



EU News

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- | | |
|----------------|---|
| Page 2 | The CR lags behind in practical preparations for the Euro |
| Page 4 | The European Parliament Supported REACH |
| Page 6 | The reform will make sugar cheaper in the EU |
| Page 8 | Analysis: The economic growth of the EU-25 will accelerate |
| Page 10 | Topic of the Month:
Consumer Protection under the conditions of the EU |



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Dear readers,

Last month was again very rich in terms of events in European integration activity. A great deal took place in particular in the further clarification of positions with regard to the new financial outlook for the 2007 – 2013 period. We recorded many interesting events in connection with the progress of currency integration and the performance of the common currency policy of the EU. Matters connected with the further expansion of the EU were also thrashed out.

The question of the prompt reaching of consensus regarding the approval of financial prospects for the 2007 – 2013 period is beginning to deepen. In the course of its chairmanship Britain exerted considerable efforts to ensure that this took place, but of course mainly according to what it wanted itself. In the course of the informal summit of the European Council British Prime Minister Tony Blair presented a set of ambitious principles, the fulfilment of which would make it easier for the EU to compete in relation to the USA, the countries of Southeast Asia and other centres of the global economy. In the course of the difficult negotiations, during which it seemed that this was a duel of the "strong and the rich", not of the "weaker and poorer", France was willing to make an unusually strong concession with regard to the financing of the Joint Agricultural Policy, but this was still not acceptable to Britain. This lack of agreement led to the conflict again aiming against the "weaker and poorer", in other words also against the Czech Republic; the budgetary agreement is to be reached in a very fundamental way and on the basis of the fact that the means proposed by the European Commission for the new member countries will undergo a fundamental reduction. A number of the new member countries and their regions are now preparing really conscientiously and sufficiently in advance to ensure that their material and procedural readiness for the next programming period is as good as possible.

In the sphere of currency integration we recorded a number of interesting moments: in the place of honour one can clearly place the somewhat sudden and in a certain sense not quite expected entry of Slovakia to the stabilisation mechanism for currency exchange rates ERM II, sometimes referred to in the vernacular as the Eurozone waiting room; Slovakia has thus separated from the other members of the Visegrad Group and set off to catch up with the six of last year's newcomers in the EU that have already taken the appropriate steps towards the Eurozone. The debate and procedures on the way to the Eurozone have also moved in the Czech Republic; the official Mr. Euro has been appointed, a Government scenario aimed at an entry date around 2010 has been adopted and it has also been announced that the Czech Republic should enter ERM II in the course of 2007 for the essential period of the two years minimally required. A change has also taken place in the execution of the joint currency policy; its conservative execution has undergone a certain change and after several years the European Central Bank has decided to raise its interest rate slightly.

We hope that you enjoy the period leading up to Christmas and also the consideration of EU issues.

Petr Zahradník



The Second Report on Practical Preparations for the Future Expansion of the EMU showed that from this viewpoint Slovakia is one of the best-prepared states. The Euro should replace the Slovak crown in 2009. Our eastern neighbours took a firm step towards this in November, when they introduced their crown to the ERM II system of exchange rates, a sort of anteroom for the Euro. The Czech Republic is considering taking a similar step in the second half of 2007 and wants to enter the EMU in 2010.

ECONOMY AND EURO

The Czech Republic lags behind in practical preparations for the Euro

The European Commission has called on the member states to **increase their efforts to introduce the Euro** common European currency. According to the Second Report on Practical Preparations for the Future Expansion of the Eurozone, which the Commission adopted at the beginning of November, only four of the ten countries (Estonia, Lithuania, Slovenia and Slovakia) acceding to the EU in May 2004 adopted comprehensive plans for the transition to the Euro. These plans concern the **technical questions of the transition to the Euro**: whether the change in currency will take place in a single day (known as the Big Bang scenario) or with a transition period, the issue of ensuring sufficient protection of the consumer (price tags in both currencies for the transition period), the selection of graphic designs for the national sides of the Euro coins, prompt delivery of the necessary amount of Euro notes and coins, etc. The report does not deal with the evaluation of the economic readiness for entry to the Eurozone and the fulfilment of the so-called **Maastricht Criteria** – that is dealt with in the **Convergence Report**.

As regards technical readiness, **Slovakia** is furthest ahead, as it has already completed 22 of the 38 tasks. The Slovaks can boast, for instance, of an approved national plan for the transition to the Euro, the decision on 14 days of concurrent circulation of the Euro and the Slovak crown, a concept for the launching of the new banknotes and coins in the banks and the shops and the preparation for the transition of budgetary and accounting systems to the new Euro currency.

The **Czech Republic** is at the other end of the scale and has **fulfilled only 1 task** – it has stipulated the date for the adoption of the Euro. This should change, however, in the very near future as it recently established the function of national coordinator for the introduction of the Euro in the Czech Republic, this being the Deputy Minister of Finance Tomáš Prouza. He, for instance, inclines towards the "Big Bang" method, where on one day (most probably 31 December 2009) the crown would still be in use and on the following day (in other words **1 January 2010**) there would only be the Euro, without any transition period when both currencies would be in force. Prouza further counts on the obligation of retailers to introduce, for several months before and after the replacement of the crown by the Euro, prices in both currencies for the purpose of protecting consumers against the misuse of the conversion for incommensurate raising of prices.

Deputy Prouza also promised the preparation of a detailed plan for the adoption of the Euro in the Czech Republic by the end of 2006. In the first steps of the preparation for the Euro a **National Coordination Group for the Transition to the Euro** will also be established, the Czech Republic will decide on the date for entering the **ERM II** exchange rate regime, according to Prouza probably in the second half of 2007, and will start an information campaign on the advantages of the transition to the common European currency. A further milestone on the path will be the preparation and approval of the necessary legislative changes. On the eve of entering the Eurozone the Government will then, in cooperation with the Czech National Bank, ensure a sufficient quantity of Euro banknotes and coins and the cash machines and payment terminals will have to be changed.

<http://europa.eu.int/rapid/pressReleasesAction.do?reference=IP/05/1371>

Analysts: The Czech Republic will introduce the Euro in 2010

The investigation of the Reuters agency revealed that the majority of analysts reckon on the **introduction of the Euro in the Czech Republic in 2010**. Specialists in new markets anticipate that the first – in 2007 – to pay in Euros will be the **Lithuanians, Estonians and Slovenes**. A year later **Latvia, Cyprus and Malta** will enter the Eurozone. In 2009 the Euro will replace the **Slovak crown** and a year later also the Czech currency. The untenable state of public finances in **Hungary** and a **Polish** Government not inclined towards new reforms have forced the analysts to re-estimate the entry of these two countries to the Economic and Monetary Union (EMU) as 2012.

Expected adoption of the Euro

	Reuters Poll – median of forecasts	Country's national strategy
Estonia	2007	2007
Lithuania	2007	2007
Slovenia	2007	2007
Cyprus	2008	2008
Latvia	2008	2008
Malta	2008	2008
Slovakia	2009	2009
CR	2010	2010
Hungary	2012	2010
Poland	2012	-

Note: The Polish Government has not announced the date of entry into the EMU

In the Czech Republic the date of entry to the Eurozone will be stipulated by the Government on the basis of consultation with the CNB. The entry of the Czech Republic to the Eurozone must also be **approved by the EU Council**.

In general we are convinced that the entry of the Czech Republic to the Eurozone is **decidedly a beneficial project**, which in the long run will lead to the growth of the prosperity of the Czech Republic and catching up with the economic maturity of the EU-15. Entry **must not be hurried**, however, so that any expenses of entry arising from the loss of autonomy in the management of currency policy do not exceed the benefits in the first years. For this reason it is necessary to make unpopular reforms, especially in the spheres of public finances and the labour market and at the same time to harmonise the economic cycle, the level of the economy and its structure with the countries of the Economic and Monetary Union (EMU).

Our colleagues from the department of Economic and Strategic Analyses are of the opinion that in the **Czech Republic we will not begin paying with the Euro until 2012 - 2013**. The same date for the adoption of the Euro is expected in Hungary; in Poland they should begin using the Euro a year earlier and in Slovakia, in accordance with the other analysts, in 2009.

