



# EU News

## Monthly Journal

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Dear readers,

As far as the process of European integration is concerned, the interesting events of this October seem to have been surpassed by those of the month immediately following – November. During the second half of the month, the new European executive branch – the European Commission – took office after a delay of three weeks and one day compared to the original schedule. The team led by José Manuel Barroso, which had to resolve several extraordinary situations even before assuming office, seems to be very strong. It includes a number of very well-known personalities who have all proven their worth, not only on their own domestic political scenes but at the international level as well.

The document, published by a high-level independent work group led by Wim Kok, the former Prime Minister of the Netherlands, (the group also included Professor Bedřich Moldan, a Czech expert) might be even more interesting from the economic perspective. The former prime minister of the Netherlands is well-known for the fact that he tries to revive topics that, even though they are extraordinarily important for the future of European integration, are slightly behind expectations at the moment. This time, as the anticipated mid-term review point nears, the very strong group under his leadership concentrated on evaluating a process that was accepted almost five years ago with practically untimely expectations – the Lisbon Strategy.

The Lisbon Strategy is a document that is disliked by many as it is viewed as a direct reminder of state planning practices in the Communist world or at least as a very advanced product of socio-economic engineering. Others criticise it for the fact that, in spite of the fact that it addresses a truly burning area related to Europe's competitive capabilities, it assigns invalid, impossible, or even dangerous tasks in order to satisfy its conditions. The remainder praise the document, as they consider it to be directly on target and view it as something that will allow the European Union to near the economic maturity of the United States within a mid-length timeframe during a period of intense eastern expansion.

As we consider the Lisbon Strategy and the various opinions on it along with the accompanying discussions to be of fundamental importance to the process of European integration, we are devoting more attention to it as the topic for the month of December. The actual implementation of this process would also very closely affect processes in the financial services sector. The Lisbon Strategy anticipates that an actual Integrated Internal Market will be attained for services, the area in which financial intermediary services belong, and also works explicitly with a plan titled "Action Plan for Financial Services", which includes a number of suggestions to be applied within this specific sector.

This issue of our EU Current Events Monthly is the last issue during the pre-Christmas and New Year period and thus it is fitting to wish everyone pleasant Christmas holidays and all the best in 2005 – the first year that we will spend from beginning to end as a fully recognised member of the European Union.

Petr Zahradník



# Events

The replacement of two controversial names, and José Barroso, the new President of the European Commission, had cause to celebrate. His team was approved by the European Parliament by a clear majority of votes. His joy could be dampened only by the fact that he is taking over the lead of the European executive branch with a delay of approximately three weeks. The announcement that Greece qualified for the Eurozone solely on the basis of violating statistical regulations came as a shock.

## POLITICS

### New Commission Assumes Office

On Thursday, November 18, the European Parliament expressed its confidence in the new European Commission, headed by José Manuel Barroso, with a majority of votes and thus ended a three-week-long political stalemate. The European Union legislators approved the Commission with a 449 to 149 vote, with 82 members abstaining. Barroso's team was supported by the three largest parliamentary parties: the conservative EPP, the socialists from the SEP, and even the liberal ALDE.

The new executive authority of the EU assumed office on Monday, November 22, which reflects a delay of approximately three weeks.

Barroso attained the wide support of the majority only after he stepped back from his original line-up of commission members. The Italian government nominated Franco Frattini, the current Minister of Foreign Affairs, to replace Rocca Buttiglione. Ingrida Udre, the Latvian candidate to the Taxes and Customs Union, was replaced by Andris Pielbags who however took up the position of Energy Commissioner. László Kovács, the former chief of Hungarian diplomacy, took over the tax portfolio in his place.

Endorsement of the composition of the European Commission by European Parliament members was accompanied by their acceptance of a special resolution. In the event that there is a loss of faith in any of the commissioners on the part of the European Parliament, this resolution binds Barroso, as the President of the European Commission, to either request the politician in question to submit his/her resignation or to explain to parliament why he did not do so. Barroso agreed with this request.

<http://www2.europarl.eu.int/omk/sipade2?PUBREF=-//EP//TEXT+PRESS+DN-20041118-1+0+DOC+XML+V0//EN&L=EN&LEVEL=2&NAV=X&LSTD OC=N#SECTION1>

[http://europa.eu.int/comm/commission\\_barroso/index\\_en.htm](http://europa.eu.int/comm/commission_barroso/index_en.htm)

## ECONOMY AND EURO

### Greece cheated with its budget

In mid-November, the Greek government admitted that the country has consistently been exceeding the cap for its public budget deficit, which has been established as three percent of GDP, since 1997. Fulfilment of this criterion was however one of the main conditions for accepting a common European currency. Originally, Greece stated that it had been safely adhering to the three-percent rule since the key year of 1999.

### Composition of the New European Commission

<b>José Manuel Durão Barroso</b> President	<i>Portugal</i>
<b>Jacques Barrot</b> Vice President, Transport	<i>France</i>
<b>Günther Verheugen</b> Vice President, Enterprise and Industry	<i>Germany</i>
<b>Margot Wallström</b> Vice President, Institutional Relations and Communication Strategy	<i>Sweden</i>
<b>Siim Kallas</b> Vice President Administrative Affairs, Audit and Anti-Fraud	<i>Estonia</i>
<b>Benita Ferrero-Waldner</b> External Relations and European Neighbourhood Policy	<i>Austria</i>
<b>Louis Michel</b> Development and Humanitarian Aid	<i>Belgium</i>
<b>Markos Kyprianou</b> Health and Consumer Protection	<i>Cyprus</i>
<b>Vladimir Spidla</b> Employment, Social Affairs and Equal Opportunities	<i>Czech republic</i>
<b>Mariann Fischer Boel</b> Agriculture and Rural Development	<i>Denmark</i>
<b>Olli Rehn</b> Enlargement	<i>Finland</i>
<b>Stavros Dimas</b> Environment	<i>Greece</i>
<b>László Kovács</b> Taxation and Customs Union	<i>Hungary</i>
<b>Charlie McCreevy</b> <i>Internal Market and Services</i>	<i>Ireland</i>
<b>Andris Piebalgs</b> Energy	<i>Latvia</i>
<b>Dalia Grybauskaite</b> Financial Programming and Budget	<i>Lithuania</i>
<b>Viviane Reding</b> Information Society and Media	<i>Luxembourg</i>
<b>Joe Borg</b> Fisheries and Maritime Affairs	<i>Malta</i>
<b>Neelie Kroes</b> Competition	<i>Netherlands</i>
<b>Danuta Hübner</b> Regional Policy	<i>Poland</i>
<b>Jan Figel</b> Education, Training, Culture and Multilingualism	<i>Slovakia</i>
<b>Janez Potocnik</b> Science and Research	<i>Slovenia</i>
<b>Joaquin Almunia</b> Economic and Monetary Affairs	<i>Spain</i>
<b>Peter Mandelson</b> Trade	<i>UK</i>
<b>Franco Frattini</b> Justice, Freedom and Security	<i>Italy</i>



However, the results of an investigation performed by Eurostat show that between 1997 and 2003 the deficit was higher by an average amount of 2.1%. This means that Greece never met the requirements of the three-percent budget criterion during this period.

