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EU OFFICE
Česká spořitelna, a.s.
Budějovická 1518/13a
140 00 Praha 4
tel.: +420 956 718 012
fax: +420 224 641 301
EU_office@csas.cz
http://www.csas.cz/eu

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

Jana Majchráková
+420 956 718 012
jmajchrakova@csas.cz

Tomáš Kozelský
+420 956 718 013
tkozelsky@csas.cz

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

under the auspices of Pavel Kysilka
CEO of ČS

Dear readers,

The fifth month of each year is rich in events in the EU, and this was also true in May 2014. Let's look together at the most important events that we have highlighted for you in the Monthly.

The European Parliament elections undoubtedly deserve the most attention. Tomáš Kozelský has described the detailed results at the domestic and pan-European level on page 7. And how can they be interpreted from independent analysts' point of view? The Czech Republic has long been labelled a Eurosceptic country. However, the results of the recent elections to the European Parliament do not confirm this. The European Parliament elections in the Czech Republic were won by parties that actively support the European integration process. The voters sent a clear message to Czech politicians, which was that the Czech Republic should not be willing to be confined to the back burner in Europe. The election results were surprising from a European point of view, since support for Eurosceptic parties was not as strong as had been expected. Approximately 70% of the new members of the European Parliament will be part of pro-Europe legislative camps. We can assume from this that Europe will continue with its current key projects, such as the Fiscal Pact, the European Rescue Mechanism and the Banking Union.

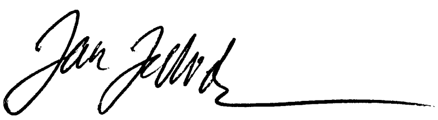
The European Union's regular spring report brought a contribution to the discussion about the EU's awakening economy. And this time the reading was quite positive. While last year the EU's economy barely changed, this year observers in Brussels expect growth by 1.6%, which is expected to accelerate during the year to 2.0%. The economy is expected to improve in the Czech Republic as well, and last year's decline by nearly a percent will be replaced by growth by 2% and by 2.4% in the following year. The growing economy will be accompanied by only minimum inflation pressure and the moderately improving situation on the labour market.

The European Commission Representation in the Czech Republic in its regular column informs about the commencement of public consultations regarding the Europe 2020 strategy. It is the successor of the unfulfilled Lisbon strategy and relates to the 2010-2020 period. The strategy is focused on five main areas: employment, innovation, climate/energy, education and the fight against poverty. Would you like to get involved in the discussion about the purposefulness of this strategic document? Turn to page 6, and you will find out more.

The main topic of the June Monthly is a continuation from the previous issue and presents the evaluation report for the 10th anniversary of the accession of the Visegrad Four countries (the Czech Republic, Slovakia, Poland and Hungary) to the EU. The report has been produced in cooperation with the Česká spořitelna EU Office and Erste Group Research. In the second part presented in this issue, we consider the main challenges that the V4 countries will face in the coming period: from adoption of t he euro and the resulting mandatory contributions to the European Stabilisation Mechanism to unfavourable demographic trends.

Ladies and Gentlemen, I would like to wish you a pleasant June and hope you enjoy the commencing summer weather. Be aware the Summer Solstice, with the longest day and shortest night, is just around the corner.

Jan Jedlička



The European Commission has issued its newest spring prognosis, from which the confirmation of an economic recovery across Europe is apparent. - Elections to the European Parliament were held in all EU Member States between 22 and 25 May. The European People's Party was the winner. - According to a survey conducted by IPSOS, nearly three quarters of Czechs want to remain in the EU. - The Czech Republic has received CZK 3.1 trillion thanks to its EU membership.

POLITICS

European Commission's spring economic prognosis

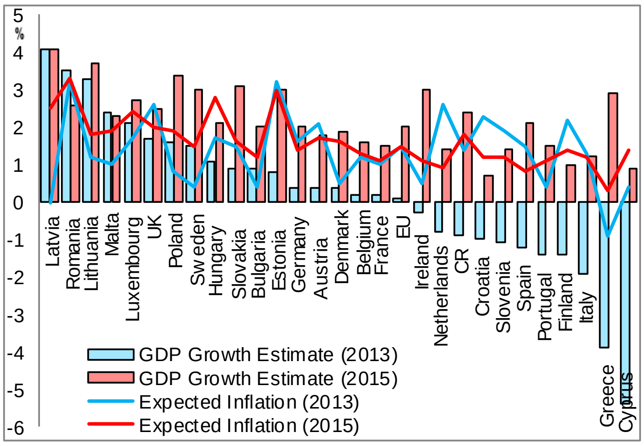
Confirmation of **economic recovery** across the European Union is apparent from the latest spring economic prognosis from 5 May, issued by the European Commission. According to that prognosis, the European Union entered positive figures last year, and its economy grew by 0.1%. However, the situation was worse in the Eurozone, where GDP fell by 0.4%. Growth of 1.6% (and 1.2% in the Eurozone) is expected this year.

Confidence is also growing, coinciding with the long awaited economic recovery. **Domestic demand** is indeed one of the main drivers of the economic growth. However, even despite the positive forecasts for GDP growth for this year and next year, **unemployment** remains a concern. The labour market is suffering from rigidity, and the positive economic developments will have an effect on growth in employment with a certain delay, and the decline in unemployment will be gradual. Given how companies have learned to adopt austerity, this recovery will only have a slow effect on **job creation**.

All EU Member States will end up in positive numbers this year, **except for Cyprus** (-4.8% of GDP) **and Croatia** (-0.6% of GDP). **Latvia, Lithuania** and **Poland** are expected to grow the fastest (over 3% of GDP). However, the EC´s prognosis for 2015 is even more positive, and in that year it expects economic growth in all EU Member States without exceptions. The EU is expected to grow in 2015 by 2.0% of GDP, and the Eurozone by 1.7% of GDP.

Due to de-inflation tendencies from the first quarter of this year, the European Commission even had to adjust **the outlook regarding inflation**, which in 2014 expected to reach 1.0% in the EU, followed by 1.5% in 2015. Major differences on the labour market between individual EU Member States will continue in the years that follow as well.

GDP Growth Estimate, Expected Inflation in 2013, 2015



Source: EC - spring economic prognosis 2014

However, **the unemployment rate** has been gradually adopting a declining trend in most Member States. In 2014, the unemployment rate in the EU is expected to fall from 12% to 11.8%. By 2015, it is expected to decline by another 0.4%. However, unemployment remains a very serious problem in southern states. In **Greece and Spain**, unemployment is not expected to dip below 25% until some time in 2015. Austria and Germany have the lowest unemployment. The Czech economy is starting to pick up steam, and this year it will likely grow by 2%.

Something certainly also very positive is the development of the labour market along with mainly the expected reduction of public debt during this year, since it was not long ago when the EC's prognoses forecast growth of public debt in the Czech Republic by a few percentage points per year.

The balance of public budgets in GDP has been enjoying a moderate growing trend, and for 2014 its amount is expected to be -1.9% of GDP in the Czech Republic and -2.6% of GDP in the EU.

http://ec.europa.eu/economy_finance/eu/forecasts/2014_spring_forecast_en.htm

Outlook for development of key macroeconomic variables (in %)

	CR			EU		
	2013	2014	2015	2013	2014	2015
GDP Growth	-0.9	2.0	2.4	0.1	1.6	2.0
Unemployment rate	7.0	6.7	6.6	10.8	10.5	10.1
Inflation	1.4	0.8	1.8	1.5	1.0	1.5
Public budget deficit as of GDP	-1.5	-1.9	-2.4	-3.3	-2.6	-2.5
Public debt as of GDP	46.0	44.4	45.8	88.9	89.5	89.2

Source: European Commission – spring economic prognosis 2014

EP election results

Elections to the European Parliament were held in all EU Member States between 22 and 25 May. The **European People's Party** (EPP) was the winner, gaining 221 of the total 751 mandates. The **Socialists** (S&D) received 32 fewer seats. Behind them were **the Liberals** (59 seats), **the Greens** (52 seats), **the Conservatives and Reformists** (46 seats), the far left (45 seats) and the pro-integration Europe of Freedom and Democracy (38 seats).

So the results in the leading positions have not changed much since 2009. Of the total 736 mandates, the People's Party received 265 seats, and the Social Democrats won 184. **Election turnout was around 43.09%**, which is a few tenths of a percent higher than in 2009.

In the Czech Republic, the ANO party narrowly won (16.13%), and like the TOP 09 and STAN parties (15.95%) and the Czech Social Democrats (14.17%), it will send four legislators to the EP. The Eurosceptic Civic Democrats did much more poorly than in 2009 and won only two mandates. The Eurosceptic Free Citizens Party won 5.24% and has received one seat. More detailed information regarding the EP elections can be found in the Microscope section on page 8.