Slovakia's entry to ERM II was a surprise

Slovakia was the seventh of the newly acceded states of the European Union to tie up its currency in the **ERM II system of exchange rates**. Every country that wants to adopt the Euro has to undergo this currency system for a period of at least two years.

Our eastern neighbours want to **adopt the Euro in 2009** and it was therefore expected that the Slovak crown would enter the ERM II system in the first half of 2006. Unless there is some unexpected surprise the crown will be tied in the exchange rate mechanism for a period of more than three years.

The ERM II currency mechanism is characterised by the setting of the central parity of the given currency in relation to the Euro and a symmetrical zone of **permitted oscillation of the currency +/- 15%**. If the currency reaches the limit of the set zone the central bank of the country concerned and the ECB are obliged to intervene on the foreign currency markets. The Maastricht criterion of the stability of the foreign currency exchange rate is, however, stricter and requires, apart from the minimum two-year sojourn in the ERM II system, also the **movement of the exchange rate "without strong**

tensions", which is interpreted as the prevention of the weakening of the currency by more than 2.25 % with regard to parity.

The **central parity** was set by both the Slovak and the European authorities at **38.4550 SKK/EUR** and the permitted 15% zone of oscillation at 32.6868 SKK/EUR to 44.2233 SKK/EUR.

Slovakia thus followed the currencies of six states that had already entered ERM II earlier (see table). The Czech Republic is considering entering the Eurozone a year later and it wants to spend the minimum time in the ERM II currency system so as to prevent attacks of speculators on its currency. Deputy Finance Minister Tomáš Prouza was therefore heard to say that we would **tie the crown to the Euro in the second half of 2007**.

http://www.ecb.int/press/pr/date/2005/html/pr051125_2.en.html

Currencies in the ERM II as of the end of November 05

Country - currency		1 EUR =
Denmark - Danish krone (DKK)	Upper rate	7.62824
	Central parity	7.46038
	Lower rate	7.29252
Estonia - Estonian kroon (EEK)	Upper rate	17.9936
	Central parity	15.6466
	Lower rate	13.2996
Cyprus - Cyprus pound (CYP)	Upper rate	0.673065
	Central parity	0.585274
	Lower rate	0.497483
Latvia - Latvian lats (LVL)	Upper rate	0.808225
	Central parity	0.702804
	Lower rate	0.597383
Lithuania - Lithuanian litas (LTL)	Upper rate	3.97072
	Central parity	3.45280
	Lower rate	2.93488
Malta - Maltese lira (MTL)	Upper rate	0.493695
	Central parity	0.429300
	Lower rate	0.364905
Slovenia - Slovenian tolar (SIT)	Upper rate	275.586
	Central parity	239.640
	Lower rate	203.694
Slovakia - Slovak koruna (SKK)	Upper rate	44.2233
	Central parity	38.4550
	Lower rate	32.6868

Source: National bank of Slovakia



Events

The European Parliament has agreed on a compromise solution and in the first reading it approved the controversial REACH regulation, which regulates the registration, evaluation and authorisation of chemical substances imported into or manufactured in the EU. The ball is now in the court of the member states, which will discuss this legislation at the December EU Council regarding ability to compete.

TAXATION AND CUSTOMS UNION

Commissioner McCreevy against the harmonising of tax bases

Last month the European Commissioner László Kovács announced a **plan for the harmonising of the tax bases for the income tax on enterprises** throughout the EU with effect from 2008. Although the proposal is not considering the creation of a uniform tax rate it received criticism on the part of the commissioner for the internal market Charlie McCreevy.

The Irishman McCreevy described the plan for a common tax base as an effort to **harmonise taxes "through the back door"** and added that he is not the only one with such opinions in the commission, states ČTK.

We do not share the fears of Commissioner McCreevy. We agree with him that tax competition in the matter of direct taxation is beneficial to the European Union and should be preserved. The proposal of Commissioner Kovács, however, does not restrict this competition – quite the opposite. Through the harmonising of the tax bases there is **strengthening of the transparency and clarity of the tax systems**, which can, on the contrary, strengthen tax competition. Investors will see clearly and without distortion where the corporate taxes are lowest. The proposal also counts on the removal in the Slovak style of a large quantity of exceptions or special regimes, which is also a positive step.

According to the estimates of Commissioner Kovács 20 member states agree with the proposal. For matters of taxation, however, it is necessary according to the primary law of the EU to have the unanimous consent of all the member states. **Each state therefore has the right of veto.** The form in which the concrete proposal, which should be submitted in the second half of next year, will be accepted or whether it will be accepted at all is therefore very uncertain.

<http://europa.eu.int/rapid/pressReleasesAction.do?reference=SPEECH/05/679>

ENTERPRISE

The new European policy of support for small and medium-sized enterprises

Small and medium-sized enterprises (SME) represent 99% of all businesses in the European Union, employ more than 75 million inhabitants and represent the chief source of creation of work and business skills or innovations.

European legislation is still, however, **insufficiently sensitive** to the needs of SME and in many areas significant **administrative obstacles** exist, preventing the

full development of their potential. For this reason the European Commission is coming forward with a new, more pragmatic and comprehensive policy of support for small and medium-sized businesses. The principle of **"think of the smaller first"** should become a basic principle in the proposal and approval of any European legislation or collective policy.

The new policy of support for SME is based on activities in the following 5 spheres:

1. **Support of enterprise and skills** – the aim is to stimulate member states to re-assess education and training policies,
2. **Improvement of access of SME to markets**, especially in the area of public orders and standardisation,
3. **Simplification of legislation concerning SME** – longer transition periods, reduced payments, reduction in quantity of documents submitted when participating in programmes and in some cases exceptions from the EU regulations,
4. Increasing of the growth potential of SME by **supporting their participation in the 7th Framework Programme** for science and development and aid in the sphere of intellectual property law,
5. **Strengthening of dialogue and consultations** – creation of an SME panel through the network of Euro Info Centres as sources for the creation of European policies.

A positive example of the implementation of the new principles is, according to EU Commissioner Verheugen, the prepared directive on the testing and permitting of chemicals, REACH (see the article below), which makes lower demands on small manufacturers.

<http://europa.eu.int/rapid/pressReleasesAction.do?reference=IP/05/1404>

The European Parliament Supported REACH

The vast majority of the Euro MPs (407 for, 155 against and 41 abstained) approved **at the first reading** what is allegedly the most extensive European act of legislation – **REACH**. The proposed regulation of the directive consists of the Registration, Evaluation and Authorisation of Chemicals (= REACH).

The REACH regulation was presented by the European Commission already in October 2003 with the aim of **evaluating and authorising the more than 30,000 chemical substances** for which the necessary information is missing, out of the roughly 100,000 existing in Europe at present. The point exciting most discussion turned out to be the finding of a fair **balance between the obligations of the chemical industry and the need to protect human health and the environment**. In the end the Euro MPs



agreed on a compromise proposal, which to a certain extent reflects fears of the great burden on industry.

Chemicals are used in almost all types of consumer and industrial products, including plastics, kitchen utensils, industrial fertilisers and textiles. A large part of these are already regulated by special laws and some have already been prohibited for health and safety reasons. Unfortunately, however, there is general ignorance of the chemical substances that were put on the **market before 1981**, when the notification obligation was introduced according to directive 548/1967/EC. Before this date their formal authorisation or testing was not required. REACH now proposes **testing and evaluating in the course of 11 years all the chemical substances** manufactured in or imported into the EU. If this is not done the substances will be prohibited.



Main points of the approved version of REACH:

1. **Registration of chemicals:**

- In the registration of chemical substances the burden of proof of the dangers and risks of chemicals will lie with the enterprises (manufacturers or importers) that present them for registration.
- Every party manufacturing or importing one of the 30,000 chemical substances verified in a quantity greater than 1 ton per annum must acquire its registration.
- The registration of chemicals manufactured and imported in quantities of 1-10 tons per annum will be subject to a simplified regime.
- Alleviations for substances up to 10 tons will relate only to existing chemicals. In the case of those newly put on the market it will be necessary to provide all the details. The same applies for substances of which it is known that they may be dangerous to human health and to the environment.