As a result, the European Commission began disciplinary proceedings against Greece for breaching the statistical rules for reporting public finances.

The disciplinary proceedings and the Commission's proposals for strengthening the trustworthiness of statistics should serve to prevent erroneous or incomplete data from reaching Brussels in the future. The vigilance of Eurostat, the European statistical office, which should sound an alarm earlier, will also improve as a result.

There are no penalties visible on the horizon as of yet. "The Commission anticipates an improvement in the statistics, but is not currently contemplating any sanctions," reports ČTK, quoting Françoise Le Bail, spokeswoman for the European Commission.

Sanctions might be imposed only if Athens does not follow recommendations to push the expected deficit below the three-percent limit. However, the European Commission and the finance ministers will first evaluate the measures that are being prepared by Greece. There is no threat that Greece will be expelled from the Eurozone.

<http://europa.eu.int/rapid/pressReleasesAction.do?reference=IP/04/1431>

### The Commission foresees a smooth transition to the Euro for the new members

In its first summary report on the preparedness of the new EU member states to accept the EURO, the European Commission states that all of the specified countries are planning to implement this step during the 2007 to 2010 timeframe.

Three of the newcomers (Estonia, Lithuania and Slovenia) have already joined in the ERM II currency exchange system as of June of this year. Remaining in this system for a period of at least two years is one of the conditions for gaining entry to the Eurozone.

According to the European Commission, implementation of the Euro in the countries that recently joined the EU (the so-called "EU-10") will be quicker and smoother than the process in the existing Eurozone countries was. The reason is that one half of the citizens in the EU-10 already have experience with Euro banknotes and coins.

The majority of the new members will implement the Euro using a "Big Bang" approach – entry into the Eurozone will

correspond to the date on which the Euro replaces the national currency even in cash form. In the existing countries of the Eurozone, the Euro in cash form was implemented three years after it became valid for non-cash transactions.

According to the latest news, Cyprus, Estonia, Lithuania, and Slovenia plan on entering the Eurozone in 2007, with the others following suit by 2010.

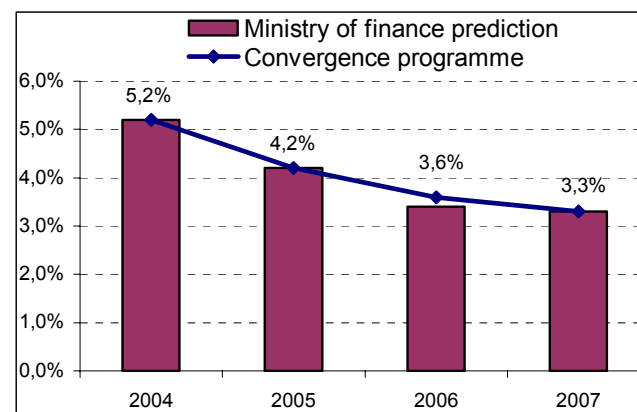
<http://europa.eu.int/rapid/pressReleasesAction.do?reference=IP/04/1350>

### The ČR 2004 Convergence Programme

Within the newly accepted Convergence Programme, the Ministry of Finance increased the estimate for this years public finance deficit from 4.6% to 5.2% of GDP. In this document, the government commits to improving its budget discipline in a manner whereby it will meet union conditions in 2008 and will be able to accept the Euro two years later.

Next year, the public finance deficit should be at 4.2% of GDP, it should decrease to 3.6% of GDP in the following year, and then to 3.3% of GDP in 2007. In 2008, the deficit should be at a level 3% and thus the Czech Republic would meet the conditions for accepting the Euro – an event that should take place two years later.

#### State budget deficit to GDP



Source: Ministry of Finance Czech republic

The Czech Republic must submit its Convergence Programme each year, as must all of the other member states that are not in the Eurozone. The Convergence Programme that is submitted is linked to the Czech Republic's Convergence Programme from May 2004, which the Czech side operatively submitted to the European Commission shortly after accession in order to meet one of the primary conditions for using financial resources from the Cohesion Fund. The country will send an updated version of





## Events

The evaluative report of the “Kok Group” on the progress achieved during the implementation of the Lisbon agenda did not come across very optimistically. It will be interesting to see how the recommendations made by experts will be reflected in the mid-term revision of the entire agenda at the European Council Spring Summit. During its session in November, the Council approved a five-year action plan for justice and home affairs.

the programme to Brussels every autumn up until the time that it accepts the Euro.

After the Czech Republic's entry to the European Union, an Excessive Deficit Procedure was started with the Czech Republic and on the basis of special circumstances being accepted by the Council, a four-year timeframe was allowed for removing the excessive deficit. At the same time, the path of fiscal consolidation proposed by the Council was taken from the Convergence Programme submitted by the Czech Republic in May 2004.

<http://www.mfcr.cz/tiskzpravy.php?id=195>

### BUDGET

#### EU budget for 2005 approved

Representatives of the member states and the European Parliament agreed on the EU budget for next year. This budget relies on income and expenses in the amount of 106.3 billion Euro, which is exactly 1% of the Union's Gross National Revenue (GNR). The final word is expected in the middle of January during a general meeting of the European Parliament, but approval is anticipated.

The original budget proposal from the European Commission was dependent on an increase of almost one tenth as compared with last year, to equal 109 billion Euro, i.e., 1.03% of GNR. The final proposal is thus a compromise, as at first the European Parliament requested an amount that was equal to 1.05% of GNR.

The Czech Republic was also against the increase, as this would require a higher contribution from Prague to the joint European cash box. The reason is also that the contribution to the European budget is a certainty whereas the income from it is dependent on a number of factors, primarily the number of quality projects for using finances from the structural funds.

