The Lisbon Strategy and Attempts at Its Revival

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Introduction – Kok report

Four years of the existence of the Lisbon Strategy without any identifiable results are causing hopes that it will meet it final goal – the creation of the same sort of competitive organism as the USA by 2010 – to wane and, in March 2004, it resulted in the European Council's decision to address the European Commission and create a high-level work group, led by former Netherlands Prime Minister Wim Kok, which was assigned the task of preparing an independent mid-term view of the future of this entire process. The result of this team's work is the identification of measures that jointly create a consistent strategy for allowing European economists to achieve the Lisbon goals.

In March 2000, EU representatives expressed an ambitious goal: by the year 2010, to become "the world's most dynamic and the most competitive knowledge-based economy, capable of achieving sustainable economic growth through a greater number of better employment positions and greater social cohesion and taking the living environment into consideration". This goal became known as the Lisbon Strategy and the EU representatives considered the result to be an integrated and mutually interlinked series of reforms. A very important requirement was considered to be the fact that this goal had to be implemented for the EU as a whole; it thus preferred mutual co-operation on the part of the member states ahead of individual isolated actions.

Even though primarily external factors, starting in the year 2000, did not exactly help in attaining the goals of the Lisbon Strategy, it is also true that, due to the complexity of other important goals during the interim period (the establishment and implementation of the Euro as a common currency, the eastern expansion of the EU, the reforms taking place within EU institutions), the EU as a whole and its individual member states also contributed to the very slow fulfilment of the Lisbon Strategy.

The Lisbon Strategy might appear to be even more urgent today, at a time when the growth gap between the EU and North America and the developing regions of Asia has become even wider. In addition, the EU must concurrently resolve demographic factors that are becoming less and less favourable – low rate of population growth and the ageing of the population – together with their social and economic impact.

The Kok Report is based on the conviction that, conceptually, the Lisbon Strategy is fundamentally correct and that the EU is lagging due to the fact that this strategy has not been implemented and respected. As a "recipe" for the solution to this problem, it primarily recommends that this concept start being fulfilled at the level of EU institutions and individual member states.

It might therefore be appropriate to recall **the pillars proposed by the Lisbon Strategy**. The **basic principle** of the Lisbon Strategy is based on the fairly widely-accepted definition or understanding of competitiveness: in order for the standard of living in the EU to increase, it is necessary to increase employment and productivity growth by means of a comprehensive agenda of reform policies and the establishment of a macroeconomic framework that will support growth and employment. At the same time, it is also based on the conviction that increased growth and new employment positions will not be achieved on the basis of any individual and isolated actions. A resolution on the basis of this concept relies more on a series of mutually interconnected initiatives and structural changes, which, through concentrated activities in the EU, will fulfil this strategy's indubitable potential.

This series of mutually interconnected initiatives should be put into practice through *five areas of supporting policies*:

- **Knowledge-based society**: increase Europe's appeal for researchers and scientists, establish science and research as top priorities, and support the use of information and communication technologies;
- **Common internal market**: complete the creation of an actual Common Internal Market for the free movement of goods and capital and, on the basis of an urgent immediate action, develop a Common Market for Services;
- **Entrepreneurial environment**: reduce the overall administrative burden, improve the quality of legislation, simplify the process of establishing a new business, and create an environment that better supports entrepreneurial activities;
- **Employment market**: react quickly to the recommendations made by the European Employment Taskforce, implement development strategies for lifelong education and active old age, and provide a supportive partnership for growth and employment;
- **Environmental sustainability**: incorporate ecological innovations and establish a leading position in the economic aspects of individual economic sectors, and implement policies that lead to long-term and sustainable productivity through environmental efficiency.

Individual member states have made certain advances towards fulfilling one or several of these priority areas, but none of them were successful in achieving consistent fulfilment of the entire strategy.

Kok's concept of consistent fulfilment consists of the development of national policies within each of the member states, which respect the priorities of individual member states and are supported by the appropriate European framework, and then gradually expand them to the overall European level in a more co-ordinated and concerted manner. The European Commission should be prepared to clearly and precisely report the positive results as well as the failures in the fulfilment of this strategy in each member state. Both national policies and EU policies, including budgets, should take the Lisbon priorities into consideration much more.