- In substantiated cases it is possible to omit some expensive tests on substances manufactured or imported in quantities between 10 and 100 tons. Criteria will be prepared within 1.5 years of the decree coming into force.
- The principle of "one substance – one registration" is introduced, which should avoid duplicate and expensive registration of the same chemical substances in several places in the EU. Enterprises may elect not to implement this principle in substantiated cases, for instance when they do not want to inform others of the composition of their products or production procedures.

2. Substitution principle – a system of evaluation of available substitutes for chemical substances that are to be prohibited is introduced. The principle of "what has a less harmful substitute may not be permitted" is applied. For other dangerous substances there will be a five-year deadline set for their replacement.

3. Substances contained in objects will also be subject to registration if they **are to be released from the objects**. In other cases it is necessary to notify of the presence of dangerous substances.

4. The role of the **European Chemical Agency** based in Helsinki in the evaluation of chemicals will be strengthened, relying to the maximum on the expertise of member states in this.

5. **Testing methods** that call for the use of laboratory animals should be perfected regularly and duplication of tests should be made impossible.

For the REACH decree to become definitively valid it must be approved by the member states. These will probably achieve the competitive ability to discuss **the chemicals package at the EU Council on 13 December**. Further procedures will depend on whether the ministers approve the Parliamentary version or come up with their own suggestions. Some representatives of member states have already now expressed disagreement with the strict version of the substitution principle, which decrees the prohibition of all dangerous substances that have a less dangerous substitute.

http://www.europarl.eu.int/news/expert/background_page/008-2298-321-11-46-901-2005114BKG02297-17-11-2005-2005--false/default_p001c006_en.htm



Events

European consumers can look forward to cheaper sugar, as the reform of the EU sugar regime has finally been approved. The individual member states must implement more effectively the measures for the opening of the markets in gas and electricity required by the European directives. This is the conclusion of the report on the functioning of the internal market for electricity and gas adopted by the European Commission

ENERGY AND TRANSPORT

The member states must open up the energy markets more

The individual member states must **implement more effectively the measures for the opening of the markets in gas and electricity** required by the European directives. This is the conclusion of the report on the functioning of the internal market for electricity and gas adopted by the European Commission. The conclusions of the report speaking of the insufficient progress in the opening up of the power markets and the limited competition agree with the first findings of the Commission within the investigation of the whole sector.

The Commissioner responsible for power, Andris Piebalgs, insists that the member states should implement the appropriate directives quickly and fully, not only on paper, but also in fact. If this does not happen he **threatened "stronger action"**. The Commissioner for the area of economic competition, Neelie Kroes, also supported this threat and expressed determination to protect European industry and consumers.

The report on the functioning of the internal electricity and gas markets confirmed that **cross-border competition is insufficient** to represent serious competition to domestic power suppliers. The key indicator in this connection is the insufficient price convergence in the EU and the low level of cross-border trade.

When the European Commission criticised ten member states in March this year for the slow liberalisation of the power markets, neither the Czech Republic nor Slovakia was among them. Now the Commission wants to elaborate detailed opinions of all the member states and submit the resultant report at the end of next year, states ČTK. It recollected that in the adopting of the electricity directive a number of states were a year late, other countries did nothing at all and some allegedly adopted the regulations only in a "minimalist" fashion.

<http://europa.eu.int/rapid/pressReleasesAction.do?reference=IP/05/1421>

AGRICULTURE

The reform will make sugar cheaper in the EU

The agricultural ministers of the member states have agreed on a controversial reform of the sugar regime in the EU. The basis of the reform is the **reduction of the guaranteed sugar prices by 36% in the following four years**. This is a

milder version of the reform than that prepared by the European Commission. The latter counted on reducing prices by 39%. 23 ministers voted for a compromise on the sugar reform and only Poland and Greece found it unacceptable.

The system, which for around 40 years has not changed for the most part, will be in accordance with the other branches of the reformed common agricultural policy. In the course of 4 years the guaranteed price of white sugar will drop by a total of 36% **from the present 632 Euros per ton to a final 400 Euros. The price of sugar beet will also drop** (by two fifths), for which the farmers will receive a balancing payment of on average 64.2% through separate payment. This will be bound to the observance of norms in the field of the environment and the husbandry of the land and will be included in the uniform payment for an agricultural enterprise.

Countries that give up more than half their production quota will have, for a temporary five-year period, the right to **additional bound payments at the level of 30% of loss of income**. A generous **voluntary restructuring regime** will also be stipulated which will provide stimuli for less competitive manufacturers to leave the branch. The change also concerns certain developing countries in the areas of Africa, the Caribbean and the Pacific, which also benefited from the existing sugar regime. For this reason these countries will be entitled to an aid programme at the level of 40 mil. Euros for 2006, which will prepare the ground for further aid.

The reform of the sugar system in the EU is a step in the right direction and is in keeping **with the reform of the other common organisations of the market** that took place in 2003. The reform will help to **reduce the over-dimensioned and ineffective European sugar industry** and at least partly equalise the conditions on the present absolutely deformed market. Prices in the Union are at present more than three times higher than world prices. The change in the sugar regime will make it possible to produce sugar only where it is advantageous from the economic viewpoint and the Czech Republic should not be strongly affected by this. The **final winners will be the consumers**, who can look forward to cheaper sugar or sugar products, and also the taxpayers, who are maintaining an ineffective antediluvian system.

<http://europa.eu.int/rapid/pressReleasesAction.do?reference=IP/05/1473>



ENLARGEMENT

The Commission has adopted a new enlargement strategy

The carefully controlled enlargement process is defined as the new target of the European Commission in this sphere. The strategic document adopted on 9 November states that the rate of enlargement must take into account the **absorption capacity of the EU** and observe three fundamental principles in the coming years:

- **Consolidation** – the European Union will consolidate the agenda of the expansion of the EU for the purpose of ensuring that it proceeds with caution in taking on new liabilities and also observes existing liabilities.
- **Contingency** – the observance of fair and strict contingency means that aspiring and candidate states may proceed to eventual membership in the EU only once they have fulfilled all the entrance conditions.
- **Communication** – the EU wishes to improve communication with its citizens concerning the expansion process, which is defined as one of the most powerful and most successful European political instruments.

At present the only candidates for accession to the EU are Croatia and Turkey, with which accession talks began formally at the end of October.

The states of the Western Balkans are considered potential candidate countries:

- **Macedonia** (FYROM – the Former Yugoslav Republic of Macedonia) – is clearly furthest forward in the process of future membership in the EU. Since March 2001 it has had a concluded Stabilisation and Association Agreement with the EU. On 22 March 2004 it applied for membership of the EU. The European Commission adopted a standpoint on this application on 9 November 2005, when it recommended that the EU Council award Macedonia the official status of an EU candidate country (this does not automatically mean, however, that the EU will begin accession talks with it – for example Turkey has had the status of candidate country since December 1999, but talks on entering the EU began only in October 2005). The representatives of Macedonia would like to enter the EU in 2012.

- **Serbia and Montenegro** – the European Union formally started talks on concluding a Stabilisation and Association Agreement with this country on 7 November 2005 and these will probably last one year. The key to successful conclusion of the talks is cooperation with the International Court Tribunal for former Yugoslavia and especially the handing over of war criminals Ratko Mladic and Radovan Karadžić. Belgrade would like to join the EU in 2012.
- **Bosnia and Herzegovina** – the EU Council gave the go-ahead to Bosnia and Herzegovina for external relations on 21 November 2005 when it entrusted the European Commission with starting talks on the conclusion of a Stabilisation and Association Agreement "on the soonest possible occasion". Here there is also the necessary condition of cooperation with the Hague Tribunal.
- **Albania** – talks on the conclusion of a Stabilisation and Association Agreement began on 31 January 2003 and are close to conclusion.