The key European institutions have yet to face the main battle for the nature of the financial perspective for the period of 2007 to 2013.

<http://www2.europarl.eu.int/omk/sipade2?PUBREF=-//EP//TEXT+PRESS+NR-20041126-1+0+DOC+XML+V0//EN&LEVEL=2&NAV=S#SECTION4>

### SINGLE INTERNAL MARKET

#### The EU Council discussed the directive on services

At its meeting at the end of November, the EU Council identified with the main goals of the directive on services

that is being prepared from the perspective of competitiveness but, at the same time, expressed apprehension on some issues.

The most controversial point proved to be the approach to “country of origin”. The directive provides that the activities of the service provider should be addressed by legislation in the country of the provider's origin rather than in the country where the services are provided. Specifically, widely shared apprehensions arose regarding the application of this principle in healthcare; some representatives proposed that healthcare services be removed entirely from the scope included in the directive.

Aside from the principle behind the country of origin, the ministers also debated on co-operation between national authorities and the simplification of administrative procedures.

Overall, the EU Council emphasised the positive significance and purpose of the directive on services, yet at the same time brought attention to the fact that much remains to be clarified and refined in order to avoid undermining the European social model and conflicts with already valid legislation.

[http://ue.eu.int/ueDocs/cms\\_Data/docs/pressData/en/intm/82805.pdf](http://ue.eu.int/ueDocs/cms_Data/docs/pressData/en/intm/82805.pdf)

### ENTERPRISE

#### Kok Report on the Lisbon Strategy

At the EU summit held at the start of November, a group of experts under the leadership of former Prime Minister of the Netherlands Willem Kok published its long-expected mid-term review of the Lisbon Strategy. The preparation of the report is the result of a task assigned by the European Council in March 2004.

The “Kok Report” presents a negative evaluation of the progress that has been made so far during the four years since the strategy was accepted in Lisbon in the year 2000 with the goal of making the EU the world's most dynamic and most competitive knowledge-based economy by 2010. The report concludes that the disappointing results are the fault of an overloaded agenda, poor co-operation, conflicting priorities, and primarily the lack of political will on the part of individual member states. According to the report, all of the member states must adopt the Lisbon Strategy as their own and the Commission must be prepared to name those countries that are failing in its implementation as well as to praise those that are successful.

The report refuses any proposals for removing 2010 as the target year. External challenges (the USA and developed Asian economies) are emphasised, as are internal

challenges, such as the ageing of the European population. The report considers May's expansion of the Union by ten new member states to be a source of apprehension as well as of opportunities.

The Kok Report separates specific recommendations into five areas:

## 1. Knowledge-based economy

- Attract and keep the best researchers: accept an action plan for the purposes of reducing administrative obstacles for moving to and within the EU for world class scientists and researchers and their family members (to be implemented by Spring 2006);
- Make research and development a top priority: establish a European Research Council by the end of 2005;
- Support innovation: agree on a European patent prior to the EU's 2005 Spring Summit.

## 2. Internal market

- Ensure faster integration of legislation that regulates the internal market: the Commission should prepare a full list of directives that have not yet been integrated into national legislation, sorted by "worst offender";
- Remove obstacles to the free movement of services by the end of 2005;
- Adopt the remaining legislation from the Financial Services Action Plan.

## 3. Improving conditions for entrepreneurial activities

- Carry out better lawmaking by continuing to prepare impact assessments for future legislation on competitiveness and sustainable development;
- Reduce the time, effort, and expenses required for establishing a company (to be implemented by the end of 2005).

## 4. Creating an adaptable and integrated employment market

- Implement the recommendations of the Special European Employment Taskforce that were made in 2003;
- Introduce national strategies for long-term education by 2005;
- Develop a comprehensive active ageing strategy by 2006.

## 5. Ecologically sustainable future

- Establish the environment and competitiveness as equal goals: promote development of eco-innovations and national travel maps for the purposes of implementing the Environmental Technology Action Plan (ETAP);

- Create national action plans for "green" public contracts;

In order to make the Lisbon Strategy operational, the report presents an additional eight general recommendations:

- Focus on growth and employment in order to support social cohesion and sustainable development;
- Create partnerships for reform with interested parties, citizens, social partners and public institutions;
- Discuss national action plans for reforms with national parliaments and social partners prior to the end of 2005;
- Take into account the Broad Economic Policy Guidelines and Employment Guidelines that were accepted at European Union level at the time that these national plans are established (to be completed by July 2005);
- The European Parliament should establish a standing committee on the Lisbon Strategy;
- The EU budget should be recreated in order to reflect Lisbon priorities;
- The entire Lisbon Strategy process should be simplified to focus on fourteen key indicators rather than on more than one hundred;
- The Commission's communication strategy should be reviewed prior to the EU's 2005 Spring Summit.

On the basis of the Kok Report, the European Council entrusted the Commission with the task of preparing recommendations for a mid-term revision of the Lisbon Strategy by the end of January while taking into consideration the opinions of the member states and the revision of the Strategy for Sustainable Development that is being prepared. The recommendations by the European Commission will be discussed at the EU's 2005 Spring Summit.

Our topic of the month section, which starts on Page 13, provides more information on the issues related to fulfilling the Lisbon Strategy.

[http://europa.eu.int/comm/lisbon\\_strategy/index\\_en.html](http://europa.eu.int/comm/lisbon_strategy/index_en.html)

## The Commission is working on the harmonisation of high-tech equipment in automobiles

The ever-increasing use of high-tech electronic and electric components in automobiles was the stimulus for a thorough revision of legislation with the goal of preventing negative interactions between technologies, which could pose a threat to travellers. The Commission therefore decided to publish a new directive that would harmonise the use of electric and electronic components in automobiles. The European Commission states that electric and electronic



The outcome of the EU-India Summit indicates that India might become a strategic partner of the EU in addition to the USA, Canada, China, Russia, and Japan. A new directive proposed by the European Commission should allow the production of less expensive copies of patent-protected medical preparations for poorer developing countries. This should assist in the battle against HIV/AIDS, malaria, and tuberculosis in these countries.

equipment no longer serves only for the purposes of controlling comfort, information and entertainment, but also controls the security functions of automobiles.

“European automobile manufacturers and their suppliers are a good example of a creative industrial branch that develops very innovative products. The harmonisation of European legislation can make this process easier,” explains Oli Rehn, Enterprise and Information Society Commissioner.