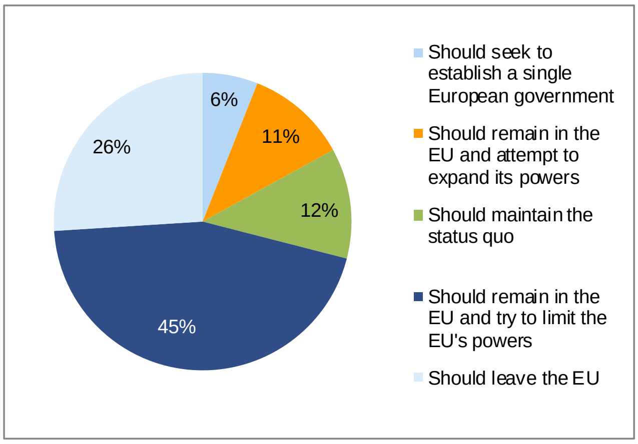
EPP	European People's Party
S&D	Progressive Alliance of Socialists and Democrats
ALDE	Alliance of Liberals and Democrats for Europe
Greens/EFA	The Greens/ European Free Alliance
ECR	European Conservatives and Reformists
GUE/NGL	European United Left/ European Nordic Left
NI	Non-Incrits (Independents- MEPs that are not in a group)
EFD	Europe of Freedom and Democracy
Other	Newly elected members who do not belong to any of the political groups of the former Parliament or the NI (Non-Incrits - Independents)

http://www.results-elections2014.eu/en/election-results-2014.html

Nearly three quarters of Czechs want to remain in the EU

Nearly three quarters of surveyed Czechs (74%) want the Czech Republic to remain in the EU, according to **a survey conducted by the IPSOS agency**. Nonetheless, the Czechs are considered the least pro-EU nation in the EU. The survey was conducted in 12 selected EU Member States.

How should the CR's long-term policy look?



Source: IPSOS Agency

About 26% of the Czech population would favour their country quitting the EU, and the rest want the country to remain in it. However, about 45% of respondents said that they would like their country to stay in the EU, but only under the condition that the EU's powers are reduced. The sentiment was similar among Poles (29%), Germans (26%) and Hungarians (19%).

While 33% of Hungarians, 20% of Poles and 18% of Germans would like a joint European government to exist, **only 6% of Czechs agree** (of the total number of respondents). About 11% of Czech respondents would like for the EU's powers to be increased, and 12% of respondents favour the status quo.

Germany is considered **the most influential country in the EU**. This was stated by 54% of Czechs and 66% of all respondents. Greece is considered the country with the weakest economy and for several years already has been suffering from an economic recession. This was stated by 36% of Czechs and 38% of all respondents.

The Czechs consider Slovakia (30%) **and Germany** (18%) as their main allies. However, the countries Czech respondents regard as their allies to the least extent are

The European Union has already spent CZK 1.5 trillion to combat the crisis. - The European Commission has presented a strategy for reducing CO_2 emissions from trucks and buses. - The European Commission has introduced a comprehensive strategy for boosting the security of energy supplies. - Iceland will not withdraw its application for EU membership. - The Research and Development for Innovation OP could cost up to CZK 10 billion.

Greece (13%), Romania (8%) and surprisingly even Poland (6%).

http://www.ipsos.cz/sites/default/files/Tiskov%C3%A1%20zpr%C3%A1va%20Ipsos_06_05_2014.pdf

ECONOMY AND EURO

Czech Republic has received CZK 3.1 trillion as EU member

The Czech Republic joined the EU 10 years ago. According to an economic study prepared by the government, the Czech Republic's EU membership has resulted in **1.1% faster economic growth** than if the country had remained outside the EU. One of the authors of the document, economist Aleš Chmelař, says that **up to CZK 3.1 billion has flowed to the Czech economy cumulatively since 2004**.

The study also focused on what situation the Czech Republic would be in if it had chosen a different integration path in the past or if it had remained completely out of it. **If the Czech government in 2004 had decided to follow the example of Norway**, which is not an EU member, but only a member of the European Economic Area (EEA), or the example of Switzerland, which trades freely on the EU market based on a bilateral treaty, and if it had decided only to take full advantage of the benefits from participation in the single market, then it would have had to expect that **the Czech Republic would not be able to participate in the process of adopting legislation regarding the EEA**.

A decision to remain outside of the integration process would have meant that the country would not have been able to participate in the two most important EU policies, which are the cohesion policy and the agricultural policy.

EU has already spent EUR 1.5 trillion to combat crisis

The EU spent approximately EUR 1.5 trillion (over CZK 40 trillion, about 40% of the Czech Republic's budgets) from 2008 to 2012 to reverse the collapse of the financial system. During the financial crisis, it adopted 40 pieces of legislation and directives intended to stabilise the financial sector.

According to Michel Barnier, the European Commissioner for the Internal Market and Services, the benefits of these measures greatly outweigh the costs.

http://www.euractiv.cz/ekonomika-a-euro/clanek/na-boj-s-krizi-dala-eu-uz-15-bilionu-eur-vyplatilo-se-to-tvrdi-eurokomisar-barnier-011838

If a different scenario had played out, in which **the Czech Republic would have remained entirely outside of the EU and its internal market**, the situation would have been much worse, according to economists. For example, Czech businesses would have lost barrier-free access to the internal market, to which more than 80% of Czech exports are sold.

http://www.vlada.cz/cz/evropske-zalezitosti/aktualne/ekonomicke-prinosy-clenstvi-cr-v-evropske-unii-118295/

EXTERNAL RELATIONS

Iceland will not withdraw its EU membership bid for now

Iceland has been an official **EU candidate country** since 2009. The Icelandic government at the time filed the application for membership in reaction to the financial crisis, because it wanted to boost confidence among creditors and **stabilise the currency following adoption of the euro**.

However, the accession negotiations were suspended almost immediately after the formation of the new coalition government in 2013 by the Independence Party and the Progress Party. These parties oppose the idea of Iceland joining the EU.

At the beginning of this year, the government announced that it would **withdraw the country's application to join the EU**.

However, **the people want to decide** whether or not Iceland should withdraw its EU membership application. This March and April, Iceland's citizens held demonstrations in front of the country's parliament building and called for a referendum.

A petition demanding a referendum was signed by around 55,000 people, and according to a survey most of Iceland's citizens would welcome one.

Therefore, in mid May Iceland's government announced that it would postpone the withdrawal of the application to join the EU. However, this does not mean that the referendum is guaranteed to take place.

At the EU Office, we do not think that Iceland will join the EU's ranks any time soon. The reason is the lack of a desire by the country's key fishing industry to become subject to the EU's joint fisheries policies, which would result in competition from the EU for Iceland's fishers.

http://ec.europa.eu/enlargement/countries/detailed-country-information/iceland/index_en.htm

ENERGY AND TRANSPORT

The European Commission has presented a strategy for reducing CO_2 emissions from trucks and buses

The legislation that the EU has adopted has related so far only to restrictions on CO_2 emissions from new cars and vans. However, the new strategy, which the European Commission has presented, focuses on **emissions from heavy vehicles** (trucks and buses).

In the future, these vehicles should **consume less fuel and produce less CO_2**. Their emissions represent approximately a quarter of all emissions from road traffic and 5% of total greenhouse gases emitted in the EU.

Comprehensive strategy for boosting energy security

The European Commission introduced a comprehensive strategy at the end of May for boosting the security of energy supplies. In doing so, it is reacting to the current geopolitical situation and the EU's dependence on energy imports.

The main measures that the Commission is proposing as part of mid-term and long-term ensuring of energy supplies include:

- Completion of the internal market and addition of missing infrastructure links;
- Diversification of supplier countries and routes;
- Boosting of emergency mechanisms and mechanisms for solidarity and protection of critical infrastructure;
- Increasing of domestic energy production;
- A single approach to external energy policy and improvement of the coordination of domestic energy policies;
- Further development of energy technology;
- Improvement of energy efficiency.

http://europa.eu/rapid/press-release_IP-14-606_en.htm

The Commission would like during the next year, with the help of a tool for computer simulation (VECTO), **to propose legislation requiring verification, reporting and monitoring of CO_2 emissions** from new heavy vehicles. After these regulations take effect, the Commission would like to impose mandatory limits on average CO_2 emissions for such vehicles.

The Commission's other plans include **development of modern infrastructure**, more intelligent ways of setting prices for the use of infrastructure and **a single and effective system of taxation of vehicles** by Member States. The Commission expects the strategy to reduce CO_2 emissions from new heavy vehicles by up to 30%. The proposal is now heading to the European Parliament and the Council for approval.

http://europa.eu/rapid/press-release_IP-14-576_en.htm

COHESION POLICY

Research OP could cost up to 10 billion

Original estimates suggested that the Research and Development for Innovation Operational Programme **faces a threat of non-drawing of up to CZK 7.5 billion in EU resources**. However, according to Czech Minister of Education Marcel Chládek, the loss will probably be higher and could even reach up to CZK 10 billion.