We feel that the European Union has taken on rather a lot by opening accession talks with Turkey and that this will keep it busy for several years to come in the question of the future expansion of the EU. This is also why we do not anticipate any of the West Balkan countries (apart from Croatia) being able to enter the EU in the course of the following ten years. A further reason is that the EU is not even institutionally prepared for further expansion after the rejection of the European Constitution. This does not apply to the accession of Romania and Bulgaria, which is anticipated by the Nice Agreement concluded in December 2000 (it did not come into force until after the ratification process in February 2003).

<http://europa.eu.int/rapid/pressReleasesAction.do?reference=MEMO/05/412>

The Eurostat has revealed an unfavourable fact for us – that only one third of the citizens of the Czech Republic used the Internet in 2004. The EU average is just above half and in Sweden, which came out best, the Internet is actually used by 82% of the whole population! Those interested in the problem of European funds should not let the report on the use of the Cohesion Fund in 2004 escape their attention.

02 NOVEMBER 2005

Trade: EU tables new offer in Doha World Trade talks:
http://www.europa.eu.int/comm/trade/issues/newround/doha_da/pr281005_en.htm

Taxation and Customs Union: New Publication about the structures of the Taxation systems in the EU:
http://www.europa.eu.int/comm/taxation_customs/taxation/g_en_info/economic_analysis/tax_structures/index_en.htm

03 NOVEMBER 2005

Commission publishes the 2006 version of the Combined Nomenclature: http://www.europa.eu.int/comm/taxation_customs/customs/customs_duties/tariff_aspects/combined_nomenclature/index_en.htm

04 NOVEMBER 2005

A review of the socio-environmental impact of European research: http://www.europa.eu.int/comm/research/headlines/news/article_05_10_31_en.html

07 NOVEMBER 2005

6th EU-South Africa Joint Co-operation Council - Brussels, 7.11.2005: http://ue.eu.int/ueDocs/cms_Data/docs/pressData/en/er/86848.pdf

Trade: EU-China talks focus on Doha, market access, intellectual property rights:
http://www.europa.eu.int/comm/trade/issues/bilateral/countries/china/pr041105_en.htm

European Investment Fund: JEREMIE to support access to finance for SMEs and development of micro-credit:
<http://www.eif.org/news/press/press.asp?press=108>

08 NOVEMBER 2005

Utilisation of budget appropriations:
http://www.europa.eu.int/comm/budget/execution/utilisation/index_en.htm

European Environment Agency: Environmental laws must be enforced to protect Mediterranean region:
http://org.eea.eu.int/documents/newsreleases/med_2005-en

09 NOVEMBER 2005

2005 Enlargement Package:
http://www.europa.eu.int/comm/enlargement/report_2005/index.htm

10 NOVEMBER 2005

Priority issues in the Mediterranean environment (report):
<http://reports.eea.eu.int/mediterranean2005/en>

Economic and Financial Affairs: Country Focus. Housing subsidies in Hungary: curse or blessing?:
http://www.europa.eu.int/comm/economy_finance/publications/country_focus/2005/countryfocus18_en.htm

Avian Influenza - Outbreaks in third countries:
http://www.europa.eu.int/comm/food/animal/diseases/control_measures/avian/index_en.htm#chronology

11 NOVEMBER 2005

European Training Foundation: New Albanian government promises boost for vocational education and training:
<http://www.etf.eu.int/>

Eurostat: 85% of students used the internet in 2004:
http://epp.eurostat.cec.eu.int/pls/portal/docs/PAGE/PGP_PRD_CAT_PREREL/PGE_CAT_PREREL_YEAR_2005/PGE_CAT_PREREL_YEAR_2005_MONTH_11/4-10112005-EN-AP.PDF

Internet usage by individuals 2004 (%)

	Total	Students	Employees	Retired
Sweden	82	96	86	45
Denmark	76	96	83	34
Finland	70	97	82	20
Netherlands	69	90	82	54
Luxembourg	65	94	76	32
UK	63	94	74	24
Germany	61	94	74	23
Austria	52	93	63	15
Estonia	50	92	59	7
EU-25	47	85	60	13
Slovakia	46	83	53	6
Spain	40	90	52	6
Slovenia	37	86	48	4
Ireland	34	57	42	11
Latvia	33	79	41	2
CR	32	81	39	3
Cyprus	32	81	35	7
Italy	31	74	42	6
Lithuania	29	87	33	1
Poland	29	81	36	6
Portugal	29	91	37	3
Hungary	28	87	33	3
Greece	20	55	28	1

Source: Eurostat, figures for BE, FR and MT not available

14 NOVEMBER 2005

Culture: Turkey set to participate in CULTURE 2000 programme: http://www.europa.eu.int/comm/culture/eac/sources_info/official_doc/protocoles_en.html



Internal Market: Public consultation on Postal Services:
http://www.europa.eu.int/comm/internal_market/post/consultations_en.htm

15 NOVEMBER 2005

Final annual accounts of the European Communities - 2004:
http://www.europa.eu.int/comm/budget/infos/publications_en.htm

Court of Auditors publishes its 2004 Annual Report:
http://www.eca.eu.int/audit_reports/annual_reports/annual_reports_index_en.htm

EU to open farm trade talks with Euro-Med countries:
http://www.europa.eu.int/comm/trade/issues/bilateral/regions/euromed/pr151105_en.htm

16 NOVEMBER 2005

Commission report on Cohesion Fund in 2004:
http://www.europa.eu.int/comm/regional_policy/sources/doc_offic/official/repor_en.htm

17 NOVEMBER 2005

Guide prices for fisheries products in 2006:
http://www.europa.eu.int/comm/fisheries/news_corner/press/inf05_66_en.htm

Cyclical adjustment of budget balances (autumn update):
http://www.europa.eu.int/comm/economy_finance/indicators/general_government_data/cyclical_adjustment_budget_en.htm

18 NOVEMBER 2005

Research: To understand more about EU science programmes and policy look at Research DG FAQs:
http://www.europa.eu.int/comm/research/headlines/news/article_05_11_17_en.html

Energy and Transport: Launch of the website of the European Railway Agency: <http://www.era.eu.int/>

21 NOVEMBER 2005

Employment and Social Affairs: Commission starts first "Plan D" mission to meet EU citizens in the Czech Republic:
http://www.europa.eu.int/comm/employment_social/emplweb/news/news_en.cfm?id=86

Barcelona process 10 years on:
http://www.europarl.eu.int/news/public/story_page/030-2715-331-11-47-903-20051122STO02714-2005-27-11-2005/default_en.htm

22 NOVEMBER 2005

Transport Committee: Green light for Marco Polo II:
http://www.europarl.eu.int/news/expert/infopress_page/062-

[2701-326-11-47-910-20051121IPR02654-22-11-2005-2005-false/default_en.htm](http://www.europa.eu.int/comm/transport/marcopolo/guide_proposers/call_2005_en.htm)

Education and Training: Continuously updated results for the Leonardo da Vinci projects 2000-2006:
http://www.europa.eu.int/comm/education/programmes/leonardo/new/leonardo2/products/recherche_prod_en2000_all.cfm

23 NOVEMBER 2005

Higher targets for energy efficiency:
http://www.europarl.eu.int/news/expert/infopress_page/051-2702-327-11-47-909-20051121IPR02656-23-11-2005-2005-false/default_en.htm

Justice and Home Affairs: Green Paper on European programme for critical infrastructure protection:
http://www.europa.eu.int/comm/justice_home/doc_centre/criminal/terrorism/doc_criminal_terrorism_en.htm#com_2005_576

24 NOVEMBER 2005

Third call under the Marco Polo programme has been published: http://www.europa.eu.int/comm/transport/marcopolo/guide_proposers/call_2005_en.htm

Pocket-size map of the European research landscape:
http://www.europa.eu.int/comm/research/headlines/news/article_05_11_23_en.html

25 NOVEMBER 2005

EuroMed Summit to agree on 5 year work programme:
http://www.europa.eu.int/comm/external_relations/euromed/summit1105/index.htm

