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EU OFFICE
Česká spořitelna, a.s.
Olbrachtova 1929/62
140 00 Praha 4
tel.: +420 956 718 012
fax: +420 224 641 301
EU_office@csas.cz
http://www.csas.cz/eu

Jan Jedlička
Head of EU Office
+420 956 718 014
jjedlicka@csas.cz

Petr Zahradník
+420 956 718 013
pzahradnik@csas.cz

Iva Dlouhá
+420 956 718 015
idlouha@csas.cz

Helena Kerclová
+420 956 718 012
hkerclova@csas.cz

under the auspices of Pavel Kysilka
CEO of ČS

Dear Readers,

It seems that investments and the ability to allow purposeful investments are now just words on a scale between successful and unsuccessful European countries; between the victors of the crisis and those defeated for a relatively long time in advance. This is another reason why investments are the topic of this issue of the EU Monthly and also under the influence of the just ended Brussels economic forum, at which in the prevailing climate of austerity and reductions an attempt was made to find valuable and worthy areas in which to invest rationally over the next decade.

With a view of the current and expected economic performance in Europe, countries have been divided into individual groups based on how they are capable of managing the process of economic recovery. And their management of it has nothing to do with waiting for more favourable economic conditions, but with structural measures of a basically more important scale. European countries are beginning to be divided into those that are able even during the current uneasy period to invest into development projects that bring future prosperity and those who are either tightening their belts and cannot afford such investments and those who have underestimated investments into the future or do not consider them crucial.

On one hand, the Czech Republic understandably cannot underestimate the risk of a fiscal imbalance, but on the other hand it obviously is not in the group of countries with the most critical fiscal problems. In fact the opposite is true. Even therefore, its structure of economic growth should appear different, and it should not dominantly in relative division of demand rely on export performance, which to a greater extent should be balanced by growth in investments. Without them, it cannot be assumed based on their corresponding preparations long in advance and targeted creation of favourable business conditions that it can remain in the dynamic group of European countries that have not underestimated future prosperity.

These investments, with maintaining of a basic fiscal balance, if they are partially supported by public resources, are then desirable to carry out regardless of significant amount of partial resistance against it, whether it takes the form of environmental, institutional, competitive or civil obstacles. Also for this reason, such resources invested into backbone infrastructure, suitably concentrated capacities within strategic industrial zones (mainly those suitably logistically connected with the potential of application of findings from research and development and the development of sectors with higher added value), modern energy capacities respecting environmental friendliness and resource conservation, including the use of market conforming stimuli and new conditions and quality requirements adapted to investment incentives and the active activities of special investment agencies, represents a strong impulse, which should be fulfilled and quickly realized without delay, so that it is quickly reflected not only into corresponding numbers, but mainly also a reality that conforms to the requirements of the second decade of the 21st Century.

Petr Zahradník

European Council Chairman calls informal summit in Brussels to resolve planned growth measures and the situation in Greece. Greek political parties have failed to agree on a government, and therefore the country faces new elections in the middle of June. The Party of the Radical Left (Syriza) has the best chance of success in the elections. The European Commission has issued recommendations to member countries as part of the European Semester.

POLITICS

Looking beyond the European Council summit

The informal summit called to Brussels by European Council Chairman Herman van Rompuy resolved not only the originally expected growth measures, but the situation in Greece as well.

The European left wing and right wing as well as indebted states on the periphery and states whose public finances are in relatively good condition agree **on the need to jumpstart economic growth in the EU and the Eurozone**. However, it remains a question **how economic growth should be supported**, whether through structural reforms (as pushed by the centre-right governments in Germany and the Czech Republic and by the European Commission) or through other fiscal stimuli and additional borrowing (as supported mainly by states in the southern part of the Eurozone and newly also by France).

New French President François Hollande, who promised during his election campaign that he would push at the European level for reopening of the fiscal agreement and addition of growth measures to it, is now pushing for a growth agenda. However, **German Chancellor Angela Merkel** continues to push for austerity and structural reforms and insists that as far as opening the agreement is concerned "there is nothing to discuss".

Position of the Czech Republic, Petr Nečas at the EU summit:

• **Economic growth**: The Czech Republic will not support the path of fiscal stimulation and artificial spending increases at the expense of short-term economic growth. "Sustainable growth must be based on healthy public finances. In this respect, the Czech Republic is in the main European current," the prime minister said.

• **Eurobonds**: "The Czech Republic is among those countries who view Eurobonds with scepticism. We are convinced that they would lead to a moral hazard from certain countries and relaxation of fiscal discipline," Nečas said.

• **Bond pilot project**: The Czech Republic has supported this project, although the government does not believe that it would be a crucial tool. "We are not enthusiastic supporters, but we tolerate pilot projects. If project obligations work, then no one is blind enough to be against them in advance," the prime minister said.

French President Holland has also **turned Europe's attention towards joint bonds of the Eurozone**, which he believes all members of the monetary union should guarantee. He argues that this would ease the situation for states on the periphery, since the risk of non-repayment would affect Europe as a whole, and the interest for which European governments borrow would decline, although interest would increase for countries such as Germany. Italian Prime Minister Monti has supported the idea of Eurobonds. Joint Eurozone bonds have also been called for by the OECD and indirectly also by IMF director Christine Lagarde.

Joint European bonds or the **transfer of the debts of individual member states to the level of the entire EU** would calm the situation in the short term, but not in the long term. There is no generous uncle in the EU, not even Germany, who would be able to be able over the long term to pay for the running of the other member states. The recipe consists of balanced and surplus budgets and repayment of debts accumulated I the past, not their shifting to a higher level.

http://tvnewsroom.consilium.europa.eu/event/informal-european-council-may-2012/press-conference-highlights/

Greek parties fail to reach deal, new elections to be held

On May 6, a **large number of parties** won seats in the Greek Parliament, who **have not been capable of forming a government alone** and did not even manage to agree on a coalition. Therefore, Greek voters will go to the polls again in the middle of June.

Differences in opinions, particularly regarding belt tightening policies, which the previous Greek government promised to carry out in exchange for financial assistance from the EU and the IMF, are at **such an impasse** that even after six rounds of talks, the Greek parties have not managed to form a government.

Political commentators generally agree that the resulting composition of parliament will obviously be as splintered as the current composition, but that the **left-wing parties are strengthening** and gaining in popularity thanks to their unbending position during the coalition talks.

"The time has come for us **to form a government of the left,** which will enjoy widespread support and end the policy that is destroying this country," commented Alexis Tsipras, 37, the charismatic leader of the left-wing Syriza party, which finished in second place in the parliamentary elections (after the winning New Democracy party) and is now the favourite.

The post-election situation in Greece is also **unsettling European political leaders**. The Greek left-wing parties are

not hiding the fact that if they win a majority of votes and form a government, they may cease to fulfil the country's international obligations, and this would obviously lead to Greece's exit from the Eurozone.

If Greece does not fulfil the conditions of the EU and the IMF, the **flow of international aid to the country will be stopped**. According to Greek authorities, Athens has financial resources available for the basic running of the country only until June. We believe that **Greece's days in the Eurozone are numbered**, and we expect the current impasse to culminate during this year. We do not expect the June elections to yield a stable government with a strong mandate, which would continue or boost necessary reforms and consolidation measures.

http://ekloges-prev.singularlogic.eu/v2012a/public/index.html?lang=en

Party	Seats	Result (%)
New Democracy	108	18.85
Coalition of the Radical Left (SYRIZA)	52	16.78
Panhelenistic Social Movement	41	13.18
Independent Greek	33	10.61
Communist Party of Greece	26	8.48
Golden Dawn	21	6.97
Democratic Left	19	6.11

ECONOMY AND EURO

EU says Czech Republic should make improving labour market, education priority

The European Commission has issued its **recommendations for how member states should improve their economic situations**. The European Council is expected to vote regarding the Commission's proposals at its June summit. This represents a major step within **the European semester**, when the Commission is evaluating individual states' reform programs. These should help European economies find a way out of the current economic crisis.

