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under the auspices of Pavel Kysilka
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Dear readers,

Starting in September, the events in the European Union's institutions as well as in its individual member countries again accelerated to full pace. Many of these events also concern persons and institutions in the Czech Republic.

Perhaps the most visible phenomenon is the significant reshuffling of positions in the current Brussels institutions, especially in the European Commission and the European Parliament. The newly elected European Parliament as well as the newly nominated administration of the European Parliament have already been working for several months but after the summer hiatus, September is actually the first period of its full-fledged activity in the new composition. The composition of the European Commission will be significantly reconstructed as of 1 November; even in this case, there will be a significant reshuffling of its employees among the individual Directorates General and other workplaces, and this reshuffling is already actually taking place.

Out of the key topics of the month of September, we may perhaps choose two. One of them is the publication of the European Commission's opinion on the reform of the Growth and Stability Pact. This discussion can undoubtedly start a highly necessary and probably far-reaching discussion on the topic of what fiscal policy is optimal for the Union and its members. We have devoted a brief article in this issue of our EU Developments Monthly Magazine to the Growth and Stability Pact.

During September, general attention was also paid to the second major topic concerning the answer to the question of whether Turkey belongs to the EU or not. Some media simplified the essence of this topic in such a way that it could seem that if Turkey adopted an amended criminal law, it could perhaps be admitted to the EU as early as tomorrow. Of course, the matter is far from being as simple as that; the current discussion is at the beginning of the process, which should create at least a clear and transparent scenario for Turkey, according to which this country could accede to the EU in the approximately 10 following years on terms that were useful for Turkey itself as well as for the rest of the Union.

From our office's point of view, September was interesting with respect to the preparatory intensive works that took place within the international consortium for representation of the Zlín Region before the EU institutions. If this pilot project proves to be good, there is a general interest to design a product on a similar basis that could be offered to other clients, too.

We are very happy that an increasing number of you, our dear readers, is regularly finding a way to our website www.csas.cz/eu, offering an increasing amount of comprehensive information on European integration developments.

We hope that you spend many pleasant moments when reflecting on the present times of our European integration as well as when reading this latest issue of the EU Developments Monthly Magazine of Česká spořitelna and we wish you a successful entry into the last quarter of this year as well as on the infinite field of European integration.

Petr Zahradník

The key economic event in the Union was probably the proposal for a reform of the Stability and Growth Pact, drafted by the European Commission. The Commission agreed with the critics who disliked the inflexibility of the Pact and proposes easement of the rules. The controversial proposal presented by the French Minister of Finance Sarkozy on preventing new member states with lower corporate taxes from drawing on regional assistance did not gain support at Ecofin.

ECONOMY AND EURO

EU Commission Proposes Reform of the Budgetary Stability Pact

In early September, the European Commission adopted a proposal for changes in the budgetary rules of the Growth and Stability Pact. In the Commission's opinion, making the Pact more flexible is a prerequisite for restoring its lost credibility and will also support the still weak economic growth in the European Union.

In the current interpretation, the Pact was almost identical to an absolute ban on exceeding the three-percent limit of an annual deficit in relation to the performance of the economy. The Euro countries were under threat of financial penalties for exceeding this limit.

The Commission wants to move from rigid compliance with the three-percent requirement to a broader view. Above all, it wants to take much more into account the different economic circumstances of individual countries.

The new definition of circumstances under which a country will be allowed to have a higher deficit without disciplinary measures being taken will be of main importance for the member states. Thus, it will be permitted to exceed the three-percent deficit not only during a heavy recession when the economy is declining by at least two percent per year but also during a period of a longer economic decline, prevailing during the last years.

Countries suffering from deterioration in the economy will also be given more time by the Commission for correction. The Commission also proposes focusing much more on total state debts where a limit of 60 percent of the GDP still applies, instead of focusing on the annual deficit.

Softening the rules for disciplinary penalties is to be balanced by the Commission by a call for greater coordination and timely actions that would prevent negative trends in the budgets. It also requests that the member states should look to making public finances healthier and introducing the necessary reforms during favourable periods of growth.

Jean-Claude Trichet, the president of the European Central Bank, sharply opposed the Commission's proposal. He said that easement of the Pact was dangerous. In his opinion, such plans would not contribute to the seriousness or earnestness of the Economic and Monetary Union.

The next Commission that is due to take office in November will probably be the one that will present the final versions of the proposals. The EU Council for Economic and Financial Affairs will probably have the main say and should approve the reform in the first half of next year.

http://europa.eu.int/rapid/pressReleasesAction.do?reference=IP/04/1062

Juncker has become the first „Mr. Euro“

The Finance Ministers of the Eurozone appointed Jean-Claude Juncker, the Prime Minister of Luxembourg, as the first "Mr. Euro". His task will be to give a stronger voice to the twelve countries using the Euro, the common monetary unit. Karl Heinz, the Austrian Finance Minister, became the vice-president of the group.

Juncker, who is concurrently the chief executive and the Prime Minister, will ensure a liaison between the Eurozone and the European Central Bank and will chair the monthly meetings of the Eurogroup. He will also represent the interests of the Eurozone at international meetings, including the summits of the G8 countries. The personal goal of Jean-Claude Juncker is also to improve economic coordination among the governments of the 12 EMU member countries.

Juncker will take the office of the president of Eurogroup on 1 January and the term of his office will be two years. Up to this point, the Finance Ministers of the member states rotated at six-month intervals in the office of the chairperson of the Eurogroup.

http://www.gouvernement.lu/salle_presse/actualite/2004/09/10euro/index.html

BUDGET

Last Year's EU Budget Reached EUR 90.6 bn

Michaele Schreyer, the Commissioner for Budget, presented an annual report on the allocation of European budget expenses for 2003. The EU spent a total of EUR 90.6 bn, which is approximately 0.96% of the gross national income of EU.

A sum of EUR 77.8 billion (86%) of the total expenses went to beneficiaries in the fifteen member states; the rest was allocated to administrative payments and to the payments to EU non-member states, including the ten new member states, which were not yet members in 2003.

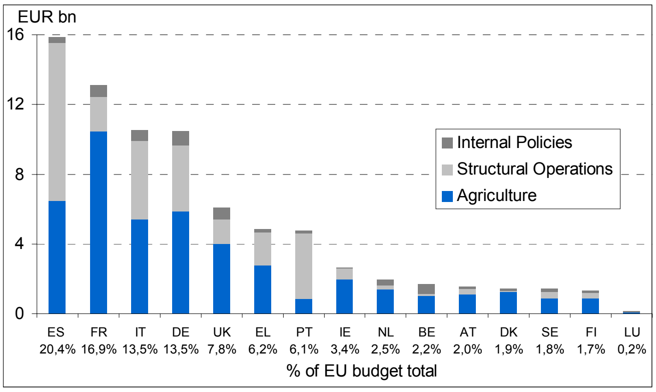
In nominal terms, the following countries received the largest parts of the Union's funds: Spain (20.4% of the total expenses); France (16.9%); Italy (13.5%); Germany (13.5%); the United Kingdom (7.8%); Greece (6.2%) and Portugal (6.1%) of the total amount.

In relation to the gross national income, Portugal received the most money (3.64% of the GNI), followed by Greece

(3.18%), Ireland (2.38%) and Spain (2.19%). The Irish receive the most European money per capita (EUR 391.7), surpassing the Portuguese (EUR 333.4), the Greeks (EUR 305.3) and the Spanish (EUR 213.9).

Conversely, the largest contributor to the common budget in absolute terms was Germany (23.2% of the total income),

EU budget expenditure in 2003



Source: European Commission

surpassing France (19.4%), Italy (14.6%) and the United Kingdom (10.8% after taking into account the British rebate). These four countries together finance more than two thirds of the European budget.

In relation to the size of the economy, the Dutch made the largest contribution to the budget (0.43% of the GNI), followed by the Swedes (0.36% of the GNI) and the Germans (0.36% of the GNI).

The highest contribution per capita was made by Luxembourg (EUR 125.1). This country was followed by the Netherlands (EUR 120.6) and Sweden (EUR 106.1).

More than one half of the EUR 78 bn allocated to EU-15 was spent on agriculture and the rural development (EUR 44.4 bn). More than one third (EUR 25.5 billion) was spent on the structural policy. The EU's internal policies (social, mass-media, energy and transport policies, research, consumer protection) received almost EUR 5 bn last year.

http://europa.eu.int/rapid/pressReleasesAction.do?reference=IP/04/1070

TAXATION AND CUSTOMS UNION

EU Finance Ministers are Considering Common Corporate Tax

At a weekend meeting in the Dutch town of Scheveningen, the EU Finance Ministers agreed that they would continue considering the possible methods of harmonising corporate income tax.

The Finance Ministers decided to create a work group to work on the harmonisation of corporate taxes and to propose certain measures in this respect. The first task is to identify the possible common tax base that could be harmonised. Only then would the tax rate harmonisation be addressed.

However, several countries, headed by the United Kingdom and Ireland, refuse any harmonisation of corporate taxes. The greatest advocates of such a step are France and Germany, who are afraid that companies will be moving to countries (predominantly the new EU members) with lower corporate taxes. With regard to the fact that the harmonisation of taxes would have to be approved unanimously and, for example, the United Kingdom would most probably veto this measure, it is possible that strengthened co-operation will be established in this respect among the countries willing to harmonise corporate income taxes. According to experts, such a group would probably comprise France, Germany, Italy, the Benelux countries, Spain, Denmark, Sweden, Austria and, from among the new member states, Poland and the Czech Republic. However, the position of the Czech Republic is unclear. "Our aim is to ensure that the Czech Republic is not deprived of tax income; for example, that the companies would be taxed exclusively in the country where the parent company is based," said Bohuslav Sobotka, the Minister of Finance. He also expressed his satisfaction with the fact that there is no danger of a hurried action; Prague does not oppose further analyses. "The analyses should show whether the absence of a single consolidated base for corporate tax is harmful to the economy and competitiveness in the EU or not. If it is harmful, then it can be considered, provided that it does not cause damage to the Czech Republic," he added.