<http://europa.eu.int/rapid/pressReleasesAction.do?reference=IP/04/1363>



## AGRICULTURE AND FISHERIES

### The EU Council did not reach an agreement on sugar reform

At the EU Council meeting on agriculture, the ministers of agriculture from the member states did not yet agree on approving the proposed radical reform of the sugar regime in the European Union. The proposed reform from the desk of the Commission is dependent on decreasing the guaranteed purchase price for sugar by 30% and that for sugar beets by almost 40%. The production quotas should gradually be decreased from 17.4 million to 14.6 million tons, which reflects a 16% decrease.

The decision on reforming the sugar regime might thus not come into effect until May or June 2005, at which time the European Commission is to submit specific proposals. The reform should assist in meeting the conditions of WTO regulations as well as in decreasing prices for European consumers who are currently paying three times the world market price for sugar.

[http://ue.eu.int/ueDocs/cms\\_Data/docs/pressData/en/agricul/82845.pdf](http://ue.eu.int/ueDocs/cms_Data/docs/pressData/en/agricul/82845.pdf)

## EXTERNAL RELATIONSHIPS

### The EU and India are planning a strategic partnership

By the end of 2005, the European Union and India will develop a wide-ranging action plan for a strategic partnership, as agreed by their representatives at the Fifth EU-India Summit held in The Hague, Netherlands.

EU representatives expressed their wishes to increase relations with India to the same level as those that exist with the USA, Canada, China, Russia and Japan – countries with which the Union has already concluded strategic partnership agreements.

The strategic plan will cover key areas, ranging from the fight against terrorism to intellectual and cultural exchange. Efforts targeted at increasing mutual trade were also discussed at the summit.

<http://europa.eu.int/rapid/pressReleasesAction.do?reference=IP/04/1342>

## JUSTICE AND HOME AFFAIRS

### The European Council approves the Five-Year Action Plan for Justice and Home Affairs

The highest level of representatives from the member states of the EU approved a five-year action plan for the period of 2005 to 2010 for the purposes of ensuring closer co-operation in the areas of justice and internal affairs. The planned changes are related primarily to asylum and immigration policies.

The focus of the programme, titled “The Hague Programme”, is to continue towards the goal of transforming the Union into “an area of freedom, security, and justice”, which ties onto the “Tampere Agenda” that was adopted in 1999.

If The Hague Programme is accepted by the European Parliament, which is expected, Franco Frattini, as the new commissioner, will be implementing key measures in the area of asylum and immigration policies:

- the development of a common European asylum system with common procedures and laws for those who are granted asylum or protection;
- the definition of protective measures for foreigners for the purposes of working legally in the EU according to employment market needs;





- the introduction of a European framework for the purposes of guaranteeing the successful integration of immigrants in foreign societies;
- the strengthening of partnerships with third countries in order to better control illegal immigration;
- the introduction of regulations for deporting and returning illegal immigrants to their countries of origin;
- the use of biometrics and information systems.

In addition, The Hague Programme also focuses on the area of police co-operation (Europol) and judicial co-operation (mutual acceptance of judgements, partial harmonisation of the penal code).

The European Council also agreed on ending the validity of the five-year transition period that applied to the transfer of asylum and immigration policies from the intergovernmental third pillar to the first community pillar as was anticipated by the Amsterdam Agreement. Starting in April 2005, issues related to asylum and immigration policies will be voted on within the Council by a qualified majority within the framework of a joint decision-making procedure that includes the European Parliament.

Solely the measures related to legal immigration will continue to require uniformity. Great Britain, Ireland and Denmark have been granted an exception and will therefore not be bound by community procedures.

The decision of the European Council also indicates that the Czech Republic will join the Schengen System no earlier than in three years, which means the end of border controls at the borders with neighbouring countries – members of the European Union. It all depends on the Czech Republic level of preparedness for meeting Schengen regulations.

[http://www.eu2004.nl/default.asp?CMS\\_TCP=tcpAsset&id=5438C5AAB16E4CE38B8689603E7435BEX1X52750](http://www.eu2004.nl/default.asp?CMS_TCP=tcpAsset&id=5438C5AAB16E4CE38B8689603E7435BEX1X52750)

## HEALTH AND CONSUMER PROTECTION

### Less expensive medical preparations for poorer countries

The European Commission has proposed a new regulation that would allow manufacturers of generic medical preparations to produce less expensive copies of patent-protected medical preparations for poorer countries, which are afflicted by disease yet do not have sufficient capacity to produce the medical preparations on their own.

These poor countries should first notify the World Trade Organisation (WTO) regarding the specific medications that they require. In the event of their interest, the generics

manufacturer would request its national authorisation agencies to issue a “compulsory license” or a temporary interruption of the patent in order to allow the export of less expensive medical preparations to developing and underdeveloped countries (WTO members) that need the medications.

Until recently, compulsory licenses were issued primarily for deliveries on the domestic market. On the basis of a WTO decision from April 2003, wider access to the most requested medications is provided to developing countries.

However, according to some experts this regulation will not decrease the cost of medications for developing countries to any great degree. The reason is that their markets are too small to allow pharmaceutical companies to offer a low price.

The proposed regulation also includes measures that should prevent generic medications that are exported on the basis of a compulsory license from being reimported to the territory of the EU.

<http://europa.eu.int/rapid/pressReleasesAction.do?reference=IP/04/1332>

### Will unfair business practices be banned in the EU?

Unwanted merchandise, unrelenting door-to-door salesmen, “free” samples that the customer pays for in the end, and other similar not quite fair business practices might soon be a thing of the past. A proposed new directive that was approved by the EU Council advanced to the next phase of approval by the European Parliament. The European Commission expects that the new directive might become valid at the start of next year.

The proposed directive significantly limits the ability of retailers to manipulate prices, marketing and advertising. For example, it targets sales methods that cause customers to think that they cannot leave the sales event without signing a purchase contract, unwanted visits by door-to-door salesmen, and shipments of unordered goods. It also bans the use of advertising slogans about goods that are free, gratis, or without expenses unless the customer is willing to pay other expenses if they actually want to receive the advertised merchandise.

The directive also contains a general clause whereby any practices that evoke “abnormal behaviour in the average consumer” are illegal; i.e., this includes tricks such as claims that certain goods will be available for only a limited period of time or offering extreme discounts from artificially high basic prices.