The recommendations for the Czech Republic **related to planned pension reforms**, the **functioning of the state administration** (the act on state administration), **the fight against corruption**, **the use of money from European funds** and the **functioning of the Czech Republic's education system and labour market**.

The Commission is placing the **greatest emphasis** on the education system and the labour market. Like in 2011, this year the Commission has pointed out that women with children and members of certain other groups are having difficulty finding jobs corresponding to their qualifications. The Czech Republic is expected to continue with increasing the flexibility of the labour market and **focus more on employment of young people and disadvantaged groups**, who should have the opportunity to undergo further education and increase their qualifications.

The Commission has also recommended a **series of measures to the Czech Republic related to education**. The Czech Republic is expected, for example, to increase its education budget. Its investments into education are currently below the European average, mainly in relation to elementary education. The Commission has also recommended that the Czech Republic **improve the system of evaluating university education,** on which major changes in the system of tertiary education should be based. Financing of schools should depend more on schools' results and the quality of the education they provide.

http://ec.europa.eu/europe2020/pdf/nd/csr2012_czech_cs.pdf

Recommendations for the Eurozone

• Continuation of fiscal consolidation in accordance with the rules of the Growth and Stability Pact

• Strengthening of fiscal discipline and fiscal institutions at the national and multinational level

• Improvement of the functioning and stability of the financial system – bank supervision and cross-border solution of crises

• Implementation of structural reforms

http://ec.europa.eu/europe2020/pdf/nd/csr2012_euroarea_en.pdf

Events

The European Commission has issued its spring economic prognosis. Irish voters did not surprise this time, and approved the Stability and Growth Pact in a referendum. So far only Greece and Slovakia have fully ratified the pact. The European Parliament has supported the introduction of a financial transaction tax. MEPs would like the tax to be adopted even of only certain states decide in favor of it. The European Parliament has called on Switzerland to abolish work quotas for citizens of new EU member states.

Czech and EU economy to continue to stagnate

According to the latest **report about macroeconomic developments** in the EU, the Czech economy will **continue to stagnate during this year**. The Czech Republic is expected to have the second worse result among the 10 EU member states outside of the Eurozone. The country in the worst situation is **Hungary**. The European Commission's in its latest macroeconomic prognosis expects Hungary's economy to **decline by 0.3%.**

The Commission attributes the Czech Republic's economic difficulties already this year to **"weak household demand and slow growth of the export market".** The Czech economy, after all, is strongly export oriented and is focused mainly on European markets. Therefore, the economy of the Eurozone will be a decisive factor for the Czech Republic. The Commission does not expect the Czech economy to grow until next year and predicts that it will hover around 1.5% of GDP.

However, **the balance of the state coffers is expected to pleasantly surprise**, and Brussels predicts that during next year the public budget deficit will fall below the "Maastricht" 3% limit.

The Commission also predicts that **inflation in the Czech Republic this year will hover around 3.3%** (compared to 2.1% last year) and that the **unemployment level** will jump from last year's 6.7% **to 7.2%** and will also hover at that level in 2013.

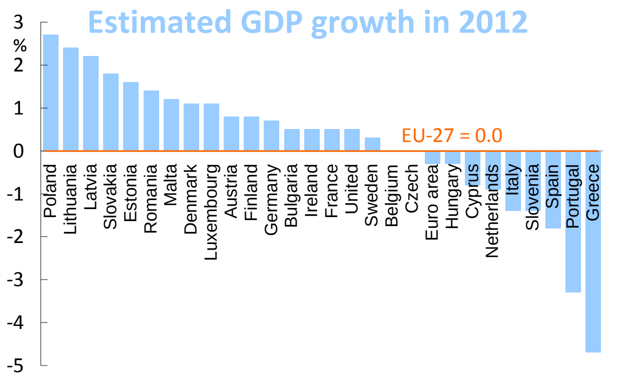
In %		**2011**	**2012**	**2013**
GDP growth		1.7	0	1.5
Contribution to growth	*Household demand*	*-0.8*	*-0.6*	*0.8*
	Inventories	*-0.1*	*-0.3*	*0.0*
	Net exports	*2.6*	*0.9*	*0.7*
Inflation (%)		6.7	7.2	7.2
Merchandise balance (% of GDP)		2.1	3.3	2.2
Current Account (% of GDP)		2.4	2.8	3.1
Budget deficit (% of GDP)		-3.6	-3.2	-3.2
Public debt (% of GDP)		-3.1	-2.9	-2.6

The Commission expects the economy to stagnate not only in the Czech Republic, but in the EU as a whole, **and it predicts that the Eurozone's economy will decline by 0.3%**. The situation is not expected to improve until next year, when the Commission expects the economy of the whole EU to grow by 1.3% the Eurozone's economy by 1% of GDP.

"A recovery is on the horizon, but **the economic situation remains fragile**," commented European Commissioner for Economic and Monetary Affairs Olli Rehn.

The Commission has the most depressing economic forecast for southern European states, for which a continued recession is predicted. It predicts **Greece's** economy to decline by **4.7%, Portugal's by 3.3**%, **Spain's by 1.8**% and **Italy's by 1.4%.** An economic decline is also expected in the Netherlands (by 0.9%), Slovenia (by 1.4%) and Cyprus (by 0.8%).

http://europa.eu/rapid/pressReleasesAction.do?reference=IP/12/466



Source: European Commission

BUDGET

Irish approve Stability and Growth Pact

A total of 25 EU states have approved the EU fiscal discipline pact, known as the Fiscal Compact, which the Czech Republic and Britain were the only EU states not to support. Ireland is the only country in which the referendum process occurred through a referendum, as required by the Irish constitution.

Irish voters approved the fiscal discipline pact. A total of **60.3% of Irish voters voted for the pact**, **and 39.7% voted against it**. A total of 3.13 million voters, 50.6% of the electorate, participated in the referendum.

In order for the pact to become valid**, it is sufficient for it to be ratified by "only" 12 of the 17 Eurozone states**. If the Irish had not supported it, their decision probably would not have had any effect on the EU, but it could have caused complications for Ireland.

This is because Ireland is among several Eurozone states that in the past were forced to ask for EUR 85 billion in international financial assistance because of their inability to fulfill their obligations. If Irish voters had not supported the

fiscal responsibility pact in the recent referendum, they would have slammed the door against any further rescue packages from the EU and the IMF, because only countries that have supported the pact may receive such assistance.

So far only Greece and Slovakia have fully ratified the pact.

http://www.consilium.europa.eu/policies/agreements/search-the-agreements-database?command=details&lang=en&aid=2012008&doclang=en

http://www.referendum.ie/results.php?ref=5

TAXATION AND CUSTOMS UNION

European Parliament approves financial transaction tax

The European Parliament, by an overwhelming majority of legislators, **has approved the implementation of a financial transaction tax (FTT)**. Last October the Commission proposed introducing a **tax at the rate of 0.1% on transactions with securities and bonds** and **0.01% on transactions with financial derivatives**. Supporters of the idea argue that the FTT will be an effective tool for reducing speculation on financial markets and will also become another source of revenue for the EU budget and national budgets.

A total of 487 MEPs voted for introducing the tax, 152 voted against it and 46 abstained. Lawmakers say the tax should be introduced even if only some member states decide in favour of it.

The biggest **supporter of the FTT is France**, which wants to begin taxing financial transactions already this year. Other backers include **Germany**, **Belgium**, **Finland**, **Austria**, **Greece**, **Italy**, **Portugal** and **Spain**. Germany has said that if the FTT is not introduced in the entire EU, it will push for its introduction at least within the Eurozone**.**

The main opponent of the tax is Britain, which has emphasized that it will not accept taxation of financial transactions if a worldwide agreement regarding transaction taxes is not reached. Britain is mainly concerned about whether London would be able to maintain its position as one of the world's most important financial centres. Other opponents include the Netherlands and Sweden, and the Czech government does not support it either.

The European Parliament has only an **advisory position** regarding the matter, and whether the tax is adopted will depend on the ability of member states' finance ministers to reach an agreement about it.