The minister has said his ministry will try to reduce the loss by 4 billion. This will likely be assisted by measures such as **an individual approach to large projects**, more frequent announcement of calls for submissions and improvement of the methods set for grant applicants. The ministry has also managed to negotiate an increase in resources to support Prague universities. The R&D for Innovation OP **even supports six large science centres**. Minister Chládek attributes the problems with drawing of resources to causes such as the act on public contracts.

The ministry is also responsible for overseeing **the Education for Competitiveness Operational Programme**, which in the past was at risk of up to CZK 1.9 billion not being drawn. However, according to Chládek, the ministry managed to announce calls for CZK 1.39 billion, and if all goes according to plan, the final losses should be minimal.

The Research and Development for Innovation OP has had problems practically ever since the beginning of the **2007-2013 programme period**. Unfortunately, none of the ministers have managed to eliminate its label as a problematic programme.

http://www.msmt.cz/ministerstvo/novinar/xxxxx

The European Commission Representation in the Czech Republic has been adding regularly to the Monthly with contributions in the Commission's Column section. In the June issue, it focuses on public consultations regarding the Europe 2020 strategy. Should Europe have a single strategy for economic growth? In which areas of economic policy is the joint approach of European countries most beneficial? Should Europe aim to support growth with education or energy savings? These are some of the questions to which the European Commission is seeking answers via public consultations.

PUBLIC CONSULTATION ON THE EUROPE 2020 STRATEGY

The Europe 2020 strategy was approved by the European Council in the spring of 2010 as a growth strategy for the European economy in the period 2010-2020. This strategy is the successor to the Lisbon Strategy which determined the economic reform agenda of the EU in the period 2000-2010.

The stated objective of the Europe 2020 strategy is to achieve economic growth, which will be based on the principles of a knowledge-based economy, will be sustainable and will support social and territorial cohesion, Five quantified objectives that the EU would like to achieve by 2020 were defined in the strategy.

These are:

EMPLOYMENT	Achieve 75% employment of the population aged 20-64 years.
INNOVATION	Invest in research and development to a level of at least 3% of GDP.
CLIMATE/ENERGY	Reduce CO_2 emissions by 20%. Increase the share of energy from renewable resources to 20%. Increase energy efficiency by 20%.
EDUCATION	Reduce rates of early school leaving to less than 10%. At least 40% of young people with higher education.
POVERTY REDUCTION	Reduce the number of people at risk of poverty by 20 milllion.

On the basis of these European targets, each Member State sets the targets at the national level, depending on its initial situation and the ambition which the given state associates with that goal.

For example, the Czech Republic was more ambitious than the EU in determining its goal in the field of early school leaving (the Czech target is 5.5 %), while in energy from renewable resources (13 %) and the proportion of higher education graduates (32 %), the Czech Republic chose targets below the European targets.

Achievement of the national targets is not, apart from exceptions, legally binding. The commitment of the Member States is essentially political - it is up to each country to determine which efforts to direct towards its goals and which measures to choose.

In 2014 the European Commission decided to look back at the existing operation of the Europe 2020 strategy. Several reasons were given for a review of the strategy. First, it is close to the halfway point of the Europe 2020 strategy - thus it makes sense to learn from its existing operations and possibly adjust the strategy for the remaining period up to 2020.

Second, the economic context has changed since the birth of the strategy - while the strategy originated in 2009 in the middle of an acute economic crisis, the European economy is currently on its way to an apparently permanent recovery, which calls for a greater emphasis on the quality of economic growth.

The fact that in 2014 the composition of the highest level bodies of the European Union will change is significant - with the arrival of a new European Parliament and a new European Commission the need for a revision of the current situation and optimal adjustment of policy naturally increases.

The review of the Europe 2020 strategy launched by the European Commission will prepare an analysis of the operational strategy in its early years (‘Taking stock of the Europe 2020 strategy’). The main part of the review, however is not public consultation on the Europe 2020 strategy. Its aim is to get feedback directly from the Member States concerning the relevance of the strategy, and the experience of the public administration, interest groups and individual citizens with this strategy.

Based on this feedback, the European Commission intends to prepare proposals for adapting the strategy to maximally support the growth and competitiveness of the European economy in the post-crisis period. The Commission's proposals will be discussed by the European Council at its spring meeting in March 2015.

The public consultation will take place from 5 May to 31 October 2014. Anyone who is interested can participate by answering a few questions on the internet at:

http://ec.europa.eu/europe2020/public-consultation/index_en.htm.

The questionnaire is in English and can be completed online or sent via email.

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

4 - 5 June 2014	**Brussels, Belgium**	- G7 summit in Brussels
5 - 6 June 2014	**Luxembourg**	- Transport, Telecommunications & Energy Council
5 - 6 June 2014	**Luxembourg**	- Justice and Home Affairs Council
12 June 2014	**Luxembourg**	- Environment Council
13 June 2014	**Luxembourg**	- Transport, Telecommunications & Energy Council
16 - 17 June 2014	**Brussels, Belgium**	- Agriculture and Fisheries Council
19 June 2014	**Luxembourg**	- Eurogroup
19 - 20 June 2014	**Luxembourg**	- Employment, Social Policy, Health and Consumer Affairs Council
20 June 2014	**Brussels, Belgium**	- Economic and Financial Affairs Council
23 June 2014	**Brussels, Belgium**	- Foreign Affairs Council
24 June 2014	**Brussels, Belgium**	- General Affairs Council
26 - 27 June 2014	**Brussels, Belgium**	- European Council
1 - 3 July 2014	**Strasbourg, France**	- European Parliament Plenary Session

Source: www.europa.eu, http://gr2014.eu/events/, access as of 28th May 2014

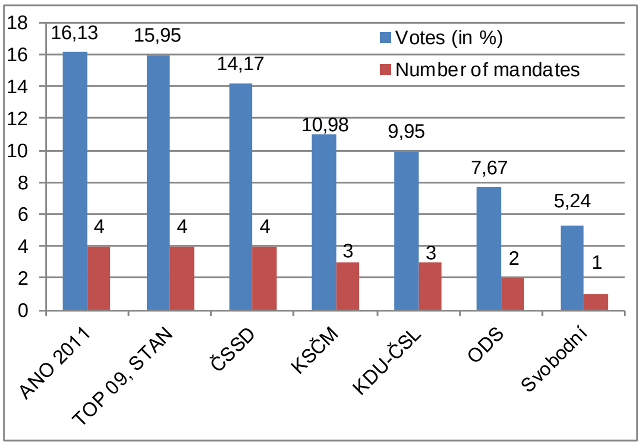
In the June issue of the Monthly, in the Microscope section, we focus in detail on the results of the elections to the European Parliament, which took place in all 28 Member States from 22 to 25 May 2014. The European People's Party was the winner. Election turnout was 43.09%, which is a few tenths of a percent more than in 2009. Overall, this year's elections to the European Parliament did not bring any major surprises.

EUROPEAN ELECTIONS – NO FUNDAMENTAL SURPRISES

In the elections to the European Parliament held on 22 to 25 May 2014, 751 new MEPs were elected (respectively 750 members and 1 chairman) for the next 5 year period. The expected results of these elections were that Eurosceptic parties would win and that the elections would be marked by low turnout. In some Member States that did actually happen, however if we look at the results for the entire European Union many of the new May elections did not bring these results.

The elections in the Czech Republic took place in an atmosphere of very low participation. While in the last elections to the European Parliament in 2009, 27.5 % of the valid votes were cast, this year it was almost 10 percentage points less. Whether this was caused by indifference, misunderstanding, Euroscepticism, or even the mostly empty slogans of the different parties would require a longer analysis. Despite the expected departure from a pro-European orientation, there was not significant support for traditional or new Eurosceptic parties. Seven parties got into the European Parliament. Pro-European parties won the first three places. The number of valid votes earned them four parliamentary seats.

Results of the European Parliament elections in the Czech Republic



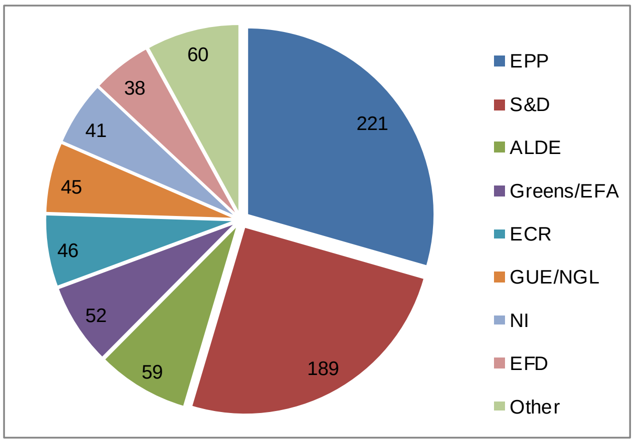
Source: Czech Statistical Office

With a slim margin over the other groupings TOP 09 and the Mayors and Independents (STAN) beat the ANO 2011 movement. In third place was the ČSSD (Czech Social Democratic Party).