28 NOVEMBER 2005

Employment and Social Affairs: 83% of European companies with 'diversity in the workplace' policies see business benefits – Commission report:
http://www.europa.eu.int/comm/employment_social/emplweb/news/news_en.cfm?id=93

29 NOVEMBER 2005

Evolution of EU Textile Imports from China 2004-2005:
http://www.europa.eu.int/comm/trade/issues/sectoral/industry/textile/pr281105_en.htm

30 NOVEMBER 2005

EU-US First informal ministerial meeting, November 2005:
http://ue.eu.int/ueDocs/cms_Data/docs/pressData/en/er/87214.pdf

Proposal on fishing quotas and attendant measures for 06:
http://www.europa.eu.int/comm/fisheries/news_corner/press/inf05_73_en.htm

The experts of the European Commission came up with optimistic forecasts within the framework of the regular half-yearly economic prognosis: after this year's growth of the GDP of the whole "twenty-five" by 1.5% it will witness acceleration to 2.1% next year and 2.4% in 2007. The whole report is available on the European Commission web pages:

<http://europa.eu.int/rapid/pressReleasesAction.do?reference=IP/05/1436>

AUTUMN EC'S FORECAST: EU GROWTH WILL ACCELERATE

The main engine of growth in the EU will be **domestic demand, especially private investments**. These will be supported by a favourable macroeconomic mix, moderate financial conditions, the widening of profit margins, the weaker Euro and the still robust global demand.

It is expected that thanks to the economic revival **six million new jobs will be created** in the course of three years, which will enable the reduction of the level of unemployment from the maximum of 9% reached at the end of 2004 to 8.1% in 2007. The drop in the level of unemployment will strengthen the confidence of consumers to spend, which will support the growth of private consumption.

Inflation in the EU will rise slightly to 2.3% this year as a result of the development of the prices of oil. In 2007 its value will again be 1.9%. The development of so-called core inflation (cleared of the influence of external factors such as the prices of energy and unprocessed foods, which cannot be influenced by currency policy) remains low and so far shows no secondary effects arising from the increase in oil prices.

The slowing of economic activity at the beginning of this year is taking its toll, however, in the sphere of public finances. The Commission predicts the shortfall of **public budgets** rising this year by two tenths of a percentage point to **2.9% GDP** in the EMU or 2.7% in the EU-25 before improving just marginally in the years 2006 and 2007.

As a potential risk in the achievement of the predicted values the European Commission sees the possibility of a drop in US consumption as a result of the high **correlation of global economic imbalances** and the further growth of world oil prices cannot be excluded either. An opportunity is the thesis that the oil-producing countries might lose more than the expected share of their additional incomes from the sale of black gold, including for the products "made in EU".

As far as concerns the Czech Republic, the appropriate chapter in the economic outlook is aptly named "**strong growth fuelled by solid export**". The economic growth will continue to maintain in the next two years a decent dynamism. After this year's growth of the GDP by 4.8% we can expect the tempo to slow to as little as 4.3% in 2007.

Although **net exports** will continue to be an important driving force of the Czech economy, a second motor will gradually be added in the form of **private domestic demand**. This will be stimulated by the improving situation on the labour market and by investments thanks to the higher use of structural funds and favourable financial conditions. The growth of the domestic economy will continue to act **positively on employment**. The level of

unemployment should drop in the Czech Republic from this year's 7.9% to 7.5% next year and 7.4% a year later.

Inflation, despite of a short-term increase, will not be a serious problem and it will be kept at acceptable values by the appreciating crown, strong competition on markets and the dropping prices of foodstuffs. After this year's 1.7% the Commission expects a **rise to 2.9% next year**, after which there will be a slow drop to 2.6%.

The deficit in the public budgets of the CR even in the 2005-2007 period will not fulfil the Maastricht budgetary three-percent criterion. This year the deficit in the public budgets is expected to be at the level of 3.2% of the GDP and next year its growth will be 3.7% of the GDP.

Brief characteristics of the economic outlook in the other EU-25 countries:

- **Belgium:** A slow economic recovery
- **Denmark:** An economy in excellent shape on most scores
- **Germany:** Domestic demand picking up only gradually
- **Estonia:** Booming activity, with improving external balance
- **Greece:** Growth returns to potential
- **Spain:** Sustained growth but higher external imbalances
- **France:** More balanced growth
- **Ireland:** Growth to continue, fuelled by domestic demand
- **Italy:** Signs of a moderate recovery
- **Cyprus:** Steady growth and fiscal consolidation
- **Latvia:** Growth fever
- **Lithuania:** Slower, but still robust growth
- **Luxembourg:** Healthy growth but clouds on the horizon
- **Hungary:** Repeatedly missed deficit target
- **Malta:** Capital transfers sustain growth
- **Netherlands:** The end of the tunnel, at last?
- **Austria:** Waiting for consumption to respond to the tax cuts
- **Poland:** Gradual recovery, but lack of fiscal reform
- **Portugal:** Macro-economic imbalances looming large
- **Slovenia:** Exports supporting economic growth
- **Slovakia:** Domestic demand continues to drive growth
- **Finland:** Growth to rebound from temporary reversal
- **Sweden:** Continued recovery after blip
- **United Kingdom:** Catching its breath

EC's Economic Forecast – Autumn 2005 for the CR

	2004	2005	2006	2007
GDP – y-on-y growth	4,4%	4,8%	4,4%	4,3%
Unemployment rate	8,3%	7,9%	7,5%	7,4%
Inflation	2,6%	1,7%	2,9%	2,6%
Public budget as of GDP	-3,0%	-3,2%	-3,7%	-3,3%
Public debt as of GDP	36,8%	36,2%	36,6%	36,9%

Undoubtedly the most important event of the next month will be the meeting of the European Council. The main subject of discussion should be the future financial prospects for the 2007–13 period. Detailed proposals will be made public by the chair country UK on 5 December. Already now there is unofficial information that the economy version of the budget demanded by the rich states will be achieved at the expense of the structural funds from which the development needs of the poorer member states are financed.



1 December 2005	Brussels, Belgium
- Transport, Telecoms & Energy Council	
1 – 2 December 2005	Brussels, Belgium
- Justice and Home Affairs Council	
2 December 2005	Brussels, Belgium
- Environment Council Brussels	
5 December 2005	Brussels, Belgium
- Transport, Telecoms & Energy Council	
5 December 2005	
UK Presidency proposal on future financing of the European Union (2007-2013)	
6 December 2005	Brussels, Belgium
- Ecofin Council	
8 December 2005	Brussels, Belgium
- Employment, social policy, health and consumer affairs Council meeting	
9 December 2005	Brussels, Belgium
- Health Council Brussels	
12 – 13 December 2005	Brussels, Belgium
- General Affairs and External Relations Council	
12 – 15 December 2005	Strasbourg, France
- European Parliament plenary session	
15 – 16 December 2005	Brussels, Belgium
- European Council Brussels	
19 – 20 December 2005	Brussels, Belgium
- Agriculture and Fisheries Council	



Main topic

The matter of consumer protection is very comprehensively dealt with in the European Union; the protection of the consumer and the policy aimed at it is the central component of the European Union strategy for improving the quality of life of all citizens of the EU. Therefore we decided in the current main topic of our Monthly EU News Journal to focus on this very important area for and ordinary citizens as well as companies or public institutions.

PROTECTION OF THE CONSUMER UNDER THE CONDITIONS OF THE EUROPEAN UNION

The implementation of this policy includes the **creation and development of legislation** and further activities aiming at the **support of the interests of consumers, ensuring their health and safety on the consumer market** within the framework of the Uniform Internal Market of the EU, ensuring the true **integration of consumer matters in all EU policies** and simultaneously also **supplementing the consumer policy executed and carried out by the individual member states**.

Within the framework of this general context the European Commission **actively supports consumer organisations** and strives to strengthen the roles of consumer representatives in decision-making processes.

On the international level it is the effort of the European Commission in the consumer protection policy **to ensure the proper application of equally demanding levels of consumer protection and consumer safety in candidate and acceding countries** as exist within the EU. In addition the European Commission supports the consumer policy and the high standards of consumer safety at international forums and in relation to third countries.

