



# EU News

## Monthly Journal

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Dear readers,

Coinciding with the start of the summer holidays, another important European Council summit was held, the importance of which was made known in advance for several reasons. First of all, it was the first meeting of heads of state and governments of the EU participated in by the new French president, whose rhetoric fundamentally had an effect not only on the effort to implement austerity and save, but also on creation and development.

The summit is also important because it is the first time that during an entire cycle it has been possible to evaluate the course of a European semester and offer member states recommendations for how to correct their economic imbalances and solve various other problems. What has received the most media attention is the attempt to create a so-called bank union, meaning conditions for the joint performance of bank supervision and in justified situations also direct recapitalization of banks in Eurozone member states. Another entirely new part of the measures and economic and political tools is the growth pact.

In a traditional idea clash, whether treatment of the serious economic woes of practically all member states should be based on fragmentation and a return to nationally tuned politics or on strengthening integration to a reasonable extent and where it helps the selected diagnosis, the latter concept has obviously received more support.

It should be realized that the Europe brand, through constant attempts to carve out joint foundations, which even during a time of crisis, would be beneficial and contribute to stability, could cease to exist in the form in which the generation from the turn of the millennium knows it. Of course, it is also possible to imagine a Europe based on a spontaneous and natural integration in concept, which is music to a liberal's ears, rather than integration based on targeted and legally affirmed efforts, but even a liberal one day, so that the entire system would function properly, would have to admit that setting up rules and sanctions for their breach is necessary. He or she might not call these rules the type of regulation that he or she would strongly criticize in the current form of integration. Indeed, we can admit that those rules could take another form, but for opening room in Europe as a whole even so they can amount to joint rules, whose creator and guardian is not some anonymous and vague institution in Brussels, but rather all participants in this process. However, even in this respect, this approach does not differ much from the EU's current practices.

I would also like to say goodbye to the large readership of the EU Monthly and to thank its members for their considerate and continued attention and patronage by wishing them all the best during the summer of 2012.

Petr Zahradník



At the end of June a key EU summit was held in Brussels. The agenda included the rescue of the Eurozone, strengthening of growth measures and a single European patent system. As of 1 July, Cyprus assumes the presidency of the EU. The negotiations about the multi-year 2014-2020 financial framework will be crucial. Conservatives from the New Democracy party won the Greek elections, and its chairman Antonis Samaras became prime minister.

## POLITICS

### EU Summit and its conclusions

At the end of June, an **EU summit was held in Brussels**, the most important topic of which was the rescue of the Eurozone. The boosting of growth measures and the European patent system was also discussed.

#### Direction towards bank union

The Eurozone has agreed on **supervision over banks**, which will be headed by the European Central Bank, which will perform the task of a **mediator of EFSF/ESM** during market transactions.

**Spain and Italy** will be able to use resources from rescue funds to purchase their government obligations directly on primary markets. It will also be possible **to use money from the funds directly for recapitalization of banks**, which will lead to an increase in the public debts of problematic countries (the recipient of the loan will be the bank, rather than the government). However, this is not the only way that banks will be able to receive assistance. The fund will be able to provide direct support to banks only if the government of the particular country **fulfills the budget ceilings** agreed upon in Brussels.

#### Growth measures

European countries have agreed on a **pact for supporting economic growth and creating new jobs worth EUR 120 billion**. The European Investment Bank's capital will be increased by EUR 10 billion. As a result, its ability to provide loans will grow to EUR 60 billion. **The Czech Republic will contribute EUR 76 billion**. Untapped resources from European funds are expected to be used to support the innovations of SMEs in Europe or for the pilot phase of project bonds for investments into infrastructure.

#### European patent system

The European Council has **concluded negotiations regarding a single European patent system**. This opens the door for businesses in the EU to enjoy less expensive, simpler and more effective patent protection. Businesses will be able to **apply for a patent only in one place**. The patent will then be effective in all of the countries that ratify the agreement. The seat of the **Unified Patent Court** will be Paris, and there will be specialized sections in Munich and London. For reduction of costs, mainly reduction of costs for translations, the only official languages for proceedings regarding patents will be English, French and German.

During the already **20th summit of the European Council**, the focus on the Eurozone's debt crisis was mainly on suffering banks' private debts on the level of Europe as a

whole. We remain convinced that the only solution to the debt crisis is painful repayment of the debts or their no less unpleasant (for creditors) charge off.

[http://www.consilium.europa.eu/uedocs/cms\\_Data/docs/pressdata/en/ec/131388.pdf](http://www.consilium.europa.eu/uedocs/cms_Data/docs/pressdata/en/ec/131388.pdf)

<http://www.european-council.europa.eu/home-page/highlights/eu-unitary-patent-%e2%80%93-a-historical-breakthrough?lang=en>

### Cyprus to assume presidency of Council of EU

**Cyprus will take over the presidency of the Council of the EU from Denmark on 1 July for a half of year**. Cyprus is one of the smallest EU states, with a population of just under a million people. The country's president is Demetris Christofias, a member of the Cypriot Communist Party. He says Cyprus will strive for a better Europe. The main priorities of the Cypriot EU presidency will be:

- 1) **A more effective and sustainable Europe** – preparation of a multi-year financial framework for 2014-2020 (completion of negotiations and finalizing the setting up of a fair and effective EU budget, which contributes to growth and job creation), cohesion policy (conclusion of negotiations regarding a new regularly framework for the cohesion policy), joint agricultural policy (negotiations about the basis of joint agricultural policy reforms).
- 2) **A Europe with a better performing economy based on growth** – management of economic opportunities – the economic crisis – growth (a new strengthened framework for management of economic activities and boosting of budget supervision with the aim of ensuring fiscal stability), strengthening of the single market (reviving the European economy, achieving social progress and supporting the needs of SMEs and consumers), implementing the Europe 2020 strategy.
- 3) **A Europe that is more meaningful for its citizens and which will actively play a role on the world scene** – a package of actions related to employment and the “Opportunities for Young People” initiative, creation of a joint European asylum system (strengthening of practical cooperation among member states related to protection of the rights of persons who need international protection).
- 4) **A Europe that is close to its neighbors** – achieving progress in expansion policy and placing of emphasis on the Southern dimension of the European neighborhood policy.



Cyprus is assuming the EU presidency **at the least advantageous period**. We cannot avoid having concerns about whether such a small country seeking a bailout loan from the EU (see report below) will be able to lead the discussions about managing the debt crisis and preparing a new seven-year financial framework.

<http://www.cy2012.eu/index.php/en/file/jLSP+CAP1ejGpdeP+CepQ==/>

<http://www.consilium.europa.eu/homepage/highlights/president-christofias-we-will-work-towards-a-better-europe?lang=en>

## ECONOMY AND EURO

### Greece to stay in Eurozone following conservatives' election victory

For the time being Greece will not be exiting the Eurozone, since the right-wing **New Democracy party emerged victorious** in the country's recent elections, winning 29.66% of the votes and 129 seats in parliament. The radical left coalition SYRIZA came in second place, winning 71 seats. **Antonis Samaras, chairman of the winning conservative New Democracy Party**, already now has a parliamentary majority necessary to set up a new government. **The coalition government has also won the support** of the PASOK movement and the Democratic Left party (DIMAR).

