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under the auspices of Pavel Kysilka
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Dear readers,

I would like to take this opportunity to wish you all the best in the New Year 2014, lots of success and luck, both in your professional and private lives.

The beginning of January always serves for balancing the completed year and forecasting how well we will fare in the New Year. Let's examine this balancing in brief through the lens of European integration. Although the topic of the debt crisis has not been completely exhausted, this year it will be focused on less in the introductory pages of newspapers and magazines than last year.

Greece could pose a problem in the year to come, although the situation in that country has been improving significantly, and this year finally, after six (!) years of recession, it may experience an economic recovery. Nonetheless, it will far from be able to contribute to repayment of its astronomic public debt, which appears not to be payable (for 2013, the European Commission expects public debt equal to 176% of GDP). Therefore, this year we expect a debate to start regarding the topic of further forgiving of Greek public debt by investors.

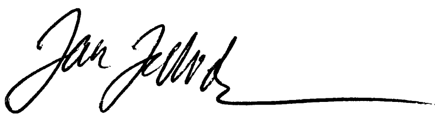
However, the decision regarding the fate of the Eurozone's debt crisis will be made in Italy, the second most indebted country on the continent. We will cross our fingers for Prime Minister Enrico Letta and hope that he can manage to push through essential structural reforms and maintain foreign investors' confidence. If seemingly immortal Silvio Berlusconi does not make another comeback, Letta may succeed.

Better outlooks have also been boosted by the December meeting of Ecofin, at which the concept of a banking union, a single mechanism for problem solving, again took on clearer overtones. The responsibility to rescue banks is likely in the future to be expected to be borne mainly by shareholders and larger depositors (a so-called bail-in mechanism), and rescuing of banks from the wallets of national and EU tax payers would only be a last resort. The banking union topic is so extensive and significant that according to some commentators it even represents the biggest change since the introduction of the euro, and therefore we are presenting it this month as a main topic. Tomáš Kozelský has prepared this topic.

With the New Year, we are introducing something new in the Monthly. We are presenting a new section called “Dating with MFF” (Dating with Multiannual Financial Framework). But don't get excited, Single Readers. In this section, we will not acquaint you with another single person or with the section's author Jana Majchráková, but with individual programmes in the new programme period of 2014-2020. We will begin with the first budget topic "Intelligent Growth Supporting Integration" and specifically with the Connecting Europe Facility (CEF), from which strategic projects are expected to be financed related to transport, energy and telecommunications infrastructure.

There is not much room left in the introduction, so very quickly: you will find that our January issue is full of other interesting articles, too. We will examine the adoption of Latvia as the 18th Eurozone member, the start of the Greek EU presidency and the Transatlantic Trade and Investment Partnership.

Jan Jedlička wishes you enjoyable reading and a successful start of the New Year.



Greece took over the EU presidency as of 1 January 2014. - What were the conclusions of the December EU summit? The main topics discussed included the banking union, EU security and defence policy and accession talks with Serbia. - A working group in the EU, which was appointed in order to examine the transparency register, has presented several recommendations for improvement. - Latvia adopted the euro on 1 January. - Opening a bank account abroad will soon become easier.

POLITICS

Greece at EU's helm: what awaits us in the next six months?

On the 1st of January, **Greece** took over the EU presidency from Lithuania. This is the fifth time that Greece has held the presidency, but unlike previously the country now must cope with the effects of the economic and financial crisis. The "black sheep" of the EU 28 wants to **reduce the costs for holding the presidency** and focus mainly on growth and employment. Other important topics will include immigration and marine policy.

However, the EU awaits much more in the next six months, including **EU elections**, negotiations regarding climate and energy goals and a conference to be held in Prague regarding the situation in Ukraine, which recently refused to sign the **Association Treaty** with the EU. You can read more about the Greek EU presidency and its main priorities in Tomáš Kozelský's article in the "Microscope" section on page 9.

Future EU presidencies until 2020

2nd half of	1st half of
2014 - Italy	2015 - Latvia
2015 - Luxembourg	2016 - the Netherlands
2016 - Slovakia	2017 - Malta
2017 – United Kingdom	2018 - Estonia
2018 - Bulgaria	2019 - Austria
2019 - Romania	2020 - Finland

Source: Greek Presidency

http://gr2014.eu/

Main conclusions of December EU summit

On 19th and 20th December 2013, a regular summit was held in Brussels, attended by the leaders of the EU member states. The main topics discussed at the summit included **the banking union, EU defence policy and accession talks with Serbia.**

At the summit, the European Council approved the key part of the banking union, the **Single Resolution Mechanism**, which had first been confirmed by EU Finance Ministers. However, before the approval, the treaty was criticised by the European Parliament. According to MEPs, European banks should **be supervised by the European Commission.** The proposed mechanism, which would keep some powers in states' hands, is too complex, EU legislators argue. We will focus on the banking union in the main topic of the Monthly on page 10.

There was not a clear consensus even regarding another key topic discussed at the summit, **security and defence policy**, which in recent years has not been devoted a lot of attention.

Joint defence and security policy, which the EU has had since 1999, significantly divides member states. For example, the UK vehemently opposes the expansion of the EU's defence role, since it views it as competition with NATO. According to British media, British politicians do not agree either with **joint projects in the defence industry.** In relation to this, for example, there has been talk about development of European drones.

EU enlargement was also discussed at the summit. **Accession talks with Serbia** are expected to begin on 21st January 2014. The leaders also agreed that the Association Treaty with Georgia and Moldova should be signed by August 2014 at the latest. The EU will also leave the door open for Ukraine to sign the treaty.

http://ec.europa.eu/news/employment/131220_en.htm

Register of lobbying groups in EU to become mandatory

A working group in the EU, which was appointed in order to examine the **transparency register**, presented its recommendations in December. The changes should lead to increased transparency during creation of EU policy, particularly through greater transparency in relation to the activities of lobbyists accredited by EU institutions. In the list, which contains approximately 30 suggestions for improvement, the working group's members agreed on several changes.

Main changes in transparency register

- Access to the European Parliament and the European Commission is expected to be allowed only for accredited organisations;
- Registered lobbyists should have the opportunity to submit initiatives to the European Parliament and the European Commission;
- Data not made public by lobbying organisations should be controlled in a certain way, and external participants should be more easily able to point out discrepancies in documents;
- Lobbyists who do not satisfy the rules will likely be deleted from the database and will not be provided with the benefits stemming from registration.

During the evaluation process, members of European institutions and other involved parties discussed the possibility of **mandatory registration of lobbyists.**

The working group then in its recommendations presented a plan, which will establish a mandatory register. The Council of the EU, which represents all 28 member states, will comment regarding the register **in early 2014**.

The European Parliament and the Council will then formulate the legal framework for mandatory registration. By 2016, the European Commission will present its proposal to the Council, which will require unanimous approval of the mandatory register by all member states. If they agree, **the register could become valid by 2017.** If not, it will be examined thoroughly in 2017.

http://europa.eu/rapid/press-release_IP-13-1252_en.htm

ECONOMY AND EURO

On 1 January 2014, Latvia adopted the euro

On the 1st of January, the Eurozone grew by one member. **Latvia became the eighteenth country to adopt the euro.** The decision was made definitively by Eurozone finance ministers last July. Latvia's former currency, the lat, had already been stably pegged to the euro since the country joined the EU in 2004. By joining the Eurozone, Riga now newly has **the opportunity to participate in setting the Eurozone's monetary policy.**

Although the euro does not enjoy a lot of support in Latvia, according to a recent public opinion survey by the Latvian Finance Ministry, **just under 40% of Latvians support the decision to adopt the euro.**

Latvians now have available a two-week transitional period, during which they will be able to use both currencies, the euro and the lat. The Latvian lat has been converted to the euro at the rate of **0.0702804 of a lat per euro.** This coefficient corresponds to the lat's exchange rate within the European exchange rate mechanism (ERM II). The central bank will exchange cash free of charge as of 1st January 2014 **for an unlimited period.** However, commercial banks will exchange cash free of charge only until 30th June 2014, and lats can be exchanged for euros at post offices until 31st March 2014.