<http://europa.eu.int/rapid/pressReleasesAction.do?reference=IP/04/1364>



Other interesting events that we did not include in the commented Events column and that are worth mentioning include the summary released by Eurostat, the European statistical office, which showed that the lowest unemployment rate in the EU is in the Italian Bolzano region and the highest in the French overseas region of Réunion. Supporters of freer and more ecological forms of transportation will find the updates to the frequently asked questions on the Marco Polo Community Programme to be most appropriate.

## 02 NOVEMBER 2004

Updated air transport legislation since 01/04/2004:

[http://www.europa.eu.int/comm/transport/air/legislation/index\\_en.htm](http://www.europa.eu.int/comm/transport/air/legislation/index_en.htm)

New - Corporate Social Responsibility (CSR) campaign website in 22 languages:

[http://www.europa.eu.int/comm/enterprise/csr/campaign/index\\_en.htm](http://www.europa.eu.int/comm/enterprise/csr/campaign/index_en.htm)

Commission strengthening efforts in fight against HIV/AIDS, malaria and Tuberculosis:

[http://www.europa.eu.int/comm/trade/issues/global/medecine/pr291004b\\_en.htm](http://www.europa.eu.int/comm/trade/issues/global/medecine/pr291004b_en.htm)

## 03 NOVEMBER 2004

2614th General Affairs Council meeting, Brussels, 02.11.2004:

[http://ue.eu.int/ueDocs/cms\\_Data/docs/pressData/en/gena/82493.pdf](http://ue.eu.int/ueDocs/cms_Data/docs/pressData/en/gena/82493.pdf)

2615th External Relations Council meeting, Brussels, 02.11.2004:

[http://ue.eu.int/ueDocs/cms\\_Data/docs/pressData/en/gena/82494.pdf](http://ue.eu.int/ueDocs/cms_Data/docs/pressData/en/gena/82494.pdf)

## 04 NOVEMBER 2004

Food industry and the EU-Syria Association Agreement:

<http://www.europa.eu.int/comm/enterprise/food/index.htm>

Implementing instruments for the Sixth Framework Programme (2002-2006):

[http://www.europa.eu.int/comm/research/fp6/instruments\\_en.html](http://www.europa.eu.int/comm/research/fp6/instruments_en.html)

## 05 NOVEMBER 2004

2620th Council meeting - Heads of State or Government, Brussels, 5.11. 2004:

[http://ue.eu.int/ueDocs/cms\\_Data/docs/pressData/en/misc/82532.pdf](http://ue.eu.int/ueDocs/cms_Data/docs/pressData/en/misc/82532.pdf)

New Executive Director of the European Railway Agency appointed:

[http://www.europa.eu.int/comm/transport/rail/era/director\\_en.htm](http://www.europa.eu.int/comm/transport/rail/era/director_en.htm)

Commission launches online consultation on Pressure Equipment legislation:

<http://www.europa.eu.int/comm/enterprise/library/enterprise-europe/news-updates/2004/05-11-2004.htm>

## 08 NOVEMBER 2004

Latest Enlargement calendar now available:

<http://www.europa.eu.int/comm/enlargement/events/calendar.htm>

Office for Harmonisation in the Internal Market: Alicante News - new electronic newsletter on European trade marks and designs:

<http://oami.eu.int/en/office/newsletter/newsletter.htm>

## 09 NOVEMBER 2004

Update of the State aid decisions to intermodal transport:

[http://www.europa.eu.int/comm/transport/intermodality/state-aid/decisions\\_en.htm](http://www.europa.eu.int/comm/transport/intermodality/state-aid/decisions_en.htm)

Eurostat Press release - Regional unemployment rates in the EU25 ranged from 2.0% to 31.8% in 2003:

[http://epp.eurostat.cec.eu.int/cache/ITY\\_PUBLIC/1-09112004-AP/EN/1-09112004-AP-EN.PDF](http://epp.eurostat.cec.eu.int/cache/ITY_PUBLIC/1-09112004-AP/EN/1-09112004-AP-EN.PDF)

### Highest and lowest unemployment rates in regions NUTS II in the EU25 in 2003 (in %)

Region	Rate	Region	Rate
Bolzano / Bozen (IT)	2.0	Réunion (FR)	31.8
Salzburg (AT)	2.3	Guadeloupe (FR)	26.3
Zeeland (NL)	2.5	Dolnoslaskie (PL)	26.0
Tirol (AT)	2.5	Zachodniopomorskie (PL)	25.5
North Yorkshire (UK)	2.7	Lubuskie (PL)	24.5
Trento (IT)	2.9	Guyane (FR)	24.4
Emilia-Romagna (IT)	3.0	Warminsko-Mazurskie (PL)	23.9
Dorset & Somerset (UK)	3.1	Calabria (IT)	23.4
Gloucestershire, Wiltshire & N. Somerset (UK)	3.2	Kujawsko-Pomorskie (PL)	21.8
Gelderland (NL)	3.3	Východné Slovensko (SK)	21.8

Source: Eurostat

## 10 NOVEMBER 2004

DG Energy and Transport's Organisation chart updated:

[http://www.europa.eu.int/comm/dgs/energy\\_transport/home/organigram/index\\_en.htm](http://www.europa.eu.int/comm/dgs/energy_transport/home/organigram/index_en.htm)

## 11 NOVEMBER 2004

Economic and Financial Affairs: Mergers and acquisitions - No 1 October 2004:

[http://www.europa.eu.int/comm/economy\\_finance/publications/structural\\_policies/mergers\\_acquisitions\\_en.htm](http://www.europa.eu.int/comm/economy_finance/publications/structural_policies/mergers_acquisitions_en.htm)

Commission adopts strategy against piracy and counterfeiting of intellectual property rights (IPR):

[http://www.europa.eu.int/comm/trade/issues/sectoral/intell\\_property/pr101104\\_en.htm](http://www.europa.eu.int/comm/trade/issues/sectoral/intell_property/pr101104_en.htm)



#### 12 NOVEMBER 2004

Air transport - Financing of air traffic management (ATM) to achieve the Single European Sky:  
[http://www.europa.eu.int/comm/transport/air/single\\_sky/studies/finalised\\_en.htm](http://www.europa.eu.int/comm/transport/air/single_sky/studies/finalised_en.htm)

#### 15 NOVEMBER 2004

The European Ombudsman: Annual report 2003:  
<http://www.euro-ombudsman.eu.int/report/en/default.htm#20002004>

