **could not participate** in all EU summits.
- **Little emphasis on debt criteria**

ECONOMY AND EURO

The CR Decides to Provide IMF Loan

The Czech Republic has decided to join other non-euro zone states and participate in the €200 billion loan to the IMF. The government made its decision at a meeting in January. **The Czech Republic will provide the IMF with CZK 38 billion**, which is much less than the EU ‘s original request (90 billion).

The Czech Republic follows suit with three other non-euro zone states, **Denmark**, **Poland** and **Sweden**, which have decided to contribute aid to countries affected by the debt crisis. The euro zone countries have pledged financing, but the EU states outside of the euro zone besides the four mentioned states still have not decided whether to participate in the loan. **The UK and Bulgaria have refused to participate.** EU leaders decided to provide **the loan to the IMF totaling €200 billion** at the December EU summit.

The money for the loan will come from **the Czech National Bank's (CNB) foreign currency reserves**. The prime minister says that the resulting decision will depend on the CNB board. The terms of the loan are not yet entirely clear. So far **a three- to five-year loan is being contemplated**, which would cost the central bank about CZK 1 billion in lost interest. The CNB usually invests its foreign currency reserves mainly in bonds, which provide higher interest returns.

We agree with the government's decision. Membership in the European integration project will not simply provide benefits (a single internal market, subsidies from EU funds), but costs and unpleasant effects as well. Although the approximately €1.5 billion will not fully alleviate the problems affecting EU Member States and the IMF, their decision clearly shows that they are capable of showing solidarity with others. The IMF, sometimes described as the central bank of central banks, is a global creditor of last resort and in the past has always managed to watch over its assets owed by countries in financial difficulty. **Therefore, we consider the loan to the IMF to be a relatively safe investment.**

http://www.vlada.cz/cz/media-centrum/aktualne/premier-zalezi-nam-na-stabilite-eurozony-92174

After Euro Zone Rating, S&P Downgrades EFSF Rescue Fund Rating

After reducing the ratings of nine euro zone countries, including France and Austria, in January Standard & Poor's also **reduced** the rating of the **euro zone's rescue fund**, the EFSF, which could jeopardize its ability to earn money on the market.

The EFSF, the euro zone's temporary rescue fund, from which Ireland and Portugal have tapped funds and from which Greece may also begin receiving money in the near future, **has lost its AAA rating** from S&P. The agency has said that the fund could regain the top-notch rating if the remaining euro zone countries with an AAA rating increase their guarantees for its loans.

Since European politicians decided at their summit last December that the euro zone's permanent rescue fund, the ESM, would be launched this July, they believe that the EFSF fund's capacity is sufficient, and there are **no plans to increase its capital.**

European politicians also decided in December 2010 **to replace the EFSF fund with a permanent rescue mechanism as of 2013, the ESM fund**, which will have solid footing in EU law. The original proposals called for the ESM to have a capacity of **€500 billion**, but in December 2011 European leaders agreed that before the March summit they would evaluate whether it would be appropriate to increase the volume of the fund even more. EU politicians are currently focusing their attention on the ESM fund.

At their last summit, EU leaders decided under pressure from growing lack of confidence in the market that the permanent mechanism **would be launched six months earlier, meaning in mid 2012.**

Based on the way EFSF is set up, **states do not contribute their resources** directly into it, but **guarantee all bonds that the fund sells to investors**. Although the total amount of Member States' guarantees is **€720 billion**, the fund's actual capital is lower for precautionary reasons (the so-called re-guaranteeing effect), and equals only €440 billion. **Ireland and Portugal currently draw aid** from the EFSF that totals approximately €44 billion, and it is estimated that Greece will need another €150 billion as part of the planned second loan. **If nothing unforeseen occurs, as of July the EFSF fund will be replaced by a permanent rescue mechanism, the ESM.**

http://www.efsf.europa.eu/mediacentre/news/2012/2012-03-efsf-statement-following-standard--poors-decision-to-downgrade-its-long-term-rating.htm

Hungary May Lose IMF Loan, Commission Plans Additional Punishments

The **Commission has launched legal measures** against Hungary due to new legislation that came into force at the beginning of 2012.

The Commission says **Hungarian legislation conflicts with EU laws**, since it casts doubts regarding the independence of the central bank and data protection bodies, and that the adopted measures amount to interference in the independence of the courts.

The Commission has expressed **dissatisfaction with the new Hungarian constitution** that took effect at the beginning of this year, stating that several parts of it violate EU legislation.

Together with the constitution, there were several additional pieces of legislation adopted at the end of last year. The new legislation is being criticized mainly for **threatening the independence of democratic institutions**, such as the central bank, courts and the media. It even contains provisions that critics say violate religious freedom. It also reportedly strengthens the role of Fidesz, the governing party led by Prime Minister Viktor Orbán.

Besides legal sanctions, there is also a threat that the legislation regarding the central bank approved at the end of last year **could strip Hungary of a planned precautionary loan from the IMF and the EU worth €20 billion** that Hungary applied for in November. Hungary has said it intended to use this financial aid to avert economic instability.

3 main reasons for criticism from the EC and IMF:

- a threat to the **central bank's independence**
- a threat to **independence of courts**
- a threat to the **data protection body's independence**

http://europa.eu/rapid/pressReleasesAction.do?reference=IP/12/24

Germany Asks Commission to Oversee Greek Budget

Shortly before the January EU summit, at which **EU leaders decided on the final form of the fiscal agreement**, Germany got Greek politicians to rise from their chairs. Germany's Economy Minister openly declared that if the Greeks were not capable of adopting necessary reforms, someone outside Greece should supervise them.

Chancellor Merkel's government has been **under constant pressure** from the German public and some CDU party lawmakers regarding actions taken to rescue problematic

The Czech government changed its stance on the issue of negotiations on the future EU budget and unexpectedly joined the group of countries that support the more austere version of the budget. The Commission wants to improve connection of the European payment market and make it more secure. Member States agreed upon support for growth and employment, modernization of the economy, and increasing competitiveness. Structural Funds should assist with this.

euro zone countries. They agreed **to issue Greece another loan with the stipulation** that Athens will have to comply with **stricter conditions**. Germany is also demanding that the government give priority to repayment of its obligations towards creditors over other routine expenditures.

In Athens, where discussions continued in January between private creditors and the Greek Government, the **German proposal was met with extreme disapproval**. Greek Minister Evangelos Venizelos believes the country is definitely capable of meeting its obligations.

Germany, the strongest European economy and the main contributor to rescue programs in the euro zone, is also facing pressure from international partners who would mainly like to see **an increase in the capacity of the permanent rescue mechanism, the ESM** (the fund will have €500 billion at its disposal), which Germany rejects. Germany is also expected to provide a larger contribution as part of the second rescue package for Greece.