Banks have been pre-stocking themselves with euros since November, and large clients of commercial banks have been doing so since 10th December. As of 1st October 2013, businesses will be required to display the prices for goods and services **in both lats and euros.** This requirement will apply until 30th June 2014.

http://europa.eu/rapid/press-release_IP-13-1307_en.htm

Ireland, Spain leave Eurozone rescue programme

The end of last year brought evidence that support for the Eurozone via rescue mechanisms, at least in certain cases, is functioning. One example of this evidence is **Ireland**, which became the first country to leave the rescue programme officially. It joined the programme in November 2010, when it agreed on **a financial package of 85 billion euros.**

The end of the Spanish banking sector's participation in the assistance programme was reported at the end of last year by the European Stabilisation Mechanism (ESM). **Spain** did not use the entire line of credit in the maximum amount of **100 billion euros** and **drew from the ESM "only" 41.3 billion euros.**

http://ec.europa.eu/economy_finance/assistance_eu_ms/ireland/index_en.htm

http://ec.europa.eu/economy_finance/assistance_eu_ms/spain/index_en.htm

Opening a bank account abroad to become easier

Opening a payment account in another EU member country, regardless of whether the consumer's permanent residence is in that country, will soon become easier. Forthcoming legislation, which also stresses the importance of **greater transparency of fees for a payment account** and easier switching of banks, was approved at the beginning of December at its plenary session in Strasbourg by the European Parliament.

The new legislation **will enable consumers to set up a payment account at any provider of payment services in the EU** regardless of the consumer's permanent address or citizenship. Member states will ensure that all payment service providers involved in general retail payment services also offer payment accounts with basic characteristics.

The conditions for access to a basic payment account must not be discriminatory. It will be prohibited to discriminate in any visible manner, such as **via a different appearance of a credit or debit card, etc.** Account opening will be available to everyone who legally resides in the EU and assuming that he/she has a **real relationship to the member state in which he/she wants to open the account**, such as if he/she studies there or is moving there for work. A basic payment account will enable customers to pay and withdraw cash and conduct payment transactions within the EU. However, **overdrawing will not be allowed**, and lower fees will be charged for this type of account.

Events

Diplomats from EU member states have agreed preliminarily on a tobacco directive. It must still be formally confirmed by the Council of the EU and the European Parliament. - Europe has preliminarily tightened rules for migration of workers. - MEPs and member states have approved "backloading" of 900 million emission permits. As of 2014, EU member states should begin mandatory reconstruction of certain state administration buildings.

Before the legislation can take effect, it still must be approved by member states' finance ministers at a meeting of the Council of the EU.

http://www.europarl.europa.eu/news/en/news-room/content/20131206IPR30037/html/Basic-bank-accounts-for-all

http://www.europarl.europa.eu/sides/getDoc.do?pubRef=-//EP//TEXT+TA+P7-TA-2013-0587+0+DOC+XML+V0//EN

INTERNAL MARKET

Tobacco directive agreed, flavoured cigarettes will be banned

In mid December 2013, diplomats from EU member states reached **a preliminary agreement regarding a tobacco directive.** Unless complications arise, the tobacco directive may finally be approved. **The agreement must still be formally confirmed by the Council of the EU and the European Parliament.** That is expected to happen by March 2014. The rules will then take effect in 2016.

Cigarettes with characteristic flavours will be banned in the EU. An exception will apply for products with menthol flavour, which will not be banned until 2020. Health warnings will newly cover **65% of the front and back sides** of cigarette boxes and will be accompanied by warning images.

As far as **e-cigarettes** are concerned, the rules for their regulation could eventually be somewhat flexible. One of the issues that arose during the negotiations was regarding the **nicotine content** in these products. States requested that all e-cigarettes with nicotine content above 3 mg/ml be sold as pharmaceutical products.

That would make them available only in pharmacies. However, that demand was rejected by MEPs, who argued that electronic cigarettes should be widely available. The final outcome is that only **products with nicotine content above 20 mg/ml** will be considered pharmaceutical products. Many e-cigarettes will continue to be sold outside of pharmacies. However, individual member states will be able to decide about stricter regulation in accordance with the rules for pharmaceutical products.

The fight was also intense with regard to **replaceable e-cigarette cartridges.** Several member states wanted to ban them. According to the final agreement, if replaceable cartridges are banned by more than three countries states because of safety concerns, the Commission will be able to impose an EU-wide ban.

Neither Parliament nor states would need to confirm such ban for it to take effect. Moreover, they should contain a maximum of **2 ml of fluid** and **40 mg of nicotine**. This is equal to approximately two packs of cigarettes.

http://www.consilium.europa.eu/uedocs/cms_data/docs/pressdata/en/lsa/140147.pdf

http://www.europarl.europa.eu/news/en/news-room/content/20131216IPR31001/html/Tobacco-directive-MEPs-reach-agreement-with-Council-of-Ministers

EMPLOYMENT AND SOCIAL POLICY

Europe tightens rules for migration of workers

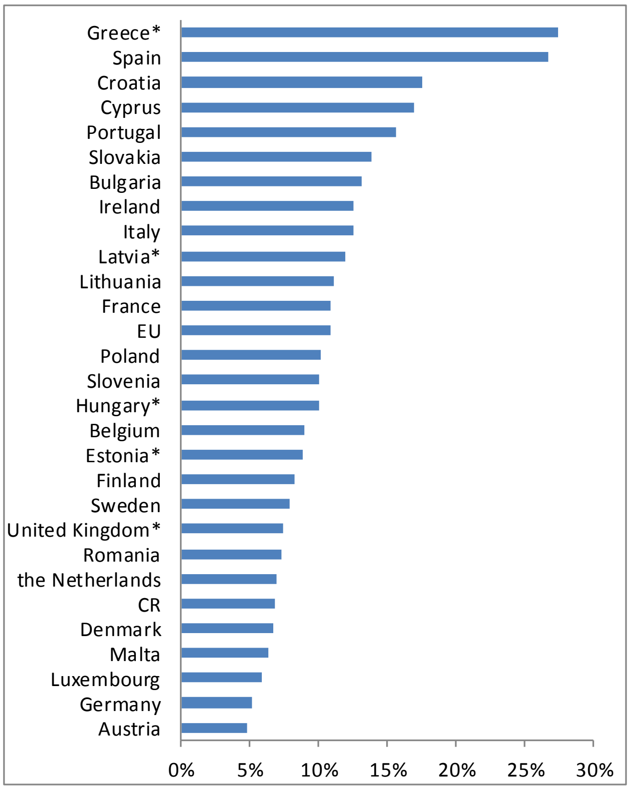
EU labour ministers have preliminarily approved stricter rules for employing cheap temporary workers from Eastern European EU states and elsewhere. In taking this step, they have satisfied the demands of trade unions and of countries such as France, although the measures are opposed by some Eastern European countries, such as Hungary.

Trade unions and some states complain that current EU legislation **gives companies the opportunity to move cheap employees seasonally from one EU country to another.** Trade unions say this takes away jobs from locals. The tighter restrictions will force companies to carry out more paperwork in order to prove that temporary contracts with foreign workers have been entered into "in good faith".

The final deal regarding the matter is now expected to be agreed upon between member states and the European Parliament. That could take up to several months. Each year, employers from the EU move millions of workers between individual countries. This is mainly done in the **construction, farming, hospitality and transport sectors.**

The discussed measures go against the spirit of European unification and **deepening of the principles of the single internal market.**

Monthly unemployment rate in the EU (October 2013)



*Source: Eurostat; *) September 2013*

The problem in Europe is the inflexible labour market, and the adoption of these rules will not solve anything, but on the contrary will worsen the situation. The proposal seems even more paradoxical if we look at unemployment statistics. While in the peripheral parts of the EU every fourth citizen is jobless, elsewhere "they are not people".

http://www.consilium.europa.eu/uedocs/cms_data/docs/pressdata/en/lsa/139997.pdf

ENERGY AND TRANSPORT

"Backloading" finally approved

MEPs and member states have formally **approved the temporary withdrawal of 900 million emission permits** from the auction system. Backloading was first approved by MEPs at the European Parliament's plenary session on 10th December 2013, after which it was also confirmed by EU environment ministers on 16th December 2013 at a meeting of the Council for Agriculture and Fisheries.

The temporary withdrawal of permits from the emission trading system **could begin in April or May 2014.**

Experts say the temporary withdrawal of 900 million permits from auctions should have a future effect on their prices. Those have long been too low and have not encouraged companies to invest into green measures. Therefore, the European Commission, by enacting these measures, is attempting to revive the market.

MEPs and ministers so far have decided only regarding a change of the directive regarding emission trading, which will enable the European Commission to intervene in the action schedules. However, member states still need to vote in the middle of January about how the Commission will carry out this intervention.