#### Greek Election Result

	Number of seats	Result
New Democracy	129	29.7%
Radical Left Coalition (SYRIZA)	71	26.9%
Panhellenic socialist movement PASOK	33	12.3%
Independent Greeks	20	7.5%
Golden Dawn	18	6.9%
Democratic Left	17	6.3%
Greek Communist Party	12	4.5%

**The EU and the United States** reacted to the news of the election results with a sigh of relief. Before the elections, the **left-wing group of parties SYRIZA was expected to win**. SYRIZA has strongly criticized the previous conservative government's austerity policies (a condition for releasing international assistance) and did not hide the fact that if it won it would abandon them immediately.

Both New Democracy and PASOK are parties **which in the past were responsible for negotiating the rescue package for indebted Greece**. Without that assistance,

Greece would be forced to declare state bankruptcy, which according to economists would obviously lead to its exit from the Eurozone.

Future Greek prime minister Samaras immediately called on the EU and the IMF to **enter into negotiations regarding easing the conditions for two rescue packages** that Greece received in the past, but he did not receive a very favorable response. It remains possible that the new "pro-European" government might not reach an agreement with the countries' creditors, and Greece's eventual exit from the Eurozone definitely cannot be entirely ruled out.

[http://ekloges.yves.gr/v2012b/public/index.html?lang=en#%22cls%22:%22main%22,%22params%22:{}".](http://ekloges.yves.gr/v2012b/public/index.html?lang=en#%22cls%22:%22main%22,%22params%22:{})

#### Adjustment of conditions for Greece's rescue not under consideration

The new Greek government led by Antonio Samara has announced that he will **ask the country's creditors worldwide for a two-year delay for the country's fulfillment** of its fiscal objectives. The cabinet would also like to ease the impacts of austerity measures on the unemployed and also wants to avoid laying off too many public sector employees.

However, the Eurozone countries have made clear to Greece that it will be possible to discuss potential modification of the rescue package **only after the situation is evaluated by inspectors from the EU and the IMF**.

However, Greece could still find support from countries such as **France or Italy**, whose politicians are calling for growth measures. French Finance Minister Pierre Moscovici stated during the Council's meeting in Luxembourg that "Greece should respect its obligations," but he added that the French government "is a supporter of certain flexibility and will take the expectations of Greek citizens into consideration."

However, other countries including **Germany, Austria** and the **Netherlands** continue to insist that Athens cannot expect any radical modifications. "No alternative to reforms exists. That is clear," said Dutch Finance Minister Jan Kees de Jager. He added that the conditions for international aid could be modified only slightly, but only after progress during their fulfillment occurred.

## ECONOMY AND EURO

### Czech lawmakers approve creation of permanent rescue fund for Eurozone

After several delays, Czech lawmakers eventually **expressed their support for creation of a new rescue**



# Events

Spain and Cyprus have asked the European Union for financial assistance from European rescue mechanisms. Spain is requesting EUR 100 billion in assistance for its banks. Cyprus is requesting assistance during the recapitalization of its second largest bank. MEPs are asking for an increase of the budget for 2014-2020; otherwise they will not support it. Czech lawmakers have approved Croatia's accession to the EU.

**fund for the Eurozone**, a European Stabilization Mechanism (ESM), which is intended to replace the existing EFSF and **will start functioning on 1 July**. Its establishment was agreed upon a year ago at the summit of the European Council's summit. Since it involves an amendment to the Lisbon Treaty, **Czech law requires that it be approved by a constitutional majority of lawmakers** and that President Václav Klaus sign it in order for it to take effect. The Senate, which is controlled by the opposition, had already approved the ESM without complications, but members of the lower house delayed its approval several times. The ESM will not create any financial obligations for the Czech Republic, which is not part of the Eurozone.

The new rescue mechanism is expected primarily to **ensure financial stability and prevent the collapse of state public finances**. In other words, it should prevent any other Eurozone countries from following in the footsteps of Greece. For countries that experience financial difficulties, it will be possible to **offer a loan of up to EUR 500 billion** (CZK 12.4 billion).

## ESM Capital Structure

ESM member	Number of shares	Capital subscription (thous. EUR)	In %
Belgium	243 397	24 339 700	3.48%
Germany	1 900 248	190 024 800	27.15%
Estonia	13 020	1 302 000	0.19%
Ireland	111 454	11 145 400	1.59%
Greece	197 169	19 716 900	2.82%
Spain	833 259	83 325 900	11.90%
France	1 427 013	142 701 300	20.39%
Italy	1 253 959	125 395 900	17.91%
Cyprus	13 734	1 373 400	0.20%
Luxembourg	17 528	1 752 800	0.25%
Malta	5 117	511 700	0.07%
Netherlands	400 190	40 019 000	5.72%
Austria	194 838	19 483 800	2.78%
Portugal	175 644	17 564 400	2.51%
Slovenia	29 932	2 993 200	0.43%
Slovakia	57 680	5 768 000	0.82%
Finland	125 818	12 581 800	1.80%
<b>Total</b>	<b>7 000 000</b>	<b>700 000 000</b>	<b>100.00%</b>

The repayment of loans will be given priority over repayment of lines of credit from private creditors, even though it continues to be speculated that the fund could lose this so-called seniority in the future. The amounts of contributions

and guarantees of every involved country will be derived from **75% of the national pension amount, 12.5% from the amount of GDP and 12.5% from the number of inhabitants**.

According to Prime Minister Petr Nečas (Civic Democratic Party - ODS), the support expressed by lawmakers will not have any effect on the date of the Czech Republic's adoption of the euro.

<http://www.psp.cz/ff/5c/1a.htm>

## Cyprus and Spain request financial assistance

Spain and Cyprus have become the fourth and fifth Eurozone countries respectively to **request assistance from European rescue mechanisms**, following suite with Greece, Ireland and Portugal.

### Spain

Spain has formally asked the EU for **EUR 100 billion in assistance for its indebted banks**. This amount with a reserve should **cover the recovery costs for banks**, which independent consulting firms hired by Madrid estimate amount to a maximum of EUR 62 billion. The loan is expected to be provided directly to affected banks and not to the Spanish government. Spanish banks' **international creditors**, specifically the EU and the IMF, therefore will not ask the Spanish government for any draconian austerity measures, such as those that have been necessary in Greece. Moreover, the **IMF** will not participate directly in the assistance, but **will have only a consultation role**. The media have stressed that this has happened based on the wishes of the Spanish government, which has asked that the IMF play as little of a role as possible in the loan process.

However, it still cannot be ruled out that the assistance for the banks may only be a precursor for the need to request a rescue package for Spain as a whole.

### Cyprus

Just before the end of June, by when European banks had to fulfill increased requirements for capital reasonability, Cyprus requested assistance with recapitalization of the country's Laiki Bank in the amount of EUR 1.8 billion, an amount corresponding to approximately 10% of the small country's GDP. Laiki Bank is the second largest Cypriot bank, and its financial situation has been seriously affected by write-offs of Greek debt.

Thanks to the tension on the financial market, **the Cypriot government is unable to borrow from private investors**, and **revenues from state bonds have been reaching two-digit values**. Moreover, according to Finance Minister



## Events

Vasos Siarlis, the Cypriot government itself will need the money, **and it is speculated that it will need a total of EUR 10 billion**. Already last year, Cyprus received EUR 2.5 billion in assistance from Russia, and Cyprus is looking for additional resources wherever it can, from Moscow to Beijing. Loans from Russia and China are not accompanied by conditions as strict as those accompanying assistance from European rescue funds.