Burdening the banking sector with taxes at present seems similar to playing with matches at a service station pump. The banking sector will obviously write off other investments into Greek debt, and write-offs of debt from other problem states in the Eurozone cannot be ruled out either, which in certain Western European countries could threaten the health of the entire sector. Moreover, the banking sector must also drastically increase its capital discipline, but a sector, which is being engulfed with more regulations and which is being threatened by additional taxation will not attract investors very much.

http://www.europarl.europa.eu/news/cs/pressroom/content/20120523IPR45627/

EMPLOYMENT AND SOCIAL POLICY

Parliament calls on Switzerland to abolish work quotas

MEPs have signed a resolution protecting **against quotas for work permits**, which Switzerland recently introduced for citizens of the newest EU member states. EU lawmakers say they amount to unacceptable discrimination.

"In the resolution, we are calling on Swiss authorities to reconsider their decision. Polish and Czech workers **must not be treated as second-class citizens.** EU rules do not allow such discrimination, and the signals that we are receiving from Switzerland are unsettling," emphasized Polish MEP Rafał Trzaskowski (EPP), who serves in the committee for the internal market as a negotiator in relations with Switzerland and issues regarding the European Economic Zone. Trzaskowski reminded that the European Commission considers the Swiss decision unreasonable.

MEPs are also trying to **convince the European Commission to impose counter-measures**, which would force Switzerland to abolish the quotas. However, their aim is reportedly not imposition of repression. "Instead of introducing revenge measures, we will support the creation of more advantageous, more effective and more flexible systems of cooperation, which will lead to further expansion of free movement of persons," the resolution reads.

"The recently introduced quotas are not the only problem we are facing in our relations with Switzerland," added German MEP Andreas Schwab (EPP). He also cited measures that create difficulties for European SMEs on the Swiss market.

The resolution has received widespread support in Parliament across the political spectrum. However, the only

Events

Member states and the European Parliament have agreed on a pilot project involving project bonds. The European Parliament disagrees with Canada's visa requirements for citizens of the Czech Republic. MEPs have approved a roadmap for more effective use of resources. They argue that during the current crisis, the EU should also focus on investments into the green economy. The European Commission has issued its first report about the functioning of the border-free Schengen zone.

Czech MEP to sign it was Olga Sehnalová (Social Democrats), who views the quotas as clearly discriminatory and unlawful.

http://www.europarl.europa.eu/sides/getDoc.do?pubRef=-//EP//TEXT+TA+P7-TA-2012-0226+0+DOC+XML+V0//CS&language=CS

http://www.europarl.europa.eu/news/cs/pressroom/content/20120523IPR45697/

ENERGY AND TRANSPORT

Europe to test project bonds

Member states have agreed with the European Parliament on the **EU's plan to launch a pilot project known as project bonds**, which are intended to support investments into infrastructure, help create new jobs and strengthen the EU's competitiveness. If the pilot project is successful, as part of the new multi-year financial perspective for 2014 to 2020, the idea of project bonds could be fully developed.

The project bonds themselves will be issued by private companies, particularly for financing infrastructural projects, and the **E intends to guarantee them, so far in the agreed amount of EUR 230 million.**

The Commission anticipates that this amount could triple thanks to guarantees from the European Investment Bank, and if additional creditors get involved in the project, the final figure could reach EUR 4.6 billion. Later in the next multi-year financial framework, the Commission could allocate up to EUR 50 billion for project bonds. However, experts say that project bonds will not be sufficient to rescue the stagnating European economy and estimate that up to EUR 1.5 trillion will need to be invested into infrastructure between 2010 and 2020.

Germany has also supported the idea of "smaller" project bonds.

The green light for the pilot project is expected from Parliament **at its July session**. The legislative body has long expressed support for joint instruments for sharing financial risks.

http://www.europarl.europa.eu/news/en/pressroom/content/20120522IPR45590/

Project bonds vs. Eurobonds

Project bonds, creation of which was announced by Commission Chairman Barroso, are not the same thing as stabilization bonds (or Eurobonds). While **Eurobonds** are issued by the EU itself or the EFSF for financing individual states' budget deficits, **project bonds will be issued by private companies**. This will enable resources for financing infrastructure development projects, such as highways, railways, natural gas pipelines and digital networks. The plan particularly involves projects that are not "commercially sustainable" but are crucial strategically. Thanks to the guarantees provided by the EU and the European Investment Bank, the project bonds will be less risky, which will attract a greater number of investors and reduce the costs for financing infrastructural projects.

http://www.europarl.europa.eu/news/cs/headlines/content/20120302STO39869/

EXTERNAL RELATIONS

Will negotiations regarding EU-Canadian trade agreement end visas?

MEPs have joined calls for Canada to **end its visa requirements for citizens of Bulgaria, Romania and the Czech Republic**, the only three European countries whose citizens currently require visas to visit Canada. Visa requirements were reintroduced for the Czech Republic in 2009, and the other two named new EU members have never had visa-free relations with Canada.

"The imbalance in visa relations between the EU and Canada" commented Commissioner for Internal Affairs Cecilia Malmström. However, **the issue is not directly part of the negotiations regarding the Comprehensive Economic and Trade Agreement (CETA)**, and Malmström says the EU will not use the agreement as a pressure tool. Nonetheless, the negotiators will regularly bring up the topic peripherally and will point out that the current situation goes against the spirit of agreements such as the CETA.

The fact that the visa requirements are not a topic of the negotiations has **also been confirmed by Slovak Peter Šťastný (EPP)**, the MEP responsible for trade and economic matters between the EU and Canada.

Canada is **reportedly preparing a change to its asylum policy,** which should discourage bogus asylum applications. This has the potential to change the visa policy for citizens of the Czech Republic.

As far as Bulgaria and Romania are concerned, Canada is **waiting for both countries' entry into the Schengen zone,** which for the time being has been delayed due to disagreements within the EU.

Just like as far as discrimination against certain EU citizens in Switzerland, as described in the previous article, is concerned, **the EU, with half a billion people** and significant influence in global trade and international politics, should be

able to ensure that certain EU citizens, including Czechs, are not discriminated against by either Switzerland or Canada.

http://www.euractiv.cz/vnejsi-vztahy/clanek/otazka-viz-by-mohla-nabourat-jednani-o-obchodni-dohode-eu-s-kanadou-009928

ENVIRONMENT

EP: effective use of resources will help economic growth

MEPs have approved a plan to bring about more effective use of resources, which they expect to jumpstart economic growth in Europe and lead to sustainable development.

MEPs approved the document **by an overwhelming majority,** and many of them have pointed out that Europe must adopt clear decisions in this area.

Share of recycled municipal waste, 2010

Country	in %	Country	in %
EU27	**25**	Lithuania	4
Belgium	40	Luxembourg	26
Bulgaria	0	Hungary	18
Czech Republic	**14**	Malta	7
Denmark	23	Netherlands	33
Germany	45	Austria	30
Estonia	14	Poland	18
Ireland	35	Portugal	12
Greece	17	Romania	1
Spain	15	Slovenia	39
France	18	Slovakia	4
Italy	21	Finland	20
Cyprus	16	Sweden	36
Latvia	9	United Kingdom	25

Source: Eurostat, 2010

The European Parliament's decision has been **welcomed by environmental organizations**, such as Friends of the Earth. However, they have called on the EU to commit itself to specific goals that would help it cope with diminishing natural resources.

One of the successes of the parliamentary vote was the adoption of **a ban on waste landfilling**. Under the plan, landfills will cease to exist in the EU by the end of the decade. MEPs also called on the Commission to re-evaluate the recycling goals that should be achieved via the framework directive regarding wastes.

According to recently published data from Eurostat, EU states are not fulfilling the recycling goals set by the directive regarding wastes. **It calls on EU member states to increase the amount of recycled household waste to 50%.**

According to the spokesperson for the Greens in the European Parliament, Bas Eickhout, during the debt crisis Europe should not only focus on austerity measures, but **on investments into the green economy as well.**

http://www.europarl.europa.eu/sides/getDoc.do?type=PV&reference=20120524&secondRef=ITEM-010-04&language=CS&ring=A7-2012-0161

JUSTICE AND HOME AFFAIRS

Commission issues first Schengen grade, Greece scores worst

The European Commission has issued its **first report about the functioning of the Schengen border-free zone** in the last six months. The Commission pledged last autumn that twice per year it would issue detailed reports about how the border-free Schengen zone is functioning.