Two proposals exist:

- The first scenario calls for the withdrawal of 400 million permits from auctions in 2014 and 500 permits in 2015.
- Permits would return to the system in 2019 (300 million) and 2020 (600 million).
- The second variant proposes a delay of 400 million permits in 2014, 300 million in 2015 and 200 million in 2016. The return would then involve 300 million during 2019 and 600 million in 2020.

http://www.europarl.europa.eu/sides/getDoc.do?type=AGENDA&reference=20131210&secondRef=SIT&language=CS#

http://www.consilium.europa.eu/uedocs/cms_data/docs/pressdata/en/envir/140105.pdf

EU says states must renovate buildings to save energy

As of 2014, EU member states are supposed to begin **mandatory reconstruction of certain state administrative buildings.** This is required by an energy efficiency directive. In numeric expression, this will involve 3% of overall floor space each year in buildings that have an area of more than 500 square metres. During renovations, it is necessary to focus at least on the minimum requirements for energy savings.

However, the requirement will affect only buildings owned by central state bodies and those used by such bodies. **These include the seats of cabinet ministries** and certain institutions, such as the Energy Regulatory Office. Originally the directive was to apply to all public buildings. However, member state watered down the proposal during their negotiations.

http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2012:315:0001:0056:CS:PDF

Brussels to tighten limits for coal power plants. The EC mainly wants to tighten the limit for sulphuric oxides, substances that cause acid rain. Compared to the limits that will take effect as of 2018, the new values are expected to be three times less. - The new Czech government may intervene in the preparation of EU funds for 2014-2020. - Czech Republic, EU expected to sign treaty in summer 2014.

Brussels to tighten limits for coal power plants

The discussions regarding exceeding of brown coal mining limits may soon be irrelevant. Following the forthcoming emission limits for the largest electric power and thermal plants, which would nearly eliminate this type of fuel from use, the Commission has also come up with **proposed limits for central sources with output of between one and fifty megawatts.** Under these limits, brown coal as a source of heat for small companies, smaller thermal plants or block furnaces will likely come to an end.

The EC mainly wants to tighten the limit for sulphuric oxides, substances that cause acid rain. Compared to the limits that will take effect as of 2018, the new values are expected to be three times less. They would take effect as of 2025. A lot of thermal plants are just now making plans to fulfil the limits that will apply after 2018. The Czech Environment Ministry, during the preparation of a decree setting emission limits, estimated that **the costs for larger combustion sources could reach tens of millions of CZK.**

For a number of coal sources, in the event of approval of stricter limits as of 2025, it would be more advantageous **not to modernise coal-burning plants** and to switch to another fuel. For example, the Commission does not want to change emission limits for natural gas at all. Natural gas is more expensive than coal, which is reflected in heat prices. The Commission has proposed the directive as **one of the possible measures for improving air quality.**

http://europa.eu/rapid/press-release_IP-13-1274_en.htm

REGIONAL POLICY

Věra Jourová: new government to intervene in EU fund preparation

Czech negotiators together with European Commission officials are fine tuning the strategy that will determine where EU money will be directed as of 2014. Their strategy must be clear no later than by spring, when they will approve the last version of the **"Partnership Agreement".**

However, according to ANO Deputy Chairwoman Věra Jourová, there will be a certain amount of extra time, which the new Czech government can use to implement certain changes, and it is likely that the newly forming government will intervene in the preparations for drawing of resources. She has in mind mainly the so-called national development priorities, which former prime minister Petr Nečas' government approved at the end of the summer in 2011.

Jourová, who is a potential candidate for minister for regional development, says the new government will **place emphasis on areas such as employment, public infrastructure, science and research.**

However, she adds that whether the strategic document will see any changes will depend on the results of an analysis, which the coalition intends to have done. If the new coalition government decides to rework the strategy for EU funds form 2014-2020, the commencement of drawing from EU funds in the next year will not be in jeopardy, according to Jourová.

http://www.euractiv.cz/regionalni-rozvoj/clanek/vera-jourova-do-pripravy-fondu-eu-zasahneme-spusteni-cerpani-to-ale-neohrozi-011384

Czech Republic, EU expected to sign treaty in summer 2014

The Czech Republic is among the EU states reportedly "doing well" with its preparations for the Treaty on Strategic Partnership, a strategic document for the 2014+ programme period.

Although the Commission has made the Czech Republic aware of some shortcomings, Deputy Minister for Regional Development Daniel Braun says **the treaty could be signed by the summer of 2014.** However, it will depend on when the EU institutions definitively approve the legislation regarding the EU funds.

The Commission criticises the Czech Republic for supporting **water transport** from EU funds, for example. Brussels also argues that the Czech Republic's feelings about the use of EU money do not sufficiently take into consideration the recommendations that countries, that member states received from the European Council in the spring.

The focuses of the Commission's feedback include **missing state service legislation**. The Commission also insists on resolving issues regarding, for example, environmental impacts and **regulation of the water management sector**.

http://www.euractiv.cz/regionalni-rozvoj/clanek/daniel-braun-cr-patri-pri-priprave-dohody-o-partnerstvi-mezi-top-staty-011363

The European Commission Representation in the Czech Republic has been adding regularly to the Monthly with contributions in the Commission's column section. The January issue of the monthly focuses on an interesting topic, the TTIP, a planned treaty between the EU and the United States of America. In the following article, you can read about when the negotiations regarding the treaty began, its contents and objectives, the progress of the negotiations and the potential benefits of the treaty.

TTIP – TRANSATLANTIC TRADE AND INVESTMENT PARTNERSHIP

Negotiations regarding a EU-US free trade zone continue

The EU and the U.S. are the biggest economic superpowers in the world and jointly comprise around half of world GDP. This is also reflected in trade and investment flows. Every day, goods and services worth 2 billion euros are traded. The United States is the EU's largest export market. Each year, consumers in the U.S. buy products worth 264 billion euros, 17% of the EU's total exports.

Another approximately 260 billion euros per year makes up bilateral trade for services. About 15 million jobs on both sides of the ocean can be attributed to transatlantic trade.

However, many politicians, economists and businesspeople believe that the volume of bilateral trade could grow even more of certain barriers were eliminated. Therefore, already some time ago the idea to create a free trade zone between the EU and the U.S. was suggested. However, it was not until 2011 when a working group was established, comprised of EU and U.S. officials, who were given the task of thoroughly evaluating the potential impacts of such a treaty.

What does TTIP mean?

The idea for such a treaty was first expressed in the EU by the European Parliament. That was followed by approval of a mandate from member states for the European Commission to conduct negotiations on the EU's behalf. Therefore, at the G8 summit in Lough Erne, Northern Ireland, this June, European Commission President J. M. Barroso together with European Council Chairman Herman Van Rompuy, British Prime Minister David Cameron and U.S. President Barack Obama could commence the negotiations regarding the treaty. Its official name is the Transatlantic Trade and Investment Partnership (TTIP).

The negotiation teams, which since June have been holding talks in Washington and Brussels, already completed the third round of their discussions before Christmas. At the beginning of 2014, the negotiations regarding the treaty will be continued with the American side by European Commissioner for Trade Karel De Gucht.

The fourth meeting of the negotiation teams will then take place in Brussels. It cannot currently be predicted when the treaty will be signed, but both sides would like to avoid excessively lengthy talks.

What are the contents and goals?

An entirely specific goal is to eliminate customs and regulatory restrictions on trade with goods. Other goals include easing of commercial services, ensuring maximum possible protection, certainty and equal conditions for European investors in the U.S. and improving European companies' access to public contracts in the U.S., ensuring stronger protection of European geographical labels and resolving economic competition guidelines.

The European Commission also considers it important for the agreement to respect international conventions and standards related to environmental and employment matters and to support maximum environmental protection, worker protection and consumer protection.

What would be the result of the treaty?

As soon as it is fully applied, the ambitious and comprehensive Transatlantic Trade and Investment Partnership could have major economic benefits for both the EU and the United States. Independent analyses prepared for the European Commission have shown that the EU's exports to the U.S. would increase by 28%, which corresponds to additional revenues for goods and services exported from the EU worth 187 billion euros. Trade between the EU and the United States with the rest of the world would also grow by 33 billion euros.

Overall, trade between both parties together with an increase in trade with other partners would increase the EU's overall exports by 6% and American exports by 8%. For exporters in the EU and the U.S., this could correspond to additional income from the sale of goods and services worth 220 billion and 240 billion euros respectively.

The benefits for the EU and the U.S. would not be at the expense of the rest of the world. Liberalisation of trade between the EU and the U.S. could increase the GDP of the rest of the world by nearly 100 billion euros.

More information: http://ec.europa.eu/trade/policy/in-focus/ttip/.