#### 16 NOVEMBER 2004

2616th Education, Youth and Culture Council meeting (only Education and Youth items), Brussels, 15.11.2004 (provisional version):  
[http://ue.eu.int/ueDocs/cms\\_Data/docs/pressData/en/educ/82679.pdf](http://ue.eu.int/ueDocs/cms_Data/docs/pressData/en/educ/82679.pdf)

The MARCO POLO Programme (2003-2010) - Frequently Asked Questions (updated):  
[http://www.europa.eu.int/comm/transport/marcopolo/faq/index\\_en.htm](http://www.europa.eu.int/comm/transport/marcopolo/faq/index_en.htm)

Preliminary assessment of the application of the Lamfalussy process to EU securities markets legislation:  
[http://www.europa.eu.int/comm/internal\\_market/securities/lamfalussy/index\\_en.htm](http://www.europa.eu.int/comm/internal_market/securities/lamfalussy/index_en.htm)

#### 17 NOVEMBER 2004

2617th Economic and Financial Affairs Council meeting, Brussels, 16.11.2004:  
[http://ue.eu.int/ueDocs/cms\\_Data/docs/pressData/en/ecofin/82694.pdf](http://ue.eu.int/ueDocs/cms_Data/docs/pressData/en/ecofin/82694.pdf)

Electronic archiving and document management in the European Commission:  
[http://www.europa.eu.int/comm/secretariat\\_general/edoc\\_management/index\\_en.htm](http://www.europa.eu.int/comm/secretariat_general/edoc_management/index_en.htm)

European energy research on photovoltaics and biomass:  
[http://www.europa.eu.int/comm/research/press/2004/pr1611\\_en.cfm](http://www.europa.eu.int/comm/research/press/2004/pr1611_en.cfm)

#### 18 NOVEMBER 2004

Energy and Transport: Council common position on access to the gas transmission networks:  
[http://www.europa.eu.int/comm/energy/gas/legislation/amen ding\\_legislation\\_en.htm](http://www.europa.eu.int/comm/energy/gas/legislation/amen ding_legislation_en.htm)

EuropeAid Cooperation Office: Asia-Invest Events 2004-2005:  
<http://www.europa.eu.int/comm/europeaid/projects/asia-invest/html2002/events2002.htm>

#### 19 NOVEMBER 2004

ECB Governing Council decides not to introduce low denomination euro banknotes:  
<http://www.ecb.int/press/pr/date/2004/html/pr041118.en.html>

#### 22 NOVEMBER 2004

Internal Market: Commission endorses International Accounting Standards (IASs) 39:  
[http://www.europa.eu.int/comm/internal\\_market/accounting/ias\\_en.htm](http://www.europa.eu.int/comm/internal_market/accounting/ias_en.htm)

Employment and Social Affairs: Conference conclusions 'social dialogue in the new Europe with 25 Member States'  
[http://www.europa.eu.int/comm/employment\\_social/news/2004/nov/broc\\_soc-dial\\_2004\\_en.html](http://www.europa.eu.int/comm/employment_social/news/2004/nov/broc_soc-dial_2004_en.html)

#### 23 NOVEMBER 2004

2621st General Affairs Council meeting, Brussels, 22.11.2004 (provisional version):  
[http://ue.eu.int/ueDocs/cms\\_Data/docs/pressData/en/gena/82772.pdf](http://ue.eu.int/ueDocs/cms_Data/docs/pressData/en/gena/82772.pdf)

2622nd External Relations Council meeting, Brussels, 22-23.11.2004:  
[http://ue.eu.int/ueDocs/cms\\_Data/docs/pressData/en/gena/82773.pdf](http://ue.eu.int/ueDocs/cms_Data/docs/pressData/en/gena/82773.pdf)

2619th Agriculture And Fisheries council meeting, Brussels, 22-23.11.2004:  
[http://ue.eu.int/ueDocs/cms\\_Data/docs/pressData/en/agricult/82774.pdf](http://ue.eu.int/ueDocs/cms_Data/docs/pressData/en/agricult/82774.pdf)

#### 24 NOVEMBER 2004

Euroabstracts No.4/2004 - EU enlargement: New horizons for European SMEs:  
<http://www.cordis.lu/euroabstracts/en/home.html>

Education and Culture: EU-US-Canada Cooperation Programme in Higher Education and Vocational Training 2001-2005 (updated list):  
[http://www.europa.eu.int/comm/education/programmes/eu-usa/projects\\_en.html](http://www.europa.eu.int/comm/education/programmes/eu-usa/projects_en.html)

[http://www.europa.eu.int/comm/education/programmes/eu-canada/projects\\_en.html](http://www.europa.eu.int/comm/education/programmes/eu-canada/projects_en.html)

#### 25 NOVEMBER 2004

Competitiveness - Enterprise Policy Scoreboard and European Competitiveness Report for 2004:  
[http://www.europa.eu.int/comm/enterprise/enterprise\\_policy/competitiveness/index.htm](http://www.europa.eu.int/comm/enterprise/enterprise_policy/competitiveness/index.htm)



# Diary

Fact sheets on reform proposals for cohesion policy is now available in 19 languages:

[http://www.europa.eu.int/comm/regional\\_policy/sources/doc\\_offic/official/regulation/intronewregl0713\\_en.htm](http://www.europa.eu.int/comm/regional_policy/sources/doc_offic/official/regulation/intronewregl0713_en.htm)

## 26 NOVEMBER 2004

2624th Competitiveness (Internal Market, Industry and Research) Council meeting, Brussels, 25-26.11.2004:

[http://ue.eu.int/ueDocs/cms\\_Data/docs/pressData/en/intm/82805.pdf](http://ue.eu.int/ueDocs/cms_Data/docs/pressData/en/intm/82805.pdf)

14th EU-Russia Summit, The Hague, 25.11.2004:

[http://ue.eu.int/ueDocs/cms\\_Data/docs/pressData/en/er/82799.pdf](http://ue.eu.int/ueDocs/cms_Data/docs/pressData/en/er/82799.pdf)

## 29 NOVEMBER 2004

2623rd Economic and Financial Affairs - Budget Council meeting, Brussels 26.11.2004:

[http://ue.eu.int/ueDocs/cms\\_Data/docs/pressData/en/ecofin/82818.pdf](http://ue.eu.int/ueDocs/cms_Data/docs/pressData/en/ecofin/82818.pdf)