In the opinion of observers, however, the Germans have no hopes of succeeding with the proposal. **The Commission** insists that **Greece must remain autonomous in budgetary matters.**

Greece to Write Off More Than 70% of Its Debt

Following recent negotiations between Greek officials and Greece's private creditors, it appears that investors holding Greek bonds will be forced to take losses greater than previously anticipated. Now that the creditors have already come to terms with the fact that they will have to write off half their Greek receivables, it appears that they will eventually lose more than 70% of them. Forgiving part of the debt will be accompanied by exchanging current bonds for new ones with longer maturity (up to 30 years) as well as a yield as low as 4 %. Private creditors currently hold more than half of all Greek debt and are waiting impatiently for a final agreement regarding the amount to be written off. On March 20 Greece is supposed to repay another significant portion of its debt, yet under no circumstances will it be able to make the payments without additional help from abroad.

Considerations about an "economic protectorate" over Greece are just another episode in the Greek tragedy. Soon **two years will have passed** since the agreement to provide aid to Greece in May of 2010, and it is becoming increasingly more obvious that Athens will not be able to solve its debt problem through reforms and austerity measures alone. **Bankruptcy is becoming an increasingly more likely** alternative (instead of "voluntary" restructuring) in combination with a **return to the drachma**.

http://www.fdp.de/Mehr-Geld-ist-keine-Loesung/2307c14093i1p397/index.html

BUDGET

Unexpected Turnaround: Government to Seek EU Budget Cuts

The Czech government has **changed its stance** during talks on the multi-year EU budget and has **joined a group of net contributors** led by Germany, the UK and France. In the debate regarding the next EU budget for 2014-2020 the Czech government was insisting expenditures remain at the level of 1% of the gross national income, but now it will call for their reduction.

A government spokesperson stressed that by aligning itself with those countries pushing for a stricter budget, the Czech Republic wants to make absolutely clear its intentions to back **budgetary responsibility both domestically and in the EU as a whole.**

Until now the government advocated a pragmatic stance and promoted its position regarding the EU budget within a group of new member countries known as the **"Friends of Cohesion"** that aims to obtain the maximum possible from the EU budget in the form of cohesion funds.

However, Czech Finance Minister Miroslav Kalousek believes the Czech Republic will be better able to push for more money for EU funds within the group of countries calling for a more frugal budget.

The cabinet's opinion is that the EU budget should primarily be used **to finance activities that contribute to greater competitiveness and growth in the EU** and to internal cohesion. In other words, cuts should mainly be made in areas such as common agricultural policy, which the Czech Republic does not find troublesome.

However, there is still a chance that the Czech Republic's support for a thriftier budget could come hurt the government; the Czech Republic could end up with lower financing for its regions at the close of negotiations. So far the Commission's proposal has been very accommodating towards the Czech Republic. According to the Commission **spending on regional policy should not change much** in the future.

We at the EU Office are economists, not experts in European diplomacy. **At first glance, this change seems irrational to us**. After all, the Czech **Republic receives more from the EU than it contributes to the EU budget**. Therefore, the country should push for the greatest volume of financing possible. We do trust that our officials have given significant consideration to this unexpected move to the opposite side of the negotiating table.

Last Year Czech Republic Received CZK 31 Billion More Than It Paid

The Czech Republic still contributes significantly less to the EU budget than it receives from it. In 2011 **this difference amounted to CZK 30.7 billion.** We contributed CZK 41.7 billion to the joint European budget and received CZK 72.5 billion from it. However, compared to 2010 this net position declined by nearly 17 billion, more than 50%.

The Czech Republic received less due to **revision of national accounts** and problems related to certain operational programs on the part of the Czechs, including suspected corruption (see ROP Northwest and ROP Southwest) and doubts about the efficacy and necessity of particular projects.

The largest portion of revenues was related to the Cohesion Fund and structural funds, **from which the state received CZK 43.5 billion last year**. Last year revenues from the common agricultural policy amounted to CZK 26.5 billion.

The Czech Republic's total surplus for 2004 to 2011 was +CZK 176.1 billion, which for all intents and purposes was paid for by EU taxpayers.

Net position of the Czech Republic (difference between revenues from European budget and payments into it)

Year	bln. CZK
2004	7,3
2005	2,0
2006	6,9
2007	15,2
2008	23,8
2009	42,3
2010	47,9
2011	30,7

Source: Ministry of Finance of the Czech republic

http://kormoran.vlada.cz/usneseni/usneseni_webtest.nsf/0/B72F0E39757B5A24C1257992004BA938/$FILE/42%20uv120118.0042.pdf

INTERNAL MARKET

EU Wants to Integrate Payments Using Cards, Internet, Mobile

The Commission believes the **European payment market merits better interconnection**. Officials in Brussels believe the existence of 27 national systems for making payments via the Internet, mobile phones or with payment cards **slows down economic competition**. Thus there will be **public consultations** taking place until April 11 with the aim of increasing economic competition, **improving electronic payment security** and enabling the development of innovative payment solutions. European Central Bank statistics show that in 2009 **retail payments worth nearly €58 billion** were made in the euro zone. Of that amount, €141 million in goods alone were sold over the Internet, and the Commission expects that number to continue to rise.

The Commission is displeased, for example, that despite the existence of an internal market it is often **impossible to pay in one country with debit cards issued in another**. Virtual wallet services such as PayPal and PaySec **cannot be used for payments in all online shops**, and money cannot be transferred to such electronic wallet services from all payment card providers. The Commission also strives to **improve conditions** for new players who are planning to enter the market.

Commission consulting materials also call attention to the **safety of virtual Internet and mobile wallets**. The Commission says it is imperative for customers' sensitive data not to leave secure zones within the payment systems.

The material is also intended to serve as an additional resource to accompany the plan **for completion of the Single Euro Payments Area (SEPA)**, which will replace the existing 32 separate payments systems with a single system thus speeding up cross-border money transfers.

http://europa.eu/rapid/pressReleasesAction.do?reference=IP/12/11

EMPLOYMENT AND SOCIAL POLICY

Leaders to Use Euro Funds to Support EU Growth, Employment

This is not exactly an easy time for Europe, and although national governments are attempting to implement austerity measures and cut their budgets, they **must also support economic growth and employment, modernize their economies and strengthen Europe's competitiveness.** Representatives of EU Member States and governments agreed on this at a European Council meeting.

The only state that so far **has not joined the agreement** is **Sweden**, which is awaiting a decision by its parliament.

As expected, EU leaders focused on three goals – **fostering economic growth** and employment particularly for youth, **completing the internal market** and **making the economic environment more favorable for SMEs.**

Project Galileo is to move its headquarters to Prague. Transport Minister Pavel Dobeš and the director of the Galileo space agency signed a host agreement on 27 January. As expected Croatia voted to join the EU in a referendum. Expansion of the current 27 Member States will take place 1 July 2013. EU imposes oil embargo on Iran. Governors Request Transfer of Left-Over Euros to Regions.