[http://www.lamoncloa.gob.es/IDIOMAS/9/Presidente/News/2012/20120613\\_PdG\\_Banks\\_Credit.htm](http://www.lamoncloa.gob.es/IDIOMAS/9/Presidente/News/2012/20120613_PdG_Banks_Credit.htm)

[http://www.mof.gov.cy/mof/mof.nsf/All/4EBD33DE86E50F11C2257A2A004FD10B/\\$file/CY%20EG%20statementpost%20EG%20call%20final.pdf](http://www.mof.gov.cy/mof/mof.nsf/All/4EBD33DE86E50F11C2257A2A004FD10B/$file/CY%20EG%20statementpost%20EG%20call%20final.pdf)

### BUDGET

#### Budget for 2014-2020 must be increased, or MEPs will not support it

Members of the European Parliament decided during a plenary session **that they will not support the EU financial framework** unless joint financial resources are increased. The lawmakers say that this is **the only way Europe will manage to cope with the challenges** it currently faces.

The lawmakers are asking member states to approve a sufficiently high budget, which **will help the EU achieve the goals set by the Europe 2020 strategy**.

“We can win together, or we can each lose separately,” **European Peoples Party (EPP) leader Joseph Daul** said in a speech. “No European country can manage to cope on its own with the economic, demographic, military and political challenges that are currently being placed before us by the world,” he added.

**Opposition** to increasing the European budget as desired by MEPs has been voiced mainly by older member countries, who argue that **at a time of economic crisis, Europe should not spend excessively**.

However, according to **French MEP Alain Lamassoura (EPP)**, this is so far mainly the opinion of finance ministers who do not perceive the situation with significant oversight. He says a shift in the negotiations will occur when the budget ends up on the table of the European Council. “If not, Parliament basically will not vote for the multi-year framework,” he added.

We have been monitoring the traditional budget battle between the EU (represented by MEPs) and member states (represented by prime ministers and finance ministers), this time accompanied by the culminating debt crisis. Based on past experience, we can expect the resulting budget volume

to be half way between both camps, but **closer to the more austere versions pushed by member states**.

<http://www.europarl.europa.eu/news/en/pressroom/content/20120613IPR46724/>

### ENLARGEMENT

#### Czech MPs give green light to Croatia's accession to EU

**The agreement on Croatia's EU accession has smoothly passed the lower house of the Czech Parliament**, receiving 151 of the votes of the 164 present lawmakers and no votes against it. This result came as no surprise to anyone, and the Czech Senate had already previously approved it. Czech President Václav Klaus has also signed the agreement.

Now a ratification round will take place in the other EU member states. If the agreement is also ratified by the remaining members of the 27 EU states, **Croatia will become the 28th member of the EU as of 1 July 2013**. Croatians voted in a referendum at the beginning of last year regarding whether their country should join the EU. Accession was supported by two thirds of Croatia's citizens.

**Croatia as a member of the EU will have 12 lawmakers** in the European Parliament, and **transitional measures will be imposed on Croatia** from the beginning related to free movement of people, good and capital, agricultural policy and the environment.

<http://www.psp.cz/eknih/2010ps/tisky/h0608.htm>

#### Accession negotiations with Montenegro

The Council of the EU for general affairs has decided that **Montenegro is prepared to commence talks regarding accession to the EU**. Montenegro has fulfilled the Copenhagen criteria necessary for the start of accession negotiations. The Council's decision has also been approved by the European Council. Montenegro submitted an application for EU membership in December 2008.

[http://www.consilium.europa.eu/uedocs/cms\\_data/docs/pre\\_ssdata/EN/genaff/131206.pdf](http://www.consilium.europa.eu/uedocs/cms_data/docs/pre_ssdata/EN/genaff/131206.pdf)

### EXTERNAL RELATIONS

#### EU-Russian summit addresses Eurasian Union idea

Russian President Vladimir Putin at **an informal summit between the EU and Russia in St. Petersburg** mentioned his so-called **Eurasian Union project**, which would serve in the future as a power counterweight to the EU and other



Interior ministers from EU member states have approved the ability of states to reintroduce border checks temporarily within the Schengen zone. Czech Minister for Regional Development Kamil Jankovský has presented his proposal under which there will be only six operational programs in the next program period. The Czech Republic has eliminated shortcomings related to the drawing of EU subsidies and is now waiting for an evaluation and audit by the European Commission.

similar organizations. Putin presented his request that Brussels formalize its relations with the recently established **customs union between Russia, Belarus and Kazakhstan** (a single economic space), which is considered the first step to forming the Eurasian Union.

Officials from the three mentioned former Soviet republics **assigned their agreement on Eurasian economic integration in December 2010**, and their agreement is considered a **precursor to the Eurasian Union**, in which a single system of law and free movement of workers, capital and services would function. According to Putin, the Eurasian Union would serve another task, acting as a power counterweight to the European Union and similar organizations.

Putin expects that **in the future other former Soviet republics will join**, mainly Kyrgyzstan and Tajikistan.

The EU's long-term plans include deeper economic integration with Russia, especially since **Russia joined the WTO at the end of last year**.

EU-Russian summits occur regularly every six months – once in Russia and once in the EU. Besides the Eurasian Union, the main topics also included **eliminating visa requirements for Russian citizens traveling to the EU** and other matters such as the **ongoing conflict in Syria**. The two sides have been unable to reach a consensus regarding any single issue.

[http://europa.eu/rapid/pressReleasesAction.do?reference=S\\_PEECH/12/414](http://europa.eu/rapid/pressReleasesAction.do?reference=S_PEECH/12/414)

## JUSTICE AND HOME AFFAIRS

### Interior ministers approve new Schengen rules

Cabinet ministers from EU member countries attending a meeting of the Council of the EU for Justice and Internal Affairs in Luxembourg have **unanimously voiced support for temporary restoration of border checks in the Schengen zone**.

The member states would like for any of the Schengen states **incapable of fulfilling their obligations** and unable for various reasons to protect the EU's external borders sufficiently against illegal migration **to be able to restore border checks**.

Reintroduction of border checks (for a maximum of six weeks, but with the option of extending the duration in exceptional cases) shall **remain fully at the discretion of member states**. However, a decision by one member state must receive the blessing of all other member states.

Also discussed at the meeting in Luxembourg was the **Schengen evaluation mechanism** used to verify the extent of fulfillment of Schengen standards in member states. Cabinet ministers have made clear that they would like for this mechanism **to apply also to member states' internal borders**.

The ministers also made clear that they would like for the **European Parliament** not to decide about new legislative procedures (the procedure of joint decisions during which the EP has the same authority as the Council), but only to **provide its stance** (procedure of consultation during which the EP's stance is not binding for the Council).

<http://www.mvcr.cz/clanek/ministri-vnitro-odsouhlasili-zavedeni-spolecnych-pravidel-pro-docasne-znovuzavedeni-hranicnich-kontrol.aspx>

#### How does the European Parliament feel?

The European Parliament has **accused national governments** of trying to **change the decision procedures for EU institutions** (only for the consultation procedure).

MEPs have demanded that **Danish Justice Minister Morten Bødskov** explain why together with his colleagues he adopted a decision to restore border checks within the Schengen zone that basically brushes aside the European Parliament.