The Commission estimates that **Europe's inhabitants make more than one and a quarter billion trips per year**. Currently 400 million citizens may travel throughout the Schengen zone, which includes EU member and non-member states, without passports.

The Commission described as the **riskiest external border of the Schengen zone the Greek-Turkish border**, which is one of the most strained areas of the Schengen zone. According to statistics from the European agency responsible for management of operative cooperation at the external borders of EU member states (Frontex), **last year 55,000 illegal migrants were detained at the Greek-Turkish** border, which is an **increase by 17% compared to previous years.**

Moreover, the Commission has reported that almost **30,000 illegal crossings of the EU's external borders** were recorded during the last three months of 2011. Three quarters of the incidents were discovered on a route in the eastern Mediterranean. Refugees have been migrating to Europe mainly from Asian countries such as Afghanistan, Pakistan and Bangladesh as well as from countries in North Africa, such as Algeria and Morocco. They have been giving this route priority over much more dangerous boat trips across the Mediterranean Sea, **in which nearly 1,500 migrants lost their lives last year.**

Last year the European Commission made public a **proposal for improving the functioning of the Schengen zone**. If that proposal enters force, member states would not

be able to renew border checks at their borders as easily as they have been able to so far. **The proposal has met resistance from Germany and France**, which argue that national governments should have more of a free hand to control their borders.

http://europa.eu/rapid/pressReleasesAction.do?reference=IP/12/481

REGIONAL POLICY

European funds: Czech Republic planning use of revolving instruments

The Czech Republic does not yet have a lot of experience with financing European projects through loans or other capital investments, but this is expected to change soon, thanks to a push for more effective use of public finances. Both Czech officials and the European Commission **expect greater use of financial instruments that yield returns.** States and regions that in the current program period of 2007-2013 are **entitled to draw money from the European Cohesion Policy** may use these financial instruments to a certain extent already now. However, the management bodies of operating programs have so far exclusively used subsidies and basically have not used instruments such as loans, guarantees and capital investments into companies.

Members of the Czech government's National Economic Council (NERV) **recommend more intensive use of revolving instruments.** They see in them both a way to prevent wasting of money from European funds on useless projects with little effectiveness and a way to "recycle" European funds over the long term. As a result, funds would remain available to the state, even though it will not be able to draw as much money from the Cohesion Policy as it has been able to so far.

The ROP of the Moravia-Silesia in 2010 in cooperation with the EIB created the Jessica holding fund, which offers lines of credit under advantageous terms for investments into tourism and regeneration and reuse of brownfields. **The holding fund** was created by transferring a portion of the money from the regional operational program. The ROP of Central Moravia, which covers the Olomouc and Zlín regions, is planning to jumpstart the use of funds for urban development through Jessica.

The Ministry of Industry and Trade plans to launch an ambitious project in the second half of this year. A new risk capital fund (see fund), into which the **ministry wants to transfer more than CZK 1.3 billion from the Business and Innovation Operational Program**, is intended to help starting out technology firms that have huge potential, but that the banks do not want to finance due to too high of a risk.

The Czech Closed Development Investment Fund (ČRUIF), the expected name of the seed fund, will be 100% owned by the state, but a private administrator with a license from the Czech National Bank for investment activity will be entrusted to run it.

http://www.cebre.cz/cz/novinky/novinka-580/

Finance Ministry suspends certification of ROP due to Governor Rath's arrest

Due to the **arrest of Central Bohemia Governor David Rath**, the Ministry of Finance has decided **to suspend the preparation of the certification of expenditures** for the Central Bohemia Regional Operational Program **as a precaution.**

However, certification and payment of resources from European funds has not been occurring in the Czech republic in the case of the European Fund for Regional Development and the Cohesion Fund **since this March**, due to criticism from the European Commission mainly regarding the way the Czech audit and control system for projects is set up and the frequent rotation of employees in management positions in the state administration, who are responsible for tapping of EU money.

Finance Ministry spokesman Jakub Haas explained **that the process of certification lasts much longer** and does not only involve payment. "That does not happen until the last phase," he clarified. In the interim, the ministry is working on necessary documentation, which will be sent to Brussels together with the requests for payment. "We will process the documentation for certification of projects in advance, but right now thanks to the agreement between the Czech Republic and the EU we are waiting until the European Commission's feedback is fully addressed before we send the documents," Haas explained.

Haas says that in the case of the **Central Bohemia ROP**, the Finance Ministry will suspend the **preparation of the documentation** necessary for certification.

"The ministry will now **await other information** from law enforcement officials," the ministry's press release reads. The further approach will be decided on based on law enforcement officials' decisions.

http://www.mfcr.cz/cps/rde/xchg/mfcr/xsl/tiskove_zpravy_70336.html

http://www.mfcr.cz/cps/rde/xchg/mfcr/xsl/media_centrum_70340.html

The EU is prepared to strengthen European banks against financial shocks. Eurobarometer has published the results of the survey “How to deal with the crisis”. Czechs prefer individual solutions to the crisis rather than coordinated measures adopted with other EU states. The European central bank has released the Convergence Report for 2012, which evaluates the progress achieved by eight EU member states during their fulfillment of obligations related to economic and monetary union.

2 MAY

European Citizen's Prize: Honoring exceptional Europeans: http://www.europarl.europa.eu/news/en/headlines/content/20120426STO44158/

EU development cooperation with Kenya: http://europa.eu/rapid/pressReleasesAction.do?reference=MEMO/12/294

The European Women’s Lobby brings a gender equality perspective to intergenerational solidarity: http://ec.europa.eu/social/main.jsp?langId=en&catId=89&newsId=1296

SMEs in the euro zone are struggling to get bank funding: http://ec.europa.eu/enterprise/newsroom/cf/itemdetail.cfm?item_id=5918

3 MAY

Galileo September launch will spur innovation: http://ec.europa.eu/enterprise/newsroom/cf/itemdetail.cfm?item_id=5921

Digital Agenda: New strategy for safer internet and better internet content for children and teenagers: http://europa.eu/rapid/pressReleasesAction.do?reference=IP/12/445

4 MAY

MEP Sonia Alfano: "Ordinary laws don't work against the mafia": http://www.europarl.europa.eu/news/en/headlines/content/20120426STO44160/

7 MAY

ECHA accepts group notification to the Classification and Labelling Inventory for companies who are not themselves manufacturers or importers: http://echa.europa.eu/view-article/-/journal_content/75169683-efce-4bbe-b3a8-e4e2b39a332b

Albania: Potential to move higher up in the enlargement process: http://ec.europa.eu/enlargement/press_corner/whatsnew/news/120504_en.htm

European regions and cities set the agenda for successful cohesion policy 2014-2020: http://cor.europa.eu/en/news/pr/Pages/european-regions-cities-set-agenda-successful-cohesion-policy-2014-2020.aspx

8 MAY

Commission adopts first report on the application of the Audiovisual Media Services Directive: http://europa.eu/rapid/pressReleasesAction.do?reference=MEMO/12/306

Supervisory powers: Parliament and the other EU institutions: http://www.europarl.europa.eu/news/en/headlines/content/20120504STO44459/

Putting our houses in order: how the EU bids to create a more stable mortgage market: http://www.europarl.europa.eu/news/en/headlines/content/20120223STO39233/

EP calls for new EU-China partnership based on reciprocity: http://www.europarl.europa.eu/news/en/headlines/content/20120521STO45446/

9 MAY

Trade as a "wonderful opportunity" for Arab Spring democracy: http://www.europarl.europa.eu/news/en/headlines/content/20120504STO44463/

Latest report on safety of products shows fewer dangerous items reaching the EU market: http://europa.eu/rapid/pressReleasesAction.do?reference=IP/12/452