The main support priorities include **efforts to increase the competitiveness of recent graduates**, achieve a more interconnected single market, and completely eliminate barriers especially for SMEs (which should be directly supported) and micro enterprises. The most recent priorities approved are **energy efficiency**, **simplification of accounting and awarding of public contracts.**

Commission President José Manuel Barroso has said he wants to finance projects from structural funds and that it is possible to free up €82 billion (60 in ERDF and 22 in ESF).

A theoretical problem that could arise is the need to co-finance "European Projects" through Member States' public resources. However, in view of the current debt crisis and the general push for greater austerity, EU states do not have many free resources available.

http://www.consilium.europa.eu/uedocs/cms_data/docs/pressdata/CS/ec/127605.pdf

RESEARCH & DEVELOPMENT

Minister Pavel Dobeš Signs Agreement on Transfer of Galileo to Prague

The Czech government's five years of negotiations have been worthwhile after all. At the Galileo Application Congress Prague 2012 conference, Transport Minister Pavel Dobeš and GSA director Carlo des Dorides signed a **hosting agreement on January 27**, thereby officially confirming the decision to transfer **the headquarters of the emerging Galileo Space System (GSA) to Prague.** GSA's approximately 45 officials will begin moving into a building in Holešovice this May, and the headquarters should commence regular operations in the summer.

The agreement has also resolved the issue of safety. **Some of the agency's employees working in Prague will be handling confidential information.**

The project should begin in 2014. GSA **plans to launch 18 artificial satellites**, which should enable the creation of a navigation system for motorists. **Galileo** is intended to be a **more precise system than GPS**, but is not intended to compete with GPS. Instead, the **American** GPS system and the **European** Galileo project will be connected and **mutually beneficial.** The first two Galileo satellites were launched into orbit late last October.

In addition Minister Pavel Dobeš other officials participated in the Galileo Application Congress including Prime Minister Petr Nečas and Antonio Tajani, Commission Vice-President Responsible for Industry and Enterprise.

The relocation of Galileo's seat is a **major diplomatic success for the Czech Republic**. The direct economic effects are limited and correspond to the number of employees. However, what is much more important is the **Czech Republic's prestige** and a host of benefits expected for Czech companies as potential suppliers for the Galileo system.

http://www.mdcr.cz/cs/DOBES+GSA.htm

http://www.mdcr.cz/cs/Media/Tiskove_zpravy/GSA+v+CR.htm

ENLARGEMENT

Croatians Vote "YES" to EU in Referendum

There were no surprises. Croatian citizens voted for EU membership in a referendum. With 99% of votes tallied, it became clear that **an overwhelming majority (66%) of voters supported EU entry.** If ratification of the accession agreement proceeds without major complications in all EU states, Croatia should become an EU member **as of 1 July 2013**. Following Slovenia, Croatia will be the second former Yugoslav republic to join the EU.

Only 43.6% of voters participated in the referendum. According to Croatia's Foreign Minister, low voter turnout is almost traditional in Croatia. However, Croatian Eurosceptics have stressed their view that it is "shameful" that such a small number of people can decide the entire country's fate.

After the polls closed**, Croatian leaders met in Parliament**, where they began receiving important guests: ambassadors, trade union representatives, former ministers and others who wanted to join the government in celebrating the outcome of the historic referendum.

Croatian President Ivo Josipović declared that voters had **decided about their country's future in the EU**. He also thanked those who voted against EU accession for

participating in the referendum, adding that the country must also take their doubts and concerns into consideration.

Croatia's decision is also good news for EU public relations. Croatians proved that the EU, even despite the current debt crisis and difficulties regarding its future direction, remains attractive for certain countries outside of it.

http://europa.eu/rapid/pressReleasesAction.do?reference=MEMO/12/29

EXTERNAL RELATIONS

EU to Impose Oil Embargo on Iran

Member states of the EU intend to ban Iranian oil imports, thus **joining the USA**, which expanded its sanctions against Iran late last year. The restrictions are the result of disputes over Iran's controversial nuclear program. EU states also agreed to impose **sanctions against the Iranian central bank** to hinder Iran's financing of its nuclear program.

The embargo went into effect in January. **Therefore, EU states are no longer allowed to enter into new contracts for Iranian oil imports**. Since some contracts are already valid and their termination would complicate matters for certain countries, the EU will probably not begin imposing the sanctions until July. **For the time being, existing contracts will remain valid.**

The sanctions against the Iranian oil industry are the result of a lengthy **dispute over Iran's nuclear program** which came to a head in December and January when, for example, Iran successfully tested two long-range missiles. Although Tehran claims that its uranium enrichment programs are intended exclusively for peaceful purposes, the West is concerned Iran may be trying to manufacture nuclear weapons.

However, **Iran exports most of its oil to Asia**. Therefore, the USA and the EU are attempting to convince Asian countries, particularly **India**, to limit oil imports from Iran. China, another major importer of Iranian oil, has said it does not intend to join the embargo.

Oil from other Persian Gulf countries is expected to replace oil supplies from Iran. On the day the embargo was announced the price at which **Brent crude oil** from Europe, Africa and the Middle East is usually sold to the West **rose** by 56 cents per barrel. North American oil rose by 5 cents per barrel.

http://www.consilium.europa.eu/uedocs/cms_data/docs/pressdata/EN/foraff/127446.pdf

ENVIRONMENT

EP Imposes Stricter E-Waste Laws

MEPs **ratified stricter legislation for collection of electronics and electronic waste** at their January plenary session. Should the Commission approve the directive, Member States will have 18 months to put it into practice.

The issue of e-waste is not new to the EU. In 2003 it **accepted a directive on waste from electronic and electrical equipment**. However, the scheme was so complicated and expensive that **it was never put into practice.**

What then are the revisions? Currently Member States are obliged to recycle 4 kg of e-waste per person. By 2016 the requirement will be that **45 tons of waste** (65 tons by 2019) be collected for **every 100 tons of electrical and electronic equipment** that appeared on the market over the course of the previous three years. As an alternative a comparable amount, 85% of generated e-waste, can be collected.

The MEPs have, however, approved an exemption for some countries. Ten countries including Bulgaria, Lithuania, Latvia, Hungary, Malta, Poland, Romania, Slovakia, Slovenia, and **the Czech Republic were granted an extension until 2021** because they lack adequate infrastructure.

MEPs also approved of **consumers' returning unused small equipment** (up to 24 cm) such as mobile phones, tablets and solar cells **to major electronics stores** without having to purchase new goods.