Several lawmakers have expressed the view that the Danish minister's speech at the European Parliament's plenary session did not contribute to resolving the situation. Nonetheless, he attempted to convince MEPs to look at the problem from a broader perspective and attempt to understand that from such a step the Council was promising itself **"more of Europe"**. The European Parliament is now considering whether **to refer the entire matter to the EU court tribunal**.

<http://www.europarl.europa.eu/news/en/headlines/content/20120613STO46767/>

## REGIONAL POLICY

### Will there be six operational programs?

While in the current program period (2007-2013) the Czech Republic has a total of 26 operational programs, in 2014-2020 their number will decline. According to Minister for Regional Development Kamil Jankovský (LIDEM), in the next seven years the Czech Republic will **tap funds from EU resources through six operational programs**.

Jankovský, as a guest on the Czech Television discussion program Václav Moravec's Questions, revealed that Prime Minister Petr Nečas' cabinet currently has a document on its table in which 6 operational programs are mentioned:

- 1) **Projects related to education and employment** (Ministry of Labor and Social Affairs)
- 2) **Support for business and innovation** (Ministry of Industry and Trade)
- 3) **Transport infrastructure** (Ministry of Transport)
- 4) **Separate program of the Capital City of Prague** (Ministry for Regional Development)
- 5) **Technical Assistance Operational Program** (Ministry for Regional Development)
- 6) **Joint operational program for regions** (Ministry for Regional Development)

According to Jankovský, one of the main reasons why the Ministry for Regional Development decided to resort to the creation of a joint regional program is **unharmonized methods of implementing OP**.

Another reason according to the minister is the finding that there is **no functioning "inter-regional element"**. In other words, that on the borders between individual cohesion regions (NUTS II) there are apparent locations at which no project paid for from EU funds has never been realized. On the contrary, funds that are flowing to the Czech Republic from the EU have a **tendency to support projects close to larger cities and towns or centres**.

The government is expected to **approve the definitive form of the implementation structure in the middle of July**. According to the minister, **the number of operational programs is final**, and no changes are expected. However, what is reportedly still being discussed is the potential regrouping of individual areas. For example, education could eventually form separate OP that would also encompass projects for supporting research and innovations. The minister says business could be included in a program devoted to support for infrastructure.

<http://www.ceskatelevize.cz/ivysilani/1126672097-otazky-vaclava-moravce/212411030510617-otazky-vaclava-moravce-2-cast/>

## Czech Republic corrects mistakes in drawing from EU funds, awaits EU response

**The Czech authorities have eliminated the problems with drawing from EU resources**, as a result of which

since last March the European Commission has not been disbursing funds for already approved Czech projects. The Ministry for Regional Development, as the main Czech coordination body for cohesion policy, and the Ministry of Finance sent a joint letter to the Commission at the end of June summarizing the measures taken as part of their action plan, ministry spokeswoman Jana Jabůrková said.

Brussels mainly **disliked the configuration of the audit and control system** as well as the frequent switching of employees in management positions responsible for overseeing drawing from EU funds. **The non-transparent system of assigning public contracts** was also criticized.

Therefore, Czech authorities agreed with the Commission that until June of this year they **would not request disbursement of resources from EU structural funds**, the European Fund for Regional Development and the Cohesion fund and would work systematically on correcting errors.

"We are confident that when the **action plan has been fulfilled, the criticized shortcomings will also have been eliminated** and all of the conditions for resumption of drawing will have been fulfilled," the ministry said in a statement. "The experience that we have gained from these steps will lead to a more effective, transparent and simpler setup of the system for the subsequent program period," it added.

There is **nothing left to do but wait**. The European Commission must evaluate the Czech Republic's steps. As the ministry itself admits, **it cannot be ruled out** that the Commission may request additional information or may directly send its officials to verify the situation directly on site.

<http://www.mmr.cz/Pro-media/Tiskove-zpravy/2012/Akcniplan-splnen--uzaviraci-dopis-Evropske-komisi>

### Billions from Education Ministry flowing to HR OP, regions

As part of the inter-ministerial comment proceedings, there is a proposal from the Ministry of Regional Development currently under examination that calls for shifting of 2.6 billion in unused resources away from the Education for Competitiveness OP. The program, which is administered by the Ministry of Education, has long been going through difficulties, and there is a danger that the resources that are supposed to be invested into educational and research projects will not be drawn from the program in time. Therefore, they should support projects as part of the HR and Employment OP, which will receive CZK 1.5 billion. Another CZK 1.1 billion will flow to regional operational programs (ROPs). The resources are expected to be used for projects related to education.

Eurostat has revealed the GDP per capita indicator in individual member states for 2011, according to which the Czech Republic has reached 80% of the average economic level of the 27 EU member states. For parliamentary committees (the Committee for Legal Affairs, the Committee for Industry, the Committee for Civil Liberties and the Committee for Development have voiced their opposition to the controversial agreement ACTA.

## 1 JUNE

Commission requests Cyprus to change registration tax rules on second-hand vehicles: <http://europa.eu/rapid/pressReleasesAction.do?reference=IP/12/527&format=HTML&agend=0&language=en&guiLanguage=en>

## 4 JUNE

New report and survey give a snapshot of migration, asylum and free movement in the EU: <http://europa.eu/rapid/pressReleasesAction.do?reference=IP/12/552&format=HTML&agend=0&language=EN&guiLanguage=en>

ACTA: four parliamentary committees come out against controversial agreement: <http://www.europarl.europa.eu/news/en/headlines/content/20120525STO45818/>

## 5 JUNE

New regulation to enable cross-border electronic signatures and to get more value out of electronic identification in Digital Single Market: <http://europa.eu/rapid/pressReleasesAction.do?reference=IP/12/558>

## 6 JUNE

How can we do more with less? Commission gathers high-level input on resource-efficient growth: <http://europa.eu/rapid/pressReleasesAction.do?reference=IP/12/564>

World Environment Day – EP towards a green economy: <http://www.europarl.europa.eu/news/en/headlines/content/20120605STO46302/>

## 7 JUNE

EU sounds alarm over sharp rise in protectionism across G20: <http://europa.eu/rapid/pressReleasesAction.do?reference=IP/12/567>

New crisis management measures to avoid future bank bail-outs: <http://europa.eu/rapid/pressReleasesAction.do?reference=IP/12/570>

The Parliament moves to help home owners with their mortgages: <http://www.europarl.europa.eu/news/en/headlines/content/20120601STO46163/>

EU-wide right to information at arrest is now law: <http://europa.eu/rapid/pressReleasesAction.do?reference=IP/12/575>

Renewables: A major player in the European energy market: [http://ec.europa.eu/energy/renewables/communication\\_2012\\_en.htm](http://ec.europa.eu/energy/renewables/communication_2012_en.htm)

New framework for EU financial aid for infrastructure to strengthen mobility in Europe: <http://eu2012.dk/en/NewsList/Juni/Uge-23/pre-TTE>

## 8 JUNE

European Commission plans to ease legal burden for cross-border successions to become law: <http://europa.eu/rapid/pressReleasesAction.do?reference=IP/12/576>

Progress in reducing early school leaving and increasing graduates in Europe, but more efforts needed: <http://europa.eu/rapid/pressReleasesAction.do?reference=IP/12/577>

## 11 JUNE

Significant reinforcement of the fight against cyber crime and a strengthened Schengen Cooperation: <http://eu2012.dk/en/NewsList/Juni/Uge-23/Post-JHA-Thursday>