10 MAY

What next for crisis-hit Europe? EP President Schulz, political leaders look at big picture: http://www.europarl.europa.eu/news/en/headlines/content/20120507STO44559/

11 MAY

New deal to cut mobile roaming prices, including data services: http://www.europarl.europa.eu/news/en/pressroom/content/20120508IPR44648/

Commission proposes new VAT rules for vouchers: http://europa.eu/rapid/pressReleasesAction.do?reference=IP/12/464

Working together: Risk prevention means active leadership and worker engagement: http://osha.europa.eu/en/teaser/working-together-risk-prevention-means-active-leadership-and-worker-engagement

14 MAY

Antonio Tajani: Fostering industrial co-operation with the United States: http://ec.europa.eu/enterprise/newsroom/cf/itemdetail.cfm?item_id=5937

Diary

15 MAY

Syria: Council strengthens EU sanctions once more: http://www.consilium.europa.eu/uedocs/cms_data/docs/pressdata/EN/foraff/130205.pdf

Fiscal Policy: Growth dimension and control of new Commission powers needed:
http://www.europarl.europa.eu/news/en/pressroom/content/20120511IPR44897/

Transport: Road charging plans must be fair to all drivers: http://europa.eu/rapid/pressReleasesAction.do?reference=IP/12/471

16 MAY

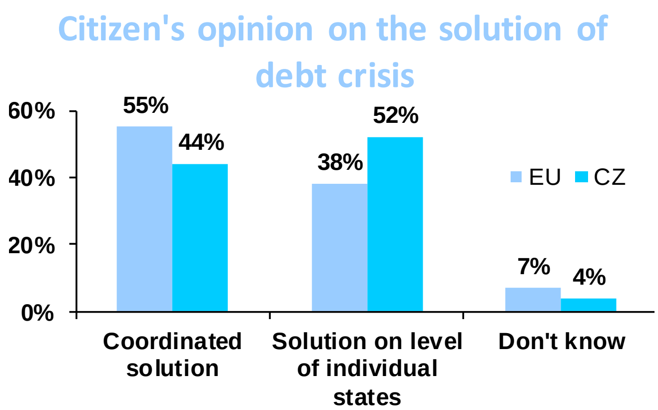
Making European banks more solid:
http://www.consilium.europa.eu/homepage/highlights/making-european-banks-more-solid

18 MAY

European Council adopted a conclusion about new setting of VAT:
http://www.consilium.europa.eu/uedocs/cms_data/docs/pressdata/en/ecofin/130268.pdf

21 MAY

Czechs prefer crisis solution on the state level to the solution on the level of EU coordination:
http://www.europarl.europa.eu/aboutparliament/cs/00191b53ff/Eurobarometer.html?tab=2012_2



Source: Eurobarometer, March 2012

22 MAY

The European Union at the G8 summit:"Acting together": http://europa.eu/rapid/pressReleasesAction.do?reference=IP/12/480

Commission launches 'Your First EURES job' pilot project to help young people find jobs: http://ec.europa.eu/social/main.jsp?langId=en&catId=89&newsId=1291

23 MAY

Antonio Tajani: Enhancing business cooperation between SMEs in Colombia and the EU:
http://ec.europa.eu/enterprise/newsroom/cf/itemdetail.cfm?item_id=5955&lang=en&tpa_id=0

24 MAY

State aid: Commission adopts rules on national support for industry electricity costs in context of the EU Emission Trading Scheme: http://europa.eu/rapid/pressReleasesAction.do?reference=IP/12/498

25 MAY

Montenegro Spring Report adopted by the Commission: http://ec.europa.eu/enlargement/press_corner/whatsnew/news/120522_2_en.htm

More EU efforts needed to tackle youth unemployment, say MEPs: http://www.europarl.europa.eu/news/en/pressroom/content/20120523IPR45695/

29 MAY

Public consultation: Keeping our industry as a driver of sustainable growth and jobs:
http://europa.eu/rapid/pressReleasesAction.do?reference=IP/12/512

EU challenges Argentina's import restrictions:
http://europa.eu/rapid/pressReleasesAction.do?reference=IP/12/503

30 MAY

Guiding Moldova towards a free-market democracy: http://www.europarl.europa.eu/news/en/headlines/content/20120525STO45811/

30 MAY

Preparing negotiations on plans to offer victims better cross-border protection: http://www.europarl.europa.eu/news/en/headlines/content/20120525STO45814/

World No Tobacco Day 2012: EU-wide survey shows that a majority of EU citizens supports stronger tobacco control measures:
http://europa.eu/rapid/pressReleasesAction.do?reference=IP/12/511

ECB publishes its Convergence Report 2012:
http://www.ecb.eu/press/pr/date/2012/html/pr120530.en.html

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

3 – 4 June 2012	**Saint Petersburg, Russia**	- Summit EU-Russia
3 – 5 June 2012	**Horsens, Denmark**	- Meeting of Ministers of Agriculture (informal)
7 – 8 June 2012	**Luxembourg, Luxembourg**	- Transport, Telecommunications & Energy Council
7 – 8 June 2012	**Luxembourg, Luxembourg**	- Justice and Home Affairs Council
10 – 11 June 2012	**Horsens, Denmark**	- Meeting of General Affairs Ministers (informal)
11 – 14 June 2012	**Strasbourg, France**	- European Parliament plenary session
11 June 2012	**Luxembourg, Luxembourg**	- Environment Council
12 June 2012	**Luxembourg, Luxembourg**	- Agriculture Council
18 June 2012	**Luxembourg, Luxembourg**	- Agriculture and Fisheries Council
21 – 22 June 2012	**Luxembourg, Luxembourg**	- Employment, Social, Health & Consumer Affairs Council
25 June 2012	**Luxembourg, Luxembourg**	- Foreign Affairs Council
26 June 2012	**Luxembourg, Luxembourg**	- General Affairs Council
28 – 29 June 2012	**Brussels, Belgium**	- European Council

Access as of 31 May 2012

The approach of individual states, economies and economic policies to investment is one of the key factors for their future success and prosperity and makes it possible to distinguish between countries with a responsible approach and those who are beginning to lose their pace. The following contribution focuses on the development of investments in the EU from various points of view, whose common denominator is sharp reduction in volume during the worst crisis period.

INVESTMENTS IN THE EU DURING CRISIS

INVESTMENT IN GROSS FIXED CAPITAL: GROWTH DYNAMICS

The impact of the crisis on the development of investments into fixed capital has represented for most EU economies the most important internal demand shock for the overwhelming majority of EU member states, since their year-to-year dynamics, mainly during the critical year of 2009, drastically declined, as is shown by the following tables.
EU member states in the current post-crisis period have obviously been divided into two groups:

- countries trying, even with the support of purposely invested public expenditures, to invest and accelerate economic growth in perspective areas,
- countries (for 2012 a minority group), who lack sufficient resources for investments and are declining even more than the sharpest decline in 2009.