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/; http://gr2014.eu/events/

Meeting of the key EU institutions

6 - 9 January 2014	**Brussels, Belgium**
- European Parliament Committee Meetings	
13 - 16 January 2014	**Strasbourg, France**
- European Parliament plenary session	
20 January 2014	**Brussels, Belgium**
- Foreign Affairs Council	
20 - 23 January 2014	**Brussels, Belgium**
- European Parliament Committee Meetings	
21 January 2014	**Brussels, Belgium**
- General Affairs Council	
23 - 24 January 2014	**Athens, Greece**
- Informal Meeting of Defence Policy Directors	
23 - 24 January 2014	**Athens, Greece**
- Informal Meeting of Ministers for Justice and Home Affairs (JHA)	
27 January 2014	**Brussels, Belgium**
- Eurogroup	
28 January 2014	**Strasbourg, France**
- Economic and Financial Affairs Council	
3 - 6 February 2014	**Strasbourg, France**
- European Parliament plenary session	
11 February 2014	**Brussels, Belgium**
- European Competition Forum 2014	
24 - 27 February 2014	**Strasbourg, France**
- European Parliament plenary session	
10 - 13 March 2014	**Strasbourg, France**
- European Parliament plenary session	

Source: www.europa.eu, http://gr2014.eu/events/, access as of 30th December 2013

In the Microscope section of the January monthly, Tomáš Kozelský focuses on the starting Greek EU presidency. Greece took over the six-month EU presidency on 1 January 2014 from Lithuania, and in the middle of the year it will be passed to another southern state, Italy. The longer term goals that Greece aims to achieve during its EU presidency include economic growth, job creation and improvement of the EU's competitiveness.

GREEK EU PRESIDENCY

Greece took over the EU presidency as of 1st January 2014. It will preside over the EU until 30th June 2014. The role is not new for Greece; this will be its fifth time holding it. It first held the presidency in the second half of 1983, followed by in 1988 and in the first halves of 1994 and 2003.

The Czech Republic has presided over the EU only once, from January to June 2009, with priorities focused on the economy, energy, climate change and an open and safe Europe.

After six months, Greece replaced Lithuania, which took over the presidency from Ireland. That trio has focused on besides individual states' priorities also on the joint plans of the three consecutive EU presidency terms, which are also intended to fulfil longer-term goals than states' six-month priorities.

The main goals include:

- economic growth, job creation;
- ensuring financial stability, boosting of economic and monetary union;
- improving the competitiveness of EU industry;
- placing emphasis on research, innovation and development, etc.

However, Greece's six-month term in the EU presidency will not be easy for it. The country is plagued by high unemployment, financial problems, which have had to be resolved several times at the EU level, and public debt, which is the highest in the entire EU.

This is another reason why Greece wants to demonstrate that it knows how to be frugal. For the presidency, it wants to spend less than 50 million euros, which is much lower than what other states have spent on it. The eight direct elections to the European Parliament will also be held in May 2014, during the Greek EU presidency.

Greek main priorities

Growth, employment and cohesion

Growth and employment are structurally and integrally combined. At a time when the unemployment level (mainly youth unemployment) in most member states is high, it is necessary to reduce this aspect of the economic crisis.

Economic growth is supposed to be the driving force for emerging from the crisis. It should help create jobs, boost political stability, correct social inequality and strengthen European cohesion.

Further EU-Eurozone integration

Financial consolidation and economic recovery after the economic crisis are among the other priorities for the Greek EU presidency. The aim is to ensure the stability of the single currency and deepen integration of the European Monetary Union and coordination of fiscal and economic policies.

Migration, borders, mobility

In view of Greece's position, the immigration issue is also one of its priorities. Emphasis is being placed on resolving problems related to illegal immigration, and therefore Greece is pushing for a joint migration policy and development of a comprehensive approach to administration of border areas and an effort to boost preventive measures to prevent illegal immigration.

Marine policy

For Greece, as a country bordering the sea, marine policy is going to be one of its main priorities during its presidency. The main point of this priority is focusing on support and restoration of EU marine policy in all of its aspects, and therefore it is not limited only to its growth and sustainable development.

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Hellenic Presidency of the Council
of the European Union

The relationship to the sea is also depicted on the logo, which shows a blowing sail. Let's wish Greece and the European Union as a whole a calm level and good wind in its sails, which jump-start economic growth. Greece will be succeeded at the helm of the EU presidency in mid 2014 by another country with coastline, Italy, which will be the first state from the subsequent trio of Italy, Latvia and Luxembourg.

Tomáš Kozelský, EU Office ČS

In the main topic of this issue of the monthly, we focus on the banking union. What is behind the idea and what is the purpose of the banking union, and why has the EU begun creating it? We will focus in detail on the issue of regulation and supervision of financial services in the EU and on the individual pillars of the banking union, which are: The Single Supervision Mechanism, the Single Resolution Mechanism, joint rules for the functioning of the banking sector and the pan-European system of deposit insurance.

BANKING UNION AS EU´S RESPONSE TO FINANCIAL CRISIS

1. IDEA AND PURPOSE OF BANKING UNION

The financial crisis, which since 2008 with brief interruptions has impacted developed economies, has several causes. While in some countries, it has mainly taken on the form of a crisis of public finances, elsewhere it has involved excessively high private debt.

The current sign of that is the debt crisis in Europe, which involves excessive indebtedness in both the public and private sectors Banks are its smallest common denominator, where both types of unsustainable indebtedness remain. This situation is putting banks into a vicious cycle (see box).

Vicious cycle

In every economy, banks are among key investors in state bonds. The financial crisis, which has also resulted in reduced performance of the real economy, in structurally weaker economies is also leading to worsening of public finances, which is negatively reflected in the value of state bonds.

The declining value of state bonds is causing investors, including large banks, to incur substantial losses. The most vulnerable banks then need to be rescued from public sources.

This is also leading to further increases in public debt and further declines in the value of state bonds. This development is causing investors in state debt, mainly banks to incur additional and increasingly major losses. Loss-making banks, in order to prevent bankruptcy, are then rescued by public resources, which leads to an increase in public debt.

One of the goals of the banking union is to break this cycle between weak banks and indebted state coffers in some European countries. However, the situation described above affects only some European economies and their banking sectors. The European banking sector as a whole remains strong, robust and trustworthy.

Therefore, we can understand the banking union project as a plan for transferring debt difficulties from national levels, where they are becoming an inescapable problem, to the pan-European level, where in view of the entire European economy's size this is not a task that cannot be accomplished.

Deeper real European Monetary Union and banking union

Most experts agree that the financial and the subsequent debt crisis have uncovered insufficient regulation and oversight (not only) of the European financial sector.

Therefore, since 2010 the Commission has proposed nearly 30 legislative means to ensure that all players on the financial market, all products and all segments of the market are properly regulated and effectively supervised. These means for the basic framework for all 28 EU member states and underscore the properly functioning single market in the area of financial services.

The ongoing debt crisis in the Eurozone has brought an additional dimension - the need to manage the EMU (Economic and Monetary Union) better in combination with the single European currency, the euro, so that functioning and perspective are preserved in the future. Beginning in 2011, a vicious cycle also arose involving certain ailing banks and indebted states (see box on left).

In order to shatter this cycle, it is not enough only to boost the banking sector with capital, but it is also necessary to adopt long-term systematic solutions. That need is stronger in countries that are tied to the euro, and therefore European leaders have adopted the banking union project, which they view as the best solution.

It first began taking shape in June 2012, when the banking union project was joined by heads of government and states at the European Council level.

That vision was further processed by the Commission, which in November 2012 came up with the Blueprint for a Deep and Genuine Economic and Monetary Union – see image below

			Blueprint for a Deep and Genuine Economic and Monetary Union Start of European Discussion	Second. law	Contract amend.
ENTIRE PROCESS	short-term horizon	Next 18 months	1. Complete implementation of the European Semester and the package of 6 legal acts and the quick agreement regarding the package of two legal acts and its form	✓	
			2. Banking union: financial regulation and supervision: quick agreement on the proposed Single Rulebook and the Single Supervision Mechanism	✓	
			3. Banking union: Single Supervision Mechanism	✓	
			4. Quick decision about the next multi-year financial framework	✓	
			5. Previous coordination of major reforms and creation of a means for convergence and competitiveness	✓	
			6. Support for investments in the Eurozone in accordance with the Pact on Stability and Growth	✓	
			7. External representation of the Eurozone	✓	
	mid-term horizon	18 months – 5 years	1. Boosting of budget and economic integration	✓	✓
			2. Proper budget capacity of the Eurozone based on the means for convergence and cooperation	✓	✓
			3. Fund for amortisation of debt		✓
			4. European cash vouchers		✓
	long-term horizon	Over 5 years	1. Compete Banking union		✓
			2. Complete budget and economic union		✓
			Political union: reasonable progress in relation to democratic legitimacy and responsibility	✓	✓

2. REFORM OF REGULATION AND SUPERVISION OVER FINANCIAL SERVICES

When the financial crisis began in 2008, the EU had 27 different regulatory systems for the banking sector, which were based mainly on national rules and national rescue mechanisms. Nonetheless, some pan-European minimum rules and coordination mechanisms already existed. The "pre-crisis" regulatory framework, however, in the light of the financial crisis proved to be insufficient, and some potential risks (such as processes in the event of the collapse of large cross-border banks) were not covered at all.