In third place was the ČSSD (Czech Social Democratic Party). Behind them were the Communists (KSČM) and Christian Democrats (KDU–ČSL) who won three mandates, the ODS (Civic Democratic Party) with two mandates and the Party of Free Citizens with one mandate. The Czech Pirate Party, the Green Party, the Common Sense Party, and the Dawn of Direct Democracy Party ranked above the threshold of 1 % (and thus received 30 CZK for every valid vote cast).

What were the European Parliament election results in the entire European Union, however? The distribution of particular groups bringing together MEPs remained unchanged. A fall in the right leaning EPP party which lost more than 50 seats compared to the previous period was again noted. Again the supremacy of the party still remains; but the question is how it will build a successful coalition.

European Parliament Election Results (number of seats)



Source: TNS/Scytl in cooperation with the EP, data as of 3.6.2014

Along with the distribution of groups, turnout for the elections has not changed. Similarly to five years ago, this year a little over 43 % of voters came to the polls in the entire European Union. The highest turnout (about 90 %) was reported in Belgium and Luxembourg. On the contrary, the lowest was in the Czech Republic, where less than a fifth of voters came and in Slovakia with 13% participation. The course the EU will take in the coming years remains to be seen; the victory of Eurosceptic parties in Western countries such as France, the UK and Denmark may certainly indicate a change.

Tomáš Kozelský, EU Office ČS

We have devoted the main topic of the June issue of the Monthly to continuation of the analysis regarding the Visegrad Four. In the previous issue, you were able to read about what economic impact membership in the EU has had on the V4 countries. In the current issue, we will focus on the main benefits of EU membership for the V4 countries and their key challenges for the future as well as population trends in the V4 countries.

VISEGRAD FOUR – 10 YEARS OF EU MEMBERSHIP (II.)

MAIN ADVANTAGES OF EU MEMBERSHIP FOR V4 COUNTRIES

Single market

Becoming part of the EU opened up new opportunities for companies in the V4, as they gained access to a single market with more than 500mn customers. This bore fruit, **with growing export dynamics across all V4 countries**, which has been well demonstrated in the previous chapter.

Although the **single market for goods** has already been formally completed, there is room to deepen the single market for services, as in some areas there are still protectionist hurdles (for example in transportation).

Opening the labor market (albeit with some delay) encouraged a wave of migration of the labor force from the V4, with a positive impact on the unemployment rate in the region and positive flow of remittances to the V4. V4 countries have also benefited from the liberalization of markets; in particular, monopolized sectors (e. g. energy, telecommunication and aviation) had to open to competition, with positive effects on consumers.

Financial transfers and subsidies

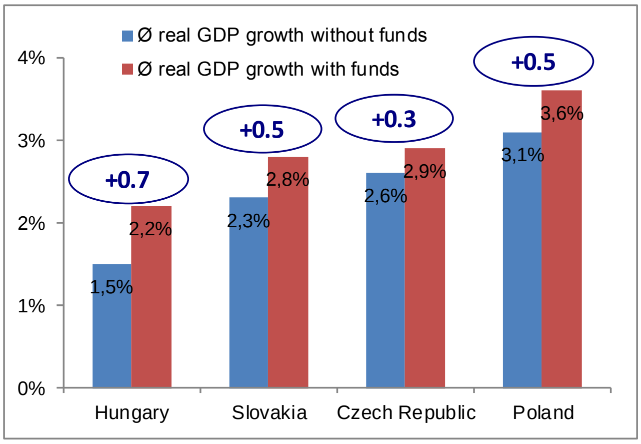
There have been clear financial benefits of EU membership, especially for the less developed countries, in the form of EU support programs.

The Cohesion Policy, which targets mitigating regional differences in the European Union, has been the most important – at least from the budget perspective. In the previous budgeting period 2007-13, the V4 were granted a budget worth EUR 130.9bn (2.8% of annual GDP on average) to be spent on investments.

Infrastructure projects consumed the highest share of EU funds across the countries, with the environment being the second and SME support and R&D investments in third place. The positive impact was mostly seen in Poland, where higher public investment during the crisis significantly helped the country to avoid recession in 2009.

In our report "Cohesion Policy and other EU assistance programs in 2014-20", we concluded that the allocation of subsidies from EU funds in the next programming period could reach the scale of a "Marshall Plan" for the region. The earmarked figure **for V4 countries amounts to EUR 135.4bn in 2014-2020**. We calculated the positive effects of the Cohesion Policy on GDP growth.

Average contributions of EU funds to annual GDP growth in 2014-2020



Source: EC, Erste Group Research calculations, EU Office

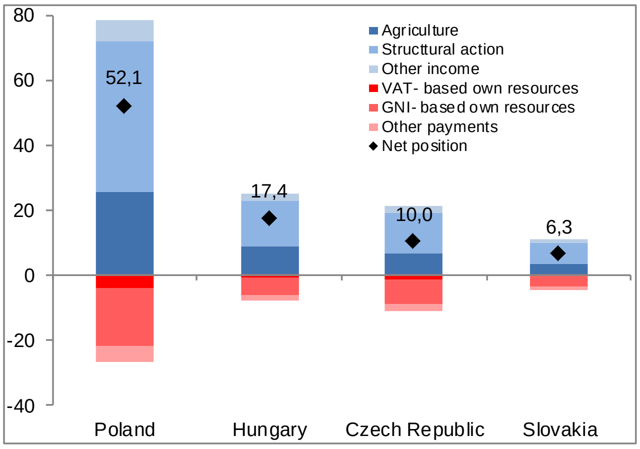
If the European funds are used effectively for investments that spur development, the annual rate of growth should accelerate from 0.3% in the case of the Czech Republic to 0.7% in Hungary. The average contribution coming from utilizing EU funds for Poland and Slovakia should be around 0.5%.

The Common Agricultural Policy (CAP) helps to improve the financial situation of farmers in the V4 region and enabled agricultural business in mountainous and less productive areas.

Although before EU accession the agriculture sector in V4 countries was characterized by under-capitalization and old technologies, the agriculture business now belongs among the low-risk and profitable sectors. Beside food production, rural areas are valued for their offer of recreational activities and aesthetic values. Therefore, another part of the CAP is focused on financing activities in the area of tourism, handicrafts and culture. **The total allocation of the CAP for V4 regions in 2014-20 amounts to EUR 57.4bn.**

Other European programs: Alongside the subsidy from Cohesion or the Common Agricultural Policy, the V4 countries also benefit from other European assistance programs. The most useful for the V4 region are **Horizon,** focusing on R&D investments, the **Connecting Europe Facility,** financing Trans-European transport, energy and

Cumulative net position of V4 countries towards the EU budget in 2004-2012 (EUR bn)



Source: European Commission

telecommunication infrastructure, and **Erasmus,** enabling the exchange of students and teachers throughout the EU.

Positive net position towards common EU budget

In all V4 countries, the incomes from the EU to national budgets have visibly overwhelmed the national payments into the EU and their net position toward the EU budget has always been positive.

The major source of incomes from the EU budget was earmarked for structural actions, alias the Cohesion Policy, with its share oscillating between 55.8% in Hungary and 59.1% in the Czech Republic.

On the opposite side of the budget, around 2/3 of total payments are comprised of so-called GNI-based own resources, which is a payment based on the gross national income of Member States.

Key challenges for future

During the financial crisis, it has been proven that the old criteria that aimed to keep public finances prudent have not been efficient. This year, all V4 countries will comply with ‘the old’ 3% deficit ceiling; however, the new fiscal rules defined by the Six-pack and later reinforced by the **Fiscal Pact** set more ambitious targets.

According to the new rules, countries have to bring their structural deficit to as low as 0.5% or 1% of GDP (depending on the level of debt) and gradually reduce any excessive debt topping 60% (which only affects Hungary).

Out of the V4 countries, **Slovakia, Poland and Hungary signed this Fiscal Pact already in spring 2012** and the **Czech Republic decided only in March 2014 to ratify it**. The Fiscal Pact should ensure more prudence in budgeting. In particular, it will prevent governments from overspending during the good times and give more fiscal space during the downturns, as governments will not be pushed into self-defeating austerities.

Although all of the V4 countries committed themselves to adopting the euro, only Slovakia has joined the Eurozone so far. In the other V4 countries, it is not a current topic, and their entry is likely only at the end of this decade, when the countries will fully comply with the Maastricht criteria (and Fiscal Pact) and the new design of the Eurozone will be better known.

The long-term benefits stemming from the openness of the V4 economies and their export orientation toward the Eurozone are strong factors for euro adoption. However, in the short term, some negatives and risks are hard to overlook. Poland, Hungary and the Czech Republic do not create an optimal currency area with the Eurozone at this moment.