Investments into gross fixed capital in the EU (Eurozone members; year-to-year growth, %)

	1992–1996	1997–2001	2002–2006	2007	2008	2009	2010	2011[e]	2012[f]	2013[f]
Belgium	-0.9	6.9	1.1	9.3	3.5	-11.6	-2.7	6.8	1.7	2.0
Germany	-3.2	6.4	2.7	10.5	3.8	-22.8	10.0	7.6	2.7	7.2
Estonia	-	14.8	16.0	12.1	-17.9	-50.2	26.1	44.7	4.0	15.0
Ireland	9.3	9.1	6.3	17.9	-12.4	-23.5	-16.9	-3.0	2.4	5.7
Greece	7.4	10.9	10.0	37.0	1.3	-24.0	-20.0	-22.1	-5.2	6.7
Spain	-0.1	8.9	4.3	9.6	-3.2	-22.9	5.2	1.5	-6.1	-3.0
France	0.8	7.6	1.1	9.1	3.5	-9.6	4.1	8.9	0.5	4.9
Italy	0.0	5.3	1.4	3.2	-5.2	-16.8	11.9	-0.9	-6.9	3.5
Cyprus	-	5.0	4.7	11.7	13.6	-0.3	-5.7	-23.1	4.0	4.0
Luxembourg	-4.3	10.9	3.4	25.4	5.8	-32.9	24.9	14.3	12.0	4.0
Malta	-	-	5.5	-4.5	-27.8	-24.3	27.7	-	-	-
Netherland	4.5	5.9	1.9	8.3	7.0	-13.2	7.5	7.6	-2.7	1.0
Austria	0.7	3.0	0.4	6.6	-0.7	-9.7	4.3	11.3	2.3	3.4
Portugal	1.3	9.2	-0.1	7.9	6.9	-13.0	-4.4	-13.3	-14.0	0.5
Slovenia	9.6	11.7	8.7	9.2	3.1	-28.9	4.4	6.3	1.2	3.5
Slovakia	-	2.2	4.2	4.5	1.2	-26.6	17.2	12.5	3.6	5.5
Finland	1.0	6.0	-1.3	17.8	1.5	-11.8	-6.0	12.0	-1.1	2.5
Eurozone	0.1	6.9	2.3	9.4	1.1	-17.2	6.0	4.3	-1.4	3.9

Investments into gross fixed capital in the EU (Eurozone non-members; year-to-year growth, %)

	1992–1996	1997–2001	2002–2006	2007	2008	2009	2010	2011[e]	2012[f]	2013[f]
Bulgaria	-	-	12.8	28.8	3.1	-45.0	-18.5	-	-	-
Czech Republic	16.2	4.8	3.6	23.0	10.5	-18.3	-1.3	7.5	2.9	3.5
Denmark	3.4	6.2	3.8	4.9	-2.7	-14.6	2.2	-1.6	6.0	4.6
Latvia	-	-	-	-	-	-	-	-	-	-
Lithuania	-	13.5	15.1	23.4	-17.3	-50.0	19.6	25.3	4.0	8.0
Hungary	-	10.0	4.1	11.6	1.6	-16.7	-4.2	-4.0	1.0	-2.0
Poland	-	7.1	4.8	22.3	13.0	-10.8	-5.1	6.6	9.0	11.5
Romania	7.3	5.9	14.9	28.3	10.9	-27.7	6.0	7.0	4.7	7.5
Sweden	5.1	6.1	5.2	12.9	5.5	-22.7	12.7	2.3	1.5	5.0
United Kingdom	4.5	7.0	1.5	9.4	-5.1	-16.6	7.5	-1.9	0.0	5.0
EU-27	-	6.9	4.2	12.5	2.1	-18.5	5.8	4.1	0.2	4.7

Source: Eurostat

INTERNATIONAL INVESTMENT ENVIRONMENT

Economic recovery is beginning to appear on the horizon, but the EU's economy still has a long way to achieving sustainable growth. Under strong pressure and during escalation of the next phase of the debt crisis, the EU's economy again entered recession in the fourth quarter of 2011. Since then, there have been certain signs of stability, in relation to which only the future will confirm whether they were only temporary.

The freezing of investment activities was influenced greatly by the sharp decline in offered credit, which had the potential to spill over into a credit crunch that would have further weakened actual economic performance. This was averted in the Eurozone as well as elsewhere, such as Britain, by an extraordinary tool for supporting liquidity. The reduction of tension in bank financing paved the way for relaxation of tension through the extensive range of financial market segments in the first months of 2012.

Business and consumer sentiment, which in the second half of 2011 sharply worsened, has at least stabilized at low levels, but so far without any visible trends of turnover for the better. The return of confidence can be considered a prerequisite for the dynamics of economic recovery.

And finally, there is the ongoing very intensive process of bank recapitalization, which in the short term will be costly and will increase demands for cautiousness by banks, but in the long term will make the entire system much more stable and less vulnerable.

In the spring of 2012, the EU economy has experienced a drop in performance and output. The rising price of oil, slowed global economic performance and a loss of confidence as a result of the intensive debt crisis have taken their toll against the EU economy, particularly at the end of 2011.

Regardless of these serious reasons, the decline in economic activity has been rather light. Thanks to a series of important economic and political decisions, progress in the functioning and creation of institutions, sufficient structural reforms and unconventional monetary support, a sharper decline in economic activity has been avoided. Nonetheless, in 2012, GDP growth in the EU will remain almost flat. With the elimination of temporary shocks and strengthening confidence, a return to at least sub-optimum economic growth is expected in 2013.

However, only a handful of member states (measured by the indicator of GDP per capita) will be able in 2012 to achieve the pre-crisis values of that indicator. The Czech Republic fortunately is among the nine of them, as identified by the report accompanying the European Commission's Spring Economic Forecast from 11 May 2012. This has been most visible in the case of Poland, Slovakia and Bulgaria, followed by Germany and Romania in the second group and the Czech Republic, Sweden, Austria and Lithuania in the third group. It is worthy of notice that six of the nine countries are from Central and Eastern Europe.

The Czech Republic's relatively decent position is due to a great extent to the fact that the need to solve the problem of public finances is not as critical in the Czech Republic as in other states, in which the need to slam on the brakes has halted economic performance.

Moreover, the Czech Republic has not been affected directly by the financial crisis to such an extent, and the banks have not been forced to limit granting of credit. However, unlike the economies of several of these nine countries, the Czech economy has not managed to recover as much since the drastic economic collapse in 2008, which is mainly due to the high risk of threatening of the sustainability of inclusion in this performance group.

As illustrated in the table for the EU, in 2013 the main factor of economic recovery and drive is expected to be the development of investments. Countries unprepared for investments face the significant risk of not being able to keep up with the pace of economic growth and of seeing their positions in the European and global economies drastically decline.

Global Economic Environment

	2008	2009	2010	2011	2012	2013
USA	-0.4	-3.5	3.0	1.7	2.0	2.1
Japan	-1.0	-5.5	4.4	-0.7	1.9	1.7
Rest of Asia	6.9	6.3	9.0	7.2	6.9	7.0
- China	9.6	9.2	10.3	9.2	8.4	8.2
- India	6.7	8.4	8.4	6.9	6.8	7.5
Latin America	4.3	-1.8	6.1	4.4	3.6	4.0
- Brazil	5.2	-0.3	7.5	2.7	3.1	4.2
Middle East and Northern Africa	4.2	2.2	4.5	3.3	3.1	3.4
CIS	5.3	-6.7	4.6	4.6	3.7	3.9
- Russia	5.2	-7.8	4.0	4.3	3.6	3.8
World	2.8	-0.6	5.1	3.7	3.3	3.7

Source: European Commission, May 2012; 2011 data are estimates; 2012 are forecasts

In addition to the many factors due to which the results of the crisis are directly or indirectly affecting investment behaviour in Europe and investors' decisions regarding capital allocation, it also makes sense for completeness to mention the effects of the global economy, the strongest of which include:

- the solid growth of the U.S. economy at the end of last year, which has been significantly influenced by stimulus and support measures in the United States and which could be an additional impulse for momentary preference of the American territory over the European one;
- slowing and weakening of global growth (during elimination of development in the EU) from 5.7% in 2010 to 4.2% in 2011;
- reduction of the growth of global trade (to 5.6% in 2011 from 14.9% in 2010).

INVESTMENT DEVELOPMENT IN THE EU

Following the extremely sharp decline during the recession in 2008-2009, investments (formation of gross fixed capital) rebounded in 2010 and 2011, but remained far below their level from before the crisis (basically at the reduction level achieved in 2009). Moreover, the process was further disrupted by the very fragile and uncertain level of improvement, and the overall economic situation as well as its outlook in the second half of 2011 worsened again.

Compared to during the first half of 2011, investments in the EU basically stagnated (+0.1%), while in the Eurozone they slightly fell (-0.5%). The uncertainty became the main obstacle for investment decisions. Other factors that have weakened investments have been the declining use of capacities, the very slow development of profitability, strict lending conditions and the process of debt reduction.