France wants to Withdraw Subsidies from the New EU Members with Low Taxes

France seeks to prevent the new European Union member states, where corporate profit taxes are below the Union's average, from drawing on the EU's money for assistance to poorer areas. Nicolas Sarkozy, the French Minister of Finance and Economy, stated this in an interview for the TF1 television in early September and repeated this proposal several times later on.

With this action, Sarkozy wants to stop what is referred to as de-localisation process in France, which means that industrial companies are moving to other EU countries where there are lower taxes and costs. Sarkozy presented his ideas at the meeting of the EU Finance Ministers in the

Decreasing the prices of spare parts is the objective of the proposal of an amendment to the Design Protection Directive, which is to allow producing and selling the visible parts of automobiles not only to automobile manufacturers but also to independent companies. Elimination of the barriers to the functioning of the single market – the military contract market this time – is the purpose of another initiative of the European Commission in the form of a Green Book.

Netherlands. However, he was unsuccessful with his controversial proposal. Not even Germany supported the French proposal, in spite of the fact that Germany had indicated similar reasoning in the past.

Nevertheless, Sarkozy did not abandon his campaign. In support of his request, he again intends to address his colleagues and even to go on tour around Europe. In each country, he wants to appeal to the loyalty to the EU and to point out that the low taxes in the East could put the adoption of the European Constitution at risk.

SINGLE INTERNAL MARKET

EC Proposes Liberalising the Automotive Spare Parts Trade in the EU

The European Commission approved what is known as "right-to-repair amendment" to the Design Protection Directive, which authorises all manufacturers in the EU – and not only automobile manufacturers – to manufacture and sell visible parts of automobiles, i.e. the bodies, external lights, mirrors or car glasses… The proposal does not apply to other parts such as an engine or the gearbox.

"The proposal represents a sustainable balance of interests between automobile manufacturers, independent car part manufacturers, consumers and insurance companies," said Frits Bolkenstein, the Commissioner for the Internal Market.

Up until now, it was applicable that the automobile manufacturers and their parts suppliers had a significant monopoly power in the market of visible spare parts. This is true because in 16 member states, they were able to prohibit others from producing such parts according to the design protection rules. Only 9 members (Belgium, Ireland, Italy, Luxembourg, the Netherlands, Spain, the United Kingdom, Hungary and Latvia) permitted independent producers to deliver spare automotive parts to the market. This is also the reason why the prices of these parts are lower by 6 to 10 percent in these countries. Therefore, this liberalisation will result in a decrease in the price of these parts, Commissioner Frits Bolkenstein believes.

In addition, the Directive only applies to the replacement of the visible parts damaged by an accident. Automobile manufacturers will retain the exclusive right to the parts for new vehicles, which, the Commission believes, will be sufficient for ensuring payback of the investments made in the development of vehicles.

This proposal provoked strong opposition from automobile manufacturers who argue by pointing out the necessity to dismiss their employees, the loss of income to the benefit of Asian competitors and a decrease in the competitiveness of one of the most important European industrial sectors. Their representatives also warn that approval of the proposal would result in a loss of jobs and if poor-quality parts were installed in the automobiles, the lives of customers would be put at risk. France and Germany, in particular, are the main critics of the proposal.

However, Bolkenstein emphasises that even if some jobs were lost, many more job opportunities will come into being in small and medium-sized enterprises, which will be given the opportunity to manufacture automotive parts not only for European but also for foreign automobiles. In addition to this, the hitherto fragmentised regime would be harmonised, which is beneficial for the single internal market of the EU.

The amended Directive will come into effect two years after its final approval. After the Commission's decision, the Directive is referred to the EU Council of Ministers and to the European Parliament where it will be the subject of equally emotional battles. Even if it were finally approved, it would chiefly change the situation in the hitherto closed markets of the largest economies of Germany and France.

http://europa.eu.int/rapid/pressReleasesAction.do?reference=IP/04/1101

CNB: Dozens of European Banks are Heading for the Czech Market

The easement of conditions after accession to the European Union has attracted a number of European banks, chiefly British banks, to the Czech Republic. Most of them want to provide services without opening a branch office in the country. Pavel Racocha, a member of the Banking Board of the Czech National Bank, stated this in an interview for the Czech Press Agency, mentioning the London-based HSBC Bank, J. P. Morgan, Goldman Sachs and Merrill Lynch as examples.

Conversely, banks that would want to open branch offices in the country are not very eager to enter the country. Only two Austrian financial institutions have notified the CNB of their entry as of this date: Privat Bank, which is a part of Raiffeisenlandesbank Oberösterreich, and Oberbank, which bought the branch office of Sparkasse Mühlviertler West in České Budějovice. According to Racocha, their number will not increase significantly because it is costly to build up a branch network and, in addition, there is no longer room for this on the Czech market.

After accession to the EU, new rules apply; any bank from the Union countries can provide services in the Czech Republic without having to undergo a lengthy licence procedure from the CNB. "38 European banks notified the CNB of their intention to offer services on the Czech market without opening a branch office," said Racocha, adding that

such banks, however, cannot “do business on an ongoing basis” in the country.

Thus, 15 British banks, which followed eight banks from Germany and Austria, three from France and Ireland and one from Hungary, can now offer services in the CR. “They are institutions dealing in Czech crowns and Czech securities but they were not represented here,” said Racocha.

In his opinion, the said institutions will offer investment services in the country, rather than providing loans or accepting deposits. Société Générale, the French company owning Komerční banka, also wants to provide services in the Czech Republic on its own behalf.

According to Racocha, any increased competition in the market is beneficial but no marked changes for retail clients can be expected. Also, the decrease in the fees for normal banking services that was expected by experts to occur as a result of increased competition is nowhere to be seen and will not be, for some time yet.

EC Wants to Open the Military Contract Market to European Competition

The European Commission took the first step towards transforming the sphere of military contracts, which has been carefully guarded by the member states up until now, into an open Union market where the rules of a public tender and international competition would allow better fulfilment of the needs of national armies. This follows from the newly published Green Book.

The total military expenses of the EU countries amount to around EUR 160 billion per year and represent approximately 1.7% of the Union’s GDP. European legislation does not provide for application of the common rules of economic competition to the delivery of goods, works and services, which are sensitive with respect to national security. The states also usually procure all the equipment for their soldiers according to national legislation from domestic suppliers, without taking advantage of the benefits of international competition at least when buying goods and services, which are not closely related to national security.

According to the Commission, these barriers hinder the competitiveness of the European arms factories, especially small and medium-sized enterprises, which cannot gain a position in another member state. Frits Bolkenstein, the Commissioner for the Internal Market and the author of the proposal, admits that the general competition rules cannot be applied to weapons and other items sensitive with respect to national security but he thinks that there should be no problem with, for instance, contracts for military boots or food for military kitchens. Bolkenstein believes that member states as well as European enterprises would benefit from the competition.

Therefore, the EC proposes to specify the dividing line between purely military goods and goods for dual use, military and civilian, where the common rules of economic competition could be applied.

The member states are allowed four months to comment on the EC’s proposal; the results of the consultations should also determine whether the Commission will draft the directive with the common rules for public procurement so as to include the defence sphere, as well.

http://europa.eu.int/rapid/pressReleasesAction.do?reference=IP/04/1133

EMPLOYMENT AND SOCIAL POLICY

Commission Proposes Revising the Working Time Directive

After extensive pan-European discussions, the Commission adopted a proposal for updating the basic aspects of the Working Time Directive. It decided to make the Directive more stringent but to retain the possibility of exceptions to the forty-eight-hour working week.

“The result is a well-balanced proposal, which guarantees the protection of health and safety of employees as well as the competitiveness of enterprises,” stressed Stavros Dimas, the Commissioner for Social Affairs. It still generally applies that an employee in the EU may work for a maximum of 48 hours per week, including overtime, as defined by the Directive of 1993. However, the United Kingdom gained an exception that an employee may work even more, if the employee himself or herself voluntarily waives the right to the forty-eight-hour working week. Similar procedures have spread to other member countries.

Individual exceptions to the 48-hour working week would still be possible but they would be subject to more stringent conditions that would prevent their misuse. The member states would be permitted to prolong the reference period used for calculating the maximum 48-hour working week from 4 months to 1 year, which is favourable for the enterprises. The time that would be spent in duty but not in the working process would not be included in the working time. Compensatory time off would be assigned within 72 hours.

The proposal states that the member states can introduce measures at the national level for the application of individual exceptions to the 48-hour limit.

The conditions which need to be complied with if there is an agreement between an employer and an employee are now

In its investigation, the European Court of Auditors discovered that more than EUR 3 billion were paid as agricultural assistance in conflict with the rules in the period from 1971 to 2002. Only 17% have been recovered from this amount as of this date. The German and Italian farmers are those most at fault. The hitherto firmly joined pair of candidates, Bulgaria and Romania, may be divided, some European MPs hinted. While Bulgaria has concluded the negotiation chapters, Romania still has three chapters open.

clearer. For example, it will not be permitted to make a new employee sign an agreement on voluntary non-compliance with the working time limits concurrently with signing the employment contract. It will not be possible to use the exceptions to circumvent the limits and rules defined in the corporate collective agreement or in the sectoral agreements between trade unions and entrepreneurs. The total time at work per week should not exceed the maximum of 65 hours per week even in the case of exceptions.

The European Commission also decided that the working time would not include the time when an employee must be present at the workplace or must be reachable by telephone but does not actually work during that time. Compensation for such stand-by duty is to consist in the mandatory rest within the following 72 hours.

http://europa.eu.int/rapid/pressReleasesAction.do?reference=IP/04/1129

ENERGY AND TRANSPORT

How new is the new nuclear package?

The “nuclear package” proposed by Loyola de Palacio, the Commissioner for Energy, has recently been one of the most controversial proposals in the energy legislation. While the Commission is trying to introduce a common European policy for the issues of nuclear safety standards and nuclear waste liquidation standards, the member states defend their power in this sphere and jealously guard the national responsibilities. However, the enlargement of the EU brought in new member states with lower safety standards and this is why the European Commission believes that nuclear safety cannot be addressed in purely national terms.