In order to ensure that the member states are truly assuming their responsibilities, the Kok Report recommends the application of a new approach, established along three axes: a greater level of coherence and consistency among the policies and the participants, an improved process for including national parliaments and social partners and their outputs, and clearer and more understandable communication of the goals and attained results of the strategy.

Kok's group concurrently recommends that key areas of competency be redefined:

- **The European Council** assumes the position of leader in ensuring the advance of the Lisbon Strategy;
- **The member states** will prepare national programs and will ensure that they are effectively communicated to their citizens;
- **The European Commission** monitors, reports, and facilitates the member states through its policies and actions;
- **The European Parliament** plays an active role in the monitoring process; and
- **The European Social Partners** must assume their responsibility and actively participate in the implementation of the Lisbon Strategy.

The Kok Report is convinced that extraordinary efforts must be dedicated in order to ensure that the citizens understand the contents of the Lisbon Strategy and comprehend why it is relevant for every person in every European household.

An exceptional economic and social model has been created for Europe, which combines social coherence and a growing obligation to environmental sustainability. The Lisbon Strategy, which concentrates on economic growth and employment, should, according to the Kok Report, offer Europe a new dimension of this economic and social model.

The success of a knowledge-based economy should manifest itself in the fact that Europe will remain open, will become even stronger in its openness, and will continue to maintain its social cohesiveness. As of yet Europe has either not wanted to or not been prepared to enter the competition for a quick and significant reduction in actual salary and personal expenses – neither internally within the framework of the economic union nor externally. One of the reasons for this unpreparedness might be the apprehension of those member states which have a high level of social cohesiveness, partnerships in the employment process, and environmental protection, that these established standards might be undermined as a result of this contest.

The Lisbon Strategy is sometimes criticised for the fact that it is a reflection of the excessive optimism that existed towards the end of the 1990s, when progress was linked primarily to the rising trend of knowledge-based economics and the traditional strength of industry within the framework of the European economy was considered to be less significant. Criticism of this sort seems to be valid. It is of vital importance that Europe remains a strong industrial and manufacturing base, as this factor represents a strong component within a balanced approach to economic growth.

Ever since the beginning of European industrialisation, the growth of industry and productivity was always drawn along by advances in technologies and the leading sectors. The Lisbon Strategy should also rely on this premise: a strong knowledge-based economy greatly requires a strong manufacturing industry established on high technology and the manufacture of high-tech products at the level of applied scientific and technological results.

The Lisbon concept has wide-ranging ambitions and covers many areas within which the EU does not have constitutional or legislative jurisdiction – this is in the hands of the individual member states. It is therefore proposed to proceed with a combination of traditional community methods of accepting EU legislation that is prepared and pushed forward by the European Commission and a new process that has been named an open co-ordination method. Within the framework of this process, the member states voluntarily agree to co-operate in areas of national jurisdiction and to use the best practical experiences of the applicable member states; the role of the European Commission should be to co-ordinate this process and ensure that the member states receive complete and integrated information on the progress achieved by all the other member states and, at the same time, ensure that the spheres located within community jurisdiction are applied in the Lisbon goals with the assistance of community methods of accepting EU legislation. The European

Commission should continue relying on effective monitoring and with publishing the situational progress in individual member states.

In reality, when evaluating the current mid-term status of the fulfilment of the Lisbon agenda, minimally mixed feelings arise. What can be included in the group of relatively positive consequences, albeit with a very unclear and undemonstrable connection with the fulfilment of a state's individual Lisbon Strategy? The fairly visible growth of employment can be considered as a positive effect, if we compare it with the situation during the most critical period at the end of the first half of the 1990s. A number of European governments successfully started the process of removing obstacles that prevented the creation of inexpensive employment positions. Some of the tools applied in active employment policies caught on, as did the cautious decrease in some of the limits on the length of the work period. The employment rate increased from 62.5% in 1999 to 64.3% in 2003. The employment rate for women increased to 56% in 2003 and it increased for older workers as well. In spite of this fact, the goal of the Lisbon agenda, which has been established as attaining an employment level of 70% in 2010, might seem to be threatened, as does the goal of attaining an employment level of 50% for older workers (in comparison to the current 41%).

Especially some of the member states achieved a significant positive move forward in the area of information and communication technologies and use of the Internet in education and research systems, for administration, and for business activities.