How working together on energy could increase the EU's power: <http://www.europarl.europa.eu/news/en/headlines/content/20120601STO46164/>

Solidarity Fund - help in the event of a major natural disaster: <http://www.europarl.europa.eu/news/en/headlines/content/20120607STO46411/>

## 12 JUNE

MEPs to push for new income system for EU budget for 2014-2020: <http://www.europarl.europa.eu/news/en/headlines/content/20120601STO46171/>

## 13 JUNE

Commission queries Czech regulator's plans to regulate access to its broadband network: <http://europa.eu/rapid/pressReleasesAction.do?reference=IP/12/588>

Construction sector should seize excellent opportunities of low energy buildings: <http://europa.eu/rapid/pressReleasesAction.do?reference=MEMO/12/431>

## 14 JUNE

Food for thought: clearer information on food for babies and people with special medical needs: <http://www.europarl.europa.eu/news/en/headlines/content/20120608STO46481/>

## 15 JUNE

EU makes everyday life easier for European citizens and businesses: <http://eu2012.dk/en/NewsList/Juni/Uge-23/post-JHA-Friday>

EU-Japan trade talks: MEPs fear for EU car market: <http://www.europarl.europa.eu/news/en/pressroom/content/20120613IPR46762/>



#### 18 JUNE

Further increase in VAT rates in 2012:

[http://ec.europa.eu/enterprise/newsroom/cf/itemdetail.cfm?item\\_id=6004](http://ec.europa.eu/enterprise/newsroom/cf/itemdetail.cfm?item_id=6004)

#### 19 JUNE

Towards a greener Europe:

<http://eu2012.dk/en/NewsList/Juni/Uge-24/energy-friday>

Energy efficiency: measures required by the proposed directive:

<http://www.europarl.europa.eu/news/en/pressroom/content/20120615BKG46961/>

#### 20 JUNE

SMEs: Better access to finance and boosting entrepreneurship:

[http://ec.europa.eu/enterprise/newsroom/cf/itemdetail.cfm?item\\_id=6011](http://ec.europa.eu/enterprise/newsroom/cf/itemdetail.cfm?item_id=6011)

Credit rating agencies to face tougher rules:

<http://www.europarl.europa.eu/news/en/headlines/content/20120615STO46951/>

#### 21 JUNE

Danish Presidency reaches one more important energy goal:

<http://eu2012.dk/en/NewsList/Juni/Uge-25/energy-goal>

#### 22 JUNE

Out of the crisis, boosting growth: EU's finance and economy ministers adopt recommendations for all 27 EU member states:

<http://eu2012.dk/en/NewsList/Juni/Uge-25/ECOFIN>

#### 23 JUNE

EU takes key step to provide legal certainty for foreign investors:

<http://europa.eu/rapid/pressReleasesAction.do?reference=IP/12/677>

#### 26 JUNE

Digital Agenda: Awards show how digital technologies can help reduce exclusion and improve job prospects:

<http://europa.eu/rapid/pressReleasesAction.do?reference=MEMO/12/476>

EU sanctions against Iran: exemptions to end on 1 July:

[http://www.consilium.europa.eu/uedocs/cms\\_Data/docs/pressdata/EN/foraff/131182.pdf](http://www.consilium.europa.eu/uedocs/cms_Data/docs/pressdata/EN/foraff/131182.pdf)

EU Strategic Framework and Action Plan on Human Rights and Democracy:

[http://www.consilium.europa.eu/uedocs/cms\\_data/docs/pressdata/EN/foraff/131181.pdf](http://www.consilium.europa.eu/uedocs/cms_data/docs/pressdata/EN/foraff/131181.pdf)

#### 27 JUNE

Preliminary list of selected results achieved during the Danish Presidency of the Council:

<http://eu2012.dk/en/NewsList/Juni/Uge-26/achievements>

A joint effort to improve traffic safety:

<http://eu2012.dk/en/NewsList/Juni/Uge-26/traffic-safety>

GDP per capita in the Member States ranged from 45% to 274% of the EU27 average in 2011:

[http://epp.eurostat.ec.europa.eu/cache/ITY\\_PUBLIC/2-20062012-AP/EN/2-20062012-AP-EN.PDF](http://epp.eurostat.ec.europa.eu/cache/ITY_PUBLIC/2-20062012-AP/EN/2-20062012-AP-EN.PDF)

Country	GDP per capita to ø EU	Country	GDP per capita to ø EU
Luxembourg	274	Cyprus	92
Netherlands	131	Slovenia	84
Austria	129	Malta	83
Ireland	127	Greece	82
Sweden	126	<b>CR</b>	<b>80</b>
Denmark	125	Portugal	77
Germany	120	Slovakia	73
Belgium	118	Estonia	67
Finland	116	Hungary	66
Eurozone	108	Poland	65
UK	108	Lithuania	62
France	107	Latvia	58
Italy	101	Romania	49
<b>EU-27</b>	<b>100</b>	Bulgaria	45
Spain	99	Cyprus	92

Source: Eurostat

#### 28 JUNE

Economic Adjustment Programme for Ireland — Spring 2012 Review:

[http://ec.europa.eu/economy\\_finance/publications/occasional\\_paper/2012/op96\\_en.htm](http://ec.europa.eu/economy_finance/publications/occasional_paper/2012/op96_en.htm)

#### 29 JUNE

EU organic logo fully up and running from 1 July 2012:

<http://europa.eu/rapid/pressReleasesAction.do?reference=IP/12/706>

Improved and simplified rules for aircrew and cross-border self-employed workers:

<http://ec.europa.eu/social/main.jsp?catId=89&newsId=1594>



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/newsroom/calendar/>.

### Meeting of the key EU institutions

<b>2 – 5 July 2012</b>	<b>Strasbourg, France</b>
- European Parliament Plenary Session	
<b>7 - 8 July 2012</b>	<b>Nicosia, Cyprus</b>
- Informal Meeting of Ministers for Environment and Climate Change	
<b>9 July 2012</b>	<b>Brussels, Belgium</b>
- Eurogroup	
<b>10 July 2012</b>	<b>Brussels, Belgium</b>
- Economic and Financial Affairs Council (ECOFIN)	
<b>10 – 11 July 2012</b>	<b>Nicosia, Cyprus</b>
- Informal Meeting of Ministers of Health (EPSCO)	
<b>12 – 13 July 2012</b>	<b>Nicosia, Cyprus</b>
- Informal Meeting of Ministers for Employment and Social Policy	
<b>16 – 17 July 2012</b>	<b>Brussels, Belgium</b>
- Agriculture and Fisheries Council	
<b>16 – 17 July 2012</b>	<b>Nicosia, Cyprus</b>
- Informal Meeting of Ministers for Transport and Telecoms	
<b>18 – 20 July 2012</b>	<b>Nicosia, Cyprus</b>
- Informal meeting of Competitiveness council (Industry)	
<b>23 July 2012</b>	<b>Brussels, Belgium</b>
- Foreign Affairs Council	
<b>23 – 24 July 2012</b>	<b>Nicosia, Cyprus</b>
- Informal Justice and Home Affairs Council (JHA)	
<b>24 July 2012</b>	<b>Brussels, Belgium</b>
- General Affairs Council	
<b>26 July 2012</b>	<b>Brussels, Belgium</b>
- Economic and Financial Affairs Council (ECOFIN)	

Access as of 1 July 2012



Main topic

The main topic of the current summer edition of the EU Monthly focuses on areas that can be described directly as “European issues”, but are related to our EU membership. It should come as no surprise that since 2004 the importance of clusters, or independent associations of business and non-business entities connected usually through the same field or region of business, is growing significantly in our economy.

