

POLITICS

The High Court has ruled that the British government needs parliamentary approval to leave the EU. Parliament probably would not block an agreement but rather delay and influence the final form of the agreement on withdrawal. This was followed by an appeal to the Supreme Court which will take place from 5-8 December 2016.

The European Parliament has called for the freezing of accession negotiations with Turkey in response to Ankara's course after the July coup attempt. In the legally non-binding resolution the EP also called to maintain the possibility of resuming talks when the state of emergency in Turkey ends, however.

European Parliament President Martin Schulz will not seek another mandate and will leave as head of the European Parliament to run as a candidate in the German Bundestag. It is likely that he will become the next foreign minister but he could also run for chancellor against Merkel who has already announced her candidacy.

Rumen Radev will be the new Bulgarian president from 22 January 2017. The prime minister of the minority government has already tendered his resignation. Radev wants to cooperate more closely with Russia.

The Estonian parliament voiced no confidence in Prime Minister Taavi Rõivas who was replaced at the end of November by pro

-Russian oriented Juri Ratas. The foreign pro-European course of the country should not be changed.

Diplomats from EU member states have conditionally agreed that citizens of Ukraine will not need visas for short trips to the EU. Visa-free travel for Ukrainian citizens would be valid for stays up to 90 days within a 180 day period. EU citizens will also be able to travel to Ukraine without visas.

ECONOMICS

The Commission has not proposed freezing part of Spain and Portugal's money from the EU structural funds next year. The countries were threatened with this because they did not comply with EU budget rules. It was already decided earlier that they should also not expect fines.

Brussels - Negotiators from EU member states and the European Parliament found a compromise on the form of the union's budget for year 2017. The proposal provides for 157.88 billion euros in commitments and 134.49 billion euros in payments.

The Swedish central bank, the Riksbank is launching a project to determine what a central bank-backed digital currency would look like and what potential challenges it would pose in connection with the growing shift away from cash. The central bank hopes that the decision on issuing the digital currency, which is called the ekrona, will be taken

within two years.

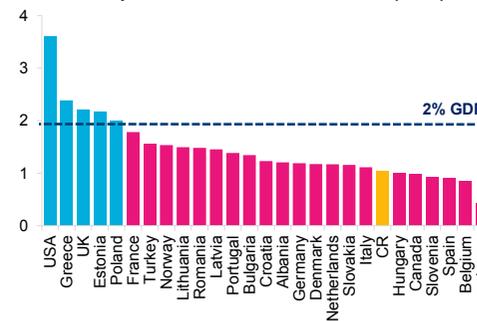
China has contributed ten billion euros to a fund intended to finance projects in Central and Eastern Europe. Together with China, 16 European countries established the fund at the Riga summit. The Czech Republic will not contribute directly to it, only some Czech companies.

The Commission has drawn up new rules on tax payments for large companies. Their profits will now be taxed in the countries where they are actually created. The changes will apply to the largest companies with annual global revenues of over 750 million euros.

SECTORS

The European Commission wants to create a common fund for defense from which it would go to draw funds to purchase drones and warships. The ban on the use of EU money for military research would be abolished.

Defence Expenditures of NATO Countries (2016)



Source: NATO

FORECAST AND PREDICTIONS

Meetings of EU institutions

- *Foreign Affairs Council on 12 December 2016*
- *European Parliament Plenary Session on 12-15 December 2016*
- *General Affairs Council on 13 December 2016*
- *European Parliament Plenary Session on 16-19 December 2016*

At the joint European Union summit in mid-December there will be a vote on the extension of sanctions against the Russian Federation. It is expected that this could be the last prolongation in the context of changes in the post of president of the United States, which does not support sanctions.

The next German president is likely to be Frank-Walter Steinmeier who won the support of the CDU, the CSU and the Social Democrats. Voting will take place in an indirect election in February 2017.

On 1 January 2017 Malta will take over the EU presidency. Its main objective will be to reunify the member states and restore faith in the common European project. Its priorities will include migration issues, security, the economy and the British exit from the EU.

FOCUS ON THE CZECH REPUBLIC

The Commission has approved the scheme for support of renewable energy in the Czech Republic. Renewable energy operators will be entitled to 37 billion crowns in 2017. The Energy Regulatory Office conditioned payment of money to support renewable energy sources (RES) on the approval of the Commission.

The number of Polish businesspeople

who are moving their businesses to the Czech Republic is increasing. At the beginning of the year there were a few people per week; lately there are tens per day. The main reasons are better tax conditions and the stability of the business environment.

Tesla Motors is considering building a Gigafactory north of Prague, thanks to good access to lithium supplies located

in northern Bohemia. The factory would produce both batteries and electric vehicles.

The Commission predicts positive development for the Czech Republic in 2017. Economic growth should increase to 2.6% from 2.2% in 2016. In 2018 the economy will grow by 2.7% year-on-year according to the estimate. Inflation next year will reach 1.2% compared to 0.5% this year due to

growing pressure on wages. Nevertheless, by 2018 it will not exceed the two per cent inflation target of the Czech National Bank. Unemployment should continue to stay low and the Czech Republic will probably remain the country with the lowest unemployment rate in the EU. Gross public debt should fall in 2018 to 38.5% of GDP from 39.7% of GDP this year.