Mainly investments into equipment and technology weakened in the second half of 2011, while investments into construction remained at as weak a level as at the start of the crisis.

Investments into equipment and technology serve as a mirror of the overall economic situation. Investments into equipment and technology represent approximately one quarter of the volume of gross fixed capital investments, which have rebound from their low levels during the recession in 2008 and 2009, but which slowed again in 2011 due to weaker current and expected demand. The investment cycle for recovery after 2009 has so far been brief and modest.

Composition and structure of growth in the EU and its dynamics

In %	2006	2007	2008	2009	2010	2011[e]	2012[f]	2013[f]
Private consumption	2.3	2.2	0.3	-1.8	1.0	0.1	-0.3	0.7
Public consumption	2.0	1.8	2.3	2.1	0.7	-0.1	-0.5	-0.1
Investments	6.4	5.9	-0.9	-12.5	-0.2	1.3	-0.9	2.2
Change in inventories	0.5	0.8	0.6	-0.5	0.4	0.5	0.3	0.3
Export of goods and services	9.7	5.8	1.5	-12.0	10.9	6.3	2.4	4.8
Import of goods and services	9.6	6.0	1.2	-12.2	9.8	3.9	0.9	3.9
GDP	3.3	3.2	0.3	-4.3	2.0	1.5	0.0	1.3

Source: European Commission, May 2012; 2011 data are estimates; 2012 are forecasts

At the beginning of 2012, it was correct to state that the near outlook for investments into equipment and technology was weak, since corporations reduced their production expectations due to reduced use of capacities (which in 2009 fell below 70% from the level of around 85% in the pre-crisis period); uncertainty – although now much less – remains a fundamental brake for investment decisions.

Moreover, slower economic activity is putting pressure on companies' profits and reducing investment margins, which is indicated by changes in the deflator of GDP and unit costs of labor.

Moreover, in some member states, investments into equipment and technology remain influenced by strict financial conditions and the process of paying off corporate debt.

The effect of bank consolidation and stabilization on the financing of company investments into equipment and technology depends on the availability of other financing options, such as financing through corporate bonds.

Key indicators such as new orders of capital assets and new orders contained in the key index of purchasing managers appear to show that investments into equipment and technology will remain weak overall in 2012; their growth I the EU is expected to be almost flat and is even expected to reach negative values in the Eurozone.

In the longer term outlook for 2013, acceleration of these investments is expected up to 4.75% in the EU and 4% in the Eurozone. All large EU member states, with the exception of Spain, expect significant growth in investments.

Residential and non-residential construction investments started declining already at the beginning of the crisis and more or less stabilized at this reduced level in 2011. Housing, comprising approximately half of construction investments, remained seriously impacted by the effects of the crisis. In several member states, the number of unsold residential units and houses remained high and represented an obstacle for investment activity. The overall worsening of the economic situation only fueled the fire. Financial conditions remain difficult in several economies, particularly as far as credit standards for housing loans are concerned.

THE LEVEL OF INVESTMENTS

During the crisis, not only were there only sharp declines in the dynamics of investments in time as described in the previous passage, but there was also a visible decline in the level of investments, meaning the relationship between the volume of investments and GDP.

This fact also confirms that the decline in investments during the crisis was more significant in Europe as a whole than the decline in development of GDP.

Whereas over the long term the level of investments in the EU reached approximately 22% of GDP shortly before the crisis rose to more than 23%, at the end of 2011 it reached 20.2%, and at the turn of 2009 and 2010 it even hovered below 20%. Expressed nominally, this represents a decline of approximately EUR 1.2 trillion for the EU as a whole.

THE FLOWS OF INTERNATIONAL INVESTMENTS DURING CRISIS

Worldwide, even beginning in 2007 and during the crisis, there was a sharp decline in international investment flows in all of its forms (direct foreign investments, portfolio investments, other international investment flows). This drastic decline (from nearly EUR 9 trillion in 2007 to less than EUR 1.4 trillion in 2009) was unlike anything seen in recent decades; following this unprecedented drying up of international investment flows, a very modest recovery occurred at the beginning of 2010 by about 5% (from EUR 1.37 trillion to EUR 1.44 trillion).

Moreover, this modest recovery primarily affected regions outside of Europe, such as the USA, Asia and Latin America. In this context, foreign direct investments (FDI) grew globally. However, this growth mainly occurred outside of Europe, specifically in Brazil, Russia, India and China. Moreover, developing countries and their economies are continuing to receive an increasing amount of FDI.

In the EU, both incoming and outgoing flows of investments (from and to third countries) continued to decline and ended up far below their record amount from 2007. Flows of FDI grew slightly in 2009, but fell sharply again in 2010. The volume of incoming FDI between 2009 and 2010 (from an already reduced level; its record value in 2007 exceeded EUR 400 billion) declined from EUR 215.7 billion to a mere EUR 54.2 billion in 2010, which represented a further sharp reduction by 75%.

Generally, incoming investments into the EU 27 from third countries have been significantly affected by the economic crisis. The decrease in investment flows during the financial crisis mainly affected new member states.

Outgoing FDI went through a trend similar to previous trends. Outgoing investments fell sharply from EUR 280.6 billion in 2009 to EUR 106.7 billion in 2010, which represented a reduction by 62%.

Moreover, outgoing flows declined below their level from 2004, which entirely eliminated the trend of growth of outgoing flows that occurred from 2004-2007.

The economic crisis and the subsequent difficult recovery from it continued and took their toll on the reduction of outgoing FDI from the EU, when EU businesses remained hesitant to invest both at home and abroad, and access to financing (and its costs) remained a serious topic for the continuously difficult economic environment.

FDI flows within the EU made up only marginally for the reduction of FDI flows outside of the EU. During 2009-2010 these grew by EUR 128.7 billion to EUR 145.6 billion. Investment flows within the EU thus grew slightly, while incoming and outgoing investments to and from the EU declined.

Although investments within the EU declined more sharply following their peak in 2007, they subsequently showed earlier signs of recovery. In the short term during the crisis, it seems that FDI flows in the EU have been refocused on investments within the EU and not as much on investments outside of the EU. Nonetheless, the level of investment flows within the EU has remained rather suppressed.

FDI flows through institutions with a special purpose (e.g. Czech Invest) played an important role in the results for 2010. The current economic, debt and financial crisis is casting a long shadow on the economic environment and climate. Neither confidence in the market nor investments are expected to rebound significantly until the debt crisis is solved.

The differences between changes in FDI flows as they are identified in the EU and other parts of the world could be only partially attributed to uncertainty caused by the EU debt crisis. Other factors, such as market perception and long-term perspective, also play an important role.

MERGERS AND ACQUISITIONS

In accordance with the continuing trend of weak economic performance, overall cross-border mergers and acquisitions (both from non-EU states and other EU member states) grew in 2010 by 30% (according to preliminary data, however, they fell again in 2011). Nevertheless, in 2010 they remained at the level of 64% from 2007, which represented a record level. However, the number of transactions continued to grow. The difference in the trend between the number of transactions and their value indicates a focus on smaller transactions in the continuing uncertain business environment.