The new directive should also **limit** illegal exports of e-waste, only one-third of which is recycled in the EU, **to third countries** (especially in Africa and Asia), where children are involved in its processing, often under inhumane conditions. Exporters will have to prove that goods are being shipped across borders for repair or re-use.

http://www.europarl.europa.eu/sides/getDoc.do?pubRef=-//EP//TEXT+TA+P7-TA-2012-0009+0+DOC+XML+V0//EN

REGIONAL POLICY

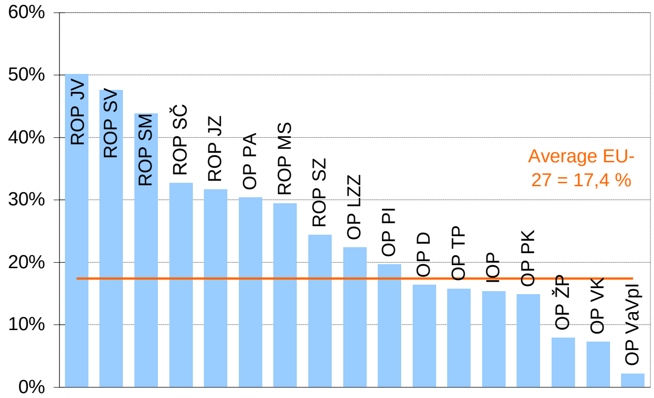
Governors Request Transfer of Left-Over Euros to Regions

Regional governors in the Czech Republic have requested that funds that could potentially remain unused after 2014 in less successful sector operational programs **be transferred to regions that have had more success putting them to use**. Ministries that use funds more slowly oppose reallocation. Chair of the Association of Regions and South Moravia Region Governor Michal Hašek argues, "At present

nearly all funding for Regional Operational Programs (ROPs) up to 2013 has been utilized. **Even so we have a whole range of particularly qualified projects for which there is no more money."**

Jan Dvořák from the Regional Development Ministry's Press Department confirmed the Ministry's **plan to assess the risks in some of the operational programs** by the end of the first half of this year and then to present their findings to the government.

OP's utilized expenditures as of allocation plan 2011 - 2013



Source: MRD CZ; certificated expenditures as of allocation

Statistics on the use of allocations by individual operational programs confirm discrepancies between different programs. Some programs such as **Southeast**, **Northeast** and **Central Moravia ROPs** are **successful** (they have utilized nearly half their allocations) whereas others, such as the **OP Environment** and both programs administered by the **Education Ministry** (Education and Development for Innovation and Education for Competitiveness) were markedly **worse** (utilizing less than a tenth of their allocations).

Even so the Education Ministry told the website EurActiv that is not worried about reallocation of funds in both programs mentioned and that it is not even considering it. Management bodies of the remaining OPs reacted similarly.

Commission Stops Payment of Eurosubsidy to Education Ministry

The Commission **refused to pay the Education Ministry CZK 1.2 billion** related to the Education for Competitiveness OP. **An audit revealed some major flaws in projects**, particularly those that focused on reform of tertiary education and state leaving exams, e-learning, and projects at certain universities.

Education Minister Josef Dobeš dismissed the criticism, however, proclaiming that the responsibility lay with the previous management of the European Funds Section of the Ministry, the Finance Ministry, and some of the regions. His argument was that "90% of the criticism concerns projects from 2008 and 2009."

http://www.strukturalni-fondy.cz/getdoc/bda3a2c4-31ed-43c0-9206-28cec79dd084/MMZ---listopad-2011-(1)

HEALTH AND CONSUMER PROTECTION

EC: Consumer Loan Websites in EU Misleading

In the fall the Commission ordered an investigation of websites offering consumer loans. The results show that **the majority (70%) of them lack or distort important information**.

In the EU consumer loans are among the most commonly utilized methods for the quick and relatively simple securing of finances for purchasing all types of goods. According to Eurostat information financial institutions in the Eurozone had more than **€600 billion in outstanding consumer loans in 2010 alone.**

Because these loans have risen in popularity, in the fall the Commission in conjunction with National States decided to carry out an audit of websites that offer similar services.

Of the more than 500 websites audited in the 27 EU Member States, Iceland, and Norway, **more than two thirds (70%) contained errors** that conflict with EU consumer legislation.

According to the Commission the most common errors found were that **advertising for personal loans**, **credit cards,** and **other types of consumer loans** featured incomplete, misleading, or false information. Nine of the ten websites examined in the Czech Republic failed the investigation.

The Commission says the "**offenders**" now await **corrective action**. However, if site owners refuse to include the missing information or fail to correct incorrect or misleading information they can expect national authorities to take legal action against them. In such cases they could be subject to monetary sanctions, and their websites could even be shut down.

Member States must inform the Commission of methods for enforcing EU Law by this autumn.

http://europa.eu/rapid/pressReleasesAction.do?reference=IP/12/6

The European Parliament elected a new president. As expected German Social Democrat Martin Schulz was chosen to replace Jerzy Buzek of Poland's European People's Party. One of the hottest political debates of recent months took place in January in the European Parliament. Hungarian Prime Minister Viktor Orbán went before lawmakers to defend controversial measures being taken by his cabinet. The majority of Czech citizens are not convinced the retirement age should be raised, nor is the EU.

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New mobile "roaming" legislation: cut prices and boost competition: http://www.europarl.europa.eu/news/en/pressroom/content/20111219IPR34600/html/New-mobile-roaming-legislation-cut-prices-and-boost-competition

European Year for active ageing and solidarity between generations 2012: http://europa.eu/ey2012/

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Euro notes and coins – 10 years on: http://europa.eu/rapid/pressReleasesAction.do?reference=IP/12/2

5 JANUARY

A first Greek microcredit provider under Progress Microfinance: http://ec.europa.eu/social/main.jsp?langId=en&catId=89&newsId=1153

Danish presidency: Priorities in the field of health: http://eu2012.dk/en/EU-and-the-Presidency/About-the-Presidency/~/link.aspx?_id=19C896D60D754EE793BF6FFCBEA52593&_z=z

6 JANUARY

MEPs call for roadmap towards eurobonds: http://www.europarl.europa.eu/news/en/pressroom/content/20120105IPR34873/html/Reinforced-economic-union-MEPs-call-for-roadmap-towards-eurobonds

EIB Initiative EIBURS 2011 Selection Committee showed results: http://www.eib.org/about/news/university-research-action-eiburs-selection-committee-results-2011.htm

9 JANUARY

Burden reduction for micro-entities: http://ec.europa.eu/enterprise/newsroom/cf/itemlongdetail.cfm?item_id=5692

Business and Consumer Surveys: http://ec.europa.eu/economy_finance/db_indicators/surveys/index_en.htm

10 JANUARY

Pendulum swings firmly in favour of Eurozone financial transaction tax: http://www.europarl.europa.eu/news/en/pressroom/content/20120109IPR34971/html/Pendulum-swings-firmly-in-favour-of-Eurozone-financial-transaction-tax

Commission orders Hungary to recover incompatible state aid from national air carrier Malév: http://europa.eu/rapid/pressReleasesAction.do?reference=IP/12/7

EU successfully issued long-term bond with 30y maturity, funding loans of € 3 billion for Ireland and Portugal: http://europa.eu/rapid/pressReleasesAction.do?reference=MEMO/12/4