The common monetary policy is struggling due to the heterogeneity of the Eurozone. In addition, new risks connected to the debt crisis and the need to contribute to the **European Stability Mechanism (ESM)** scare politicians. Disputes about the ESM led to the fall of the Radicová government in Slovakia in 2011. According to our estimates, the capital contribution of Hungary, the Czech Republic and Poland into the ESM will hover between EUR 12.4bn in the case of Hungary and EUR 45.9bn in the case of Poland.

The contributions to the rescue mechanism are treated as financial assets (investment), while the common perception in the public is that those are just costs that do not have any benefits.

In times of fiscal consolidation, EU funds represent one of the few sources for fiscal and investment stimuli in the V4. The big challenge is to use them effectively and to increase the still unsatisfactory absorption rate.

Among the V4 countries, only **Poland** managed to draw two thirds (67.9%) of its EU funds allocated for the previous 2007-13 period as of the end of 2013.

The Hungarian absorption rate (59.3%) is average, while **Slovakia** (52.6%) and **the Czech Republic** (51.1%) recorded poorer absorption.

In order to improve absorption and the socio-economic effects of subsidies from EU funds, the V4 need to significantly reduce bureaucracy, introduce more transparent processes of project selection and establish closer regional cooperation.

Estimated subscribed capital of V4 countries into ESM

EUR bn	Capital subscription	Paid-in capital	Guarantees
Poland*	45.9	5.2	40.7
Czech Republic*	14.4	1.6	12.8
Hungary*	12.4	1.4	11.0
Slovakia	5.8	0.7	5.1

*Source: ESM, ECB, ČS EU Office, *) estimation by EU Office under assumption that Eurozone equals current EU-18 + CR, Hungary and Poland, Capital subscription = paid-in capital + guarantees*

The Banking Union is another project where participation is binding for all Eurozone countries, including Slovakia, but voluntary for EU members outside the Eurozone.

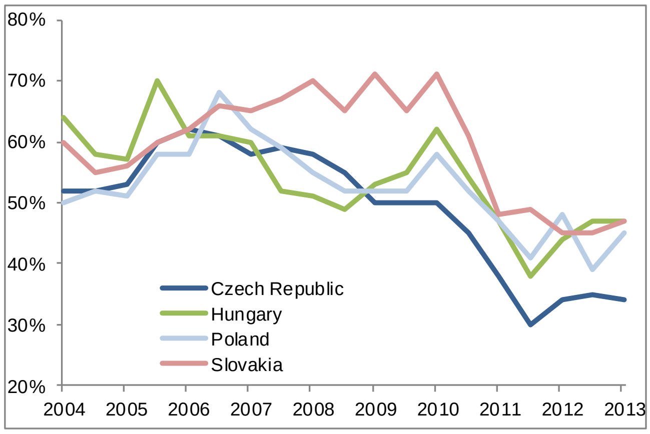
Poland, Hungary and the Czech Republic decided to stay out, as their banking sector is healthy and solid, and therefore these countries - at least in the medium-term horizon - would not use the assistance from banking union mechanisms.

However, it is important that these countries are not blocking the negotiations on it and are actively involved in the discussion at the EU level.

This is especially true for **the Czech Republic, Slovakia and Hungary**, which belong among the small to medium-sized EU members. If they want to pursue their interests at the EU level, they need to form a coalition with their natural partners – other V4 countries.

All V4 countries together have 64.4mn people (more than the UK); in the EU Council, only Germany and France have a stronger voice (derived from the population).

Share of answers 'Tend to trust' to the question 'How much trust do you have in the EU?'



Source: Eurobarometer

In the European Parliament, they have (with 106 MEPs) altogether an even stronger position than Germany, with 96 MEPs.

Another big challenge for the common European future is **the potential clash of two opposing trends that are primarily connected with the current debt crisis and the adopted measures**.

These measures are on one hand heading for a natural acceleration of the integration process in the EU, but on the other hand are unpopular among the citizens, leading to stronger support for euro-skeptic political parties. A similar development is also obvious in the V4 region.

The European Union was at its peak of popularity during the first couple of years after enlargement in 2004. Since 2008, when the financial crisis began, we have been able to identify a trend of decreasing EU popularity, due to austerity measures and the global economic slowdown.

POPULATION TRENDS IN V4 AND GEOPOLITICS

Population in Central Europe: General Trends

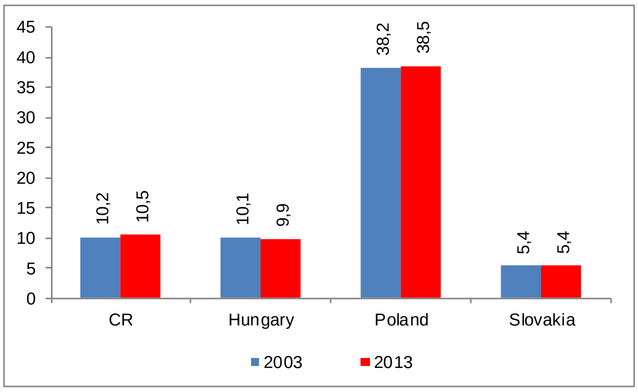
Today, some 99mn people live in CEE countries that became members of the European Union in 2004, 2007 and 2013. Of them, 64mn are inhabitants of the V4 countries. **They represent almost 13% of all people living in the European Union.**

Population-wise, the largest of these countries in the region is Poland, with 38mn inhabitants. The smallest V4 country is Slovakia (5.4mn).

The Czech Republic and Poland have a growing population. In contrast, Hungary is experiencing a population decline, with more deaths than births as well as more people leaving than returning or immigrating from third countries.

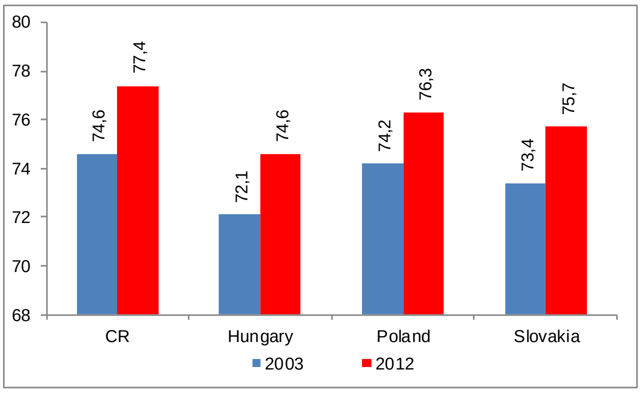
Demographically speaking the CEE region follows general European trends: **Low birth rates and increasing life expectancy**. In all V4 countries the average birth rate is below the European average of 1.6 children per woman. Today, Poland has the lowest fertility rates, both with 1.3 children per woman.

Population of V4 countries (in mn.)



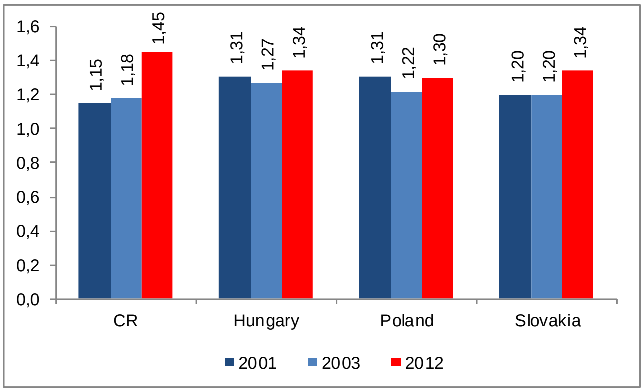
Source: Eurostat

Life expectancy at birth in V4 (in years)



Source: Eurostat

Average number of children per woman in V4



Source: Eurostat

Life expectancy in the V4 is below the European average, but all countries are catching up as living conditions – also documented in the perceived **quality of life** (see the first chapter) – have improved over the last 20 years.

The most important factors contributing to this are lower levels of industrial pollution, improved quality of food and access to better health care, as well as a declining number of people doing heavy labor.

In the V4 region, the Czechs **(men: 74 years; women: 80 years)** live the longest. The lowest life expectancy in the V4 is recorded in Hungary **(men: 71 years; women: 78 years)**.

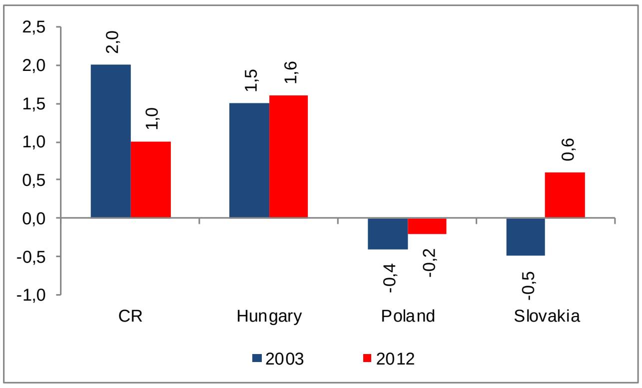
In the coming years, low fertility and increased life expectancy will lead to continued demographic aging characterized by a decreasing number of young people and a growing number of elderly citizens.