## CONCEPT OF CLUSTERS AND COMPETITIVENESS IN EU POLICIES

### INTRODUCTION TO THE CLUSTERS

In recent years the concept of clusters has gained extreme popularity. Nonetheless, there remain many different definitions of clusters, and the economic impact of clusters on competitiveness and innovation still is not entirely clear and quantified, although no one has any doubts about those that function properly.

Clusters in short could be perceived as key boosters and accelerators of competitiveness and innovations along with growth and job creation. The available evidence shows relatively obviously that clusters are closely connected with prosperity and that business operators gain benefits from clusters.

The European Cluster Observatory (ECO) statistically records over 2,000 clusters in Europe. Therefore, Europe is not experiencing a shortage of clusters in general, but it seems that it is suffering a shortage of world class

clusters. A clear distinction must be made between clusters as an actual phenomenon and cluster initiatives focused on creating new clusters or increasing and expanding existing ones.

Some of these cluster initiatives could be successful, while others could not. Measuring the impacts of programs on support of clusters compared to generally recognized and accepted performance indicators also remains a challenge.

For support, it is necessary to have neutral and reliable objective information about clusters, cluster policies and cluster initiatives. This contribution should represent an outline of the path leading in this direction. Its main purpose is to present and analyze the concept of clusters and inform about the main political approaches used to support clusters.

### CONCEPT OF CLUSTERS AND DEFINITIONS

Clusters are becoming an increasingly popular concept, which is reflected in the growing number of policies and initiatives for their support. They are seen as an important factor for explaining the empirical phenomenon of the geographic concentration of economic and innovation activities.

There is certainly more than one definition of clusters, and it depends on the meaning, purpose and specific context of their use. The discussions obviously do not include differentiation between clusters as a real economic phenomenon and cluster policies and initiatives, which take on and fulfill rather a normative function.

As has already been stated, several definitions of clusters exist. The definitions in their original form are usually context related and formed by purpose. While from an economic point of view, the main purpose is to better understand shifters of competitiveness and growth, other definitions could monitor different aims, such as ensuring a legal framework for financing or a reference model for statistical measurability.

While the definitions focused on conceptual understanding of clusters are either descriptive or abstract, so that there is an extensive register of elements characterizing clusters, the legal definitions are defined more strictly and

much more technically in order to ensure a framework for the application of public assistance, other aid and other forms of financial support.

#### EU Cluster definition

In relation to support for clusters, the EU defines clusters as a group of independent business entities – innovative start-ups, small, mid-sized and large business entities and research organizations- operating in a certain sector and region and proposed for stimulation of innovative activities supported through intensive interconnection, co-implementation, facility sharing and exchanges of knowledge and expertise as well as effective contributions to technological transfer, networking and the spread of information among businesses and other entities in the cluster.

Generally clusters can be defined as groups of companies, economic actors with a certain defined relationship and institutions that are mutually localized not far from each other and that have achieved and created sufficient conditions and a sufficient extent for the development of specialized expertise, services, resources, suppliers, qualifications and skills of workers.

A common element of most definitions of clusters is the aspect of the concentration of one or more sectors within a



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particular region, as well as an emphasis on networking and cooperation between corporations and institutions (the aspect of the regional dimension is itself a subject of definition).

Clusters are defined through a system of mutual relationships, not through the membership of individual entities alone. Their spatial definitions are variable and do not necessarily correspond with territorially defined political boundaries.

The geography of clusters can be defined via the distance and time in which people want (or are willing) to travel for employment and which company employees and owners consider meaningful for meeting and networking. Geography is not a stable concept, but it is influenced by factors such as travel conditions (mobility), cultural identity and personal preferences. New forms of transport and communication such as the internet also alter the spatial dimension of a cluster.

There is a fundamental difference between the empirical phenomenon of clusters and cluster policies and initiatives based on their creation or further development. Discussions often include both terms used as synonyms, which can create certain confusion. Active clusters leave tracks, which can be separately captured statistically, such as in the area of specialization or concentration of employment within a particular sector.

However, cluster policy is about expression of a targeted and focused strategy, creation of political priorities and the allocation of financing to support innovation, regional development and other political goals. In reality, however, all potential combinations can be found among clusters and cluster policies:

- clusters spontaneously created without any economic or political support
- cluster policies that sooner or later culminate into real clusters
- cluster policies without a statistically significant impact on the formation of a real cluster.

### Cluster policy definition

Cluster policies can be defined as specific government efforts to support clusters. Such cluster policies can take on various forms and monitor various objectives, such as industrial policies, policies for supporting SMEs or research and innovation policies.

### Cluster initiative definition

Cluster policies are usually supported and implemented through specific cluster programs of governments or through initiatives. Efforts at harmonizing the view of

clusters and supporting their creation and development also exist at the EU policy level.

Consequently, cluster initiatives can be understood as “organized efforts to increase the growth and competitiveness of clusters within a region, including cluster firms, the government and/or the research community”.

### Cluster organization definition

As part of that structure, cluster organizations often play an important role as providers of services for supporting clusters. A cluster organization can be defined as a legal entity that creates, directs and manages clusters, including usual participation and access to a cluster, its facilities and its activities.

The creation of cluster organizations and networks is often supported by a clear mandate and public financing resources from authorities at the regional level or more spontaneously initiated through a triangle:

- Universities
- Business incubators
- Finances

with the need for overcoming obstacles impeding cooperation and the creation of an environment of shared trust between partners taken into consideration. When clusters “mature” and become successful, cluster organizations tend to increase the majority of their operating costs related to the widest possible range of membership and service fees and fees for participation in training, conferences, trade fairs, exhibitions and sponsorship.

There is a clearly critical phase of the existence of further functioning of a cluster, within which these types of costs could exceed achieved benefits and cluster cohesion and therefore could disrupt the feeling of advantageousness.



## CONCEPT AND ECONOMIC EXPLANATION OF CLUSTERS

The concept of clusters is a modern expression and description of the long observed phenomenon of a geographical concentration of economic activities that is widely and generally considered an important factor of economic development.

Marshall (1890) described as early as the 19th century the advantages of agglomeration of economic activities related to the availability of a qualified work force and specialization. Similarly, Schumpeter (1934) cites the clustering of industry (economic activities).

The concept of clusters is very broad and includes different perspectives and aspects covered by other concepts, which relate to and complement clusters over the long term.

The concept is based on a traditional location and agglomeration theory and integrated with additional concepts, such as the concept of poles de croissance, new industrial spaces, production systems, innovative milieux, national and regional innovation systems, instructional and creative regions and others.

Becattini (1979), an Italian researcher, in 1979 introduced the concept of “industrial districts” for regional policy and territorial development in his article “From industrial sectors to industrial districts”.

It is based on Alfred Marshall’s concept, in which Becattini emphasized the importance of place-based economic development (one of the basic considered pillars of the future EU Cohesion Policy for after 2013) in relation to open economies, which changed the approach to industrial policy. He also emphasized the importance of geography, social capital, sociology, politics and history when defining and highlighting innovative policies.