External Relations: MEDA: over €700 million in 2004 to support EU Mediterranean partners:

[http://www.europa.eu.int/comm/external\\_relations/euromed/news/memo04\\_276.htm](http://www.europa.eu.int/comm/external_relations/euromed/news/memo04_276.htm)

## 30 NOVEMBER 2004

First Space Council sets sights on European Space Programme:

[http://www.europa.eu.int/comm/space/news/article\\_1701\\_en.html](http://www.europa.eu.int/comm/space/news/article_1701_en.html)

2625th Transport, Telecommunications AND Energy Council meeting - Brussels, 29.11.2004:

[http://ue.eu.int/ueDocs/cms\\_Data/docs/pressData/en/trans/82848.pdf](http://ue.eu.int/ueDocs/cms_Data/docs/pressData/en/trans/82848.pdf)





December's schedule will also be filled with a number of meetings and sessions of key EU organs. The month that is last in the calendar definitely does not hold the same position from the perspective of importance, rather the opposite. The most significant event will be the European Council meeting, which should take one of the most historical steps in the entire existence of the Community. Specifically, it will decide whether the European Union will start discussions with Turkey on that country's accession to the EU.



<b>1.-2.12.2004</b>	<b>Brussels, Belgium</b>	- Parliament plenary session
<b>1.-2.12.2004</b>	<b>The Hague, Netherlands</b>	- Dutch presidency - Informal meeting of sports ministers
<b>2.-3.12.2004</b>	<b>Brussels, Belgium</b>	- JHA Council
<b>2.12.2004</b>	<b>The Hague, Netherlands</b>	- EU-Canada Summit
<b>6.-7.12.2004</b>	<b>Brussels, Belgium</b>	- Employment, social policy, health & consumer affairs council
<b>8.12.2004</b>	<b>The Hague, Netherlands</b>	- Dutch Presidency: EU-China Summit
<b>9.-10.12.2004</b>	<b>Amsterdam, Netherlands</b>	- Informal Transport Council
<b>13.-15.12.2004</b>	<b>Maastricht, Netherlands</b>	- Ministerial Conference on Vocational Education
<b>13.-16.12.2004</b>	<b>Strasbourg, France</b>	- European Parliament Plenary Session
<b>16.-17.12.2004</b>	<b>Brussels, Belgium</b>	- European Council
<b>20.12.2004</b>	<b>Brussels, Belgium</b>	- Environment Council

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

## THE LISBON STRATEGY AND ATTEMPTS AT ITS REVIVAL

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

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

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

The fulfilment of Lisbon Strategy is based on the series of mutually interconnected initiatives which should be put into practice through five areas of supporting policies:

- **Knowledge-based society:** increase Europe's appeal for researchers and scientists, establish science and research as top priorities, and support the use of information and communication technologies;
- **Common internal market:** complete the creation of an actual Common Internal Market for the free movement of goods and capital and, on the basis of an urgent immediate action, develop a Common Market for Services;
- **Entrepreneurial environment:** reduce the overall administrative burden, improve the quality of legislation, simplify the process of establishing a new business, and create an environment that better supports entrepreneurial activities;

- **Employment market:** react quickly to the recommendations made by the European Employment Taskforce, implement development strategies for lifelong education and active old age, and provide a supportive partnership for growth and employment;
- **Environmental sustainability:** incorporate ecological innovations and establish a leading position in the economic aspects of individual economic sectors, and implement policies that lead to long-term and sustainable productivity through environmental efficiency.

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

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

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

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



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

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

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

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

In reality, when evaluating the current mid-term status of the fulfilment of the Lisbon agenda, minimally mixed feelings arise. What can be included in the group of relatively positive consequences, albeit with a very unclear and

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

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

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



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

May's expansion of the EU by ten new member states immediately led to an average decrease in the wealth of the newly formed EU, if we measure economic maturity using GDP per capita as the indicator. The fact is, with the expansion of the EU, GDP increased by only 5% from the pre-expansion value, whereas population increased by 20%





## Main Topic

as a result of this event. GDP per capita for the expanded EU-25 thus decreased by 12.5%. The difference did not deepen only between the richest and the poorest countries of the EU, but there was an even greater increase in the gaps at the regional level. The number of residents in regions where GDP per capita is less than 75% of the Union average (the main criterion of EU regional policies for using finances from EU structural funds) increased from 73 million to 123 million people.

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

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

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

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

### USA versus EU

The core of the EU is showing a slower rate of growth than the USA. This slower tempo is currently accompanied by slower growth in work productivity. The process of the European economy catching up and coming closer to the level of the United States, which took place between the end of the Second World War and the middle of the 1970s,

abated and the common USA-Europe ratio of economic maturity stabilised for the remaining period; during the past several years, the scales are once again shifting to the disadvantage of Europe. Currently the economic maturity of the EU is at approximately 70% of the economic maturity of the USA, and Luxembourg is the only EU country that significantly exceeds the economic maturity of the USA. At the current time, Ireland's economic maturity is comparable to that of the USA and all the other economies of the EU are more or less significantly lagging behind the economic maturity of the United States. In the language of aggregate statistics, it is possible to state that the difference between the average economic maturity of the EU and the USA to the disadvantage of the EU is approximately the same as the difference between the economic maturity of the Czech Republic and the EU to the disadvantage of the Czech Republic. In other words, if we compare the economic maturity of the USA to that of the Czech Republic, we will find the average economic maturity of the EU somewhere around midpoint.

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

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

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

## PATHS TOWARDS MEETING THE GOALS OF THE LISBON STRATEGY

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

It is possible to agree (even with opponents of the Lisbon Strategy) on the fact that Europe must resolve five priority areas without regard to whether any Lisbon Strategy exists

and that their selection is in principle relevant and valid. A larger degree of criticism might arise in the case of the goals specified for these areas and the paths that should lead to these goals. Let's take a look at them in more detail.