Measures for better supervision

However, regulation itself would be worthless without effective supervision. Therefore, the Commission resorted to reforming the supervision of the financial sector.

As of 1st January 2011, three new organisations were established within the European System of Financial Supervision:

- the European Banking Authority (EBA) – ensuring harmonised supervision and regulation of the banking sector
- the European Securities and Markets Authority (ESMA) – ensuring harmonised supervision and regulation of the securities market and direct supervision over rating agencies and registers of trade repositories.
- The European Insurance and Occupational Pensions Authority (EIOPA) – ensuring harmonised supervision and regulation of insurance and occupational pension coverage

These three institutions include representatives of national supervisory bodies. The institutions' role is to contribute to the development of rules for harmonised regulation in Europe, eliminate created risks and help restore confidence in the financial sector.

In addition, the European Systemic Risk Board (ESRB) was established for the purpose of monitoring and evaluating potential risks to financial stability, which could result from macro-economic development and development of the financial system as a whole (macro supervision). The Board manages a system of timely warnings regarding systemic risks and if necessary issues recommendations for their elimination.

Single Rulebook and harmonised regulation

In response to the financial and debt crisis, in June 2009 the Board issued a recommendation for creation of a Single Rulebook), which would apply to all financial institutions in the EU's internal market. The Rulebook is a set of legislative texts that cover all financial sectors and products and which require banks to comply with a single set of rules. This is intended to ensure the same rules of the game for all banking institutions and to create a single financial services market.

A key part of the Single Rulebook is a legislative package regarding bank's capital requirements known as CRD IV, which through regulations and directives took effect in July 2013. The purpose of the package is to strengthen banks' capital and liquid reserves and to reform corporate governance practices.

An important legislative element is the boosting of insurance of deposits up to 100,000 euros per depositor in the event of bank failures and shortening of the amount of time for refunding deposits to 7 days from the original 20 days. Something no less important is the Bank Recovery and Resolution Directive, which defines the rules for handling banks that have found themselves in existential difficulties.

Other important elements of the Single Rulebook, which have already taken effect, include:

- Stricter rules for hedge funds
- Stricter rules for short selling and credit default swaps (CDS)
- A comprehensive set of rules for financial derivatives
- Guidelines for rating agencies

Other important elements of the Single Rulebook, which should be approved in the next year:

- Audit sector reform
- Reform of guidelines against market manipulation
- Revision of existing rules for functioning of markets through financial instruments and investment funds
- Regulation of shadow banking, including the currency and securities markets
- Revision of management of Libor reference rates
- Structural reforms of the banking market based on recommendations from the expert committee headed by Erkki Liikanen

3. MAIN PILLARS OF THE BANKING UNION

Based on initial expectations, the banking union will have four pillars. The first and least controversial pillar is common rules for the banking union's functioning in the EU. These rules most often take the form of harmonisation directives and regulations continuously adopted and implemented in practice - see chapter “Single Rulebook and harmonised regulation”.

Contrastingly, the most controversial pillar is the single pan-European deposit insurance system. That step currently seems too ambitious and not feasible. Therefore, the European Commission is currently focusing on ensuring that at national levels there is enough financial coverage to enable national deposit insurance plans to function.

Therefore, the proposal for creating a single pan-European deposit insurance plan is not currently on the agenda.

Besides joint bank rules, two other key and much more significant pillars have already been approved (or are pending final approval):

- the Single Supervisory Mechanism (SSM)
- the Single Resolution Mechanism (SRM)

Single Supervisory Mechanism

The Single Supervisory Mechanism is one of the pillars for creating the banking union. It is intended to ensure that EU policy regarding supervision over lending institutions is implemented fairly and effectively, so that the single set of rules for financial services is applied in the same way to lending institutions in all involved member states.

The SSM is designed to be in harmony with the functioning of the financial services internal market and with free

movement of capital and to ensure timely discovery of failures and adoption of measures to boost financial institutions that encounter problems. It should also contribute to interrupting ties between member states' budgets and some of their banks. A functioning SSM is essential for the European Stability Mechanism, which is the Eurozone's permanent rescue fund, to perform direct re-capitalisation of banks as agreed upon by leading Eurozone officials in June 2012.

Eurozone states will participate in the SSM automatically. Member states outside of the Eurozone can also decide to participate in the SSM through closer cooperation between their national bodies and the European Central Bank.

How time has flown with the SSM

Also due to the need for financial stability in the Eurozone, in June 2012 it was decided to create the SSM for banks. The ECB was assigned special supervision tasks. In the summer of that same year, the Commission presented proposals for directives and disclosures related to the creation of the SSM. ECOFIN (EU ministers of economy and finance) unanimously expressed agreement with the European Commission's proposal at the turn of 2012. In March 2013, the Council of the EU, the European Commission and the European Parliament reached an agreement regarding establishment of the SSM, which the Council of the EU confirmed on 18th April 2013.

In September of last year, the European Parliament adopted the Commission's proposals for the creation of the SSM, and ECB Governor Mario Draghi and European Parliament Chairman Martin Schulz signed a declaration, in which both institutions pledged to officially enter into an inter-institutional agreement regarding practical issues related to the application of democratic responsibility and supervision over the performance of tasks, with which the ECB was entrusted as part of the SSM.

Under the SSM, the ECB is responsible for supervision over banks in the Eurozone.

The ECB particularly:

- Ensures harmonised application of the Single Rulebook in the Eurozone;
- Will in cooperation with national supervision bodies directly supervise banks that have assets of more than 30 billion euros or whose share of assets represents at least 20% of GDP or who have requested or received direct public financial assistance from the EFSF (European Financial Stability Facility), or ESM (European Stability Mechanism). This is believed to involve about the 130 largest banks in the Eurozone of the approximately 6,000.
- Will monitor supervision by national supervision bodies at less important banks. The ECB may at any time decide to supervise directly one or more of these lending institutions, in order to ensure harmonised application of supervision standards.
- The ECB's supervision tasks will be separated from tasks related to the monetary area, in order to prevent potential conflicts of interest between monetary policy and supervision. Therefore, a supervisory board will be set up in the ECB, which will be responsible for various supervision tasks. Non-Eurozone member states with representatives in that board will have full and equal voting rights. Unless the Board of Governors rejects the decision, it will be considered adopted.
- In October 2013, the Council of the EU adopted the regulation regarding the SSM. The legislative proposal itself for creation of the SSM consists of two regulations:
- the first places supervision powers in the hands of the ECB (Council Regulation (EU) NO. 1024/2013),
- the second amends the current regulation regarding the European Body for Banking (Regulation of the EP and Council (EU) No. 1022/2013).
- These regulations took effect on 29th October 2013, the fifth day after their announcement in the European Union Official Bulletin. The European Central Bank therefore will fully assume its responsibilities in the area of supervision on 3rd November 2014, 12 months after the regulations took effect.

Single Resolution Mechanism

Another pillar of the planned banking union is the SRM, which will consist of:

- a single committee for solving problems - a single decision-making body, which will prepare cases for problem solving,
- a single fund for problem solving - it will finance restructuring of problem banks.

The SRM is intended to complement the SSM, which after its implementation in 2014 will ensure that the ECB directly supervises banks in the Eurozone and other member states that decide to join the banking union. If a bank that is subject to the SSM has serious problems even despite the stronger supervision, the SRM would enable management of problem solving effectively with minimum costs for taxpayers and the real economy. An important system is the "bail in" system, ensuring that if a bank encounters problems, small depositors and taxpayers will not be the first in line to cover the bank's losses.