11 JANUARY

18 new MEPs take their seats: http://www.europarl.europa.eu/news/en/headlines/content/20120103MUN34829/html/18-new-MEPs-take-their-seats

European Commission announces partners for business and human rights projects under new CSR strategy: http://ec.europa.eu/enterprise/newsroom/cf/itemlongdetail.cfm?item_id=5695

12 JANUARY

Second half of legislative term: changes at the top: http://www.europarl.europa.eu/news/en/pressroom/content/20111212BKG33803/html/Second-half-of-legislative-term-changes-at-the-top

Commission publishes Excessive Debt Procedure report on Belgium, Cyprus, Hungary, Malta and Poland: http://ec.europa.eu/economy_finance/articles/sgp/2012-01-11-edp_en.htm

Action plan for doubling the volume of e-commerce in Europe by 2015: http://europa.eu/rapid/pressReleasesAction.do?reference=IP/12/10

13 JANUARY

Civil Liberties Committee debates Hungary's controversial laws: http://www.europarl.europa.eu/news/en/pressroom/content/20120109IPR35005/html/Civil-Liberties-Committee-debates-Hungary's-controversial-laws

New draft treaty on reinforced economic union unacceptable to MEPs: http://www.europarl.europa.eu/news/en/pressroom/content/20120111IPR35102/html/New-draft-treaty-on-reinforced-economic-union-unacceptable-to-MEPs

16 JANUARY

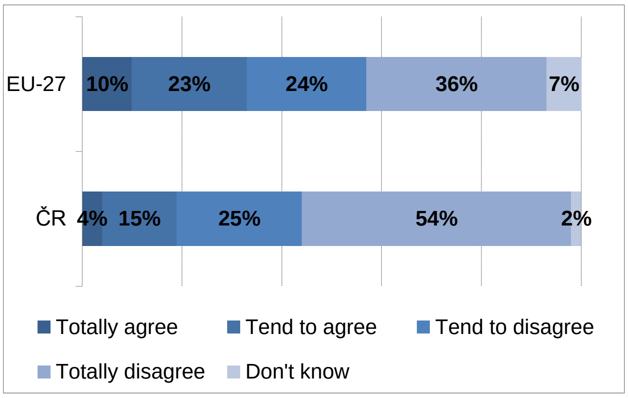
Developing the One Stop Shop for cross border VAT compliance: http://europa.eu/rapid/pressReleasesAction.do?reference=IP/12/17

17 JANUARY

Small companies create 85% of new jobs: http://europa.eu/rapid/pressReleasesAction.do?reference=IP/12/20

Europeans ready for 'active ageing', new survey says: http://europa.eu/rapid/pressReleasesAction.do?reference=IP/12/16

To what extent do you agree or disagree that the official retirement age in (our country) will need to increase



Source: Eurobarometer

Portrait of new EP President: Who is Martin Schulz: http://www.europarl.europa.eu/news/en/headlines/content/20120113STO35289/html/Portrait-of-new-EP-President-who-is-Martin-Schulz

The number of monetary financial institutions in the euro area and in the EU decreased further in 2011: http://www.ecb.europa.eu/press/pr/date/2012/html/pr120116_1.en.html

18 JANUARY

A first Spanish microcredit provider under Progress Microfinance: http://ec.europa.eu/social/main.jsp?langId=en&catId=89&newsId=1163&furtherNews=yes

19 JANUARY

Alarm bells for talks on closer economic union deal: http://www.europarl.europa.eu/news/en/pressroom/content/20120118IPR35602/html/Alarm-bells-for-talks-on-closer-economic-union-deal

20 JANUARY

EU in the world Enlargement: Commission launches dialogue on visa free travel with Kosovo: http://ec.europa.eu/enlargement/press_corner/whatsnew/news/120120_en.htm

Orbán faces political group leaders in heated debate on Hungary: http://www.europarl.europa.eu/news/en/headlines/content/20120113STO35298/html/Orb%C3%A1n-faces-political-group-leaders-in-heated-debate-on-Hungary

23 JANUARY

Economic and Financial Affairs: Statement by the EC, ECB, and IMF on the Review Mission to Ireland: http://europa.eu/rapid/pressReleasesAction.do?reference=MEMO/12/21

24 JANUARY

MEPs focus on debt crisis measures, credit rating agencies: http://www.europarl.europa.eu/news/en/headlines/content/20120120STO35892/html/MEPs-focus-on-debt-crisis-measures-credit-rating-agencies

25 JANUARY

Statistic - record number of nights spent in hotels in the EU in 2011: http://ec.europa.eu/enterprise/newsroom/cf/itemdetail.cfm?item_id=5720

Another piece of the EU energy puzzle: http://www.europarl.europa.eu/news/en/headlines/content/20120120STO35894/html/Another-piece-of-the-EU-energy-puzzle

26 JANUARY

Main results of the Economic and Financial affairs Council: http://www.consilium.europa.eu/uedocs/cms_data/docs/pressdata/en/ecofin/127516.pdf

27 JANUARY

Taxation: Commission refers the United Kingdom to the Court of Justice for abolishing the "remedy for repayment of taxes paid in mistake of law": http://europa.eu/rapid/pressReleasesAction.do?reference=IP/12/64

European Commission calls on Luxembourg to change its rules on VAT: http://europa.eu/rapid/pressReleasesAction.do?reference=IP/12/63

Taxation: Commission requests Ireland to modify its taxation of motor vehicles less than 3 months old: http://europa.eu/rapid/pressReleasesAction.do?reference=IP/12/62

30 JANUARY

EU highlights trade-led growth as central to modern development agenda: http://europa.eu/rapid/pressReleasesAction.do?reference=IP/12/80

31 JANUARY

Erasmus: changing lives, opening minds for 25 years: http://europa.eu/rapid/pressReleasesAction.do?reference=IP/12/83

Our Information Service section outlines upcoming sessions of EU decision-making bodies accompanied by other significant events such as international summits with super powers. Often agendas for negotiations by these important bodies are not ready until a few days before the actual meetings so they can be as up-to-date as possible. Agendas can be found at: http://europa.eu/eucalendar/.