If we are to attempt to understand the consumer protection policy within the EU truly comprehensively it is clearly necessary to look at it from two angles: **horizontal** and **material**. If we look at it from the **horizontal angle** we clearly cannot fail to mention the overview of the consumer protection policy in the EU, ensuring the safety of consumers in the EU, protection of consumers' interests in the EU, the strengthening of the rules for consumer protection, the rectification and implementation of consumers' rights, the common approach to customers, the international aspect of consumer protection, consumer information and education and the list of grants and support instruments in the sphere of consumer protection.

When, on the other hand, we try to look at this theme through the selection of certain **material themes, topical** especially at present, we devote attention in particular to the Programme of Protection of Health and Consumers 2007 – 2013, the ten basic principles of consumer protection in the EU, the ECC-Net network of European consumer centres, the new strategy of the consumer policy and the financial framework, and particulars devoted to the relationship between the Euro and the consumer.

I. HORIZONTAL VIEW

I.1 Overview of the consumer protection policy in the EU

The sense of the consumer protection policy corresponds to the general aims of the EU through the requirement to constantly improve the quality of life of all citizens of the EU. This aim is included in Articles 152, 153 and 95 of the foundation Agreement on the European Community.

Initiatives and the development of the consumer policy depend a great deal on relevant and reliable information. The creators of the economic policy need to understand what sphere of this policy should be the greatest help to consumers. For this purpose the activity of the European Commission uses consultations with interested *stakeholders*.

With the process of EU expansion a very important question appears to be the concentration of the European Commission on ensuring that candidate and acceding countries adopt the same high level of consumer protection and consumer safety as exists in the common practice of present EU countries.

The framework of the consumer protection policy in the EU consists of:

A. The strategy of the consumer policy

Materially aimed at the following spheres: protection of foodstuffs, public health and consumer protection.

The safety of foodstuffs, public health and consumer protection in the narrower sense of the word represent the area covered by a single General Management of the European Commission, the responsibility for which is at present in the hands of the Cypriot Commissioner for Health and Consumer Protection, Markos Kyprianou. The aim of this executive workplace is to increase the priority of the consumer policy and ensure a more effective and coordinated approach with regard to consumer interests.

The arrangement thus indicated brings together three closely linked areas of EU policies. At the same time it concentrates on the fact that consumer interests played one of the central roles in the development of EU policies. The strategies for each of the three areas mentioned were developed on the basis of a coordinated approach, but are expressed in



separate documents. This division reflects the difference in priorities, actions and the temporal dimensions relating to them. The EU consumer policy was expressed in a series of three-year action plans. The first saw the light of day in 1990 and the last action plan ended at the close of 2001.

On 7 May 2002 the European Commission adopted a new strategy for the consumer policy, which specifies its overall political approach within the five-year period of 2002 – 2006.

It has three key targets:

1) The higher common standard of consumer protection:

This target represents harmonisation through the most suitable means (framework of directives, standards and "best practices"); it includes not only the field of safety of goods and services, but also such economic and legal interests as will enable customers to make purchases anywhere in the EU with confidence and in any possible manner.

The main initiatives resolved in this sphere are summed up in the Green Book on Consumer Protection and Safety of Services in the EU.

2) The effective enforceability of the consumer protection:

This target is based on the conviction that no law is good unless it can be enforced. In practice consumers should be protected to the same level of protection throughout the EU, which should also be maintained under the conditions of the expanding EU.

The priority areas here are the development of the framework of administrative cooperation among member states and protective mechanisms for consumers.

3) Actual penetration of consumer organisations into EU policies:

For the consumer protection policies to be effective the consumers themselves must have the opportunity to contribute to the development of the policies that influence them. Consumers and their representatives should have the capacity and resources to support their interests in the same spirit as other *stakeholders*.

The main actions consist of an overview of the mechanisms for consumer organisations to participate actively in creation of EU policies and in creation of educational projects and projects to expand the capacity of their activity.

These targets are conceived so as to help achieve the integration of consumer interests in all other EU policies, to maximise the benefits of the Uniform Internal Market for consumers and to prepare for the process of further expansion of the EU.

They will be implemented through actions that will be subject to periodical re-evaluation. These targets should

ensure systematic orientation in the course of the period when individual activities are adopted in the sphere of social and economic development.

The idea of the strategy is the achievement of: a higher joint standard of consumer protection; effective enforceability of the rules of consumer protection; actual penetration of EU policies by consumer organisations.

Important legal norms in this matter include, for instance: **Decision 20/2004/EC of the European Parliament and the EU Council** on the framework for financing actions in support of the consumer policy for the period 2004 – 2007.

http://europa.eu.int/eur-lex/pri/en/oj/dat/2004/l_005/l_00520040109en00010007.pdf

Further legal norms and documents:

- Overview of action programme of the Consumer Policy Strategy 2002 – 2006;
http://europa.eu.int/comm/consumers/overview/cons_policy/review_rollingprog_2002-2006_en.htm
- View of the European Economic and Social Committee of 26 February 2003 on the information of the Commission on the 2002 – 2006 Strategy;
http://europa.eu.int/comm/consumers/overview/cons_policy/ecosoc_276_2003_en.pdf
- Resolution of the EU Council on the 2002 – 2006 Strategy;
http://europa.eu.int/comm/consumers/overview/cons_policy/resolution_021202_en.pdf
- Text of the 2002 – 2006 Strategy of 7 May 2002;
http://europa.eu.int/eur-lex/pri/en/oj/dat/2002/c_137/c_13720020608en00020023.pdf
- Reaction to the discussion document Ideas for the Consumer Policy Strategy;
http://europa.eu.int/comm/consumers/overview/cons_policy/responses/index_en.htm
- Protection of the consumer: past and future; document of the European Commission;
<http://europa.eu.int/rapid/pressReleasesAction.do?reference=SPEECH/01/434>
- Action plan of the 1999 – 2001 consumer policy;
http://europa.eu.int/comm/consumers/cons_int/serv_gen/links/action_plan/ap01_en.pdf

B) 2007 – 2013 Programme

On 6 April 2005 the European Commission adopted the Strategy for Protection of Health and the Consumer and the proposal for the resolution of the European Parliament and the EU Council, which forms the Community Programme for Protection of Health and Consumers for the period 2007 – 13.



Main topic

The mentioned strategy and draft programme put together and further expanded the existing programme of the EU aimed at the area of public health and the existing programme of support for the EU consumer policy.

Health and consumer interests are at the centre of the everyday attention of EU citizens. The new strategy and the proposed programme are intended to increase the importance of these spheres among the priority activities of the EU and to create a set of specific actions that correspond to consumers' and citizens' interests.

In the consolidation of the two programmes into one the European Commission wants to utilise the synergy between the health and consumer policies. Activities in the framework of Articles 152 (public health) and 153 (consumer protection) of the Agreement on the EC overlap one another (support of health protection, safety, information, education). The use of these synergies also creates greater political cohesion, the possibility of utilising savings in extent, the increased visibility of activities and the possibility of expanding and strengthening procedures linked with these activities.

Targets. Joint and specific targets are specified.

Joint targets:

- To protect citizens against risks and dangers that individuals cannot withstand and that cannot be effectively minimised by individual member states;
- To increase the ability of citizens in making the best decisions with regard to the protection of their health and consumer interests;
- To include the principles of consumer protection in all EU policies.
- Apart from this there are also specific targets specified for each separate area.

Specific aims:

Health

- To protect citizens against health hazards;
- To support policies leading towards a healthier lifestyle;
- To contribute to reducing the spreading and negative impacts of diseases and sickness in the EU;
- To contribute to the development of more effective and efficient health systems;
- To support targets ensuring adequate information and analyses concerning health.

Consumers

- To ensure a high joint level of protection for all customers in the EU – regardless of where they live, travel and shop – against risks and threats to their safety and economic interests;

- To raise the capacity of customers in the sense that they should be able to defend their own interests (motto: "Be strong and help yourself").

Summary: On 6 April 2005 the Commission adopted the Strategy for Protection of Health and the Consumer and the proposal for the resolution of the European Parliament and the EU Council, which forms the Community Programme for Protection of Health and the Consumer for the period 2007-13.