The first proposals in this sphere were presented by the Commission as early as in 2002; however, thanks to opposition from some members (the United Kingdom, Germany, Sweden and Finland) and the European Parliament, the Commission revised them.

The current proposal is a version based on a compromise; the European Commission will have a weaker role mainly in the area of nuclear safety but the Directive will be binding for all member states.

<u>Main Points of the Nuclear Safety Directive</u>

- Subsidiarity – this point responds to the concerns of the member states about excessive interventions by the Commission in national power by stating that the responsibility for nuclear safety is jointly shared by the national authority and the operator.
- Reserves for liquidation – the member states will no longer have the obligation to maintain securely kept purpose-specific financial funds earmarked for the liquidation of nuclear power plants. This proposal met with strong opposition especially in Germany. However, the Directive provides the obligation “to ensure that adequate financial funds are available”.
- National Regulatory Committee – the Commission proposes setting up a regulatory committee, which will be composed of national regulatory authorities and which will be chaired by a representative of the European Commission. This committee will define the guidelines for presenting and evaluating national reports.

<u>Main Points of the Nuclear Waste Management Directive</u>

- Programmes for eliminating waste - the new proposal no longer states the deep geological removal of waste as a legal requirement. However, it requests the member states to give priority to this method, if possible.
- Time schedule – the member states will have to propose long-term national programmes for the liquidation of radioactive waste; however, the original policy of an accurately defined time schedule was abandoned.

In the EU Council, eight member states (the United Kingdom, Germany, Sweden, Finland, Lithuania, Slovakia, the Czech Republic and Hungary) opposed this proposal, arguing that this would not lead to actual improvement of nuclear safety.

It is still unclear whether the “nuclear package” will be included in the agenda of the EU Council as early as the meeting of the EU Council on energy issues scheduled for 29 November.

http://europa.eu.int/rapid/pressReleasesAction.do?reference=IP/04/1080

AGRICULTURE AND FISHERIES

More than 3 bn EUR Paid Incorrectly

In its investigation, the European Court of Auditors discovered that a great amount of agricultural assistance from the European Union's funds had been paid in conflict with the rules. This involves more than 3 billion Euros over the analysed period from 1971 to 2002. Only 17%, i.e. 537 million Euros, was recovered from this sum; the most difficult incorrectly paid money to recover is money paid to Italian and German farmers. Another 8% (250 million Euros) of incorrectly paid money was written off to the debit of the European Community or individual states. The remaining three quarters of the money remains unresolved.

The export subsidies in the sector of fruit and vegetables, which compensate European farmers for sales at lower global prices, represent more than one half of the incorrectly paid sum. The Court of Auditors proposes improving the financial management and consequently the reputation of the Union through a series of measures, ranging from better notification of the European Commission to the creation of a "black list", on which every company suspected of embezzling more than EUR 100,000 would be registered. However, the auditors admit that the proposals often remain only on paper.

http://www.eca.eu.int/audit_reports/special_reports/docs/2004/nirs03en.pdf

Palas Promises Higher Direct Payments

At its meeting on the state budget for the next year, the government added half a billion crowns to the Ministry of Agriculture, in spite of the need to economise. This amount will make it possible to raise the direct payments to farmers, just as this year, to 48% of the level of the former European Fifteen. Using approximately another 500 million from extra-budgetary sources, these key subsidies should rise to around 50%. However, the farmers are not satisfied – this is ten percent less than what was promised after the negotiations in Copenhagen.

According to Mr. Palas, the Czech Minister of Agriculture, approximately 2.5 billion crowns would be needed to raise the 30 percent direct payments from the EU to the 60 percent level agreed in the accession negotiations. In his opinion, reaching such an increase is unrealistic at present.

RESEARCH

Corrective Measures to Improve the Instruments of the 6th Framework Programme

The medium-term "Marimon's Report" evaluating the strengths and weaknesses of the new instruments (the excellence network and integrated projects) of the Sixth Framework Programme was presented at the EU Council meeting on competitiveness as early as the beginning of July. The report primarily pointed out the fact that the new instruments are not very "friendly" towards small enterprises and that it is necessary to specify in greater detail what the objectives of the new instruments actually are.

- Clarification of the objectives of the new instruments: The Commission admits that the objectives of the new instruments have not been defined with sufficient clarity. Therefore, the Commission intends to issue a "summarisation table" by the end of November where the specific objective, the envisioned scope of effect, the extent of the activities to be funded and the applied financial mechanism will be specified for each instrument.
- The project size and "critical amount": The European Commission has already issued a corrective measure explaining these two terms. The note: "Read this first" was proposed and inserted into the guidebook for applicants. Specific examples of excellence networks and integrated projects will also be available.
- Small and medium-sized enterprises (SME) and participation of industry: The Commission admits that the excellence networks are not much focused on the SME sector and the industrial sectors. However, it mentions the possibility that the representatives of SME and industry can join the Steering Committees, which provide advice on the implementation of the networks. The Commission also believes that now that the "size" of the projects has been explained, the integrated projects will attract more of the small organisations.
- Increased flexibility for applicants: The Commission rejects recommendations that would allow scientists to define their own specific research objectives and choose their own instruments. This would diminish the value of the European research support, the EC believes.
- Evaluation procedure: The European Commission is reluctant to adopt the proposed two-stage evaluation procedure. According to the Commission's experience,

After several years of a temporary ban, the EU Council for Competitiveness decided to adopt a permanent ban on the use of some chemical substances (known as phthalates) in toys for children. International fraudsters will have a new opponent. The European Commission are presenting the Action Plan for Combating Fraud for the period 2004 and 2005. The document includes a proposal for setting up the position of a European Public Prosecutor, who will be responsible for protecting the Union's financial interests.

this method would result in longer delays in processing the grant applications and in a higher workload.

- Costs to applicants and administrative obstacles: The Commission believes that the difficulties associated with the implementation of the new instruments could be mitigated by the users studying the instruments more closely. In addition to this, some corrective measures to simplify the submission of proposals have already been adopted.

In the implementation of the Sixth Framework Programme (FP6), the European Commission can only make those changes which are in accordance with the existing legal framework. Changes requiring a change in the legal framework can only be incorporated into the new Seventh Framework Programme (FP7). The corrective measures that will still be implemented within the FP6 will be incorporated at the end of 2004, with most of them being incorporated by October. The remaining measures will be in the proposal for the new FP7, which is expected to be adopted in 2005.

http://dbs.cordis.lu/fep-cgi/srchidadb?ACTION=D&SESSION=229332004-9-14&DOC=8&TBL=EN_NEWS&RCN=EN_RCN_ID:22599

ENLARGEMENT

Negotiations with Bulgaria and Romania may be Divided

Romania fell behind schedule on its journey to the European Union and it is possible that Bucharest will not manage to conclude all the negotiation chapters by the end of 2004, as originally planned.

Depending on the delay, the EU may decide that the accession processes for Romania and Bulgaria will be separated.

However, these concerns were slightly alleviated by Günther Verheugen, the Commissioner for Enlargement, when he told the Foreign Affairs Committee of the European Parliament that if the Commission did not conclude negotiations with Romania by the end of the year, it would be no catastrophe and it would still be possible to conclude everything in time for its accession upon 1 January 2007.

At present, there are three chapters that Romania has not yet concluded: justice and interior affairs, the environment and economic competition. However, Bulgaria concluded all the negotiation chapters as early as June of this year.

Up to now, both countries had been expected to accede jointly to the EU in January 2007. However, in light of the Romanian delay, some European MPs raised the question whether it would be appropriate to conduct the accession processes separately for the two countries. An indication of this possible step could appear as early as in the October assessment report on the progress of the two countries on their journey to accession to the EU.

EXTERNAL RELATIONSHIPS

Bush or Kerry: What would it mean for the EU?

The top advisors of George Bush, the American president, and John Kerry, his challenger, debated about what possible impacts the election of their chief to the office of President of the United States of America might have on political and economic relations with Europe.

"There are three major issues in this presidential campaign: the war against terror, the war in Iraq and economy, especially as concerns the number of job opportunities and the progress in creating them," said Charles Black, advisor to President Bush.

In his opinion, the re-election of George Bush as President of the United States of America would mean the continuation of the existing American policy; in this context, he stressed the following consequences for Europe:

- closer co-operation with the European partners in the issue of Iranian nuclear weapons;
- greater involvement of the EU in the Middle East conflict;
- more free trade and successful implementation of the results of the Qatar round of WTO negotiations;

- few changes can be expected in the economic competition policy; it is probable that the controversial Foreign Sales Co-operation Law will be repealed by the end of the year;
- European subsidies for air industry will become a hot issue;
- no changes in the environmental policy.

If the Americans elect John Kerry, the Democratic candidate, as their president, emphasis will be placed on a new diplomacy based on co-operation, not on unilateralism, says Scott Pastrick, an advisor to John Kerry. He says that Kerry will be “culturally sensitive” to Europe and is a supporter of a strong Europe. Pastrick stated these Kerry’s wishes:

- to form a strong partnership in the fight against terrorism and to share decision-making on future interventions;
- to shift the tax burden from the middle class to the upper class and to focus on tax allowances given to offshore companies;
- to combine free trade with fair trade through a revision of the existing business partnership during his first 120 days in office so as to respect occupational and environmental standards.

However, Charles Black, Bush’s advisor, says that no radical change in the American policy will take place regardless of who is elected because Republicans have the majority of votes in the Senate as well as in the Congress.

JUSTICE AND HOME AFFAIRS

European Prosecutor for Combating Major International Fraud

Last year’s scandal in the Eurostat statistical office caused the European Commission to revise the policy of combating fraud. In February 2004, the Commission proposed new rules, which made the work of the European Anti-Fraud Office (OLAF) more effective. In early September, the Commission also presented a series of measures to escalate the fight against fraud in the European Union. These measures include an action plan for the period 2004-2005 and a draft proposal for a regulation on administrative co-operation with the member states and the authorities engaged in combating fraud at a national level.