Meeting of the key EU institutions

1 – 2 Feb 2012	**Brussels, Belgium**
- EP Plenary Session	
1 – 3 Feb 2012	**Brussels, Belgium**
- Meeting of Ministers responsible for competitiveness (informal)	
10 Feb 2012	**New Delhi, India**
- EU-India summit	
10 Feb 2012	**Brussels, Belgium**
- Education, Youth, Culture & Sport Council	
13 – 16 Feb 2012	**Strasbourg, France**
- EP Plenary Session	
14 Feb 2012	**Brussels, Belgium**
- Transport, Telecommunications & Energy (Energy) Council	
17 Feb 2012	**Brussels, Belgium**
- Employment, Social, Health & Consumer Affairs Council	
20 Feb 2012	**Brussels, Belgium**
- Eurogroup	
20 – 21 Feb 2012	**Brussels, Belgium**
- Competitiveness Council	
21 Feb 2012	**Brussels, Belgium**
- Economic & Financial Affairs Council	
23 Feb 2012	**Brussels, Belgium**
- Agriculture and fisheries council	
27 Feb 2012	**Brussels, Belgium**
- Foreign Affairs Council	
28 Feb 2012	**Brussels, Belgium**
- General Affairs Council	
1 – 2 Mar 2012	**Brussels, Belgium**
- European Council	

Access on 8 February 2012

The proposal for a Multi-Annual Financial Plan from late June 2011 contained a number of new elements to be given priority financing from the EU Budget. In addition to Horizon 2020 (R&D), this set of instruments includes new elements proposed for cohesion policy, more effective joint agricultural policy in terms of supplies, investments in human capital and items with specific status (European Development Fund) along with the Connecting Europe Facility (CEF).

TRANS-EUROPEAN INFRASTRUCTURE NETWORK IN THE BROADER CONTEXT AND A SPECIFIC EXAMINATION OF TRANSPORT

INTRODUCTION

Background

A completely functional Single Market is dependent upon a modern and highly efficient infrastructure that connects Europe preferably in the areas of transport, energy, information technology and communications.

According to estimates based on the Multi-Annual Financial Framework Proposal (MFP), approximately €200 billion is required to complete trans-European energy networks, an investment of €540 billion is needed for the trans-European transport system, and over €250 billion is needed for information and communication technologies from 2014-2020.

While the market can and should deliver a package of necessary investments, market failure must also be addressed here – to construct connections currently still missing, to eliminate bottlenecks, and ensure adequate cross-border connections. Nonetheless, experience shows that national budgets never give sufficiently high priority to investments encompassing cross-border regions in multiple countries that would provide the infrastructure that is vital to the smooth operation of a Single Internal Market.

Therefore the Commission decided to propose the Connecting Europe Facility (CEF) to speed the development of the infrastructure the EU needs. This growth strengthening connection will ensure better access to the internal market and will bring an end to isolation of particular economic "islands."

The CEF will likewise serve as a fundamental contribution to the security of the energy supply by ensuring pan-European access to diverse resources and providers both within and outside the EU. It will likewise aid in introducing the new concept of territorial cohesion. Pan-European access to a high-speed ICT network and pan-European ICT services will likewise overcome fragmentation of the Single Market and could help SMEs find growth opportunities outside domestic markets.

The CEF will finance a pre-defined priority transport, energy, and ICT infrastructure of EU interest and both physical and technological infrastructures which conform to sustainable development criteria. This proposal is accompanied by a preliminary list of proposed infrastructure (missing connections).

The CEF will be centrally managed. Financing will come from a budget created for this purpose and using ring fenced amounts designated for transport from the Cohesion Fund. Co-financing rates from the EU Budget will be higher where investment takes place in convergence regions as compared to regions of competitiveness. Local and regional infrastructure will be linked to priority EU infrastructure connecting all citizens across the EU.

(Co)Financing can come from structural funds (Cohesion Fund and/or ERDF depending on the circumstances of each Member State or region). With respect to the infrastructure deficit of the new Member States, the Commission decided to propose a relatively fixed allocation for the Cohesion Fund. This should help support transport investment in regions where it is warranted and support connections between them and the rest of the EU.

The CEF offers opportunities that make use of innovative financial tools to speed up and secure larger investments than could be created solely by means of public financing. The Commission will work closely with the European Investment Bank (EIB) and other public investment banks on combining financial resources for implementing these projects. The Commission will support the use of EU project bonds as tools for shifting the implementation of these important projects.

The Commission proposes allocating €40 billion for the CEF for the 2014-2020 period that should be supplemented by an additional €10 billion earmarked for qualified transport investments in the context of the Cohesion Fund.

In the proposal for the Multi-Year Finance Framework this amount is comprised of €9.1 billion for the energy sector, more than €31.6 billion for transport (including €10 billion in the context of the Cohesion Fund), and €9.1 billion for ICT.

History and Goals

Since the mid 1980s the Trans-European Transport Network (TEN-T) has formed a political and economic framework for the development of infrastructure for the smooth operation

of the internal market and to ensure economic, social, and territorial cohesion and improvement of EU-wide accessibility. In 1992 this led to the inclusion of a specific legal basis for TEN in the Maastricht Treaty and to the acceptance of a list of 14 main projects at the European Council Summit in Essen in 1994.

In 1996 the European Parliament and the Council of the EU adopted legal guidelines defining the TEN-T policy and infrastructure planning (Decision No 1692/96/ of the European Parliament and of the Council of the EU from 23 July 1996 on Community Guidelines for the Development of Trans-European Transport Networks).

A major revision of these tenets took place in 2004 that took into account EU expansion and anticipated changes to traffic flows (Decision No 884/2004 ES of the European Parliament and Council of the EU from 29 April 2004, which is an amendment to the 1996 decision). A list of the 14 projects of main concern was also distributed.

There were some financial and non-financial tools established to simplify implementation of projects. These tools are included in the TEN Financial Directives (Directive EC 680/2007 of the European Parliament and of the Council of the EU from 20 July 2007, Defining the General Rules for Allocating Community Financial Aid in the Area of Trans-European Transport and Energy Networks), the Cohesion Fund, ERDF, and loans from the EIB together with European Commission coordination initiatives.

In 2010 in the interest of legal consistency the European Parliament and the Council of the EU accepted Decision 661/2010/EU from 7 July 2010 on Union Guidelines for the Development of the Trans-European Transport Network, which represents a reworking of previous TEN-T rules.

CEF – A Common Instrument for Infrastructure Financing

Utilizing experience and lessons gained from the existing Trans-European Network Policy, the Commission has proposed a new European Infrastructure Package (EIP) based primarily on the CEF. The EIP will be a common financial instrument for the Trans-European Networks and will create a framework for implementing specific sector rules.

The CEF aims to help stimulate and simplify EU support for infrastructure by optimizing the portfolio of available instruments, standardizing operational rules for their use, and exploiting possible synergies across these three sectors. This coordinated approach will ensure the maximum possible added value for the EU, while simultaneously simplifying procedures and lowering common expenses.

The CEF proposal develops a common financial framework for all sectors including coordinated annual work programs, a common committee, flexibility between sector budgets, stronger performance indicators and conditionalities, and the shared use of specific infrastructure financial instruments.

CEF funding will be either centrally managed by Commission employees or by partnerships between the Commission and one or more financial institutions. A solution for the operational management of various instruments in the framework of the CEF will be proposed in the context of the respective legal framework based on experience from the TEN-T executive agency and existing cooperation with the European Investment Bank.

The Facility will be coordinated with other interventions from the EU Budget (such as Horizon 2020, the Cohesion Fund and Structural Funds).