Mergers and acquisitions in the EU (2000–2011)

	Cross-border		**Incoming**		**Total**	
	Deals	Volume (mln. EUR)	Deals	Volume (mln. EUR)	Deals	Volume (mln. EUR)
2011e	1.599	49.092	773	38.220	2.372	87.312
2010	1.054	44.026	732	67.817	1.786	111.843
2009	986	56.838	641	29.353	1.627	86.191
2008	1.322	90.819	931	34.162	2.253	124.981
2007	1.482	229.253	926	76.143	2.408	305.396
2006	1.401	175.983	963	84.233	2.364	260.216
2005	1.500	244.319	929	60.647	2.429	304.966
2004	1.193	71.954	809	53.589	2.002	125.543
2003	1.121	33.543	625	47.598	1.746	81.141
2002	1.163	74.762	667	64.115	1.830	138.877
2001	1.353	125.181	695	63.265	2.048	188.446
2000	1.584	456.703	830	75.439	2.414	532.142

Source: European Commission

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 %	2009	2010	2011	2008	2009	2010	II-12	III-12	IV-12	II-12	III-12	IV-12
Belgium	-2.8	2.3	1.9	-1.8	0.4	1.4	7.3	7.3	7.4	3.3	3.1	2.9
Bulgaria	-5.5	0.4	1.7	-23.0	-8.9	-1.0	12.4	12.5	12.6	2.0	1.7	2.0
CR	-4.7	2.7	1.7	-0.7	-3.2	-3.8	6.8	6.7	6.6	4.0	4.2	4.0
Denmark	-5.8	1.3	1.0	2.7	3.6	5.5	7.6	7.6	7.6	2.7	2.7	2.3
Germany	-5.1	3.7	3.0	6.2	5.6	5.7	5.5	5.5	5.4	2.5	2.3	2.2
Estonia	-14.3	2.3	7.6	-9.7	4.5	3.6	10.8	10.8	n/a	4.4	4.7	4.3
Ireland	-7.0	-0.4	0.7	-5.6	-3.0	-0.7	14.5	14.4	14.2	1.6	2.2	1.9
Greece	-3.3	-3.5	-6.9	-14.7	-11.0	-10.5	21.7	n/a	n/a	1.7	1.4	1.5
Spain	-3.7	-0.1	0.7	-9.6	-5.2	-4.5	23.8	24.1	24.3	1.9	1.8	2.0
France	-2.7	1.5	1.7	-1.9	-1.9	-2.1	10.1	10.1	10.2	2.5	2.6	2.4
Italy	-5.5	1.8	0.4	-2.9	-2.1	-3.3	9.8	10.1	10.2	3.4	3.8	3.7
Cyprus	-1.9	1.1	0.5	n/a	n/a	-7.7	9.8	10.0	10.1	3.1	3.5	3.6
Latvia	-17.7	-0.3	5.5	-13.1	8.6	3.6	15.2	15.2	n/a	3.3	3.2	2.8
Lithuania	-14.8	1.4	5.9	-13.1	4.3	1.8	13.6	13.6	13.8	3.7	3.7	3.3
Luxembourg	-5.3	2.7	1.1	5.3	6.9	7.8	5.2	5.2	5.2	3.3	2.9	3.0
Hungary	-6.8	1.3	1.7	-7.3	0.4	2.1	11.0	11.0	10.7	5.8	5.5	5.6
Malta	-2.7	2.3	2.1	-7.3	-6.9	-4.1	6.0	5.8	5.7	2.4	2.4	3.8
Netherlands	-3.5	1.7	1.2	4.4	4.9	7.7	4.9	5.0	5.2	2.9	2.9	2.8
Austria	-3.8	2.3	3.1	4.9	3.1	2.7	4.1	4.0	3.9	2.6	2.6	2.4
Poland	1.6	3.9	4.3	-4.8	-2.2	-3.4	10.0	9.9	9.9	4.4	3.9	4.0
Portugal	-2.9	1.4	-1.6	-12.6	-10.9	-9.9	14.8	15.1	15.2	3.6	3.1	2.9
Romania	-6.6	-1.6	2.5	-11.6	-4.2	-4.1	7.1	7.2	7.4	2.7	2.5	1.9
Slovenia	-8.0	1.4	-0.2	-6.7	-1.5	-1.1	8.7	8.6	8.7	2.8	2.4	2.9
Slovakia	-4.9	4.2	3.3	-6.2	-3.2	-3.4	14	13.9	13.7	4.0	3.9	3.7
Finland	-8.4	3.7	2.9	2.9	2.3	3.1	7.6	7.6	7.6	3.0	2.9	3.0
Sweden	-5.0	6.1	3.9	8.8	7.0	6.3	7.5	7.3	7.3	1.0	1.1	1.0
UK	-4.4	2.1	0.7	-1.5	-1.7	-2.5	8.1	n/a	n/a	3.4	3.5	n/a
EU	-4.3	2.0	1.5	-2.0	-0.9	-0.8	10.1	10.2	10.3	2.9	2.9	2.7

	Public budget to GDP*			Public debt to GDP			GDP per capita to Ø EU			Price level to Ø EU		
in %	2009	2010	2011	2009	2010	2011	2008	2009	2010	2008	2009	2010
Belgium	-5.6	-3.8	-3.7	95.8	96.0	98.0	115.0	118.0	119.0	110.4	112.3	111.4
Bulgaria	-4.3	-3.1	-2.1	14.6	16.3	16.3	44.0	44.0	44.0	49.2	51.3	50.8
CR	-5.8	-4.8	-3.1	34.4	38.1	41.2	84.0	82.0	80.0	72.2	73.1	75.2
Denmark	-2.7	-2.5	-1.8	40.6	42.9	46.5	124.0	123.0	127.0	139.7	143.8	142.3
Germany	-3.2	-4.3	-1.0	74.4	83.0	81.2	116.0	116.0	118.0	103.5	106.1	104.3
Estonia	-2.0	0.2	1.0	7.2	6.7	6.0	69.0	64.0	64.0	77.7	76.5	74.8
Ireland	-14.0	-31.2	-13.1	65.1	92.5	108.2	133.0	128.0	127.0	129.1	126.7	119.1
Greece	-15.6	-10.3	-9.1	129.4	145.0	165.3	92.0	94.0	90.0	91.0	95.0	95.1
Spain	-11.2	-9.3	-8.5	53.9	61.2	68.5	103.0	103.0	100.0	95.2	97.8	97.0
France	-7.5	-7.1	-5.2	79.2	82.3	85.8	106.0	108.0	108.0	111.9	112.4	110.8
Italy	-5.4	-4.6	-3.9	116.0	118.6	120.1	104.0	104.0	101.0	102.9	104.9	103.5
Cyprus	-6.1	-5.3	-6.3	58.5	61.5	71.6	97.0	100.0	99.0	88.8	90.1	89.1
Latvia	-9.8	-8.2	-3.5	36.7	44.7	42.6	56.0	51.0	51.0	74.7	76.0	72.2
Lithuania	-9.4	-7.2	-5.5	29.4	38.0	38.5	61.0	55.0	57.0	65.9	67.4	65.1
Luxembourg	-0.8	-0.9	-0.6	14.8	19.1	18.2	279.0	266.0	271.0	117.5	120.9	120.5
Hungary	-4.6	-4.2	4.3	79.8	81.4	80.6	64.0	65.0	65.0	69.3	63.4	64.9
Malta	-3.8	-3.7	-2.7	68.1	69.4	72.0	78.0	82.0	83.0	77.3	78.4	77.9
Netherlands	-5.6	-5.1	-4.7	60.8	62.9	65.2	133.0	132.0	133.0	104.8	107.8	107.6
Austria	-4.1	-4.5	-2.6	69.5	71.9	72.2	124.0	125.0	126.0	105.4	108.0	106.2
Poland	-7.4	-7.8	-5.1	50.9	54.8	56.3	56.0	61.0	63.0	69.1	58.2	61.9
Portugal	-10.2	-9.8	-4.2	83.1	93.3	107.8	78.0	80.0	80.0	88.0	89.2	88.2
Romania	-9.0	-6.8	-5.2	23.6	30.5	33.3	47.0	47.0	47.0	62.8	57.6	58.8
Slovenia	-6.1	-6.0	-6.4	35.3	38.8	47.6	91.0	87.0	85.0	82.3	85.6	84.6
Slovakia	-8.0	-7.7	-4.8	35.6	41.1	43.3	72.0	73.0	73.0	69.6	73.6	71.6
Finland	-2.5	-2.5	-0.5	43.5	48.4	48.6	119.0	115.0	115.0	121.3	124.7	123.5
Sweden	-0.7	0.3	0.3	42.6	39.4	38.4	123.0	120.0	124.0	113.2	108.5	121.6
UK	-11.5	-10.2	-8.3	69.6	79.6	85.7	114.0	111.0	112.0	102.1	96.6	100.2
EU	-6.9	-6.5	-4.5	74.8	80.0	82.5	100.0	100.0	100.0	100.0	100.0	100.0

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