Recently the concept of clusters was popularized and implemented by Porter (1990) and based on his “diamond model” of competitive advantage. The concentration of economic activities in clusters can be viewed as the result of “competitive” advantages of companies during the process of finding new and better methods for competing in industrial and business activities while simultaneously bringing innovations to the market more quickly.

## BASIS OF SUPPORT FOR CLUSTERS IN RELATIONS TO EU POLICIES

While various schools of thought express various factors that determine the growth and activities of clusters the concept of clusters is based generally on important dimensions, the core of which includes medium consideration for their support in EU policies:

### First cluster dimension

First and widely undoubted: clusters are seen as a geographical concentration of specialized forms, advanced qualifications, skills and competence of the work force and supporting institutions that increase the flow of knowledge and their effective economic utilization as a result of their proximity, often related to a progressive strategy necessary in order to remain competitive globally. Since they are localized together, firms can receive benefits from general and technically predetermined and technology-related agglomeration effects in the form of savings from the extent and space that boosts their effectiveness. Regions compete with each other basically on a worldwide scale in ensuring the best conditions for facilitating business growth and boosting investments and utilization of the most talented work force.

### Second cluster dimension

Clusters serve an entirely obvious functional purpose in ensuring that is custom tailored to the level of provided

services specific to a group of companies, such as ensuring advanced and specialized infrastructure, specific business and support services and employee training and coaching. Cluster organizations help interconnect, facilitate and ensure access to facilities and services, which can include specialized research and testing centres, consultations, training, etc. In this respect, clusters are a form of “self-organization” that offers competitive advantages.

Clusters facilitate both intensive competition and cooperation sometimes referred to as “co-opetition”. Geographical proximity is recognized as a factor facilitating flows of “silent knowledge and unplanned mutual relationships, which are a critical part of the innovation process. This flow relies on and is based on the willingness of companies to inform each other about their own knowledge, which relies on trust between individual actors. This can subsequently be facilitated through continued face-to-face contacts, through which effective cluster organizations can contribute by strengthening networking and cooperation.

### Third cluster dimension

Clusters are characterized by a certain dynamic social and organizational element referred to as “institutional fixation” or “social glue” which holds together various interconnected



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innovation actors, such as universities, business and public authorities, and facilitates their intensive interaction and cooperation. Over time, clusters tend to develop a set of standards, institutions, personal bonds and trust.

Dynamic and effective interaction and cooperation in the knowledge triangle of education, research and innovations is fundamental for realizing competitive advantages at a time of growing complexity of new technology, products and services and changing requirements for qualification and skills.

Intensively formal and informal contacts – often not planned or considered in advance – and exchanges of business information, know-how and technical expertise within clusters can lead to technological overlapping and the development of new and often unexpected ideas and business concepts, which improve businesses' innovative performance.

While the aforementioned dimension of geographical proximity is seen as something that facilitates confidence and close cooperation between innovation actors within clusters, the approach to new knowledge and entry into other clusters also needs to be ensured and enabled through global interconnection and networks.

The agglomeration of economic activity in general and clusters in particular are general economic phenomena both in the previous period and in modern practice. Certain prominent examples of clusters with global reach are easily identifiable across the entire range of sectors and activities, including:

- financial services (London, New York),
- film (Hollywood, “Bollywood”),
- automobiles (Detroit, Modena, Toyota City, Wolfsburg, Stuttgart and other locations),
- watches (Switzerland, Japan)
- optical equipment (Tokyo),
- flowers (the Netherlands and Colombia),
- computer software (Silicon Valley, Bangalore),
- maritime technology (Southwestern Norway),
- mobile telecommunications (Stockholm, Helsinki),
- wines (Barossa Valley, Rioja, Bordeaux, Southern Chile, California)
- biotechnology, medical equipment and applications (Route 128 in Boston, Bio Valley, Medicon Valley).

Clusters can be found in many economies of the world, with observation of their own trajectories and history.

## CLUSTER SUPPORT AND CLUSTER POLICY TECHNOLOGY

In accordance with what has been stated above, public support of clusters should always be based on performance of a detailed test, the output of which is

evaluation of the legitimacy of that support. The test should be based approximately on the evaluation of the following areas:

	<b>Respondent type</b>	<b>Purpose of question</b>	<b>Way of asking</b>
1. Do you consider the existence of a cluster in your field as a fundamental (quality) benefit for your competitiveness?	Actual or potential participant (member) of a cluster	Cluster benefit	interview
2. Can the benefit that the cluster has or should have in your field be exactly quantified?	Actual or potential participant (member) of a cluster	Cluster benefit/effect	questionnaire
3. What reasons would you consider key for the existence of a cluster? - activity sharing and cost savings (economy of scale) - facilitating the sales and distribution process - sharing know-how and technological approaches - easier and more effective marketing - easier access to financial resources - better reputation - miscellaneous	Actual or potential participant (member) of a cluster	Motive for participation in cluster	questionnaire



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4. Can a cluster help you with your expansion abroad?	Actual or potential participant (member) of a cluster	Motive/ purpose of participation in cluster	questionnaire
5. What easiest tool for supporting the creation and existence of clusters can you imagine? - good legislation and its enforceability - financial instruments - tax advantages or incentives - natural needs and stimuli	Actual or potential participant (member) of a cluster	Support for cluster development	questionnaire
6. Should clusters be supported from EU funds? How best should this support be targeted?	Actual or potential participant (member) of a cluster	Support for cluster development	interview
7. What country do you believe has the best practice in relation to cluster development and why?	Actual or potential participant (member) of a cluster	Inspiration/ comparing of cluster development	interview
8. Identify the main obstacles hindering greater development of clusters in the Czech Republic	Actual or potential participant (member) of a cluster	Effects/impacts of the existence of clusters and determining conditions	interview
9. How should the easiest benefit of clusters be expressed? - innovational business - the ability to withstand competition abroad - expansion of production capacity - easier access to markets - easier access to the labor market; acquiring quality employees for a reasonable cost; - obtaining quality research and development findings - obtaining and overseeing modern production approaches - cost savings - other benefits	Actual or potential participant (member) of a cluster	Cluster benefit	Questionnaire
10. What should be the intensity of clusters and what determines it? Regional or sector arrangement?	Actual or potential participant (member) of a cluster	Cluster structure	Interview
11. What is the preferred form of a cluster? Consisting of companies from a single sector; consisting of companies within a production chain; consisting not only of companies, but also of science and research institutions, schools and other entities?	Actual or potential participant (member) of a cluster	Cluster structure	Interview