A not very happy image is presented as far as the fulfilment of priorities in the area of research and development is concerned. Only two member states are contributing more than the requested 3% of their GDP for this purpose.

Short-term and long-term consequences and the challenges of an expanded EU

May's expansion of the EU by ten new member states immediately led to an average decrease in the wealth of the newly formed EU, if we measure economic maturity using GDP per capita as the indicator. The fact is, with the expansion of the EU, GDP increased by only 5% from the pre-expansion value, whereas population increased by 20% as a result of this event. GDP per capita for the expanded EU-25 thus decreased by 12.5%. The difference did not deepen only between the richest and the poorest countries of the EU, but there was an even greater increase in the gaps at the regional level. The number of residents in regions where GDP per capita is less than 75% of the Union average (the main criterion of EU regional policies for using finances from EU structural funds) increased from 73 million to 123 million people.

Certain goals of the Lisbon Strategy seem to be even more significant for the entire EU-25 in comparison with the previous EU-15. For example, as a result of EU expansion employment also decreased (by 1.5%) and long-term unemployment in the EU-15 was at 3.3% whereas in the EU-25 it rose to 4%.

Similarly, fulfilment of the ecological priorities of the Lisbon Strategy might seem to be more essential in the case of the newcomers than for some of the previously existing members.

Currently, however, the expansion of the EU also represents an unprecedented challenge to the EU for the purposes of ensuring a quicker tempo for its economic activities. The process of catching up to the average economic maturity of the EU should be accompanied in all of the member states by an above-average high tempo of economic growth and work productivity within a relatively short time horizon. Central, eastern, and southern Europe should thus become an area of high economic dynamics for a period of at least the next two decades. During the past five years, the economic growth of Estonia, Lithuania, Latvia, Hungary, Poland, Slovenia, Slovakia and the Czech Republic has been significantly higher that the statistical data for the USA, not to speak of the EU-15 or the EU-12. The application of the newest technological procedures during a relatively short timeframe is essentially a generational leap, which a number of the countries of the EU-15 coped with for a significantly longer period of time.

Lower direct taxation rates together with a lower expense margin, primarily as far as salaries are concerned, remain a strong lure for foreign investors, both from the more developed regions of the EU as well as for those outside of the EU.

USA versus EU

The core of the EU is showing a slower rate of growth than the USA. This slower tempo is currently accompanied by slower growth in work productivity. The process of the European economy catching up and coming closer to the level of the United States, which took place between the end of the Second World War and the middle of the 1970s, abated and the common USA-Europe ratio of economic maturity stabilised for the remaining period; during the past several years, the scales are once again shifting to the disadvantage of Europe. Currently the economic maturity of the EU is at approximately 70% of the economic maturity of the USA, and Luxembourg is the only EU country that significantly exceeds the economic maturity of the USA. At the current time, Ireland's economic maturity is comparable to that of the USA and all the other economies of the EU are more or less significantly lagging behind the economic maturity of the United States. In the language of aggregate statistics, it is possible to state that the difference between the average economic maturity of the EU and the USA to the disadvantage of the EU is approximately the same as the difference between the economic maturity of the Czech Republic and the EU to the disadvantage of the Czech Republic. In other words, if we compare the economic maturity of the USA to that of the Czech Republic, we will find the average economic maturity of the EU somewhere around midpoint.

Comparisons that have been performed since 1996 show that during this period the United States average has distanced itself from the European average by 0.4% annually when measuring the economic maturity of both regions.

The process of the scales shifting is perceptible even when comparing the tempo of the growth in work productivity of both entities being compared. At the start of 1996, work productivity was increasing 0.8% faster each year in the USA as compared to the EU.

In spite of the collapse or unresponsiveness of the new economics, this phenomenon in the EU can be explained by insufficient investments in research and development and in education, in the insufficient capability to transfer research results into manufacturing processes, and in lower productivity in the information and communication technology sectors and the services that are based thereupon.

Paths towards meeting the goals of the Lisbon Strategy

Meeting the goals of the Lisbon Strategy according to individual areas will be covered in the following text. Nevertheless, it is possible to identify a mutual procedure for all of the goals concurrently, which the Kok Report recommends for the purpose of meeting the goals. In brief, they can be characterised by the following motto: remove obstacles and utilise potential.