International migration and regional mobility also play an important role in shaping the size and distribution of populations in CEE.

Over the past 20 years, the majority of CEE countries have experienced **more emigrants than immigrants**. In the V4 countries the picture is mixed. Hungary always had a positive migration balance due to ethnic Hungarians immigration from neighbouring countries (namely Romania, Serbia and Ukraine).

The Czech Republic and to a smaller degree also Slovakia has seen immigration increasing while in the case of Poland a sizeable number of citizens moved to Western EU countries in search of employment. Many migrants came – and still come – from rural areas and small towns.

Net migration rate (in %)



Source: Eurostat

Intra-European East-West migration already took off after the fall of the Iron Curtain, but also reflects mobility induced by the enlargement of the European Union in the years 2004, 2007, and 2013 and better access to Western European labour markets.

Socio-economic changes before and after EU membership also led to higher mobility within V4 countries.

With economic growth, higher education and modern health care concentrated in urban agglomerations, many citizens of V4 countries see mobility within their own countries as an alternative to international migration.

In absolute terms, the main V4 countries exporting labor were Poland and Hungary. Some V4 migrants have left their countries for good. Others have returned – many of them in the aftermath of the recent economic and financial crisis, given that the major destination countries for CE migrants (like Spain, Italy and Greece, but also the UK and Ireland) have been particularly hit hard by the crisis.

In the future all CEE countries will experience demographic ageing. As a result, there will be less people entering the labor market. We can therefore assume that sooner or later in all V4 countries immigration will become more important than today.

Given today's and tomorrow's excess of deaths over births, the ability to attract, absorb and integrate migrants will also decide about the future size of working age populations and indirectly also about **economic growth potentials**. Unless V4 countries are prepared to undertake significant efforts to attract skilled labor from abroad in the medium term, it is foreseeable that work force shortages will hurt potential GDP growth significantly throughout the region.

V4 in geopolitical landscape

Since the fall of the Iron Curtain, the geopolitical situation and role of the four Visegrad countries within Europe has changed fundamentally. The collapse of the **Soviet Union** and of the dissolution of the **Warsaw Pact** made way for the expansion of NATO into territories formerly controlled by the Red Army and its allies. In Central Europe, all Visegrad countries applied and became NATO members.

Geopolitical change also led to another expansion: EU enlargement. At first, three non-aligned countries – **Austria, Finland and Sweden** – joined the EU in 1995. Their membership had formerly been objected to by the Soviet Union and was directly triggered by the end of the Cold War. Nine years on, in 2004, as a result of their transition to market economies, the four Visegrad countries, the Baltic states and Slovenia became EU members, followed later by Bulgaria, Romania (2007) and Croatia (2013).

Membership in both NATO and EU helped the four Visegrad countries integrating economically with their Western neighbours and into transatlantic security structures. As a result some of their troops served in places like Iraq and Afghanistan.

NATO membership has also led to more regional integration: All four Visegrad countries cooperate in the area of defense procurement. They are planning to set up joint battle groups. And Hungary's air force is policing Slovenia's air space.

From a geopolitical point of view Poland has profited the most from NATO and EU membership. It is the only country in the region that is able to deal more or less at par with France and Germany and pursue a genuine foreign policy.

The so-called **Weimar triangle** has institutionalized consultations at government level between Poland, France and Germany. The recent crisis in Ukraine has also shown Poland's weight as a regional actor trying to broker arrangements between the different local actors.

Today, given increased tensions between Russia and the West over Ukraine, a majority of citizens in all four Visegrad countries show sympathy for the pro-Western camp in Kiev. As three of the four share a common **border with Ukraine, EU and NATO** membership is now even more seen as an anchor and backstop of their national security.

At the same time the high share of gas supply from Russia delivered via Ukraine reminds the Visegrad four (and other CEE countries) of their energy dependence on Russia.

CONCLUSION

V4 countries are economically stronger and more relevant 10 years after EU accession. Their **annual average GDP growth has increased by approx. 1%** due to EU membership. V4 exports have grown three times faster than EU15 exports; the V4 is now the fourth largest exporter in the EU28.

During 10 years of EU membership, the Visegrad Four - V4 countries have experienced strong income convergence. **The GDP per capita of the V4 measured in purchasing power standards has increased from 49% of that of the EU15 in 2003 to 65% in 2013.**

Three out of four V4 countries (SK, PL, CZ) jumped in the quality of life ranking, with Czech Republic actually surpassing Italy and the UK. Based on benchmarking of the average growth of the V4 countries to some European countries at their earlier stage of income convergence, we

estimate that EU membership increased the annual average growth in the V4 by around 1pp in the last decade.

EU membership has expanded the export opportunities of V4 countries, of which three (CZ, HU, SK) are among **the top 5 open economies in the EU28**. V4 countries have been outperforming the old Member States in export growth by a wide margin: their exports grew three times faster than exports of old EU Member States in the last decade.

The V4 region now ranks as the fourth largest exporter in the EU28 (compared to the sixth position in 2003), becoming a real heavyweight among European exporters.

Car manufacturing became the most prominent export-oriented industry in the V4. While around a decade ago, the V4 countries were producing fewer cars than France, Spain, the UK and Italy, the V4 is now the second largest car producer in the EU after Germany.

Old EU Member States also **benefited from the EU enlargement**. With a population of 64mn, the V4 offers a similar size consumer market in terms of the number of consumers to France or Italy and, in terms of the value of consumer spending on goods, to the Benelux (EUR 230bn) countries. Exports from old Member States to the V4 have skyrocketed, growing twice as fast as their total exports.

In order to maintain the income convergence and utilize further benefits from EU membership, the V4 countries need to move up the value chain of production, explore more possibilities in the export of services and improve the quality of institutions, which would help them to raise their absorption of EU funds.

In the future, **all V4 countries will experience demographic aging**. As a result, there will be fewer people entering the labor market. Unless V4 countries are prepared to undertake significant efforts to attract skilled labor from abroad in the medium term, it is foreseeable that work force shortages will hurt potential GDP growth significantly throughout the region.

APPENDIX

Cumulative net position of V4 countries towards the EU budget in 2004-2012 (EUR bn)

	Net position	Agriculture	Structural actions	Other income	VAT-based own resource	GNI-based own resource	Other payments
Poland	52.1	25.5	46.4	6.8	-4.1	-17.8	-4.8
Hungary	17.4	9.0	14.0	2.1	-1.0	-5.2	-1.5
Czech Republic	10.0	6.6	12.6	2.1	-1.6	-7.4	-2.4
Slovakia	6.3	3.7	6.3	1.2	-0.6	-3.2	-1.1

Source: European Commission

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 Portugal.

PORTUGAL

Official name	Portuguese Republic
Population	10 813 834 (2013)
Area	92 090 km^2
Currency	Euro (EUR)
Official language	Portuguese

Source: Eurostat

Portugal is located in the west of the Iberian peninsula. It consists of 18 districts and two autonomous regions (the Azores and Madeira). The only neighboring state it shares a mainland border with is Spain.

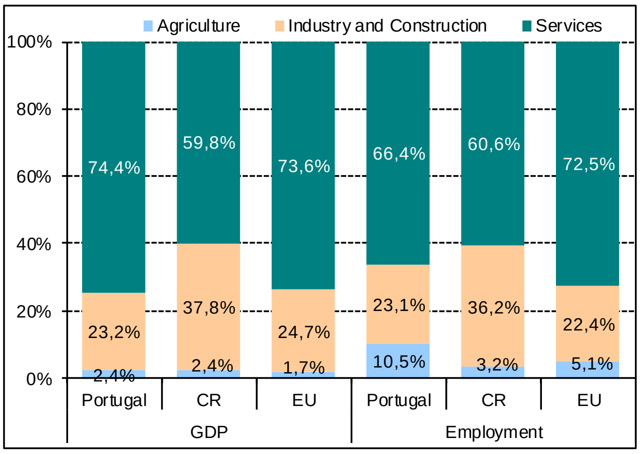
Legislative power is held by a unicameral parliament consisting of 230 members elected for four years. The president is elected in a two-round majority system and the current president is Aníbal Cavaco Silva. The government holds the highest executive power and the current prime minister is the Social Democrat Pedro Passos Coelho.

Structure of economy and foreign trade

The share of agriculture in GDP is 2.4% in Portugal and 10.5 % of the workforce works in this area, roughly double the EU figures. On the contrary, the situation in industry is that 23.1 % of the workers work in industry producing 23.2 % of the GDP, about the same as in the rest of the EU. The dominant services sector where 66.4% of the workforce works generates 74.4 % of the GDP.