The action plan will focus mainly on the following:

- enhancing the operational effectiveness of the OLAF and extending the role of the supervisory committee;
- improving the information exchange between OLAF and European institutions as well as between the Commission and the member states;
- introducing the position of a European Public Prosecutor, who will be responsible for protecting the financial interests of the European Union.

The draft proposal of the regulation on administrative co-operation covers extensive international fraud concerning Value Added Tax (with minimum damage of EUR 500,000), money laundering as well as misuse of the funds and subsidies from the European budget. It imposes a new obligation on the national authorities for the fight against fraud in the member states as concerns co-operation in investigation:

- information must be provided within a period of six weeks at the request of the investigation body from another member state;
- persons, goods and means of transport may be under surveillance;
- administrative questions must be answered promptly while the questioner waits.

In addition, an information exchange system will be implemented in the area of VAT for the purpose of enabling the Commission to keep track of administrative or legal proceedings and to prepare high-quality reports. The White Book on setting up the office of a European Prosecutor will be presented next year.

http://europa.eu.int/rapid/pressReleasesAction.do?reference=IP/04/1057

http://europa.eu.int/rapid/pressReleasesAction.do?reference=IP/04/1056

HEALTH AND CONSUMER PROTECTION

Ministers Agree with Restriction on Chemicals in Toys

The EU Council for Competitiveness (the Ministers responsible for industry, science and the internal market are in this body) have unanimously agreed to ban certain chemical substances used in toys for small children.

Concerns that toxic chemicals have a negative effect on small children when they chew plastic toys caused the European Commission to issue a temporary ban on chemical softeners, known as phthalates, as early as 1999

and since then the three-month ban has been regularly renewed.

Phthalates are used to soften PVC for the production of some plastic toys and they are generally thought to be harmful to human health, especially to the reproductive system, and to increase the risk of allergies, asthma and cancer.

The ban will apply to the phthalates of types DEHP, DBP and BBP in all articles intended for children, regardless of their age, if their concentration is higher than 0.1%. The use of another three phthalates (DINP, DIDP and DNOP) is also forbidden in toys for children over three years of age if their concentration exceeds 0.1% and if the toys can be placed in the children's mouths.

The Ministers of the member states also stated that they had adopted the decision on the basis of a preventive principle and may revise the decision in light of new scientific knowledge.

The PVC producers sharply opposed the ban on phthalates, stating that the standard methods of risk assessment were ignored and that the preventive principle had been misused. Together with their lawyers, they are now considering whether they will take legal steps and file an appeal with the European Court of Justice.

In order for the ban to come into legal effect, it still has to be approved by the European Parliament.

http://ue.eu.int/ueDocs/cms_Data/docs/pressData/en/intm/82067.pdf

ENVIRONMENT

LIFE+ Programme for the Improvement of Implementation and Communication

The new LIFE+ financial instrument with a total budget of EUR 2.19 billion (more than 300 million Euros per year) for the period 2007-2013 will focus on improved implementation, management and communication of the environmental policies.

The projects funded within this initiative will support the priorities defined in the Sixth Environment Action Programme.

The European Commission wants the LIFE+ programme to focus on the two following areas:

- Implementation and Governance – this objective is to consolidate the knowledge base and help Member States achieve better and quicker results in applying EU environment policy;
- Information and Communication – the objective is to raise environmental awareness and share the best practices; this would include support for events such as the successful EU Mobility Week.

The proposal will notably streamline procedures to obtain funding, thus enabling the European Commission to respond quickly to new emerging issues. The funding will be available to administrations at all levels, NGOs, environmental stakeholders and others

http://europa.eu.int/rapid/pressReleasesAction.do?reference=IP/04/1152

From among the less important events it is worth mentioning that the “Dialogue with Citizens” portal was put into operation; this portal is to provide all EU citizens with better access to information. The sector of small and medium-sized enterprises might be interested in the strategy of the future focus of the Directorate General for Enterprise. The hearing of the new members of the European Commission appointed for the period from 2004 to 2009 in the European Parliament is certainly also worthy of attention.

1 SEPTEMBER

Second interim evaluation of the Culture 2000 Framework Programme: http://www.europa.eu.int/comm/culture/eac/sources_info/evaluation/evaluation_en.html

Research and technological development activities of the European Union 2003 - Annual Report: http://www.europa.eu.int/comm/research/reports/2003/index_en.html

Euro-zone unemployment stable at 9.0 %: http://epp.eurostat.cec.eu.int/cache/ITY_PUBLIC/3-01092004-AP/EN/3-01092004-AP-EN.PDF

2 SEPTEMBER

AGIS Programme - List of projects co-financed in 2004: http://www.europa.eu.int/comm/justice_home/funding/agis/funding_agis_en.htm

Industrial producer prices up by 0.4% in both euro-zone and EU25: http://epp.eurostat.cec.eu.int/cache/ITY_PUBLIC/3-01092004-AP/EN/3-01092004-AP-EN.PDF

3 SEPTEMBER

General terms and conditions for low-value contracts: http://www.europa.eu.int/comm/budget/pdf/infos/achats/conditions_generales_EN.pdf

DG Enterprise 2003 Annual Activity Report: http://www.europa.eu.int/comm/dgs/enterprise/activit_goals_en.htm

Volume of retail trade up by 1.1 % in euro-zone: http://epp.eurostat.cec.eu.int/cache/ITY_PUBLIC/4-03092004-AP/EN/4-03092004-AP-EN.PDF

6 SEPTEMBER

Evaluation of EU Activities - A Practical Guide for Commission Services: http://www.europa.eu.int/comm/budget/evaluation/Key_documents/evalguides_en.htm

EU-ASEAN Trade and Investment initiative makes headway: http://www.europa.eu.int/comm/trade/issues/bilateral/regions/asem/pr050904_en.htm

7 SEPTEMBER

Single European Sky (SES) Web-site reformatted following adoption of SES legislation: http://www.europa.eu.int/comm/transport/air/single_sky/index_en.htm

Extended deadline and new languages for consultation process interaction: http://www.europa.eu.int/comm/enterprise/library/enterprise-europe/news-updates/2004/20040906.htm

Euro-zone GDP up by 0.5 %, EU25 GDP up by 0.6 %: http://epp.eurostat.cec.eu.int/cache/ITY_PUBLIC/2-07092004-AP/EN/2-07092004-AP-EN.PDF

8 SEPTEMBER

Commission public consultation on the EU's Sustainable Development Strategy (SDS): http://www.europa.eu.int/comm/enterprise/library/enterprise-europe/news-updates/2004/20040907.htm

EuropeAid Cooperation Office: Asia-Link - fact sheets on funded projects: http://www.europa.eu.int/comm/europeaid/projects/asia-link/fundedprojects02.htm

Commission launches new portal giving all citizens of the enlarged EU access to better information on their rights: http://www.europa.eu.int/citizensrights/

European Agency for Safety and Health at Work - Violence and other health risks in the education sector: http://agency.osha.eu.int/news/press_releases/en/06_09_2004/index.htm

9 SEPTEMBER

EuropeAid Cooperation Office: Evaluation of sectoral policies related to aid programmes: http://www.europa.eu.int/comm/europeaid/evaluation/program/sectorrep.htm

Economic Partnership Agreement - beginning of trade and development negotiations with the Pacific region: http://www.europa.eu.int/comm/trade/issues/bilateral/regions/acp/pr080904_en.htm

EU Tax Survey highlights need for single EU-wide corporate tax base and VAT one-stop shop system: http://www.europa.eu.int/comm/taxation_customs/publications/working_doc/working_doc.htm

10 SEPTEMBER

Memorandum to the Commission on the 2004 Work Programme for Grants: http://www.europa.eu.int/comm/economy_finance/tenders/work_program_en.htm

EU blueprint for Security Research programme: http://www.europa.eu.int/comm/research/press/2004/pr0909en.cfm

Diary

Employment rate in the EU25 was 63.0% in 2003: http://epp.eurostat.cec.eu.int/cache/ITY_PUBLIC/3-10092004-AP/EN/3-10092004-AP-EN.PDF

13 SEPTEMBER

Commission publishes impact of the past 10 editions of the European Tech Investment Forum: http://europa.eu.int/information_society/newsroom/cf/itemlongdetail.cfm?item_id=1313

14 SEPTEMBER

General Affairs Council meeting, External Relations Council meeting: http://ue.eu.int/ueDocs/cms_Data/docs/pressData/en/gena/81896.pdf

http://ue.eu.int/ueDocs/cms_Data/docs/pressData/en/gena/81897.pdf

How to complain to the Ombudsman - an updated version including complaint form: http://www.euro-ombudsman.eu.int/media/cs/default.htm

15 SEPTEMBER

Economic Papers - Determinants of European cross-border mergers and acquisitions: http://www.europa.eu.int/comm/economy_finance/publications/economic_papers/economicpapers212_en.htm

New and Renewable Energies "RE Campaign for Take-Off: Sharing Skills and Achievements": http://www.europa.eu.int/comm/energy/res/campaign_for_take_off/index_en.htm

Commission updates and consolidates existing guidelines for the INTERREG III Community Initiative: http://www.europa.eu.int/comm/regional_policy/sources/docoffic/official/guidelines/index_en.htm

Consultation on the "Recast of the Sixth VAT Directive" (77/388/EC): http://www.europa.eu.int/comm/taxation_customs/taxation/consultations/recast_6th/recast_6th_en.htm

16 SEPTEMBER

Investiture Procedure of the 2004-2009 Commission - Hearings of the Commissioners Designate: http://www.europarl.eu.int/hearings/commission/2004_comm/default_en.htm

Corporate governance - Commission consults on shareholders’ rights: http://www.europa.eu.int/comm/internal_market/company/shareholders/index_en.htm

Euro-zone annual inflation stable at 2.3 %: http://epp.eurostat.cec.eu.int/cache/ITY_PUBLIC/2-16092004-AP/EN/2-16092004-AP-EN.PDF

17 SEPTEMBER

Corporate Tax - consultation on taxation as a barrier for expanding SMEs: http://www.europa.eu.int/comm/enterprise/library/enterprise-europe/news-updates/2004/20040916_b.htm