Kok's team is aware that the individual member states are beginning at different starting positions. Therefore, the Lisbon Strategy must adequately respect national characteristics and challenges; at the same time, is should not be viewed in the individual member states as a one-time requirement for improving economic indicators without respecting the actual national situation. If this were to be the case, the strategy might remain incomprehensible to the public in the specific country and thus unacceptable for the residents of that country and the final result would be counterproductive.

It is possible to agree (even with opponents of the Lisbon Strategy) on the fact that Europe must resolve five priority areas without regard to whether any Lisbon Strategy exits and that their selection is in principle relevant and valid. A larger degree of criticism might arise in the case of the goals specified for these areas and the paths that should lead to these goals. Let's take a look at them in more detail.

Knowledge-Based Society

In the area of the development of a knowledge-based society, the Lisbon Strategy requires:

- **An information society**: establish regulatory frameworks for electronic communication, support the expansion of information and communication technologies, create favourable conditions for eCommerce, and strengthen Europe's leadership role in mobile communication technologies;
- **Research**: establish a common research and innovation environment, increase the expenses outlaid for research and development in order that they be equal to 3% of GDP, transform Europe into an attractive location for the best minds, and support new technology;
- **Education and human capital**: decrease the number of people that leave school prematurely by one-half, establish a system for general and professional education in order to attain a knowledge-based society, support lifelong education for all, and improve mobility.

The Lisbon Strategy is founded on the belief that Europe's future development should rely on its ability to create and let grow innovative, research-based sectors with high added value, which are capable of competing at a world-wide level.

For this purpose, Europe should turn back one very significant and, from the perspective of Europe, very unflattering trend. Even the best European minds view reaching the apex of their careers as applying their knowledge and skills not at European universities and research institutes, but at those in America. The Kok Report sees one way of reversing this phenomenon as being dependent on the perfection of a system of common acceptance of national qualifications and accreditation processes. This should result in the removal of administrative obstacles, which currently block the mobility of scientists within the framework of the EU.

A solution can also be found in the natural creative interaction between universities, scientists, and researchers on one hand and the business environment on the other, which should be a source of speeding up the transfer of technologies and innovations. Examples of successful high-tech clusters or Ideopolis centres such as Helsinki, Munich, and Cambridge should be widely emulated.

The Kok Report presents key recommendations:

- The EU must be more appealing and attract more of the best scientists. At its Spring Summit, the European Council should reach an agreement on preparing an action plan for removing administrative obstacles that prevent world class scientists and their families from relocating to and moving within the EU.
- This action plan should be implemented starting in 2006.
- It is necessary to speed up the process for obtaining work permits and granting visas to scientists and to improve the common acceptance of professional qualifications.

- In order for the EU to be able to boast top scientific achievements, the European Parliament and the EU Council should agree on establishing an independent European Research Council (within the framework of the Seventh Framework Programme for Research and Technological Development) by the end of 2005, which would finance and co-ordinate long-term basic research at the European level.
- The member states should do more towards implementing the eEurope Action Plan in order to take advantage of information and communication technologies. Above all, they must make great advances in eGovernment. By 2010, the member states must increase access to wide-band connections by at least 50%.
- As far as a European Community Patent is concerned, the EU Council must decide whether it will approve it or table it. Even before the 2005 European Council Spring Summit, or during it, an accord must be reached about this vitally significant legal regulation. It must however guarantee that a European Patent will truly decrease the level of complexity, the time demands, and the expenses related to copyrights. A group of top experts is thus appealing to the European Council to find a solution to these open questions.

Common Internal Market

In the area of developing a Common Internal Market, the Lisbon Strategy requires:

- **Ensuring the effective implementation of European Community law**: increase the speed with which European legislation is implemented (98.5%);
- **Removing obstacles** to the free movement of services within the EU;
- **Completing a Common Internal Market** for network industries: gradual liberalisation of the markets, especially the gas and energy branches (2007), postal services (2005), railway transport (2008), and air transport;
- **Finalising the inclusion of financial services** on the Common Internal Market.
- **Providing a guarantee for the fair and uniform application of the regulations** for fair business competition and state assistance: decrease state assistance to bring it down to 1% of GDP, prepare new regulations for mergers and take-over bids, update the rules for submitting public tenders.