In the event of a bank's failure, the procedure followed will be based on a pre-set sequence: first shareholders and then other creditors who have invested into the bank's capital. Small depositors' funds will be fully protected up to 100,000 euros. Individuals' and small and mid-sized companies' deposits above 100,000 will be handled in a manner that ensures that they are affected as little as possible.

This proposal by the Commission was preceded by the Council's recognition in December 2012 of the need to establish a single mechanism. The SRM will apply to Eurozone countries belonging to the SSM, intended for supervision over banks, and to those countries that are not in the Eurozone, but which have decided to participate in the mechanism.

The SRM (from the Commission's press release) should be prepared as follows:

- The ECB as a supervisory body will point out that a certain bank in the Eurozone or a bank with its registered seat in a member state participating in the banking union is experiencing serious financial difficulties, which need to be resolved.
- The newly created committee for solving problems consisting of representatives from the ECB, the Commission and relevant national bodies (from the countries where the bank has its headquarters, branches and/or subsidiaries) will prepare proposals for solving the bank's problems. It will have extensive powers for analysis and definition of the approach to solving the bank's problems; it can determine what means to use and how the European fund should get involved in problem solving. National bodies responsible for resolution would also be intensively involved.
- Based on the recommendations by the committee for solving problems or from its own initiative, the Commission will decide whether to commence the process of solving problems at the particular bank and will set a framework for the use of means to solve the bank's problems and for a fund. For legal reasons, this committee must not have the last word.
- A single fund will be set up for solving banks' problems under the supervision of the single committee for solving problems, in order to ensure the availability of financial support during restructuring of banks. It will be financed from contributions from lending institutions amounting to 1% of the value of their deposits; it is expected that at the end of the 10-year transitional period, the fund will reach the value of approximately 55 billion euros.

EU finance ministers agreed on the form of the SRM in Brussels on 18th December 2013. It final form still needs to be confirmed by the Council of the EU and the EP. The SRM itself should take effect on 1st January 2015, and by the end of January 2016, the "bail in" system will take effect.

4. CONCLUSION

As a reaction to the financial crisis and the ongoing debt problems, negotiations have been and are still being held and steps are being implemented that will lead to the creation of the banking union, the characteristics of which began becoming clear in 2012.

The banking union is intended to prevent not only turbulence in the banking sector, which affected the EU mainly after the financial crisis following 2008, but also to end the unhealthy relationships between weak banks and indebted states. The individual pillars of the banking union are intended to help alleviate this situation. For example The SSM, which will supervise approximately 130 European banks, and the SRM were discussed a couple of weeks ago.

The banking union should include all Eurozone states, in view of the close ties and interaction among member states that use the euro. In the interest of maintaining deepening of the internal market, to the extent possible the banking union should also be open to participation by EU states outside of the Eurozone.

The Guide to Doing business section is part of the advisory programme "Foreign Business Guide", which the EU Office has offered since the beginning of this year. Within the program, we provide our clients from among small and medium-sized businesses with information about how to expand abroad successfully and what business environment awaits them there. You can find more information about the programme here: www.csas.cz/eu. In this issue we present United Kingdom.

UNITED KINGDOM

Official name	United Kingdom of Great Britain and Northern Ireland
Population	63 256 141 (2013)
Area	243 610 km^2
Currency	Pound sterling (GBP)
Official language	English

Source: Eurostat

The United Kingdom is a constitutional monarchy with a bicameral parliament and a monarch as its head of state. The monarch, as the head of state, performs a mostly symbolic and representative function, and executive power rests in the hands of the lower house of parliament, with the prime minister at the helm.

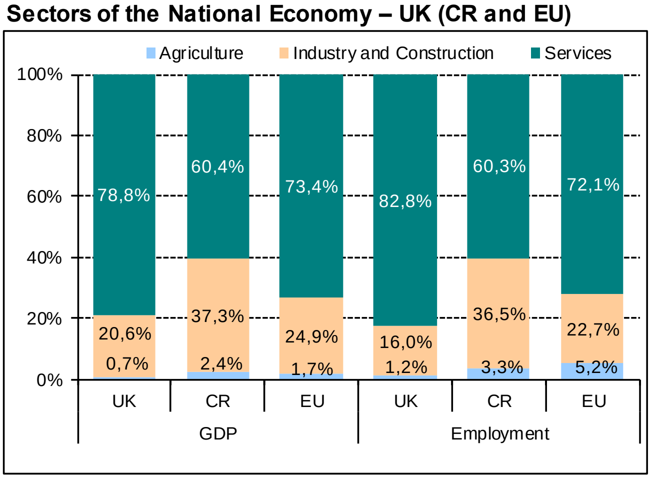
The country's current prime minister is Conservative David Cameron, who governs in a coalition with the Liberal Democrats. New elections will be held in May 2015.

Structure of economy and foreign trade

In the UK, unlike in the rest of the EU, agriculture makes up a minimum of the country's total domestic product (0.7%), and only a small percentage of the country's work force (1.2%) work in that sector.

The share of industry traditionally has been below the EU average in the country, which introduced the offshoring trend, and is almost two times less than in the Czech Republic and employs only 16% of the UK's work force. The service sector dominates in the UK (mainly in London's City financial district) and makes up 78.7% of GDP and employs 82.8% of the country's work force.

Sectors of the National Economy – UK (CR and EU)



Source: Eurostat, data as of 2012

Britain imports mainly machines and equipment, fuel and food.

The country's main import partners are Germany (12.5%), China (8.1%) the Netherlands (7.3%) and the United States (6.8%). The country mostly exports industrial products, fuels, chemicals, beverages and tobacco.

Exports go mainly to Germany (11.5%), the United States (10.6%), the Netherlands (8.9%) and France (7.4%).

Macroeconomic outlook

Following major fluctuations in individual quarters in 2021, the country's economy eventually grew by 0.1%, only thanks to domestic demand, driven mainly by households' consumption. The contribution of net exports to overall growth was strongly negative, while the change in reserves had only a marginally negative effect.

The outlook for 2013 is overall optimistic, and already during the first half of the year United Kingdom's GDP grew year-to-year by 1.0%, mainly thanks to private consumption by households.

Net exports also grew by 0.3%, which, however, was most likely caused by a sharp decline in imports. The outlook for the future is optimistic, mainly thanks to improving private consumption, which is growing, accompanied by declining inflation.

In the second half of the year 2013, together with lower interest, the volume of investments will have grown. In the next two years, domestic demand will become the main propeller of growth, with exports growing slowly, but certainly.

Although the growth of national debt has been slowing since 2011, despite the expected growth of GDP, the magic figure of 100.0% of debt in relation to GDP is expected to be reached in 2016.

Basic indicators (in %)	2012	2013 e	2014e	2015e
GDP Growth	0.1	1.3	2.2	2.4
Unemployment rate	7.9	7.7	7.5	7.3
Inflation	2.8	2.6	2.3	2.1
Current account saldo	-3.8	-4.3	-4.4	-4.3
Public budget deficit	-6.3	-6.4	-5.3	-4.3
Public debt	88.7	94.3	96.9	98.6

Source: European Commission; e - estimate

Labor market

The unemployment level has not changed much, even despite the generally unfavourable conditions on the job market due to the weak economy. The reason is the increase in part-time employment.

The minimum salary in the UK (1,020 British pounds), when expressed in euros, is more than 3.5 times the Czech minimum salary, with an actual value of 1,190 euros.

However, there are also major differences in labour costs in individual sectors (besides gross wages, additional labour costs include social security and health insurance costs, etc.). For example, in the construction sector, labour costs are about three times higher than in the Czech Republic.

Basic indicators of labor market		
Unemployment level (September 2013)	7.4%	
Minimum monthly wage (2H/2013)	1 190 EUR	
Ø monthly labor costs in sectors	**UK**	**CR**
Manufacturing (2012)	4 123 €	1 445 €
Construction (2012)	4 446 €	1 475 €
Inform. and comm. services (2012)	5 550 €	2 839 €

Source: Statistical Offices of UK and CR

Labor law basics

An employment contract can be in verbal or written form. No maximum length of a probationary period has been set, and probationary periods for employees usually last a few months. The minimum termination notice period depends on the number of years worked and ranges from 1 week for 2 years worked to 12 weeks for 12 years worked.

The work period is 48 hours per week, but it can be extended in writing by mutual agreement. However, the rule granting an employee 11 hours of rest between work days must not be breached.

Commercial law basics

In the UK, investors can establish a public company, which is similar to a Czech joint-stock company and has multiple types. It can be a company with limited or unlimited liability, and liability may be limited either based on partners' ownership interests or by a guarantee by partners.