Industrial production up by 0.4% in euro-zone: http://epp.eurostat.cec.eu.int/cache/ITY_PUBLIC/4-17092004-AP/EN/4-17092004-AP-EN.PDF

20 SEPTEMBER

Sustainable Energy Systems - new brochures: http://www.europa.eu.int/comm/research/energy/nn/nn_pu/article_1078_en.htm

21 SEPTEMBER

European Foundation for the Improvement of Living and Working Conditions: Long working hours undermine good working conditions across the EU: http://www.eurofound.eu.int/newsroom/archive_pressrelease/pressrel_040915.htm

22 SEPTEMBER

Ageing populations will cause increase in income inequality and poverty in the EU: http://www.europa.eu.int/comm/employment_social/news/2004/sep/lisbon_en.htm

Success stories in EU trade-related assistance: http://www.europa.eu.int/comm/trade/issues/global/development/pr210904_en.htm

Results of on-line consultation on blocking lost and stolen payment cards (Card Stop Europe): http://www.europa.eu.int/comm/internal_market/payments/fraud/cardstopeurope/index_en.htm#consultation

23 SEPTEMBER

Deepening EU-China relations in industry: http://www.europa.eu.int/comm/enterprise/library/enterprise-europe/news-updates/2004/20040922_a.htm

24 SEPTEMBER

Commission supports implementation of EU-Mexico Free Trade Agreement: http://www.europa.eu.int/comm/trade/issues/bilateral/countries/mexico/pr230904_en.htm

27 SEPTEMBER

Competitiveness (Internal Market, Industry and Research) Council Meeting:
http://ue.eu.int/ueDocs/cms_Data/docs/pressData/en/intm/82067.pdf

Inland Waterway Transport - Prospects of Inland Navigation in an Enlarged Europe – Final Report:
http://www.europa.eu.int/comm/transport/iw/prospects_en.htm

28 SEPTEMBER

GALILEO - strengthening of the cooperation between the European Union and the Mediterranean Countries:
http://www.europa.eu.int/comm/external_relations/euromed/news/ip04_1146.htm

Mobile telephony on a par with households, and broadband connections double:
http://europa.eu.int/information_society/newsroom/cf/itemlongdetail.cfm?item_id=1347

29 SEPTEMBER

Marco Polo Programme - Commission supporting projects to transfer freight off roads:
http://www.europa.eu.int/comm/transport/marcopolo/projects/index_en.htm

ARGO - new action programme in the fields of asylum, visas, immigration and external borders:
http://www.europa.eu.int/comm/justice_home/funding/argo/funding_argo_en.htm

Switzerland and Europol united in fight against organised crime:
http://www.europol.eu.int/index.asp?page=news&news=pr040924.htm

30 SEPTEMBER

European Commission simplifies funding of external assistance:
http://www.europa.eu.int/comm/external_relations/reform/intro/ip04_1151.htm

EU presents completed offer to Mercosur in continuing trade talks:
http://www.europa.eu.int/comm/trade/issues/bilateral/regions/mercosur/pr290904_en.htm

In 1996, Germany was considered to be a model example of monetary policy and an advocate of stringent fiscal discipline. It was held that in the then future Economic and Monetary Union (EMU), Germany would play the role of an exemplarily stable link, which will not mean a major risk for the environment of the EMU, as opposed to certain other members (Italy and Portugal were often mentioned in this context at that time).

PROPOSAL OF THE COMMISSION FOR REFORMING THE RULES OF THE STABILITY AND GROWTH PACT

In 1996, Germany was considered to be a model example of monetary policy and an advocate of stringent fiscal discipline. It was held that in the then future Economic and Monetary Union (EMU), Germany would play the role of an exemplarily stable link, which will not mean a major risk for the environment of the EMU, as opposed to certain other members (Italy and Portugal were often mentioned in this context at that time). As a guarantee that the risk arising from one of the weaker links does not result in weakening the entire EMU environment, the Stability and Growth Pact was adopted on the basis of a German proposal in the said year and this Pact actually represented a commitment to systematically maintain fiscal discipline even in the EMU.

Who could have imagined at that time that after eight years from the said date, Germany would be one of the weakest links of the EMU with respect to the maintenance of long-term fiscal stability as well as one of the serious initiators of an easement of the original specifications of the Stability and Growth Pact, which had been proposed by Germany itself?

If we imagined a smaller and weaker member state in the current role of Germany and if Germany were complying reliably with its obligations as defined in the Stability and Growth Pact, we would probably hardly ever see any changes in the defined rules of the game being considered seriously. Germany, probably together with the relevant worksites of the European Commission and with the support of the European Central Bank, would most likely "see to it" that the fiscally undisciplined small member "ensures improvement" as soon as possible or otherwise the member "will see what happens".

However, since it is the large and strong (even if economically declining) Germany with a strong influence on the other members and institutions of the European Union, changes in the Stability and Growth Pact are being discussed seriously and earnestly eight years after their definition and less than six years after their application in practice. The European Commission's Directorate General for Economic and Financial Affairs discussed the reforms of the rules defined in the Pact this summer. What do these changes consist in?

The European Commission speaks of strengthening the role of the Pact; however, one can rather presume that more respect for the individual needs of each member state (probably meaning Germany or other large, currently problematic countries) is the point. The reform of the Pact's rules is to focus on the following four elements:

1) greater focus on the debt and sustainability and moderation of budgetary positions;

2) more respect for the specific needs of a member state when the medium-term goals of a budgetary position nearing a balance or a surplus are defined;

3) the economic matters and development should be considered when initiating the procedure if an excessive deficit occurs;

4) more timely actions should be ensured in the process of correcting inadequate budgetary development.

The definition of these priorities should consequently be reflected in the creation of a basis for the framework of budgetary coordination in the EU in a broader perspective. The European Commission puts this intention into context with the implementation of the Lisbon strategy. In a nutshell, the Commission's intention is roughly as follows: the economic and budgetary policies require that the correct priorities are defined in relation to economic reforms, innovations and competitiveness and that private investments and consumption are enhanced. In the opinion of the European Commission, this defined budgetary coordination should help to achieve the economic goals contained in the Lisbon strategy. Accordingly, the Commission also presumes that a higher recovery of the penalties for breach of the reformed rules of the Stability and Growth Pact would be achieved.

The whole matter is at the beginning now. The first analysis may give the impression that the individual measures may contradict one another, especially in the context of the related real practice (for example, the proposal of Sarkozy). On the one side, the member states are to be provided with greater autonomy in assessing their fiscal positions; on the other side, this enhanced autonomy is veiled in the harmonisation guise of enhanced fiscal coordination.

Expected events

In October, a number of EU Council meetings on various issues will take place. The Commission's assessment report, which is to be published in early October, will give a hint about the future policy of the Union to Turkey. According to the information of Reuters, the report is expected to be favourable. In late October, the European Parliament will approve the composition of the new European Commission. The MPs cannot vote on individual Commissioners; they will either approve or reject the Commission as a whole.

4.10.2004	**Luxembourg, Luxembourg**
- Employment, Social Affairs and Health Council	
5.10.2004	**Amsterdam, Netherlands**
- Informal Meeting of Ministers for European Affairs (on "Communicating Europe")	
6.10.2004	**Brussels, Belgium**
- European Commission will publish its assessment report on Turkey	
7.-8.10.2004	**Luxembourg, Luxembourg**
- Transport, Telecoms and Energy Council	
11.-12.10.2004	**Luxembourg, Luxembourg**
- External Affairs Council	
13.-14.10.2004	**Strasbourg, France**
- European Parliament Plenary Session	
14.10.2004	**Luxembourg, Luxembourg**
- Environment Council	
18.-19.10.2004	**Luxembourg, Luxembourg**
- Agriculture Council	
21.10.2004	**Luxembourg, Luxembourg**
- Ecofin Council	
25.-26.10.2004	**Luxembourg, Luxembourg**
- JHA Council	
25.-28.10.2004	**Strasbourg, France**
- European Parliament - Plenary Session - approval of the new Commission	
28.-29.10.2004	**Maastricht, Netherlands**
- Informal Meeting of Ministers for Development Cooperation	

Euro and the Economic and Monetary Union (EMU) represent the newest part of the first pillar of the EU. This area is currently rather marginal for the Czech Republic or, speaking precisely, the Czech Republic is not yet fully involved in it. We will yet have to wait for some time until Euro succeeds the Czech crown but the very fact of our membership in the EU means that we have certain obligations and commitments in the sphere of monetary integration, which are not fully visible at first sight but are very important.

MONETARY INTEGRATION OF THE EU: INSPIRATION FOR THE JOURNEY FROM THE CROWN TO THE EURO

Since May this year, the Czech Republic has been a firm part of the EU. We will have to wait for some time until the Euro succeeds the Czech crown but the very fact of our membership in the EU means that we have certain obligations and commitments in the sphere of monetary integration, which are not fully visible at the first sight but are very important. During the approximately five-year period which stands between the presence and our adoption of Euro, a gradual monetary integration should take place, which will be consummated by our membership in the third stage of the EMU, consisting in the irrevocable fixation of the exchange rate between the national currency and the Euro, the introduction of the Euro as legal tender in the Czech Republic and the adoption of the principles of the EU's common monetary policy.

With the accession to the Union, the Czech National Bank (just as the central banks of the other newly acceded members) has become a part of the European system of central banks, which represents a group of the central monetary authorities of all the EU member states. The powers of this system do not include defining the common monetary policy of the Union; however, it performs certain coordination and consultation activities in this area. On the first day of May this year, the Czech Republic (together with the other new members) became a part of the preparatory stage, referred to as the convergence stage of the Economic and Monetary Union. Unlike the United Kingdom or Denmark (and partly Sweden, too), the currently new members cannot choose whether they will join the Eurozone or not. The entire process of the accession of new members rather implicitly presumes that after the defined conditions for admission have been fulfilled, the new members will automatically join the Eurozone. In other words, it is impossible for the new member states to refuse to join the Eurozone for political reasons or because of concerns about "the loss of national sovereignty".