A common internal market, i.e., the free movement of persons, goods, services and capital, represents what has thus far been the most positive and confirmed economic impact of European integration as of this point in time. In spite of this fact however, the EU does not yet represent a fully completed Common Internal Market; in other words, there are still more than a few existing obstacles remaining that prevent persons, goods, services, and capital from moving within the framework of the EU in an entirely free manner.

The Kok Report presents key recommendations:

- At the start of 2005, the European Commission should prepare a full list of legal regulations for a Common Internal Market that have as of yet not been implemented in the 25 member states. This list should be published as an attachment to the concluding report from the spring meeting of the European Council. It is necessary to differentiate among the individual member states and to name the greatest offenders.
- With regard to this list, the European Council should establish the final timeframes for implementation at its 2005 Spring Summit.
- The European Parliament and the EU Council should agree on legal regulations whereby any obstacles preventing the free movement of services will be removed by 2005. Subsequently, the member states must explicitly agree that they will not misuse national legislation in order to push out service providers from other member countries or otherwise block their activities. The European Commission should consider this requirement to be a top priority.
- Within the framework of the Financial Services Action Plan, the EU Council should accept any missing regulations in a manner whereby these standards become integrated in national legislation by the end of 2005.
- It is necessary for the European Commission to propose a strategy for removing any obstacles that prevent cross-border clearing and accounting activities prior to the 2005 European Council Spring Summit.
- By the end of 2005, the European Commission should submit an analysis on how to simplify the integration of retail financial markets.

Entrepreneurial Environment

In the area of improving the entrepreneurial environment, the Lisbon Strategy requires:

- **Implementing a policy system that assists investment**, innovation, and entrepreneurial initiative: ensure easier access to advantageous financing, better tender rights, a higher level of regard for the uniqueness of small and mid-sized enterprises, establish better framework conditions for industry, and support the responsible management of businesses;
- **Decreasing the expense burden** for business activities and reducing bureaucracy: implement better legislative strategies at the European as well as at national levels, and ensure lower time demands and expenses when establishing a new company.

The Kok Report presents key recommendations:

- The European Commission should continue to develop tools for assessing the impact of legislation in order to ensure that the goals of competitiveness and sustainable development are integrated to an even higher degree.
- By the time of the 2005 European Council Spring Summit or during its course, the European Commission and the member states should agree on a mutual definition of administrative burden. The European Commission must evaluate the cumulative impact on businesses and define goals for its reduction. On the other end, the member states must "clean up" their national provisions and establish their own goals for reducing national administrative burden. By no later than July 2005, the European Commission, as well as the member states, should announce by how much and by when they want to decrease bureaucracy in key sectors.
- By the end of 2005, the member states must drastically reduce the time and expenses required for establishing businesses. The goal should be to attain the average of the three currently best member states. The introduction of a "one-stop-shop" for establishing a new business is strongly recommended.

Employment Market

In the area of improving the employment market, the Lisbon Strategy requires:

- **Increasing the overall employment rate** to 67% (by 2005) and subsequently to 70% (by 2010; increasing the employment rate for women to 57% (by 2005) and subsequently to 60% (by 2010); increasing the employment rate for older workers to 50% (by 2010); raising the retirement age by five years.
- **Defining a multi-year programme** for improving the adaptability of companies, collective negotiations, decreasing the growth rate of salaries, improving productivity, lifelong learning, new technology, and flexible job organisation.
- **Removing obstacles** that prevent women from participating in the employment process and supporting equal opportunities.
- **Bringing the European social model in balance** with the knowledge-based economy that is just starting: allow social protective measures for the cross-border movement of citizens, accept guidelines for agencies that offer temporary contract employment, ensure the sustainability of pension systems, and introduce open co-ordination methods in the area of social protection.
- **Eradicating poverty**: reach a consensus on a social integration programme, improve the support provided for integration within national and European policies, and focus on the problems of certain target groups.

The Kok Report presents key recommendations:

- In close co-operation with their social partners, the member states should submit a report on how they are adhering to the recommendations made by the special taskforce on European employment, which they approved in March of 2004, including the results that they have achieved in the fields of employment and the sustainability of social systems. The progress could be evaluated at the 2005 Spring Summit. This task should be co-ordinated by the EU Council for Social Affairs.
- In close co-operation with their social partners, the member states should accept a national strategy for lifelong education by 2005, in order that they can confront rapid changes in technology, improve participation on the employment market, and allow people to work longer.