Form of Company	Minimum Capital
Joint Stock Company (Public Company)	50 000 GBP
European Company	120 000 EUR

Source: Ministry of Economy in UK

Open public companies and closed public companies can be established, depending on whether or not the company's shares are publicly traded. Only for public companies, minimum capital of GBP 50,000 (about CZK 1.5 million) is required by law. Establishing a private limited liability company takes 9 days and requires GBP 165 (about CZK 5,000).

Main taxes and additional labor costs

Individual income tax rates are progressive, and there are three tax brackets. The highest income bracket (income above 150,000 British pounds) is subject to a 45% tax rate. The basic VAT rate is 20 %.

A reduced 5% rate applies for products such as child car seats and energy for households. A zero rate is applied to most food and children's clothing. Companies with higher profits pay higher corporate taxes. Up to 300,000 pounds, the rate is 20%, and companies earning more are taxed at 23%.

Tax/payment	Rate
Corporate Tax	20.0% / 23.0%
Dividend tax for non-residents	20.0%
Individual Income Tax	20.0% / 40.0% / 45.0%
VAT (basic /1st lower/2nd lower)	20.0% / 5.0% / 0.0%

Source: web pages of British Ministry of Finance

Energy

The development of natural gas prices is similar to that of electricity prices in the UK. Since the second half of 2009, following a sharp decline by 25%, there has been an apparent gradual increase in the prices of both commodities.

The price of natural gas in Britain in the first half of 2013 hovered at around 9.7 euros per gigajoul and exceeded the price of natural gas in the Czech Republic. Since 2012, the price of electricity has been higher in Britain than in the Czech Republic, and in the first half of 2013 it hovered at just above 0.11 euros per kilowatt hour.

Investment incentives

The UK offers foreign investors a number of attractive investment incentives, such as in the form of grants and tax benefits. There are 35 special business zones, the conditions of which differ by region, and they offer various financial incentives (such as tariff and customs discounts) as well as non-financial incentives (such as high-speed broadband connections).

In the new section "Dating with MFF" (Dating with Multiannual Financial Framework) in our monthly, we will gradually introduce individual programmes in the new 2014-2020 programme period. We will begin with the first budget topic "Intelligent Growth Supporting Integration" and specifically with the Connecting Europe Facility (CEF), from which strategic projects are expected to be financed related to transport, energy and telecommunications infrastructure.

CONNECTING EUROPE FACILITY (CEF)

The Connecting Europe Facility (CEF) is one of the most important programmes that are part of the 2014-2020 EU financial framework. The CEF budget will support strategic projects in the areas of transport, energy and telecommunication infrastructure. Currently in the EU, these infrastructure networks are incomplete and ineffective, and in some important areas they do not even exist.

In the original proposal, which the Commission presented already at the end of 2011, a total allocation of 50 billion euros was reserved for the CEF.

However, in March 2013, EU leaders at the European Council summit in Brussels agreed on a lower volume, 29.3 billion euros (in 2011 prices). The approved total allocation for the CEF expressed in regular costs is 33.3 billion euros.

That amount is financed from:

a) budget area 1a:

   Competitiveness for Growth and Employment in the amount of 21.9 billion euros, of which:

   aa) 15 billion euros is for transport,

   ab) 5.9 billion euros is for energy,

   ac) 1.1 billion euros is for digitalisation.

b) budget area 1b:

   Economic, social and territorial cohesion (from the Cohesion Fund), in the amount of 11.3 billion euros, with that total amount intended for transport.

The main aims of the CEF are:

- development of a performing, sustainable and effective connection of transport, energy and telecommunications networks;
- development of missing cross-border ties, and
- elimination of problems that have existed so far along the main trans-European transport corridors.

The CEF will enable the implementation of several important projects in individual states. Success from the programme will be enjoyed both by businesses and citizens. The creation of this centrally managed infrastructure fund will minimise administrative burden related to drawing resources.

Europe's economy is expected to become greener, and support for cleaner types of transport is planned.

One of the EU's other goals is expansion of high-speed broadband internet access for households and easier use of energy from renewable resources.

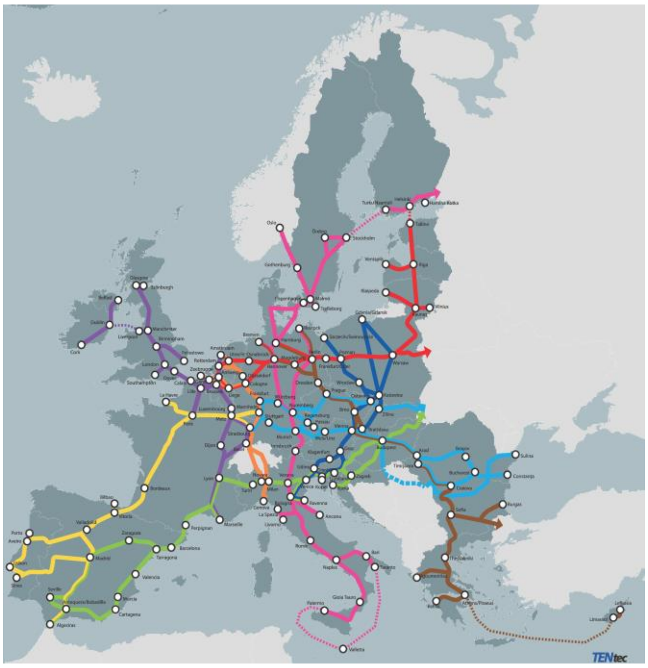
By the end of 2016, states will be able to draw resources via "national envelopes", which will mean that each state will be entitled to drawing based on the same rules, like in the case of the Cohesion Fund.

As of 2017, decisions regarding which projects will receive support from the CEF will be made by the Commission, and member states will have to try to succeed in strong global competition.

Transport

In relation to transport infrastructure, the EU would like in the future to focus on building 9 main corridors (seven North-South, three West-East and four diagonal corridors), which will serve the function of a transport backbone for the single European market. The main transport network is expected to be completed by 2030.

Map of the core TEN-T and the nine major corridors



Source: European Commission

The core network will connect:
- 94 main European ports with rail and road links
- 38 key airports with rail connections into major cities
- 15,000 km of railway line upgraded to high speed
- 35 cross-border projects to reduce bottlenecks

This will include connection of the most important locations in Eastern and Western Europe, modernisation of roadway, rail and aviation infrastructure and elimination of problems. Three main corridors will pass through the Czech Republic:

Selection of main transport projects in CR, support from Connecting Europe Facility

- **Baltic-Mediterranean corridor**
  - roadway corridor Bielsko Biala – Žilina;
  - rail corridor Katowice - Ostrava - Brno - Vienna & Katowice - Žilina - Bratislava – Vienna.
- **East-Eastern Mediterranean corridor**

  Rail corridors:
  - Dresden-Prague;
  - Prague-Břeclav;
  - Prague-Brno-Břeclav;
  - Břeclav-Bratislava.
- **Rhine-Danube corridor**

  Rail corridors:
  - Munich-Prague;
  - Nuremberg-Prague;
  - Zlín-Žilina.
- **Main transport nodes in the TEN-T network**
  - Cross-border project of rail corridor Vratislav-Prague;
  - Cross-border project of roadway corridor Nowa Sól-Hradec Králové.

A comprehensive network of routes will correspond to the main transport network at the level of member states and regions. The Commission's aim is to ensure that by 2050, the overwhelming majority of citizens and businesses are locate a maximum of 30 minutes away from a main network.

Telecommunications

The EU's goal is for all households eventually to have broadband internet connections available with a speed of at least 30 Mbps and at least 50% of them with speeds higher than 100 Mbps.

Resources are also being invested in developing systems for electronic submission of tenders and into the e-justice websites.

Energy

As part of greater integration of the internal energy market, thanks to financial resources from the CEF, the EU's energy dependence on the rest of the world is expected to be reduced, accompanied by modernisation and expansion of the energy infrastructure in Europe and improved ensuring of energy supplying. The aim is for EU citizens to have enough energy for an affordable price.

Main energy networks in CR - support from CEF

- Internal lines between locations:
  - Vernéřov and Vítkov;
  - Vítkov and Přeštice;
  - Přeštice and Kočín;
  - Kočín and Mírovka;
  - Mírovka and Čebín.
- Connection of natural gas networks with Poland (between Libhošť – Hať - Kedzierzyn).
- Connection of natural gas networks with Austria (between Baumgarten – Reinthal – Břeclav);
- Connection of the southern part of the Czech distribution system at Oberkappel.
- Extension of the oil pipeline from Litínov, Czech Republic, to the refinery in Spergau, Germany.