Portugal's main export partners are Spain (22.7 %), Germany (12.4 %) and France (11.9 %). It exports mainly agricultural products, food, wine, oil products and chemical products. Its imports are predominantly agricultural products, chemicals and transport equipment. Portugal's main import partners are the same as the countries it exports to: Spain (22.7 %), Germany (12.4 %) and France (11.9 %).

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



Source: Eurostat, data as of 2013

Macroeconomic outlook

From the second half of 2013 it seems evident that the Portuguese GDP is returning to a growth path. Strong growth in domestic demand was mainifested in an improvement in private consumption and strong investment in gross fixed capital firms. In 2013, the Portuguese economy fell by "only" 1.4%. In the coming years, moderate growth of 1.2 % this year and 1.5 % next year is expected. One of the major problems is Portugal's high public sector debt- hovering at about 125 % of GDP.

Basic indicators (in %)	2012	2013 ^{e}	2014^{e}	2015^{e}
GDP Growth	-3.2	-1.4	1.2	1.5
Unemployment rate	15.9	16.5	15.4	14.8
Inflation	28	0.4	0.4	1.1
Current account saldo	-2.2	0.4	1.0	1.4
Public debt	124.1	129.0	126.7	124.8

Source: European Commission; ^{e} - estimate

Labor market

The unemployment rate increased in 2013 to an average of 16.5%. In 2014 and 2015 we can await the trend of a slight decrease in people out of work. Another problem of the Portuguese economy is high labor costs (especially compared to labor productivity).

Basic indicators of labor market		
Unemployment rate (April 2014)	15.2%	
Minimum monthly wage (2014)	565.8 EUR	
Ø monthly labor costs in sectors	**Portugal**	**CR**
Manufacturing (2013)	1 702 €	1 473 €
Transport and storage (2013)	2 547 €	1 494 €
Accommodation. food … (2013)	1 140 €	984 €

Source: Statistical Offices of Portugal and CR

Price levels are higher in Portugal than in the Czech Republic, which is also reflected in higher average wages. For example, in the manufacturing industry labor costs in Portugal are 15% higher than in the Czech economy. The lowest labor costs in this country on the Iberian

Peninsula are in the housing, food services and hospitality sectors (€ 1,140) and some of the highest are in the production and distribution of electricity (€ 5,061).

Labor law basics

Employment contracts must be finalized in writing. The trial period ranges from 15 days for short- term contracts to up to 240 days for managerial positions. In 2013 a labour code with relatively significant changes was passed, particularly aimed at greater labor market flexibility. Working time is 40 hours per week. Overtime is allowed within a maximum range of 175 or 150 hours per year and employees who participate receive a supplement in addition to their wages.

Commercial law basics

A limited liability company requires at least two founding members who have a combined minimum of € 5,000 of startup capital. To establish a joint stock company requires at least five shareholders (natural or legal persons) and startup capital of at least € 50,000. The company must be registered in the Commercial Register.

Form of Company	Minimum Capital
Public Company (SNC)	-
European Company (SE)	120 000 EUR
Limited Liability Company (LDA)	5 000 EUR
Joint Stock Company (SA)	50 000 EUR

Source: Ministry of Economy

Main taxes and additional labor costs

The standard rate of corporate tax from 1 January 2014 is set at 23%. In the coming years, a further reduction in the basic rate of corporate income tax is expected. The first € 15,000 of the taxable profits of small and medium-sized enterprises receives a reduced 17 % tax rate.

The tax on personal income is progressive, has 5 bands and some additional surcharges. The highest 48% band is for people with incomes above € 80,000 per year.

Tax/payment	Rate
Corporate Tax	23%
Individual Income Tax	14.5% / 28.5% / 37% / 45% / 48%
Social insurance (employee)	11.0%
Social insurance (employer)	23.75%
VAT (basic /1st lower/2nd lower)	23% / 13% / 6%

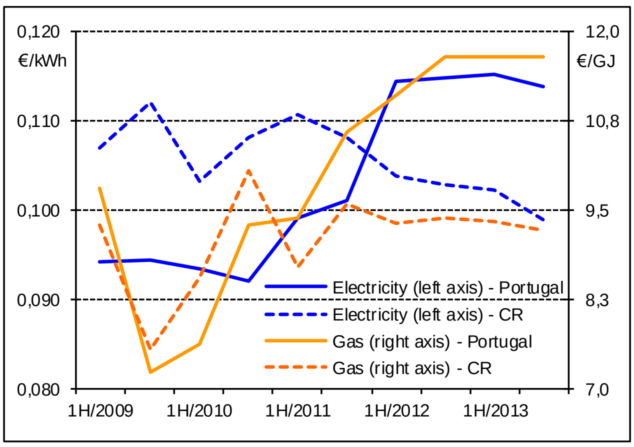
Source: Ministry of Finance

For incomes over € 250,000, there is an additional 5% solidarity surcharge. The standard rate of VAT is 23%. A reduced 13 % rate applies mainly to food and a 6 % tax is targeted at books, medicines, pharmaceuticals, newspapers, accommodation and public transport. For the purpose of health and social security employees pay 11 % of their salary and the employer pays 23.75 % of the monthly gross wages of the employees.

Energy

A boom in the wholesale price of electricity on the Atlantic coast began in 2011, when annual growth reached nearly 10 %, and a year later 15 %. The developments in gas prices were even more extreme. After a 20 % international drop came an increase of nearly 30 % in 2010. In recent years, however, gas and electricity prices have stabilized. Wholesale customers can currently purchase a kw hour of electricity for 11 cents and a gigajoule of gas for 11.7 euros.

Development of Energy Prices – Portugal (CR)



Source: Eurostat, the tarriffs for wholesale exluding VAT

Portugal has no nuclear power plants, 47 % of electricity is produced from renewable resources and nearly 30 % relies on natural gas, which comes primarily from Algeria. Portuguese energy is more than 77 % dependent on imports, which is the 7th highest in the EU.

Investment incentives

Portugal attracts investors, among them, investments in the automotive sector, ICT, renewable energy and biotechnology. It offers, for example, interest-free loans, exemptions from certain tax obligations or reimbursement of part of the cost of creating new jobs and reduced or forgiven social contributions for graduates. Some incentives may be even more advantageous if investments are targeted outside the capital Lisbon.

Copernicus is a European programme for regular monitoring and observing of the sub-systems of the Earth, the atmosphere, the oceans and continental surfaces. Its aim is to provide reliable, verified and guaranteed information about support for a wide range of environmental and security applications and decisions. The programme is part of section 1a: Competitiveness for Growth and Employment VFR EU 2014-2020. The seven-year budget for Copernicus is EUR 4.291 billion (in regular costs).

COPERNICUS

Copernicus - a system for monitoring the planet Earth - is part of sub-heading 1a Competitiveness for Growth and Employment in the EU multiannual financial framework for the period 2014-2020. The total budget for the next seven years is € 4,291 billion (in current prices). Copernicus is the successor to GMES (Global Monitoring for Environment and Security).

The main objectives of the programme are:

- environmental monitoring, civil protection and security of countries
- socioeconomic benefits, the use of Earth observation applications and services
- support for the European space industry

The Copernicus system consists of three basic components:

- **Services** for land monitoring, marine monitoring, atmosphere monitoring, emergency management, climate change and security
- **A space component** which provides surveillance from space of the areas listed in the first point
- **An "in situ" component** (from the Latin meaning on site), which will ensure a coordinated approach to the observation services listed in the first point through the installation of sensors located in the air, the sea and on land

The individual components should be properly connected during the seven-year programming period to ensure their full functionality. The financial resources will primarily be used to cover the costs of the development, launch and maintenance of the programme and the creation of the services:

1. Atmosphere Monitoring

Its aim is to ensure high air quality in Europe, the question of global atmospheric composition, etc.

2. Marine Monitoring

Provides information about the state of the oceans and seas, monitors waste streams, the marine environment, marine resources, coastal and polar regions, etc.

3. Land Monitoring

This service supplies information on land use, climate change, land cover and the cryosphere, monitoring of forests, vegetation and natural resources.

It also supports the areas of agriculture, energy, infrastructure and the environment.

4. Climate Change

Provides information to support adaptation to climate change. The service includes climate analysis and predictions concerning adaptation strategies and mitigation of climate change.

5. Emergency Management

The main purpose is timely response to different types of disasters, hazards caused by weather, intentional or unintentional disasters caused by people and humanitarian emergencies. The service also deals with prevention and recovery activities after catastrophic events.

6. Security

Deals with support for problem solving in the field of civil security, crisis prevention , focusing on preparedness and rapid response capability (eg. control of external borders) in support of EU external action, etc.

For the service and the "in situ" components, € 897,415,000 is earmarked in the budget and **for the space component** €3 394,065,000.

The Commission can move the funds from one category to another as needed, but the reallocation of funds should only be to a maximum of 10% of the total allocated budget.

The Copernicus programme is based on cooperation between the European Commission, the **ESA (the European Space Agency)** and the Member States.