- By 2006, the member states should prepare an integrated strategy for active ageing. This requires a radical move forward in policy and the approach to early retirement as concerns three decisive directions of this policy: the provision of proper legal and financial offers to employees so that they will work longer and to employers so that they hire and employ older employees; increased participation in lifelong education for all age groups and primarily for the older age groups; and an improvement in working conditions and work quality.

Environmental Sustainability

In the area of environmental sustainability, the Lisbon Strategy requires:

- **Battling climatic changes**: quickly ratify the Kyoto Protocol, make progress in attaining the goals defined in Kyoto, and reach a point whereat 12% of primary energy use and 22% of gross electricity use is from renewable resources.
- **Breaking the ties between economic growth and the use of resources**: battle the increasing volume of traffic, traffic congestion, noise pollution and environmental pollution while fully incorporating social and ecological transportation expenses, create a common framework for obtaining value from the transportation infrastructure (Eurovignette – European road tax stamp), implement natural resources in a sustainable manner, and reduce waste.
- **Defining a new operational framework**: accept directives for taxing energy and environmental responsibility, and implement the Sixth Environmental Action Programme

The Kok Report presents key recommendations:

- The European Commission, the EU Council and the member states should support the development and distribution of ecological innovations and take advantage of Europe’s leadership role on key eco-industry markets.
- The European Commission should submit a report on the progress made on the Environmental Technology Action Plan (ETAP) to the EU Council. For the purposes of implementing ETAP, the member states should prepare a schedule that establishes specific measures according to implementation timeframes, primarily at the level of research (especially for technological platforms), for the support of small and mid-sized enterprises (risk capital), and for proportional pricing (removal of dangerous subsidies).
- By the end of 2006, national and local authorities should establish action plans for more ecological public tenders, which will focus primarily on technologies for using renewable energy sources and new fuels. The Commission should assist in ensuring that reliable procedures are distributed amongst the authorities in the member states.

Closing Commentary

The Report presents a summary of the maximum requirements, of which many are wishes rather than actual executable tasks at the current time. There is no doubt however, that at the given level of generality the number of recommendations and goals is appropriate overall and that it is possible to agree with almost all the points.

As far as the actual functionality of a Common Internal Market is concerned, two significant priorities standing above the rest can be clearly identified. These include the completion (for some countries) and creation of an actual internal market for network industries, and the removal of the enormous number of hidden (invisible) obstacles that still remain and prevent the free movement of persons, goods, services and capital and are often in the form of apparent protectionism.

It is possible to identify different examples of each in various countries of the Union. As far as the first case is concerned, a deterring example is the situation with the French energy industry, while on the other, more positive side, are the energy industries in Britain and the northern countries. The inclusion of the Czech Republic on the list of countries that tend to be lagging in the liberalisation of energy is evidence of the need for a significant move forward in our country.

An example of the existence of the large quantity of hidden obstacles is the unbelievably wide spectrum of advantages received by domestic entities on the national market. These might be in the form of informational asymmetry, such as tenders that are announced only in the applicable national language and published minimally in foreign media, thus potential foreign bidders never even find out about the opportunity.

A very specific example, which extends even into additionally commented spheres and clearly falls within the scope of the Lisbon agenda, is the effectiveness and continuity of transportation networks, including regulations for controlling road transport by means of quotas.

A significant barrier to creating a true Common Internal Market is also the very slow progress of first establishing EU legal standards and, after they are approved, the even slower and incomplete introduction of directives within the legal systems of individual countries without a corresponding level of control. In addition, after the expansion of the EU, the consensus of twenty-five countries seems to lead to an excessively broad and general formulation of these standards.

Within the framework of a Common Internal Market, there is even less mobility apparent as far as the free movement of services is concerned. If services make up almost 70% of the EU's GDP, the subject of foreign transactions involving services within the framework of the EU is not even 20%.

This fact might be the key reason why the EU is lagging behind the USA economically, even though, on the other hand, it is valid to ask at what level open services within the framework of the EU should be (or what the criteria are for them). Nevertheless, it is a fact that in the area of services, the EU continues to remain fragmented into separate national markets.

The Report expresses an almost utopian desire to remove the obstacles to the free movement of services by the end of 2005. At the same time, it places a more realistic requirement for the obligations on the part of the member states, whereby national regulations will not be used to block service providers in other member states.