Within the framework of the consolidation of two programmes in one the Commission wants to utilise the synergy between the consumer policy and the health protection policy. Targets emerging from the Agreement on the EU (Articles 152 and 153); public health, consumer protection. Synergy aimed in particular at: support for health protection, safety, information and education.

Proposed procedure:

The joint actions are aimed at the improvement of information, strengthening the roles of European health and consumers' organisations and the further development of consultation mechanisms. The actions are also aimed at strengthening the impacts of the health and consumer policies in other related areas.

Specifically in the field of consumer protection the new programme consolidates and expands the activities of the existing programme, with special emphasis on the consolidation of the legal security created within the existing strategy and the completion of the *acquis* overview. The programme also significantly expands the activity of the EU in the sphere of the development of knowledge and the proof basis, strengthening of cooperation, of consumer education and the construction of capacities for consumer organisations. The costs of the launching of the programme are 1,203 million EUR.

C) Financial framework for the consumer policy

The consumer protection policy in the EU concentrates in content on:

- development of legislation and similar activities;
- integration of consumer interests in all EU policies;
- the fulfilment of the consumer policy in individual member states;
- strengthening of consumers by actively supporting consumer organisations of the EU and their participation in creating the policy concepts of the Union.

Annual working programme in the sphere of protection of consumers was introduced on 5 April 2005:

http://europa.eu.int/comm/consumers/overview/Adv_Comm/work_programme_2005_en.pdf –.

The advisory committee of the member states concentrates on the coordination of activities in the field of consumer protection and thus respects the specific requirements for individual member states.

I.2 Ensuring the safety of consumers in the EU

Instruments ensuring safety of consumers in the EU are divided into the fields of safety of products and safety of services.

Safety of products:

Safety of products is ensured by extensive sector legislation and is included in the General Directive on the safety of products http://europa.eu.int/comm/consumers/cons_safe/product_safe/gpsd/index_en.html.

Specific attention is then further devoted to food safety http://europa.eu.int/comm/food/index_en.html.

Instruments in the field of safety of products are divided in the following manner:

- General Product Safety Directive (GPSD)
- Chemicals in products
- Further EU legislation in the field of product safety
- Liabilities for faulty products

Safety of services:

- Consumer services cover a wide range of categories, including financial services, telecommunications, health services, travel agencies, organisers of cultural events or organised leisure time. The provision of some services represents for customers exposure to risks concerning health and physical safety. In this connection it is possible to consider, for instance, the possibility of injury caused by insufficient information that the consumer has at his disposal, insufficient supervision of some organised activities or, for instance, damage to the skin in "beauty parlours".
- In the EU at present there is no general legal and legislative base regulating the field of safety risks caused by provision of services. On the other hand there is relatively highly detailed legislation covering the area of selected service sectors such as transport.
- For the European Commission to offer at least a partial comprehensive solution to this problem it offers a set of reports and studies on the safety of services for customers.
- Relevant reports and studies on the safety of services for customers – the process of their preparation and publication began in 2002; the result of this initiative should be the adoption of an appropriate legal

instrument, probably a directive.

http://europa.eu.int/comm/consumers/cons_safe/servicesafe/reports/index_en.htm.

Specific attention is also devoted at EU level to:

- Fire safety in hotels
http://europa.eu.int/comm/consumers/cons_safe/servicesafe/fire_safe/index_en.htm;
- Liabilities of the providers of services
http://europa.eu.int/comm/consumers/cons_safe/servicesafe/liability/index_en.htm.

Recent news:

Recent news concerning this theme is available at: http://europa.eu.int/comm/consumers/cons_safe/news/index_en.htm.

I.3 Protection of consumer interests in the EU

The field of protection of the interests of consumers in the divisions specified below is based on the need to create a "uniform consumer standard" in the environment of the free movement of goods, services, persons and capital. The details of this regulation are specified on: http://europa.eu.int/comm/consumers/cons_int/index_en.htm.

Ensuring of safe shopping:

- Dishonest trade practices
- European contractual law
- Abuse of standing and comparative advertising
- Price indications
- Sale of goods and guarantees
- Remote selling

E-commerce:

- Security of payment
- Protection of data
- Cybercrime
- On-line Dispute Resolution

Financial services:

- Consumer credit
- Remote marketing of financial services
- Integration of consumer interests

Networks and services of public interest:

- General political orientation towards public interest services;
- Surveys of opinions on satisfaction of consumers of public interest services;
- Relevant legislation



Main topic

1.4 Strengthening the cons. protection rules

This sphere concentrates primarily on the implementation of community consumer legislation in the individual member states and subsequently on the possibility of its effective enforcement –

http://europa.eu.int/comm/consumers/prot_rules/index_en.htm.

This sphere is aimed at the cooperation in the field of national regulation and legislation, at the field of enforcement of court rulings and the creation of an effective multinational or community marketing activity that would help eliminate the differences between the individual member states.

1.5 Rectification and implementation of consumer rights

The subject in this area is:

- resolving the complaints of consumers;
- resolving a consumer conflict by alternative means out of court;
- creation of the European Consumer Centre Network;
- creation of useful manuals for consumers on how to communicate effectively with the courts if necessary;

This field is described in detail at:

http://europa.eu.int/comm/consumers/redress/index_en.htm.

1.6 Joint attitude to customers

This sphere actually means nothing other than the creation of an effective consumer network across the EU, the sharing of experience, procedures, etc.

http://europa.eu.int/comm/consumers/cons_org/index_en.htm

1.7 International aspect of consumer protection

The international aspect of consumer protection means activities not between two or more EU member states, but over and above the EU. The sense of these activities lies mainly in the relationship to membership within the framework of the WTO, the OECD, the Council of Europe and the Transatlantic Consumer Dialogue (TACD); more at http://europa.eu.int/comm/consumers/cons_issue/index_en.htm.

1.8 Consumer information and education

This area is primarily oriented towards the organisation of information campaigns and systematic education in the field of consumer protection:

http://europa.eu.int/comm/consumers/cons_info/index_en.htm.

1.9 Grants and support instruments in the field of consumer protection

The direct grants that the European Commission announces in relation to consumer protection are worthy of attention:

http://europa.eu.int/comm/consumers/tenders/information/index_en.htm.

II. SELECTED MATERIAL THEMES

II.1 Programme for the Protection of Health and Consumers 2007 – 2013

The above-mentioned programme also represents in the area of consumer activities the basic regulation of activities that the EU is carrying out at present in this sphere:

http://europa.eu.int/comm/consumers/overview/programme_2007-2013_en.htm.

II.2 Protection of the consumer in the EU: ten basic principles

The current priorities of consumer protection in the EU are popularly formulated in the ten following principles on:

http://europa.eu.int/comm/consumers/cons_info/10principles_en.htm.

II.3 Network of European consumer centres - ECC-Net

This area is aimed at the coordination of targets and information on consumer policy among the individual member states; the result should then be the effort to implement joint procedure in the following matter:

http://europa.eu.int/comm/consumers/redress/ecc_network/index_en.htm

II.4 New strategy of the consumer policy and the financial framework

This field was already mentioned in the preceding passage; it concentrates on the key fields of consumer policy in the present period:

http://europa.eu.int/comm/consumers/topics/cons_pol_en.htm.

II.5 The Euro for the consumer

Aimed at the technical consequences of the introduction of the common European currency for the consumer:

http://europa.eu.int/comm/consumers/cons_int/fin_serv/eur_o/index_en.htm

The country we have selected for closer acquaintance with this issue is another in the series of examples, especially in the past 15 years, of thoroughly positive and simultaneously radical structural changes. As is also usually the case, the stimulus to embark on these radical changes was the urgent need to get out of an awkward economic situation at the beginning of the nineties. At that time Finland felt in a very basic manner the impact of the dissolution of the Soviet Union.