# Statistical Window

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

## Key macroeconomic indicators

in %	GDP growth y-on-y			Current account to GDP*			Unemployment rate			Inflation y-on-y average		
	2009	2010	2011	2009	2010	2011	III-12	IV-12	V-12	III-12	IV-12	V-12
Belgium	-2.8	2.3	1.9	-1.6	1.4	-0.8	7.3	7.4	7.2	3.1	2.9	2.6
Bulgaria	-5.5	0.4	1.7	-8.9	-1.0	0.9	12.5	12.6	12.2	1.7	2.0	1.8
CR	-4.7	2.7	1.7	-2.4	-3.9	-2.9	6.7	6.6	6.7	4.2	4.0	3.5
Denmark	-5.8	1.3	1.0	3.3	5.5	6.5	7.6	7.6	7.8	2.7	2.3	2.1
Germany	-5.1	3.7	3.0	5.9	6.1	5.7	5.5	5.4	5.6	2.3	2.2	2.2
Estonia	-14.3	2.3	7.6	3.7	3.6	3.2	10.8	n/a	n/a	4.7	4.3	4.1
Ireland	-7.0	-0.4	0.7	-2.9	0.5	0.1	14.4	14.2	14.6	2.2	1.9	1.9
Greece	-3.3	-3.5	-6.9	-11.1	-10.1	-9.8	n/a	n/a	n/a	1.4	1.5	0.9
Spain	-3.7	-0.1	0.7	-4.8	-4.5	-3.5	24.1	24.3	24.6	1.8	2.0	1.9
France	-2.7	1.5	1.7	-1.5	-1.7	-2.2	10.1	10.2	10.1	2.6	2.4	2.3
Italy	-5.5	1.8	0.4	-2.0	-3.5	-3.2	10.1	10.2	10.1	3.8	3.7	3.5
Cyprus	-1.9	1.1	0.5	-10.7	-9.9	-10.4	10.0	10.1	10.8	3.5	3.6	3.7
Latvia	-17.7	-0.3	5.5	8.6	3.0	-1.2	15.2	n/a	n/a	3.2	2.8	2.3
Lithuania	-14.8	1.4	5.9	4.4	1.5	-1.6	13.6	13.8	13.7	3.7	3.3	2.6
Luxembourg	-5.3	2.7	1.1	6.5	7.7	7.3	5.2	5.2	5.4	2.9	3.0	2.7
Hungary	-6.8	1.3	1.7	-0.2	1.2	1.4	11.0	10.7	10.9	5.5	5.6	5.4
Malta	-2.7	2.3	2.1	-8.3	-6.3	-3.1	5.8	5.7	6.0	2.6	3.8	3.7
Netherlands	-3.5	1.7	1.2	4.1	7.1	9.2	5.0	5.2	5.1	2.9	2.8	2.5
Austria	-3.8	2.3	3.1	2.7	3.0	1.9	4.0	3.9	4.1	2.6	2.3	2.3
Poland	1.6	3.9	4.3	-3.9	-4.6	-4.3	9.9	9.9	9.9	3.9	4.0	3.6
Portugal	-2.9	1.4	-1.6	-10.9	-10.0	-6.4	15.1	15.2	15.2	3.1	2.9	2.7
Romania	-6.6	-1.6	2.5	-4.2	-4.4	-4.4	7.2	7.4	7.7	2.5	1.9	2.0
Slovenia	-8.0	1.4	-0.2	-1.3	-0.8	-1.1	8.6	8.7	8.2	2.4	2.9	2.4
Slovakia	-4.9	4.2	3.3	-2.6	-3.5	0.1	13.9	13.7	13.6	3.9	3.7	3.4
Finland	-8.4	3.7	2.9	1.8	1.4	-0.7	7.6	7.6	7.6	2.9	3.0	3.1
Sweden	-5.0	6.1	3.9	7.0	6.9	7.2	7.3	7.3	7.8	1.1	1.0	0.9
UK	-4.4	2.1	0.7	-1.5	-3.3	-1.9	n/a	n/a	n/a	3.5	3.0	n/a
EU	-4.3	2.0	1.5	-0.8	-0.7	-0.6	10.2	10.3	10.3	2.9	2.7	2.6

in %	Public budget to GDP*			Public debt to GDP			GDP per capita to Ø EU			Price level to Ø EU		
	2009	2010	2011	2009	2010	2011	2009	2010	2011	2009	2010	2011
Belgium	-5.6	-3.8	-3.7	95.8	96.0	98.0	118.0	119.0	118.0	112.3	111.4	111.8
Bulgaria	-4.3	-3.1	-2.1	14.6	16.3	16.3	44.0	44.0	45.0	51.3	50.8	51
CR	-5.8	-4.8	-3.1	34.4	38.1	41.2	82.0	80.0	80.0	73.1	75.2	76.7
Denmark	-2.7	-2.5	-1.8	40.6	42.9	46.5	123.0	127.0	125.0	143.8	142.4	142.2
Germany	-3.2	-4.3	-1.0	74.4	83.0	81.2	116.0	118.0	120.0	106.1	104.3	103.4
Estonia	-2.0	0.2	1.0	7.2	6.7	6.0	64.0	64.0	67.0	76.5	74.8	78.9
Ireland	-14.0	-31.2	-13.1	65.1	92.5	108.2	128.0	127.0	127.0	126.7	119.1	116.7
Greece	-15.6	-10.3	-9.1	129.4	145.0	165.3	94.0	90.0	82.0	95	95.1	95.1
Spain	-11.2	-9.3	-8.5	53.9	61.2	68.5	103.0	100.0	99.0	97.8	97.1	97.4
France	-7.5	-7.1	-5.2	79.2	82.3	85.8	108.0	108.0	107.0	112.4	110.8	110.7
Italy	-5.4	-4.6	-3.9	116.0	118.6	120.1	104.0	100.0	101.0	104.9	103.5	103.1
Cyprus	-6.1	-5.3	-6.3	58.5	61.5	71.6	98.0	95.0	92.0	90.1	89.2	89.4
Latvia	-9.8	-8.2	-3.5	36.7	44.7	42.6	51.0	55.0	58.0	76	72.2	74.1
Lithuania	-9.4	-7.2	-5.5	29.4	38.0	38.5	55.0	57.0	62.0	67.4	65.1	65.6
Luxembourg	-0.8	-0.9	-0.6	14.8	19.1	18.2	266.0	271.0	274.0	120.9	120.5	121.9
Hungary	-4.6	-4.2	4.3	79.8	81.4	80.6	65.0	65.0	66.0	63.4	64.9	64.3
Malta	-3.8	-3.7	-2.7	68.1	69.4	72.0	82.0	82.0	83.0	78.4	78	78
Netherlands	-5.6	-5.1	-4.7	60.8	62.9	65.2	132.0	133.0	131.0	107.8	107.6	108
Austria	-4.1	-4.5	-2.6	69.5	71.9	72.2	125.0	126.0	129.0	108	106.3	106.7
Poland	-7.4	-7.8	-5.1	50.9	54.8	56.3	61.0	63.0	65.0	58.2	61.9	60.1
Portugal	-10.2	-9.8	-4.2	83.1	93.3	107.8	80.0	80.0	77.0	89.2	88.2	87.5
Romania	-9.0	-6.8	-5.2	23.6	30.5	33.3	47.0	47.0	49.0	57.6	58.8	59.8
Slovenia	-6.1	-6.0	-6.4	35.3	38.8	47.6	87.0	85.0	84.0	85.6	84.6	83.5
Slovakia	-8.0	-7.7	-4.8	35.6	41.1	43.3	73.0	73.0	73.0	73.6	71.7	72.4
Finland	-2.5	-2.5	-0.5	43.5	48.4	48.6	115.0	115.0	116.0	124.7	123.5	125.2
Sweden	-0.7	0.3	0.3	42.6	39.4	38.4	120.0	124.0	126.0	108.5	121.6	127.8
UK	-11.5	-10.2	-8.3	69.6	79.6	85.7	111.0	112.0	108.0	96.6	100.3	101.7
EU	-6.9	-6.5	-4.5	74.8	80.0	82.5	100.0	100.0	100.0	100	100	100

Source: Eurostat, <sup>1)</sup> net balance, GDP per capita according to PPP

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