In the approximately five-year intermediate period of migration "from the Crown to the Euro", we still have to fulfil several very important tasks. The most important is to comply with the five key macroeconomic conditions, known as the Maastricht convergence criteria. Taking into account the current situation and the medium-term prospect as concerns compliance with these criteria by the Czech Republic, it can be said that the degree of compliance with these criteria on the part of the Czech Republic is high above the average in comparison with the other new members (and it is even high above the average in comparison with the current twelve members of the Eurozone). The inflation rate and the corresponding level of interest rates in the Czech Republic has been at a level fully corresponding to the monetarily healthy and disciplined economies of the Western Europe for a longer time. The exchange rate stability of the Czech crown on a longer-term basis is well known (as opposed to other countries, especially those of Central Europe), and so, with respect to compliance with the Maastricht criteria, the only bottleneck for the Czech Republic is the fiscal discipline.

Fiscal discipline has two dimensions in the set of the convergence criteria, of which one has not been complied with by the Czech Republic for several years and compliance with the second one could cease relatively very soon. The criterion which the Czech economy does not meet today is connected to the ratio of the consolidated deficit of public funds to the gross domestic product (GDP), which is now at least twice as high as the maximum permitted level. The second criterion, which could become unattainable in our case very soon, is the ratio of the state debt to the GDP. The specific level of this indicator is still relatively very low and a large majority of the countries of the current European Union might be envious of our degree of indebtedness. The problem is that the indebtedness of the Czech state, which was at an absolute minimum during the 1990s (in comparison with the core of the EU), has been rising steadily and uncontrollably during the last few years. And should this increase continue, it would have a single result after five or six years – the Czech Republic would cease to comply with the second of the five Maastricht convergence criteria. Compliance with these criteria will be carefully monitored and evaluated in the case of all new members (which is the content of the current convergence stage of the EMU) and the states that fail to meet the criteria will be notified by the European Commission, perhaps even in a not exactly tactful manner, of its opinion on the possibility of joining the Eurozone.

On the journey to adoption of the Euro, there is still one important institutional act waiting for us. It consists in joining the stabilisation exchange rate mechanism (known as ERM-2), designed for the currencies of those EU members who are temporarily outside the Eurozone. Membership in the ERM-2 is a part of the compliance with the above-mentioned

criterion of the exchange rate stability. The country which is joining the Eurozone must stay in this mechanism at least two years and must prove its exchange rate stability in it. In this area, the new member states have already divided into several groups, depending on their preferences as to how quickly they wish to join the Eurozone.

In late June 2004, three new EU members (Slovenia, Lithuania and Estonia) joined the ERM-2, and these countries would like to join the Eurozone itself in 2006. By that time, another group of countries (the Czech Republic, Hungary, Slovakia and probably Poland, too) will not yet have joined even the ERM-2. The Czech Republic is among the countries that would like to join the Eurozone at the relatively latest point in time. The reason is probably not only the current non-compliance with the criterion of the budget deficit to GDP ratio. Another reason may be the retention of a certain monetary and exchange-rate autonomy during the approximate five-year period.

In any case, it is highly probable that cash and non-cash transactions in Euros will be made available to us no sooner than in 2009, and the more realistic expectation is that this will come perhaps even several years later (provided that the Eurozone as a whole is not affected by a hardly expected centrifugal trend).

MONETARY COORDINATION IN THE EUROPEAN UNION; ROADS LEADING TO A SINGLE CURRENCY.

This passage is to emphasise that the road to the EMU and the Euro was not a simple road. First, there was only a theoretical idea here, discussed mostly in academic debates. It was not until later that this idea was transformed in a practically feasible concept, usable by the politicians of the European Communities at the end of the 1960s, but it was not followed through. It was not until another ten years that the need for monetary coordination in the European Community arose again and this resulted in a treaty on economic and monetary union signed in Maastricht. Only from this moment was it possible to speak about a "real start" of the preparations for the formation of a common currency, which did not have the present name at that time at all.

The key instrument of monetary integration prior to the current EMU was the European Monetary System (EMS), founded in 1979 and consisting of four parts:

1. stabilisation mechanism of foreign-exchange rates and interventions (Exchange-Rate Mechanism, ERM);
2. the existing ECU supranational monetary unit;
3. the European Monetary Institute, EMI (1994 – 1998), which succeeded the European Monetary Co-operation Fund (1973 – 1993);
4. a loan mechanism.

In the prevailing opinion of the European Union's institutions, the Economic and Monetary Union is a logical complement, accompaniment and consequence of the Single Internal Market and a crucial political milestone on the road to a unified Europe. According to the original ideas (from the early 1960s) and the current official proposals, the single European currency really succeeded the national currencies of those states which decided to join the EMU by the end of the 20th century. The introduction of a common European currency should also help the average EU citizen to realise his or her affiliation to the new European entity.

At the beginning of the entire endeavour towards monetary integration in Europe, there were rather warm-up, tentative and theoretical debates at the level of the EC institutions starting in the early 1960s.

The summit of the heads of states and governments of the member countries in The Hague in December 1969 prepared and outlined a phased plan for achieving an economic and monetary union. Based on this plan, the Werner report (named after the then Finance Minister and Prime Minister of Luxembourg) was prepared and published in 1970. This report supported and proposed the creation of an economic and monetary union in three stages during the forthcoming ten-year period. The feasibility of this plan can only be speculated upon because insufficient political will led to discontinuation and premature termination of the project.

European Monetary System

In July 1978, at the summit of the European Council in Bremen, a decision was made to set up a European Monetary System, which was launched in March of next year. The EMS combined the elements of the abandoned mechanism defined in the Werner report with the convergent approach. It represented a parallel between two interrelated factors:

(a) maintaining parity between currencies;

(b) ensuring economic convergence.

In June 1988, at the summit of the European Council in Hannover, the member countries set a goal: to study and propose "specific stages" leading to an economic and monetary union. As a result, the Delors Committee was set up and the Delors Report was prepared. Starting with the Hannover Summit, the road to the monetary union was a continuous road, meeting, with difficulty, all the time plans and obligations adopted since that summit. The real and critical load test, concluded with the deadlines and goals having

been successfully met, was on the agenda particularly in the years 1998-2002.

In June 1989, the summit of the European Council in Madrid defined the outlines, conditions and deadlines of the project leading to the introduction of a monetary union and a common currency. The process comprised several stages.

The first stage was started on 1 July 1990 when the member states prepared convergence programmes focused on the convergence and improvement of their economic performance. On the basis of compliance with and adherence to these programmes, it would be possible to establish a system of truly fixed foreign exchange rates of the EMS. The key idea of the Madrid Summit aimed at the EMU meant elaboration of the basic principles on which the EMS was based. When this idea was being implemented, the economic convergence of the EC or EU member countries was clearly enhanced but the trend of the exchange rate system, after an initial success, was opposite to that which was intended and expected – instead of heading for fixation, the system featured a strongly flexible arrangement (until the actual launch of the EMU).

The purpose of the first stage (Stage I) was to make the member states conceive (prepare) convergence programmes focused on the approximation and enhancement of economic performance. While this intention was fulfilled to a substantial degree, one of the intended supports of this convergence philosophy collapsed at the very beginning: the approximated and enhanced economic performance was to create opportunities and prerequisites for gradual approximation and ultimate complete fixation of the foreign exchange rates of the member countries' currencies. However, as early as at the beginning of the second half of Stage I, this goal was thwarted by the real trend, which necessitated a premature improvised modification of the chosen convergence procedure.

Maastricht Treaty.

The key milestone which made progress towards a single currency inevitable was the **Treaty on the European Union**, signed in Maastricht on 7 February 1992.

ECONOMIC AND MONETARY UNION (EMU) AND EURO; EFFECTS OF THE EMU

At the summit of the European Council in Madrid in 1995, the common European currency, which was being prepared, was given name – Euro – and a specific time schedule for its implementation in practice was defined. Along with this, the effects of introduction of the EMU and Euro started to be discussed intensively – the benefits, costs, potential and risks.

Stage II started on 1 January 1994 and it was also a transitional phase, during which the effort aimed at attaining economic convergence was intensified. The dominant part of this effort was the foundation of the European Monetary Institute, which was based in Frankfurt and was being continuously transformed into ECB. Its priority was to enhance the coordination of the monetary policies of the member states, to support the provisional use of the ECU and to pave the way for the creation of a European Central Bank in Stage III. This goal was achieved.

According to the Maastricht Treaty, **Stage III** could have begun even before 1 January 1997 in the most optimistic case; in a fairly optimistic case, Stage III was to begin on 1 January 1997 and the treaty defined 1 January 1999 as the last possible starting date of Stage III. Reality showed that this last date of 1 January 1999 was eventually the only feasible one – and with many question marks.

At the beginning of Stage III, the ECB was founded.

The Euro Time Plan

The Euro Time Plan is based on the division of Stage III into phases A, B and C. In the first quarter of 1998, according to the actually achieved convergence (substantially influenced by political pressure, as well) measured at the end of 1997, the European Council specified 11 countries which were able to apply to join the EMU as of 1 January 1999.

Scenario

In the first quarter of 1998, according to the actually achieved convergence measured at the end of 1997, the European Council specified a group of countries which applied to join the EMU as of 1 January 1999. On 1 January 2001, Greece was the twelfth to join these countries.

The European Council adopted the transformation scenario drafted by the European Commission and the European Monetary Institute. The duration of the phase of dual currency circulation between 1 January 2002 and 1 July 2002 was criticised by a number of member countries particularly for the reason of technical and logistic obscurity. The adopted scenario envisioned that the national currencies must be withdrawn from circulation no later than by 1 July 2002. Nevertheless, the actual duration of this phase was a matter of subsidiarity and it was not ruled out that its duration could be shortened. This happened when the national currencies of the 12 EMU member countries were used in the form of cash for cash financial transactions for the last time.

In accordance with the outlined scenario, the phase of migration to a single currency took place between 1 January 1999 and 1 January 2002.