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				GDP per capita (PPS, % of ø EU)				Price level to ø EU			
in %	2010	2011	2012	2013	2009	2010	2011	2012	2009	2010	2011	2012
Belgium	2.4	1.8	-0.3	0.0	118.0	119.0	119.0	119.0	112.3	110.2	109.6	108.6
Bulgaria	0.4	1.8	0.8	0.9	44.0	44.0	46.0	47.0	51.3	50.0	48.8	48.3
CR	2.5	1.9	-1.3	-0.4	83.0	80.0	80.0	79.0	73.1	74.6	75.6	72.2
Denmark	1.6	1.1	-0.5	0.7	123.0	128.0	125.0	125.0	143.0	140.4	142.6	140.5
Germany	4.2	3.0	0.7	0.4	115.0	119.0	121.0	121.0	107.0	103.5	102.0	101.1
Estonia	3.3	8.3	3.2	3.0	63.0	63.0	67.0	68.0	77.3	74.8	75.9	76.9
Ireland	-0.8	1.4	0.9	1.1	128.0	127.0	127.0	129.0	125.6	118.1	118.7	117.0
Greece	-4.9	-7.1	-6.4	-4.2	94.0	87.0	79.0	75.0	95.0	94.5	94.5	92.1
Spain	-0.3	0.4	-1.4	-1.5	103.0	99.0	98.0	97.0	97.7	96.6	96.9	94.9
France	1.7	2.0	0.0	-0.1	109.0	108.0	109.0	108.0	112.2	110.1	109.7	108.1
Croatia	-2.3	0.0	-2.0	-1.0	62.0	58.0	61.0	61.0	76.3	75.2	73.0	69.9
Italy	1.7	0.4	-2.4	-1.3	104.0	101.0	100.0	98.0	104.8	101.2	102.9	102.5
Cyprus	1.3	0.5	-2.4	-8.7	100.0	97.0	94.0	91.0	89.8	88.7	88.7	87.4
Latvia	-0.9	5.5	5.6	3.8	54.0	54.0	58.0	62.0	76.0	70.0	71.2	71.6
Lithuania	1.5	5.9	3.7	3.1	58.0	61.0	66.0	70.0	67.0	63.6	64.5	63.9
Luxembourg	2.9	1.7	0.3	0.8	255.0	267.0	271.0	271.0	121.5	122.3	123.3	122.1
Hungary	1.3	1.6	-1.7	0.2	65.0	65.0	66.0	66.0	63.2	63.0	61.5	60.3
Malta	3.2	1.8	1.0	1.4	84.0	87.0	87.0	86.0	78.0	77.4	78.4	77.8
Netherlands	1.6	1.0	-1.0	-0.8	132.0	131.0	131.0	128.0	107.9	107.8	108.4	107.6
Austria	2.1	2.7	0.8	0.6	125.0	127.0	129.0	131.0	107.9	105.1	105.7	105.5
Poland	3.9	4.5	1.9	1.1	61.0	63.0	65.0	66.0	58.1	60.4	58.6	56.7
Portugal	1.9	-1.6	-3.2	-2.3	80.0	80.0	78.0	75.0	89.2	87.4	87.8	85.9
Romania	-1.1	2.2	0.7	1.6	47.0	47.0	47.0	49.0	57.5	57.4	58.8	55.4
Slovenia	1.2	0.6	-2.3	-2.0	87.0	84.0	84.0	82.0	87.9	86.1	84.9	82.9
Slovakia	4.4	3.2	2.0	1.0	73.0	73.0	74.0	75.0	73.2	70.3	70.7	70.4
Finland	3.3	2.8	-0.2	0.3	114.0	113.0	115.0	115.0	124.0	121.7	122.2	121.7
Sweden	6.6	3.7	0.7	1.5	120.0	124.0	127.0	128.0	107.6	119.7	125.7	128.6
UK	1.8	1.0	0.3	0.6	111.0	111.0	109.0	110.0	96.8	107.8	108.7	116.5
EU	2.1	1.6	-0.3	1.8	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

	Public budget deficit to GDP				Public debt to GDP ratio				Current account saldo to GDP			
in %	2010	2011	2012	2013	2010	2011	2012	2013	2010	2011	2012	2013
Belgium	-3.8	-3.7	-3.9	-2.9	95.5	97.8	99.6	101.4	1.9	-1.1	-1.4	1.4
Bulgaria	-3.1	-2.0	-0.8	-1.3	16.2	16.3	18.5	17.9	-1.5	0.1	-1.3	-2.6
CR	-4.8	-3.3	-4.4	-2.9	37.8	40.8	45.8	48.3	-3.9	-2.7	-2.5	-2.4
Denmark	-2.5	-1.8	-4.0	-1.7	42.7	46.4	45.8	45.0	5.9	5.6	5.2	4.5
Germany	-4.1	-0.8	0.2	-0.2	82.4	80.4	81.9	81.1	6.2	6.2	7.0	6.3
Estonia	0.2	1.2	-0.3	-0.3	6.7	6.2	10.1	10.2	2.9	2.1	-1.2	-2.2
Ireland	-30.8	-13.4	-7.6	-7.5	92.1	106.4	117.6	123.3	1.1	1.1	4.9	3.1
Greece	-10.7	-9.5	-10.0	-3.8	148.3	170.3	156.9	175.2	-10.1	-9.9	-3.1	-2.8
Spain	-9.7	-9.4	-10.6	-6.5	61.5	69.3	84.2	91.3	-4.5	-3.7	-1.1	1.6
France	-7.1	-5.3	-4.8	-3.9	82.4	85.8	90.2	94.0	-1.6	-1.9	-2.3	-1.6
Croatia	-5.2	-5.7	-3.8	-4.7	42.2	46.7	53.7	57.9	-0.9	-0.8	0.0	0.4
Italy	-4.5	-3.8	-3.0	-2.9	119.3	120.8	127.0	131.4	-3.5	-3.1	-0.7	1.0
Cyprus	-5.3	-6.3	-6.3	-6.5	61.3	71.1	85.8	109.5	-9.8	-4.7	-11.7	-1.9
Latvia	-8.1	-3.6	-1.2	-1.2	44.4	41.9	40.7	43.2	2.9	-2.2	-1.7	-2.1
Lithuania	-7.2	-5.5	-3.2	-2.9	37.9	38.5	40.7	40.1	0.1	-3.7	-0.5	-1.0
Luxembourg	-0.9	-0.2	-0.8	-0.2	19.2	18.3	20.8	23.4	8.2	7.1	5.6	6.3
Hungary	-4.3	4.3	-1.9	-3.0	81.8	81.4	79.2	79.7	1.1	0.8	1.6	2.5
Malta	-3.6	-2.8	-3.3	-3.7	67.4	70.3	72.1	73.9	-4.7	-0.2	0.4	0.0
Netherlands	-5.1	-4.5	-4.1	-3.6	63.1	65.5	71.2	74.6	7.8	10.1	9.9	8.6
Austria	-4.5	-2.5	-2.5	-2.2	72.0	72.5	73.4	73.8	3.4	1.4	1.8	3.1
Poland	-7.9	-5.0	-3.9	-3.9	54.8	56.2	55.6	38.6	-5.1	-4.9	-3.5	-2.5
Portugal	-9.8	-4.4	-6.4	-5.5	94.0	108.3	123.6	123.0	-10.6	-7.0	-1.5	0.1
Romania	-6.8	-5.6	-2.9	-2.6	30.5	34.7	37.8	38.6	-4.4	-4.5	-4.0	-3.9
Slovenia	-5.9	-6.4	-4.0	-5.3	38.6	46.9	54.1	61.0	-0.6	0.0	2.3	4.8
Slovakia	-7.7	-5.1	-4.3	-3.0	41.0	43.3	52.1	54.6	-3.7	-2.1	2.3	2.5
Finland	-2.5	-0.8	-1.9	-1.8	48.6	49.0	53.0	56.2	1.5	-1.5	-1.9	-1.7
Sweden	0.3	0.2	-0.5	-1.1	39.4	38.4	38.2	40.7	6.8	7.0	7.1	7.0
UK	-10.2	-7.8	-6.3	-6.8	79.4	85.5	90.0	95.5	-3.3	-1.4	-3.7	-2.7
EU	-6.5	-4.4	-4.0	-3.4	80.0	82.5	85.3	89.8	0.4	0.7	1.3	1.6

Source: Eurostat