The CEF will work with a budget of €50 billion (in constant 2011 prices) for the 2014-2020 period, €10 billion of which has been designated in advance for transport infrastructure in the Cohesion Fund.

While it is presumed that this instrument will be centrally managed, the greatest possible priority will be placed on respecting national allocations in the framework of the Cohesion Fund with an allocation of €10 billion. This €10 billion will be reserved for Cohesion Fund eligible Member States and co-financing rates from the EU Budget will be set at the same level as the Cohesion Fund.

Financial Instruments Within the CEF – Optimizing EU Impact

While EU governments spend on average approximately 1% of their GDP on infrastructure investments (between 0.5% and 2%), they are currently making more effort to encourage and motivate the private sector to finance infrastructure investments.

Such financing can come purely from the private sector through privatization, concessions, or more recently using a model of partnership between private and public sectors (PPP) as a basis.

Nonetheless the present flow of private financial resources is not adequate enough to address the significant investment needs of infrastructure sectors.

Moreover, private finances are not readily and flexibly available at maturities and under conditions that would be favorably reflected in the economic life cycle of commercially viable long-term infrastructure projects, specifically equity and debt instruments necessary when aiming to reduce specific obstacles to projects of key EU interest, meaning those in fact included in the CEF.

Infrastructure instruments are meant to attract private sector financing that should help Europe unleash its potential at a time of fundamental transformation and shifts in the directing of a low-carbon economy that utilizes resources efficiently.

This array of instruments should create a base for a long-term, stable investment framework and act as a catalyst and motivating force.

The CEF strives to achieve these goals using two main types of instruments:

- equity participation in equity funds that secure risk capital for activities contributing to projects of public interest;
- loans and/or guarantees for projects of common interest, supported risk-sharing instruments including enhancement mechanisms for long-term bank loans and project bonds issued by project companies.

These instruments will target policy objectives in accordance with the Europe 2020 strategy and will cover the three policy areas of transport, energy, and digital infrastructure in order to avoid unnecessary multiplication of instruments of a similar nature or with similar target recipients and project structures.

The intervention logic for the Commission envisions close cooperation with international financial instruments such as the EIB.

GUIDELINES FOR DEVELOPING TRANS-EUROPEAN TRANSPORT NETWORKS

Areas and Issues Identified

In this context the guidelines aim to tackle five main problem areas:

1. Missing connections and interconnections, particularly at cross-border sections, pose significant obstacles to the free movement of goods and persons/travelers within and between Member States and their neighbors;
2. Significant and long-standing disparity in the quality and availability of infrastructure between and within the Member States (bottlenecks). East-West connections in particular need improvement;
3. Infrastructure between transport modes is fragmented. As far as the creation of multi-modal connections is concerned, the current state of many European freight terminals, passenger train stations, inland ports, seaports, airports and urban transport nodes is such that they cannot carry out and fulfil their functions;
4. Investment in transport infrastructure should help achieve the goal of reducing greenhouse gas emissions in transport by 60% by 2050;
5. And lastly Member States still maintain distinct operating rules and requirements particularly as far as interoperability is concerned.

Spheres of Activity

The proposal for the CEF and Trans-European Networks aims to establish and develop a complete and integrated

TEN-T, consisting of infrastructure for railways, inland waterways, highways, and marine and air transport to ensure the smooth operation of the internal market and strengthen economic and social cohesion.

The first sphere of activity for achieving these goals is conceptual planning. Input from public consultations of key interested subjects led the Commission to conclude that the best method for developing the TEN-T would use a two-tiered approach consisting of a Comprehensive Network and Core Network.

Comprehensive Network

The Comprehensive Network is comprised of the basic layer of TEN-T. It consists of all forms of existing and planned infrastructure that meet the requirements of the Guidelines. The Comprehensive Network is to be completed by the end of 2050 at the latest.

Core Network

The Core Network connects the Comprehensive Network and consists of its strategically most important portions. It is comprised of a backbone network of multi-modal mobility.

It focuses on those portions of TEN-T with the most European added value:

- missing cross-border connections,
- key bottlenecks,
- multi-modal nodes.

The Core Network is to be finished by the end of 2030 at the latest.

The second sphere of activity focuses on implementation of instruments. The Commission developed the concept of corridors of Core Network (Directive 913/2010 from 22 September 2010) taking into account all rail freight transport corridors.

These corridors will create a framework instrument for coordinated implementation of the Core Network. As far as scope (extent) is concerned, the Core Network corridors will in principle cover three types of transport and will cross at least three Member States. If possible they should establish a connection with a seaport.

As far as activities are concerned Core Network corridors will ensure a platform for capacity management, investment, construction, and coordination of multi-modal facilities of cross-border sea traffic and the use of interoperable traffic management systems.

Consistency with Other EU Policies and Goals

The proposal corresponds to and fits into the policy plan announced by the Commission in the White Paper.

The proposed TEN-T Guidelines in particular are based on the strategy outlined by the White Paper: to remove main barriers and bottlenecks in key areas of transport infrastructure.

The goal is to create a Single European Transport Area with better transport services and a fully integrated transport network. This network should connect various forms of transport and result in a profound shift in transport patterns for passenger and freight transport.

The proposal likewise contributes to policy goals outlined in the Commission’s communication “A Digital Agenda for Europe” by supporting implementation of intelligent transport systems.

Support for sustainable transportation was also identified as one of the means for achieving one of the three key priorities of the Europe 2020 strategy for smart, sustainable and consistent growth adopted by the Commission on 3 March 2010.

Moreover the proposal contributes to the strengthening of territorial cohesion of the entire EU territory, which is one of the EU’s general goals along with economic and social cohesion.