Table: Scenario confirmed by the summit of the European Council in December 1995

Time sequence	Contents	Responsibility	Phase
1 - 16 December 1995, Madrid, the European Council	definition of the time itinerary for completing the migration to a single currency	European Council	
November 1996	approval of national budgets for 1997, on which the EU member countries will prove their ability to join the EMU	national parliaments	
31 December 1996	definition of the rules, the organisational and logistic structure of the European Central Bank (ECB) and the European System of Central Banks (ESCB) for achieving their goals, preparation of the legislation concerning ECB/ESCB and introduction of a single currency	European Monetary Institute (EMI) European Commission, EMI, Council of EU	
1Q 1998, April 1998	decision on the participants of the 1st wave of the EMU	Council of EU	
3Q 1998	specification of the rules for relationships among the countries in the EMU and outside the EMU; production of Euro banknotes and Euro coins started;	ESCB, Council of EU and the member states	Phase A
1 January 1999	irrevocable fixation of the exchange rates of the currencies joining the EMU; the legislation applicable to the Euro (legal status, continuity of the concluded agreements, course of action, etc.) is to come into effect	Council of EU	Phase A
from 1 January 1999	definition and implementation of a single currency policy in Euros; settlement of foreign exchange transactions in Euros; implementation of the TARGET payment system; issue of new public debt instruments	ESCB EMU member states	Phase B
from 1 January 1999 to 1 January 2002	implementation of a dual currency regime, with a previously irrevocably fixed exchange rate for exchange between the existing national currencies and the Euro; monitoring the migration process in banking and financial sectors; assistance to the entire economy during the process of phase-by-phase migration	ESCB ESCB and the public institutions in member states	Phase B
1 January 2002 as the latest deadline	circulation of Euro banknotes was started and the national currency banknotes were withdrawn; circulation of Euro coins started and the national currency coins were withdrawn; completion of the process of migration to the EMU in public administration	ESCB member states	Phase C

General Impacts

The Euro succeeded the 12 currencies of the EMU member countries, which symbolically existed in cash form, i.e. as banknotes and coins, during a transitional period. The banknotes and coins of these national currencies, which were joined by Greece at the beginning of 2001, remained in circulation during the first two months of 2002 according to a modified original scenario. However, they were no longer full-fledged national currencies but only symbolic currencies – fixed and unchangeable, provisional and transitional expression of the Euro in the symbols of national currencies (in the official language of the EU institutions: they were non-decimal expressions of the Euro currency). Starting from March 2002, even these last remnants of national currency symbols were eliminated and the Euro started to dominate the monetary circulation in the EMU even in its cash form.

The conversion coefficients

national currency	FX rate to euro
DEM	1.95583
ATS	13.7603
FRF	6.55957
ITL	1936.27
ESP	166.386
NLG	2.20371
BEF	40.3399
LUF	40.3399
PTE	200.482
IEP	0.787564
FIM	5.94573

Starting upon the first day of 1999, the final values of the fixed conversion coefficients for the 11 EMU national currencies are given above. The value of the conversion coefficient applicable to the Greek drachma, which joined the EMU later on, was 340.750 GRD/EUR.

During the transitional period, the value of the EMU national currencies, whose number first amounted to 11 and then to 12, was expressed in relation to the Euro by means of fixed conversion coefficients. Their binding definition was published and came into effect on the first day of January 1999. As of the same date, the Euro simultaneously replaced the existing European Currency Unit (ECU), whose official commitments ceased to exist as of this day and were smoothly converted to the Euro at the rate of 1:1. The Euro is divided into 100 cents and is a fully convertible currency on all global foreign exchange and financial markets.

During the transitional period (from 1 January 1999 to 31 December 2001), the Euro was only used in non-cash form. The cash monetary circulation in the EMU was still ensured by the cash symbols of the 11 or, later on, 12 national currencies of the EMU member countries. However, these symbols no longer reflected any economic contents, and therefore the introduction of the cash Euro during the first two months of 2002 had a strong symbolic and often even emotive effect. However, this period did not bring any economic or monetary revolution whatsoever as of the said date (this revolution took place three years earlier). Thanks to the fixation of these 11 or 12 currencies to the Euro, these currencies were only fixed expressions of the Euro in the respective national currencies. Nevertheless, during the transitional period, there was a rule ("no prohibition, no coercion") that any economic organisation was absolutely free to decide whether it would carry out its financial transactions in Euros or in the symbols of one of the EMU national currencies.

However, some financial operations, referred to as official transactions (i.e. transactions that had something in common with the public sector) and clearing transactions in financial markets were carried out exclusively in Euros starting 1 January 1999. Specifically, the following transactions were concerned:

- transactions in inter-bank, foreign exchange and capital markets;
- all transactions of the European Central Bank and the European System of Central Banks;
- transactions within the national clearing systems of the EMU countries;
- the financial transactions of the EU institutions and certain national institutions of the EMU countries.

However, during the transitional period, non-cash payments in Euros made by private organisations were increasing on a voluntary basis at the expense of the symbols of the national currencies of the EMU countries. Euro banknotes and coins were put into circulation on 1 January 2002 and during the period of the following two months, they finally replaced the banknotes and coins of the national currencies of the EMU countries. All the banknotes and coins of the EMU countries' national currencies were withdrawn from circulation with final effect as of 28 February 2002. As of this date, the migration to the EMU and Euro was finally completed. Thereafter, it was possible to convert the remaining symbols of national currencies in commercial banks and, after a longer time, through the European System of Central Banks.

STABILITY OF THE EMU AND CONVERGENCE

It is certainly not easy to qualify for the EMU. For the countries, the EU member states which have the ambition of joining the EMU, this requires intensive long-term preparation. This preparation is evaluated according to the Maastricht criteria of macroeconomic convergence, which the country wishing to join the EMU must meet. In addition, there is the requirement for the independence of a central bank and there are other monetary conditions. Moreover, it is not enough to meet the macroeconomic convergence criteria on a one-off basis but it is necessary to maintain compliance with these criteria on a long-term basis. The healthy macroeconomic and fiscal development of the existing EMU members is evaluated according to the Growth and Stability Pact.

Convergence in the European Context

Convergence represents one of the few key concepts on which the European integration process is based, especially in the last stage. The instrument for achieving such convergence is the EU's cohesion policy. When the European Council summit, held in Maastricht in December 1991, decided that the project of introducing a common currency would be the continuation of economic integration, the cohesion policy in this area concentrated specifically on the formulation and subsequent implementation of a set of macroeconomic convergence criteria, which later started to be referred to as the Maastricht criteria.

Box: Maastricht Convergence Criteria

1: **The inflation criterion**: A country qualifies for the EMU if its inflation rate does not exceed the level of 1.5 percent above the average of the three countries with the lowest inflation rate.

2: **The interest rate criterion**: A country qualifies for the EMU if its long-term interest rates do not exceed the level of two percent above the average long-term interest rate in the three countries with the lowest inflation rate.

3: **The budget deficit criterion**: A country qualifies for the EMU if its budget deficit does not exceed 3% of its gross domestic product or if it proves a visible decrease in the amount of deficit towards the level of a 3% share in GDP.

4: **The public debt criterion**: A country qualifies for the EMU if its public debt does not exceed 60% of its gross domestic product or if it proves a visible decrease in the amount of the debt towards the level of a 60% share in GDP.

5: **The exchange rate stability criterion**: A country qualifies for the EMU if the country is a member of the exchange rate mechanism (ERM) at least two years prior to the decisive date and has not devalued the foreign exchange rate of its currency within this mechanism.

Proven Convergence in the Monitored Areas

During the period of the convergence effort, and especially during the last three years before the decisive date in December 1997, when the European Commission played a significant role in stimulating the member states to meet the Maastricht criteria (specifically in the period from May 1995 to December 1997, which was decisive for evaluation of the compliance with the criteria for the countries concerned), a marked improvement in compliance with these criteria was recorded.

Between December 1996 and December 1997, the average inflation rate of the EU countries dropped from 2.2% to 1.3%. All the EU member countries, except for Greece, recorded inflation rates equal to or lower than 2% and the standard deviation among these members, as a measure of convergence, decreased from 1.6% to 0.9% over the same period. At the same time, the long-term interest rates dropped throughout the EU when they reached the average level of around 5.5% at the end of the reference period in December 1997. In addition, the differences between the interest rates in a number of EU countries truly disappeared. It is interesting that even in the modified (not as exacting) exchange rate mechanism (ERM), the foreign exchange rates of the EU currencies remained stable. Especially during 1997, there was a marked improvement in the fiscal deficit criterion, the stumbling block in meeting the convergence criteria, though this improvement was not always the result of the application of completely correct methods. However, it is true that the fiscal deficits decreased in all the EU countries; in several of them, fiscal surpluses were even reported. It is indisputably a success that the average ratio of fiscal deficit to the GDP in all the EU countries dropped to 2.4% in December 1997, considering that this ratio was 4.2% one year earlier. In addition, for the first time in the 1990s, the ratio of public debt to the GDP was also reduced; and decreasing this ratio is an even more difficult task than decreasing the ratio of the deficit criterion. This improved the environment necessary for maintaining economic growth, which does not increase the inflation rate. The drawback of this effort was the average ratio of public debt to the GDP, which amounted to 72.1% in December 1997 (the limit defined by the criterion was exceeded by 12.1 percent). In addition, in three EU countries (Belgium, Italy and Greece), the debt criterion remained substantially higher than the said average.

Continued Need for Economic Discipline and the Growth and Stability Pact

In the context of the single-currency policy, it is, nevertheless, very important that the adaptation and convergence achieved in the period from 1991 to 1998 are *sustainable in the future and, if possible, on a continued basis*, that is, during the actual functioning of the monetary union. It is obvious that effective and longer-lasting stabilisation mechanisms of a structural nature will be needed in most of the countries joining the EMU.