The main users are the EU organs and institutions, European, national, regional and local authorities which have a mandate to implement and monitor public services and policies in these areas.

Other users may be for example universities or other research and educational institutions, commercial and private users, or for instance charitable organizations. The Czech Republic is responsible for the coordination of the National Secretariat GEO/ Copernicus.

Copernicus should contribute to building the **Global Earth Observation System of Systems** (called GEOSS) which will be developed within the Group on Earth Observations (GEO).

Statistical window

The Statistical Window displays the selected economic indicators of all 28 EU Member States. It includes comparable data from the labour market (the unemployment rate, the labor costs compared to the EU average in the business sphere B-N, work productivity compared to the Czech Republic) as well as price characteristics (year-to-year inflation based on the HICP index, average mortgage interest rates and electricity prices compared to the EU average for 1000-2500 kWh). For a comparison, the same indicators for the entire EU are shown in the table.

Key microeconomic indicators

	Inflation (YoY)				Unemployment rate				Labor costs to Ø EU			
in %	I-14	II-14	III-14	IV-14	Q2-13	Q3-13	Q4-13	Q1-14	2010	2011	2012	2013
Belgium	1.1	1.0	0.9	0.9	8.4	8.4	8.5	8.5	148.5	148.6	149.6	150.4
Bulgaria	-1.4	-2.1	-2.0	-1.3	12.9	12.8	13.1	13.1	121.5	121.9	122.8	123.7
CR	0.3	0.3	0.3	0.2	6.9	6.9	6.7	6.7	34.6	35.3	36.7	39.1
Denmark	0.8	0.3	0.2	0.5	6.8	7.2	6.8	n/a	120.4	115.9	116.1	115.1
Germany	1.2	1.0	0.9	1.1	5.3	5.3	5.2	5.1	79.1	72.6	67.0	n/a
Estonia	1.6	1.1	0.7	0.8	8.2	8.3	8.6	n/a	89.3	89.4	88.4	87.5
Ireland	0.3	0.1	0.3	0.4	13.7	12.8	12.2	11.9	133.3	134.2	134.0	132.4
Greece	-1.4	-0.9	-1.5	-1.6	27.4	27.6	27.4	n/a	73.6	73.4	73.1	73.7
Spain	0.3	0.1	-0.2	0.3	26.2	26.1	25.8	25.4	28.6	28.4	27.8	26.4
France	0.8	1.1	0.7	0.8	10.3	10.3	10.2	10.4	25.9	26.0	26.5	27.4
Croatia	0.4	-0.2	-0.1	-0.1	16.9	17.6	17.4	17.4	37.9	38.1	38.2	38.8
Italy	0.6	0.4	0.3	0.5	12.1	12.3	12.5	n/a	134.8	134.7	135.5	137.4
Cyprus	-1.6	-1.3	-0.9	-0.4	15.7	16.4	16.9	16.9	121.5	120.7	120.4	122.1
Latvia	0.5	0.5	0.3	0.8	11.7	11.7	11.6	n/a	34.9	35.2	36.0	36.6
Lithuania	0.2	0.3	0.4	0.3	12.1	11.5	11.0	11.2	20.4	20.0	18.6	18.0
Luxembourg	1.5	0.8	0.8	0.9	5.8	5.9	6.0	6.1	34.7	34.5	34.0	33.1
Hungary	0.8	0.3	0.2	-0.2	10.4	10.1	9.2	n/a	121.6	123.7	124.4	125.9
Malta	0.9	1.6	1.4	0.5	6.5	6.5	6.7	6.8	152.6	152.3	155.4	156.2
Netherlands	0.8	0.4	0.1	0.6	6.7	7.0	7.0	7.2	13.4	14.3	15.1	15.4
Austria	1.5	1.5	1.4	1.6	4.7	4.9	5.0	n/a	44.0	44.6	44.9	44.7
Poland	0.6	0.7	0.6	0.3	10.5	10.2	10.0	9.7	152.8	152.5	151.5	151.5
Portugal	0.1	-0.1	-0.4	-0.1	17.0	16.1	15.4	15.2	97.2	97.3	97.2	97.9
Romania	1.2	1.3	1.3	1.6	7.3	7.3	7.3	7.2	123.7	123.7	126.3	133.8
Slovenia	0.9	0.2	0.6	0.5	10.5	9.8	9.7	9.7	54.2	55.7	57.6	57.8
Slovakia	0.0	-0.1	-0.2	-0.2	14.3	14.3	14.2	13.9	53.9	54.8	55.3	56.4
Finland	1.9	1.6	1.3	1.3	8.1	8.1	8.3	8.4	68.6	71.1	74.0	75.7
Sweden	0.2	0.1	-0.4	0.3	8.0	7.9	8.0	n/a	119.4	119.4	121.5	121.7
UK	1.9	1.7	1.6	n/a	7.7	7.5	7.1	n/a	42.1	41.8	41.5	41.4
EU	0.9	0.8	0.6	0.8	10.9	10.8	10.7	10.5	100.0	100.0	100.0	100.0

	Productivity to Ø CR				Average interest rate on mortgages				Price electricity to Ø EU			
in %	2010	2011	2012	2013	2010	2011	2012	1H-13	2010	2011	2012	2013
Belgium	259.6	257.1	266.6	282.3	n/a	n/a	n/a	n/a	121.0	122.1	116.1	111.5
Bulgaria	33.3	35.2	38.2	40.0	9.7	8.8	8.3	7.8	45.2	43.5	43.9	42.5
CR	100.0	100.0	100.0	100.0	5.2	4.5	4.0	3.6	118.9	119.0	113.2	109.4
Denmark	286.5	283.0	295.4	313.5	3.7	4.0	3.4	n/a	164.5	167.6	160.6	153.3
Germany	204.8	204.5	211.0	224.3	3.8	4.0	3.2	2.8	146.2	143.2	140.7	149.2
Estonia	83.5	85.4	91.1	98.8	3.9	3.7	3.1	2.9	55.2	53.0	55.2	65.4
Ireland	279.5	283.2	293.2	n/a	3.1	3.5	3.3	3.4	118.2	125.3	131.8	135.9
Greece	156.9	151.0	156.0	159.4	3.8	4.7	3.6	3.2	57.2	56.5	61.2	67.7
Spain	184.1	181.7	190.4	n/a	2.6	3.5	3.4	3.2	111.7	116.4	120.5	114.4
France	237.2	235.3	244.0	258.5	4.3	4.4	4.4	3.9	82.7	81.7	78.4	80.8
Croatia	97.1	95.7	100.5	104.8	n/a	n/a	n/a	n/a	62.2	60.8	68.8	69.6
Italy	211.2	207.5	210.5	222.6	2.8	3.6	4.3	3.9	89.2	86.8	94.3	93.2
Cyprus	147.2	145.7	153.9	157.6	4.6	5.3	5.5	5.4	106.1	114.9	138.5	122.5
Latvia	70.4	75.4	83.3	89.2	7.4	4.7	3.8	3.8	57.6	61.1	61.6	59.3
Lithuania	73.9	79.5	84.9	91.6	6.0	4.2	3.3	2.7	66.5	65.2	62.9	66.0
Luxembourg	599.0	599.5	614.3	n/a	2.2	2.5	1.4	2.2	105.5	95.7	92.2	87.2
Hungary	84.7	83.6	82.2	85.2	10.5	10.5	11.9	10.2	94.3	87.4	80.8	69.1
Malta	130.8	128.2	131.3	138.4	3.7	3.6	3.6	3.5	110.0	103.2	97.5	94.0
Netherlands	229.6	225.4	230.6	n/a	4.6	4.6	4.3	3.9	52.9	55.0	56.1	55.3
Austria	n/a	n/a	n/a	n/a	3.1	3.4	3.2	2.9	117.8	113.8	109.1	110.2
Poland	76.3	76.8	80.4	85.5	7.1	7.0	7.4	6.2	80.3	78.2	75.1	71.5
Portugal	115.6	112.9	116.0	124.6	3.4	4.8	4.8	4.2	100.7	102.6	110.2	109.3
Romania	43.6	45.2	45.6	51.8	11.7	9.5	8.0	8.3	57.6	56.8	53.4	62.3
Slovenia	122.4	122.4	122.7	n/a	3.5	4.0	3.6	3.4	92.7	87.1	85.8	90.8
Slovakia	94.6	95.9	100.4	106.0	5.6	5.2	5.2	4.5	97.7	98.1	95.1	89.9
Finland	239.6	241.7	251.3	266.6	2.1	2.6	2.2	2.2	94.1	100.7	95.7	94.2
Sweden	259.0	270.3	289.8	307.7	2.4	3.9	3.5	2.9	113.0	116.2	109.2	106.9
UK	198.6	195.6	215.2	n/a	n/a	n/a	n/a	n/a	83.9	84.1	92.4	90.5
EU	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	100.0	100.0	100.0	100.0

Source: Eurostat