The Report simultaneously provides a valid impetus for obtaining an analysis of the causes why, even in the liberalised sectors, the domestic markets are dominated by national services providers (is this good, or not?). It is possible to believe that the criteria for this evaluation should be explicitly beneficial for consumers.

The requirement of the Report, which seems to be mutual for all the new member states, as well as for Greece and Portugal: it is desirable to remove obstacles that prevent the development of sectors with high added value and including a network branch. It can also be added that the highest amount of subsidies flow to a branch with very low added value – agriculture. Currently, branches that probably do not require direct subsidised support but would benefit more from some form of tax relief are not considered as such priorities, primarily from the perspective of national governments.

What is required for supporting competitiveness is the Financial Services Action Plan (FSAP). It is an illusion to believe that a true Common Financial Market exists under EU conditions. In the area of mortgage loans, small banking, and in the area of financing small and mid-sized enterprises as well, there are not only a number of existing barriers of an administrative nature, but also barriers that do not have a logical explanation, other than the fact that they are ingrained and involve the stereotypical customer who tends to use the services of the same institution without regard to the development of prices and the quality of the services provided.

Should the financial services market actually become unified one day (maybe), it will provide additional capacity for the regulation of this specific market.

The result of FSAP might include the possibility of taking advantage of financial products offered across the EU, attaining better access to financing, primarily for small and mid-sized enterprises, an increase in finance option variations, limiting the dominant bank role primarily in the area of continental banking, and even in improving the efficiency of cross-border clearing operations and settlement transactions.

Infrastructure is a very fundamental issue for a Common Internal Market. The transportation infrastructure is seemingly the most essential. The transportation infrastructure model in the Benelux countries, Austria, and Germany, which all have first-class motorway networks leading practically everywhere without any significant negative impact on the living environment and the quality of life, should be used as an example by all the newcomers to the EU. Motorway coverage in the Czech Republic is drastically low and even the inclusion of some projects in the TEN (Trans-European Network) transportation project is unfortunately not sufficient reference for its implementation under conditions when investments in motorways are still considered to be almost a crime by some inhabitants.

For small and mid-sized enterprises that have as of today survived 15 years of transformation in the new member states of the EU and have borne almost all transformation-related expenses on their shoulders with practically no relief or support (as opposed to large enterprises), the EU climate should at least assist with investments, innovations, and doing business. The problems that are mentioned in the Report are almost entirely also the problems of Czech small and mid-sized enterprises and the proposed solutions would also significantly assist a number of small and mid-sized enterprises in obtaining access to low-cost financing (even in today's environment of low interest rates), which would specifically address the needs of SMEs. A more substantial and accommodating tax policy would only strengthen this effect.

Another key word, which is not mentioned in the Report very explicitly but is nevertheless there, is networking. Networking – connecting everywhere where it is effective – is the key to the success of SMEs much more than is true for any large enterprise. It is naive to believe that within an efficient small and medium-sized enterprise sector small entrepreneurs can do everything on their own. The synergy provided by this form of networking will open up potential and move it forward for the purposes of performing the enterprise's primary goal – creating added value in the branch in which it does business. The difference between entrepreneurs here in the Czech Republic and those in the countries of the EU-15 is such that our entrepreneurs would rather fragmentize and remain isolated, whereas in the majority of the EU-15 they have already understood this effect and, in a number of instances, are even networking with direct competitors.

Better knowledge and an open market will not ensure the development of innovation, greater competitiveness and growth in and of themselves. The existence of an entrepreneurial climate, proposals for new products and services, and the use of market opportunities in order to create value for customers are required as well.

In this regard: the state and public authorities cannot be a barrier!!! If they are not helping, they should at least not do any damage. Europe as a whole and without any exceptions is losing a number of growth and employment opportunities as a result.

A challenge for national authorities as well as for EU institutions: Discover at least one balanced relationship between regulation and competition. It is not possible for entrepreneurs to devote the majority of their time to administrative issues and the minority of time to their primary mission – the creation of added value in the branch in which they operate.

I would also consider the establishment of common limits in administrative burdens and obstacles as promising, but with an uncertain end and application. The result of these limits should primarily lead to drastic reductions in administrative barriers that exist for entry into a business branch and the establishment of an enterprise.