The inadequate progress in structural adaptation will, for some time yet, onerously complicate the sustainable consolidation of public finances, which, however, will have to cope with very important challenges: the high levels of public debt and an ageing population. In combination with this challenge, however, the environment of a single currency and the EMU require additional and systematic consolidation of the public finance system. Its purpose is to reduce the public debt level in all the EMU members in the conceivable future down to a level of 60% of the GDP; that is, to the level defined in the Maastricht criteria. The need for progress in this area is by no means vague. On the contrary, the instrument for achieving such progress is the *Growth and Stability Pact*, whose wording will indicate to us that this is nothing more than the continuation of compliance with those Maastricht criteria which regulate fiscal discipline.

Non-compliance with the conditions for the stability of the EMU environment defined by the Pact is very severely

penalised. First, a warning is issued; for repeated non-compliance, penalties measured in the percentage of the GDP of the country concerned are imposed. The most severe penalty, i.e. the obligation to leave the EMU, is defined neither in the Maastricht Treaty nor in the Growth and Stability Pact.

Box: The rules of the Growth and Stability Pact

The Growth and Stability Pact is to lead to the achievement of a long-term state of fiscal budgets close to a balance or, in a better case, to a surplus.

The Stability Pact applies the general fiscal discipline criteria valid for the entire EMU; in addition, each country sets its medium-term national goals, which are usually even more demanding.

The need for the Growth and Stability Pact in this form is based on the fact that the budgetary rules and fiscal policy concepts have remained within the terms of reference of national states.

According to the rules, exceeding the 3% limit for the ratio of the fiscal budget deficit to the GDP is tolerable only if the economy concerned reports the specified year-on-year decrease in the GDP (greater than 2.0% or greater than 0.75%).

The EU member states are obliged to present :

- annual fiscal stability programmes (this applies to the EMU members)
- the convergence programmes (this applies to non-members of the EMU)

If an excessive deficit occurs, the penalising procedure is applied. In the first year, the EMU member state with an excessive deficit is required to deposit a non-interest-bearing sum amounting to 0.2% of its GDP + 1/10 of the difference between the actual ratio of the deficit to the GDP and the actual level. In the second year, the amount of the non-interest-bearing deposit can be increased up to the maximum of 0.5% of the GDP. And in the third year, the non-interest-bearing deposit turns into a penalty, if a correction has not been made.

Fiscal discipline and reduction of the public debt, which is eating away a significant part of the current budgetary expenses, are also important for the reason that they will make it possible to use the current budget incomes and expenses for a highly essential purpose, i.e. for correction of the cyclical failures in the economy. After the possibility of devaluing the foreign exchange rate disappeared and the interest rates became identical throughout the EMU, the fiscal policy has become the government's only instrument which will be able to encourage economic activity throughout the country and neutrally.

Box: Growth and Stability Pact and Stabilisation Programmes

According to the Growth and Stability Pact adopted by the EU Council in 1997, the member states are obliged "to maintain their budget positions close to a balance or in a surplus on a medium-term basis". This goal is deemed to be sufficient to "allow the member states to compensate the normal cyclical fluctuations, while maintaining the budget deficits within the limit defined by the reference level of 3% of the GDP. For the purpose of multilateral monitoring of the conditions of the Stability Pact, the member states are also required to present their stabilisation programmes (if the country is a member of the Eurozone) or their convergence programmes (if the country is a EU member which does not participate in the Eurozone) to the EU Council and the European Commission. These programmes provide the information necessary for evaluating the fiscal adaptation focused on achieving a position close to a balance or a surplus.

Information service

A number of interesting seminars, conferences and conventions, whose common denominator will be the European Community and its policies, will take place in October and November, as well. Those who are interested in the area of information technologies and telecommunications will have a treat this time. The conference on REACH (Registration, Evaluation, Authorisation and Restriction of Chemicals), the European chemical legislation, which is being prepared, is certainly worthy of attention as well.

Date	Place	Name and Characteristic
18.10.2004	Copenhagen, Denmark	Danish Society for Nature Conservation: 'New Chemicals law, new political landscape' (conference on REACH): http://www.dn.dk/sw21911.asp
18.-19.10.2004	Luxembourg, Luxembourg	EIPA Seminar: 'Prevention and Resolution of Cross-Border Disputes in Civil and Commercial Matters': http://www.eipa.nl/home/eipa.htm?http://www.eipa.nl/activities/04/ActivitiesLists_AWM/Open%20-%20EIPA_2.html&2
18.-19.10.2004	Maastricht, Netherlands	EIPA Seminar: Europe and the Internet: http://www.eipa.nl/home/eipa.htm?http://www.eipa.nl/activities/04/ActivitiesLists_AWM/Open%20-%20EIPA_2.html&2
20.10.2004	Brussels, Belgium	European Competitive Telecommunications Association (ECTA) - ECTA seminar in the European Parliament: 'How to achieve an Internal Market in telecoms?': http://www.ectaportal.com/html/index.php?pgd=events_article&rec=408
21.-22.10.2004	Maastricht, Netherlands	EIPA seminar: 'State Aid Policy and Practice in the European Community - An Integrative and Interactive Approach': http://www.eipa.nl/home/eipa.htm?http://www.eipa.nl/activities/04/ActivitiesLists_AWM/Open%20-%20EIPA_2.html&2
25.-26.10.2004	Brussels, Belgium	WelcomEurope - training session: 'How to get European funds?': http://www.welcomeurope.com/form_info.asp?id=22
26.-27.10.2004	Brussels, Belgium	TOPRA - conference on new medicines legislation: 'Impact on 2005': http://www.efpia.org/5_conf/default.htm
27.-28.10.2004	Vienna, Austria	European Federation for Transport and Environment (T&E): Conference on "Sustainable freight transport in sensitive areas": http://www.euractiv.com/ndbtext/agenda/conf_programme_vienna_july2004.doc
28.-29.10.2004	Maastricht, Netherlands	EIPA seminar: Seminar: 'Competition Policy in the Electronic Communication Sector': http://www.eipa.nl/home/eipa.htm?http://www.eipa.nl/activities/04/ActivitiesLists_AWM/Open%20-%20EIPA_2.html&2
1.11.2004	Brussels, Belgium	GSM Europe - 2nd Annual Seminar: http://www.gsmworld.com/gsmeurope/index.shtml
4.-5.11.2004	Maastricht, Netherlands	Seminar 'Legislative Decision-Making in the Enlarged Union: An Advanced Course for EU Practitioners': http://www.eipa.nl/home/eipa.htm?http://www.eipa.nl/
11.-12.11.2004	Amsterdam, Netherlands	IFAN 2004, 11th International Conference of Standards Users: 'Standardization – Awareness – Compliance': http://www.ifan-online.org/isoportal/livelink/fetch/2000/2035/36282/36500/index.htm?vernum=0
11.-14.11.2004	Sussex, United Kingdom	Wilton Park Conference - 'The Priorities For Justice And Home Affairs In An Enlarged EU': http://www.wiltonpark.org.uk/web/conferences/wrapper.asp?confref=WP768
12.-14.11.2004	Paris, France	Passages / Adapes - 2nd Global Forum on Sustainable Development: http://www.equitable-forum.org/2004/index_ang.html

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 %		
	VI-04	VII-04	VIII-04	VI-04	VII-04	VIII-04	VI-04	VII-04	VIII-04
EU	0.0	-0.2	0.1	2.4	2.3	2.3	1.9	2.0	2.0
EU - minimum	-	-	-	-	-	-	0.3	0.4	0.4
CR	0.1	0.3	0.0	2.7	3.1	3.2	1.3	1.6	1.8
Estonia	0.3	-0.3	-0.1	4.4	4.0	3.9	1.6	1.8	2.0
Cyprus	0.6	-1.3	0.5	2.4	2.9	2.8	2.1	2.1	2.1
Lithuania	0.1	0.0	-0.3	1.0	1.8	2.2	-0.7	-0.5	-0.2
Latvia	0.6	0.2	-0.1	6.1	6.7	7.8	4.3	4.5	4.9
Hungary	0.0	0.0	-0.3	7.5	7.2	7.2	6.1	6.3	6.5
Malta	0.3	0.5	-0.5	3.2	3.1	2.5	1.9	2.6	2.6
Poland	0.7	-0.1	-0.3	4.3	4.7	4.9	1.8	2.1	2.5
Slovakia	0.2	0.1	-0.2	8.1	8.3	7.0	8.6	8.6	8.5
Slovenia	0.5	0.5	-0.3	3.9	3.7	3.7	4.5	4.3	4.2

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 %		
	2001	2002	2003	2001	2002	2003
EU-25	-1.0	-2.0	-2.6	63.2	62.5	64.0
CR	-6.4	-6.4	-12.9	25.2	28.9	37.6
Estonia	0.3	1.8	2.6	4.7	5.7	5.8
Cyprus	-2.4	-4.6	-6.3	64.4	67.1	72.2
Lithuania	-2.1	-1.4	-1.7	23.4	22.8	21.9
Latvia	-1.6	-2.7	-1.8	16.2	15.5	15.6
Hungary	-4.4	-9.3	-5.9	53.5	57.1	59.0
Malta	-6.4	-5.7	-9.7	61.8	61.7	72.0
Poland	-3.5	-3.6	-4.1	36.7	41.2	45.4
Slovakia	-6.0	-5.7	-3.6	48.7	43.3	42.8
Slovenia	-2.7	-1.9	-1.8	26.9	27.8	27.1

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	31.84	+5.1	-4.5	32.14	+3.1	-3.6
Estonia kroon	15.65	+0.0	+0.0	15.65	+0.0	+0.0
Cyprus pound	0.582	+2.0	-1.1	0.583	+1.4	-0.6
Lithuanian litas	3.453	+0.0	-0.0	3.453	+0.0	-0.0
Latvian lats	0.643	+8.4	-5.0	0.658	+2.9	-2.7
Hungarian forint	251.8	+7.3	-8.1	255.2	+3.8	-6.8
Maltese lira	0.425	+3.1	-1.6	0.427	+0.8	-1.0
Polish zloty	4.435	+13.0	-10.1	4.626	+7.2	-6.3
Slovenian tolar	235.2	+3.2	-2.0	238.2	+1.2	-0.8
Slovakian koruna	41.03	+3.2	-3.5	40.46	+1.7	-2.6

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 September 2004. Source: Eurostat