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

Key macroeconomic indicators

	GDP growth y-on-y			Current account to GDP*			Unemployment rate			Inflation y-on-y average		
in %	2008	2009	2010	2008	2009	2010	X-11	XI-11	XII-11	X-11	XI-11	XII-11
Belgium	1.0	-2.8	2.2	-1.8	0.4	1.4	7.3	7.2	7.2	3.4	3.7	3.2
Bulgaria	6.2	-5.5	0.2	-23.0	-8.9	-1.0	10.9	11.0	11.2	3.0	2.6	2.0
CR	2.5	-4.1	2.3	-0.7	-3.2	-3.8	6.6	6.7	6.8	2.6	2.9	2.8
Denmark	-1.1	-5.2	2.1	2.7	3.6	5.5	7.7	7.8	7.8	2.7	2.5	2.4
Germany	1.0	-4.7	3.6	6.2	5.6	5.7	5.7	5.6	5.5	2.9	2.8	2.3
Estonia	-5.1	-13.9	3.1	-9.7	4.5	3.6	n/a	n/a	n/a	4.7	4.4	4.1
Ireland	-3.5	-7.6	-1.0	-5.6	-3.0	-0.7	14.4	14.4	14.5	1.5	1.7	n/a
Greece	1.0	-2.0	-4.5	-14.7	-11.0	-10.5	19.2	n/a	n/a	2.9	2.8	2.2
Spain	0.9	-3.7	-0.1	-9.6	-5.2	-4.5	22.7	22.9	22.9	3.0	2.9	2.4
France	-0.1	-2.7	1.5	-1.9	-1.9	-2.1	9.7	9.8	9.9	2.5	2.7	2.7
Italy	-1.3	-5.2	1.3	-2.9	-2.1	-3.3	8.5	8.8	8.9	3.8	3.7	3.7
Cyprus	3.6	-1.7	1.0	n/a	n/a	-7.7	8.7	9.0	9.3	3.2	4.0	4.2
Latvia	-4.2	-18.0	-0.3	-13.1	8.6	3.6	n/a	n/a	n/a	4.3	4.0	3.9
Lithuania	2.9	-14.7	1.3	-13.1	4.3	1.8	n/a	n/a	n/a	4.2	4.4	3.5
Luxembourg	1.4	-3.6	3.5	5.3	6.9	7.8	4.9	4.9	5.2	3.8	4.0	3.4
Hungary	0.8	-6.7	1.2	-7.3	0.4	2.1	10.8	10.7	10.9	3.8	4.3	4.1
Malta	5.3	-3.4	3.7	-7.3	-6.9	-4.1	6.4	6.5	6.5	2.4	1.5	1.3
Netherlands	1.9	-3.9	1.8	4.4	4.9	7.7	4.8	4.9	4.9	2.8	2.7	2.5
Austria	2.2	-3.9	2.0	4.9	3.1	2.7	4.1	4.1	4.1	3.8	3.8	3.4
Poland	5.1	1.7	3.8	-4.8	-2.2	-3.4	9.9	9.9	9.9	3.8	4.4	4.5
Portugal	0.0	-2.5	1.3	-12.6	-10.9	-9.9	13.0	13.2	13.6	4.0	3.8	3.5
Romania	7.3	-7.1	-1.3	-11.6	-4.2	-4.1	7.3	7.3	7.0	3.6	3.5	3.2
Slovenia	3.7	-8.1	1.2	-6.7	-1.5	-1.1	8.2	8.2	8.2	2.9	2.8	2.1
Slovakia	5.8	-4.8	4.0	-6.2	-3.2	-3.4	13.5	13.5	13.4	4.6	4.8	4.6
Finland	0.9	-8.2	3.1	2.9	2.3	3.1	7.6	7.6	7.6	3.2	3.2	2.6
Sweden	-0.6	-5.3	5.7	8.8	7.0	6.3	7.5	7.5	7.5	1.1	1.1	0.4
UK	-0.1	-4.9	1.3	-1.5	-1.7	-2.5	8.4	n/a	n/a	5.0	4.8	n/a
EU	0.5	-4.2	1.8	-2.0	-0.9	-0.8	9.8	9.9	9.9	3.4	3.4	3.0

	Public budget to GDP*			Public debt to GDP			GDP per capita to Ø EU			Price level to Ø EU		
in %	2008	2009	2010	2008	2009	2010	2008	2009	2010	2008	2009	2010
Belgium	-1.3	-5.9	-4.1	89.6	96.2	96.8	115.0	117.0	119.0	110.4	113.4	111.6
Bulgaria	1.7	-4.7	-3.2	13.7	14.6	16.2	44.0	44.0	44.0	49.2	49.7	50.5
CR	-2.7	-5.9	-4.7	30.0	35.3	38.5	84.0	85.0	82.0	72.2	70.0	72.0
Denmark	3.2	-2.7	-2.7	34.5	41.8	43.6	124.0	122.0	126.0	139.7	144.9	142.5
Germany	0.1	-3.0	-3.3	66.3	73.5	83.2	116.0	115.0	118.0	103.5	105.8	104.2
Estonia	-2.8	-1.7	0.1	4.6	7.2	6.6	69.0	64.0	64.0	77.7	76.6	75.1
Ireland	-7.3	-14.3	-32.4	44.4	65.6	96.2	133.0	128.0	127.0	129.1	126.0	118.2
Greece	-9.8	-15.4	-10.5	110.7	127.1	142.8	92.0	93.0	88.0	91.0	96.5	95.5
Spain	-4.2	-11.1	-9.2	39.8	53.3	60.1	103.0	103.0	100.0	95.2	97.8	96.7
France	-3.3	-7.5	-7.0	67.7	78.3	81.7	106.0	107.0	107.0	111.9	114.2	111.8
Italy	-2.7	-5.4	-4.6	106.3	116.1	119.0	104.0	104.0	100.0	102.9	105.5	103.6
Cyprus	0.9	-6.0	-5.3	48.3	58.0	60.8	97.0	98.0	97.0	88.8	90.1	89.3
Latvia	-4.2	-9.7	-7.7	19.7	36.7	44.7	56.0	52.0	52.0	74.7	73.5	69.3
Lithuania	-3.3	-9.5	-7.1	15.6	29.5	38.2	61.0	55.0	58.0	65.9	66.2	63.5
Luxembourg	3.0	-0.9	-1.7	13.6	14.6	18.4	279.0	267.0	274.0	117.5	121.1	119.9
Hungary	-3.7	-4.5	-4.2	72.3	78.4	80.1	64.0	64.0	63.0	69.3	64.3	65.5
Malta	-4.5	-3.7	-3.6	61.5	67.6	68.0	78.0	81.0	83.0	77.3	79.8	78.9
Netherlands	0.6	-5.5	-5.4	58.2	60.8	62.7	133.0	131.0	133.0	104.8	109.0	106.1
Austria	-0.9	-4.1	-4.6	63.8	69.6	72.3	124.0	125.0	126.0	105.4	107.6	107.1
Poland	-3.7	-7.3	-7.9	47.1	50.9	55.0	56.0	61.0	62.0	69.1	57.9	62.6
Portugal	-3.5	-10.1	-9.1	71.6	83.0	93.0	78.0	80.0	81.0	88.0	88.7	87.6
Romania	-5.7	-8.5	-6.4	13.4	23.6	30.8	47.0	47.0	45.0	62.8	57.8	58.6
Slovenia	-1.8	-6.0	-5.6	21.9	35.2	38.0	91.0	88.0	86.0	82.3	84.4	84.0
Slovakia	-2.1	-8.0	-7.9	27.8	35.4	41.0	72.0	73.0	74.0	69.6	72.4	71.2
Finland	4.2	-2.6	-2.5	34.1	43.8	48.4	119.0	114.0	116.0	121.3	125.4	122.9
Sweden	2.2	-0.7	0.0	38.8	42.8	39.8	123.0	119.0	123.0	113.2	107.7	119.8
UK	-5.0	-11.4	-10.4	54.4	69.6	80.0	114.0	113.0	114.0	102.1	95.2	100.3
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*