FINLAND

Government type/chief of state	republic / The President Tarja Halonen
Area (share of EU)	338 145 km ² (8,50 %)
Population (share of EU)	5 326 600 (1.14 %)
Age structure	0-14 years: 17.6%, 15-64 years: 66.8%, over 65 years: 15.6%
Total GDP (share of EU)	149.725 mil. EUR (1.44%)
GDP per capita in PPS	116.8% of EU-25 average
GDP - composition by sector	agriculture: 3.1%, industry and constr.: 30.2%, services: 66.78%
Average inflation	0.1%
Average unemployment	8.9%
GDP growth	3.1%
General government balance	+2.1% of GDP
General government debt	45.1% of GDP
Number of NUTS2	5 NUTS2, Aland: 154.9%, Itä-Suomi 81.9%

Note: the figures are for 2004, source: EU, CIA

At that beginning of 90ties Finland felt in a very basic manner the impact of the dissolution of the Soviet Union; up till then Finland – as one of the few market economies in Europe at that time to do so – maintained lively economic and trade relations with the USSR. Finland thus became, after Spain, the country with the second highest level of unemployment in the EU. The impact of the loss of the Soviet market thus acquired social consequences as well as economic ones. A further blow to the weakened Finnish economic development at that time was the impact of the global economic recession, which further lengthened and intensified the negative characteristics mentioned.

In the given situation it was necessary to take strong and radical steps. In many respects the "homework" for these radical steps was very similar to that being tackled by the post-communist countries of Central and Eastern Europe. The first task of the Finnish economy was to re-orient foreign trade rapidly towards Western Europe. The high demands of the West European markets, however, cannot be compared to the standards of the then communist economies, and so Finland had to invest enormous means in marked economic restructuring so as to meet the requirements of its new export partners. An example of a firm that underwent this Genesis is naturally the flagship of the Finnish business sector and true symbol of the changes realised in Finland – the Nokia firm, which from the original timber-processing company that later concentrated on the

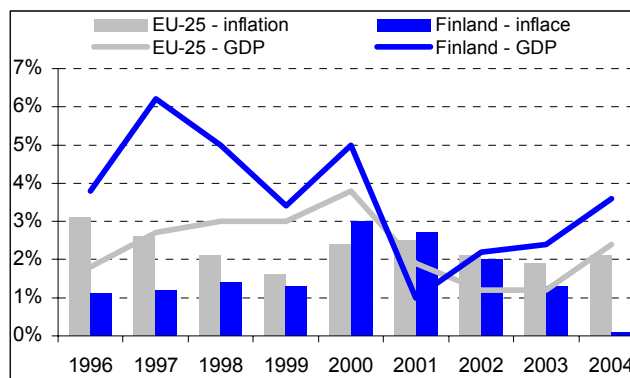
production of sports goods, changed course completely towards the electro-technical industry and later also the field of information and communication technology.



On its way from an economy in difficulty to what is now clearly the most competitive economy in the world with one of the best investment environments Finland was also helped by entering the European Union in 1995. The economy, which even in the period of its poor condition was relatively rich in comparison with Europe as a whole, was entitled on the basis of requirements negotiated in the framework of this expansion process to draw a considerable quantity of means from European funds; nevertheless – as in the case of a number of the new countries last year – Finland was also helped most by entry to the Single Internal Market and the possibility of trading within the Union without the former barriers.

From the viewpoint of the orientation of the above-mentioned funds of the EU, naturally generously supplemented by public and private national sources, attention was concentrated in particular on the support of education – purely pragmatically directed education, with the possibility of flexible and immediate use in practice in the branches that brought Finland and its economy to their present position. This is education that strictly observes direct communication between the institutions that provide the education and the subject that subsequently employs the educated people. It may be said that in this respect too Finland is an example of a country that quite practically illustrates the often vaguely interpreted precept that the most valuable investment and that with the best returns is investment in an education system prepared and thought-out in advance.

Inflation and GDP



Source: Eurostat



Statistical window

The statistical window in a tabular form shows the important macroeconomic and financial indicators of the countries which have newly acceded to the European Union, with respect to the criteria defined in the Maastricht Treaty: the month-on-month, year-on-year and average inflation rates, the indicators of the fiscal budget deficit and the state debt, expressed in relation to the GDP, and the volatility of the exchange rates of national currencies to the euro.

Price development

	m-on-m HICP growth			y-on-y HICP growth			average y-on-y HICP growth in %		
	VII-05	VIII-05	IX-05	VII-05	VIII-05	IX-05	VII-05	VIII-05	IX-05
EU	0.2	0.4	0.2	2.2	2.5	2.4	2.1	2.2	2.2
EU - minimum	-	-	-	-	-	-	0.9	1.0	0.9
CR	0.0	-0.1	0.9	1.4	2.0	2.5	1.9	1.7	1.7
Estonia	0.3	0.9	-0.1	4.2	4.9	4.5	4.1	4.2	4.3
Cyprus	0.7	1.7	1.1	1.5	2.1	2.2	2.4	2.3	2.3
Lithuania	0.1	0.8	0.6	2.3	2.6	3.0	2.7	2.7	2.7
Latvia	-0.1	1.5	0.7	6.3	7.4	7.7	7.0	6.9	6.9
Hungary	-0.5	0.2	0.0	3.5	3.6	3.1	4.7	4.2	3.9
Malta	0.3	0.0	0.9	2.5	2.0	3.0	2.3	2.2	2.2
Poland	0.1	0.3	0.3	1.8	1.9	1.6	3.5	3.0	2.8
Slovakia	-0.1	0.3	1.3	2.1	2.3	3.5	4.1	3.4	3.2
Slovenia	-0.5	1.0	0.2	1.8	3.2	3.2	2.9	2.7	2.7

Note: HICP means harmonised index of consumer prices, EU – minimum means the average inflation in three EU member states with the lowest inflation. Source: Eurostat

Fiscal development

	Net balance of general government to GDP in %			General government gross debt to GDP in %		
	2002	2003	2004	2002	2003	2004
EU-25	-2.3	-3.0	-2.6	61.4	63.0	63.4
CR	-6.8	-12.5	-3.0	29.8	36.8	36.8
Estonia	1.5	2.6	1.7	5.8	6.0	5.5
Cyprus	-4.5	-6.3	-4.1	65.2	69.8	72.0
Lithuania	-1.4	-1.2	-1.4	22.4	21.4	19.6
Latvia	-2.3	-1.2	-0.9	14.2	14.6	14.7
Hungary	-8.5	-6.5	-5.4	55.5	57.4	57.4
Malta	-5.8	-10.4	-5.1	63.2	72.8	75.9
Poland	-3.3	-4.8	-3.9	41.2	45.3	43.6
Slovakia	-7.8	-3.8	-3.1	43.7	43.1	42.5
Slovenia	-2.7	-2.7	-2.1	29.8	29.4	29.8

Note: according to the ESA 95 methodology. Source: Eurostat

Volatility of FX rates of new EU member states

	Last 24 months			Last 12 months		
	average rate	deviation maximum in %	deviation minimum in %	average rate	deviation maximum in %	deviation minimum in %
Czech koruna	30.98	+7.0	-7.0	29.93	+3.3	-3.4
Estonia kroon	15.65	+0.0	+0.0	15.65	+0.0	+0.0
Cyprus pound	0.580	+1.2	-1.2	0.577	+0.8	-1.2
Lithuanian litas	3.453	+0.0	-0.0	3.453	+0.0	-0.0
Latvian lats	0.679	+5.0	-2.7	0.696	+1.6	-0.3
Hungarian forint	250.3	+3.7	-8.6	247.5	+2.5	-3.0
Maltese lira	0.429	+1.2	-1.3	0.430	+0.3	-1.0
Polish zloty	4.310	+11.2	-12.7	4.048	+4.5	-5.2
Slovakian koruna	39.45	+5.0	-4.3	38.68	+3.0	-3.0
Slovenian tolar	239.2	+1.2	-0.3	239.6	+0.1	-0.1

Note: volatility of foreign exchange rates of new EU member states to euro is expressed in the form of arithmetical average and in the form of maximum and minimum deviation from the average in the reference periods. The reference periods end at 30 November 2005. Source: Eurostat

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