## 1. Knowledge-Based Society

### The Lisbon Strategy requires:

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

### The Kok Report presents key recommendations:

- The EU must be more appealing and attract more of the best scientists. At its Spring Summit, the European Council should reach an agreement on preparing an action plan for removing administrative obstacles that prevent world class scientists and their families from relocating to and moving within the EU.
- This action plan should be implemented starting in 2006.
- It is necessary to speed up the process for obtaining work permits and granting visas to scientists and to improve the common acceptance of professional qualifications.
- In order for the EU to be able to boast top scientific achievements, the European Parliament and the EU Council should agree on establishing an independent European Research Council (within the framework of the Seventh Framework Programme for Research and Technological Development) by the end of 2005, which would finance and co-ordinate long-term basic research at the European level.
- The member states should do more towards implementing the eEurope Action Plan in order to take advantage of information and communication

technologies. Above all, they must make great advances in eGovernment. By 2010, the member states must increase access to wide-band connections by at least 50%.

- As far as a European Community Patent is concerned, the EU Council must decide whether it will approve it or table it. Even before the 2005 European Council Spring Summit, or during it, an accord must be reached about this vitally significant legal regulation. It must however guarantee that a European Patent will truly decrease the level of complexity, the time demands, and the expenses related to copyrights. A group of top experts is thus appealing to the European Council to find a solution to these open questions.

## 2. Common Internal Market

### The Lisbon Strategy requires:

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

### The Kok Report presents key recommendations:

- At the start of 2005, the European Commission should prepare a full list of legal regulations for a Common Internal Market that have as of yet not been implemented in the 25 member states. This list should be published as an attachment to the concluding report from the spring meeting of the European Council. It is necessary to differentiate among the individual member states and to name the greatest offenders.
- With regard to this list, the European Council should establish the final timeframes for implementation at its 2005 Spring Summit.



## Main Topic

- The European Parliament and the EU Council should agree on legal regulations whereby any obstacles preventing the free movement of services will be removed by 2005. Subsequently, the member states must explicitly agree that they will not misuse national legislation in order to push out service providers from other member countries or otherwise block their activities. The European Commission should consider this requirement to be a top priority.
- Within the framework of the Financial Services Action Plan, the EU Council should accept any missing regulations in a manner whereby these standards become integrated in national legislation by the end of 2005.
- It is necessary for the European Commission to propose a strategy for removing any obstacles that prevent cross-border clearing and accounting activities prior to the 2005 European Council Spring Summit.
- By the end of 2005, the European Commission should submit an analysis on how to simplify the integration of retail financial markets.

### 3. Entrepreneurial Environment

#### The Lisbon Strategy requires:

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

#### The Kok Report presents key recommendations:

- The European Commission should continue to develop tools for assessing the impact of legislation in order to ensure that the goals of competitiveness and sustainable development are integrated to an even higher degree.
- By the time of the 2005 European Council Spring Summit or during its course, the European Commission and the member states should agree on a mutual definition of administrative burden. The European Commission must evaluate the cumulative impact on businesses and define goals for its reduction. On the other end, the member

states must “clean up” their national provisions and establish their own goals for reducing national administrative burden. By no later than July 2005, the European Commission, as well as the member states, should announce by how much and by when they want to decrease bureaucracy in key sectors.

- By the end of 2005, the member states must drastically reduce the time and expenses required for establishing businesses. The goal should be to attain the average of the three currently best member states. The introduction of a “one-stop-shop” for establishing a new business is strongly recommended.

### 4. Employment Market

#### The Lisbon Strategy requires:

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

#### The Kok Report presents key recommendations:

- In close co-operation with their social partners, the member states should submit a report on how they are adhering to the recommendations made by the special taskforce on European employment, which they approved in March of 2004, including the results that they have achieved in the fields of employment and the sustainability of social systems. The progress could be



evaluated at the 2005 Spring Summit. This task should be co-ordinated by the EU Council for Social Affairs.

- In close co-operation with their social partners, the member states should accept a national strategy for lifelong education by 2005, in order that they can confront rapid changes in technology, improve participation on the employment market, and allow people to work longer.
- By 2006, the member states should prepare an integrated strategy for active ageing. This requires a radical move forward in policy and the approach to early retirement as concerns three decisive directions of this policy: the provision of proper legal and financial offers to employees so that they will work longer and to employers so that they hire and employ older employees; increased participation in lifelong education for all age groups and primarily for the older age groups; and an improvement in working conditions and work quality.

## Environmental Sustainability

### The Lisbon Strategy requires:

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

### The Kok Report presents key recommendations:

- The European Commission, the EU Council and the member states should support the development and distribution of ecological innovations and take advantage of Europe's leadership role on key eco-industry markets.
- The European Commission should submit a report on the progress made on the Environmental Technology

Action Plan (ETAP) to the EU Council. For the purposes of implementing ETAP, the member states should prepare a schedule that establishes specific measures according to implementation timeframes, primarily at the level of research (especially for technological platforms), for the support of small and mid-sized enterprises (risk capital), and for proportional pricing (removal of dangerous subsidies).

- By the end of 2006, national and local authorities should establish action plans for more ecological public tenders, which will focus primarily on technologies for using renewable energy sources and new fuels. The Commission should assist in ensuring that reliable procedures are distributed amongst the authorities in the member states.

## CLOSING COMMENTARY

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

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

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

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

This fact might be the key reason why the EU is lagging behind the USA economically, even though, on the other hand, it is valid to ask at what level open services within the



framework of the EU should be (or what the criteria are for them). Nevertheless, it is a fact that in the area of services, the EU continues to remain fragmented into separate national markets.

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

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

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



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

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

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

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

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

With the approaching winter, the congressional, conference, and seminar activities are close to freezing point. Our offer of events taking place during the remaining portion of December and the first half of January is thus also limited. Nevertheless, it can be expected that as early as February and March, anyone interested in European integration will find a much wider array of options available as far as conferences and seminars are concerned for the purposes of further education, an exchange of opinions, and making contacts.



Date	Place	Name and Characteristic
9.-11.12.2004	Berlin, Germany	Bundesministerium/Deutscher Sportbund - Sport, women and leadership: <a href="http://www.frauenandiespitze.de/congress/">http://www.frauenandiespitze.de/congress/</a>
9.12.2004	Frankfurt, Germany	Deutsches Aktieninstitut e. V. – Enforcement: <a href="http://www.dai.de/internet/dai/dai-2-0.nsf/events/D5ACE725CF2A2509C1256F3300333326?openDocument">http://www.dai.de/internet/dai/dai-2-0.nsf/events/D5ACE725CF2A2509C1256F3300333326?openDocument</a>
13.12.2004	Brussels, Belgium	British Chamber of Commerce in Belgium - Damage Claims for Competition Breaches: Are you prepared? <a href="http://www.britcham.be/content/events/registration.asp?EventID=285">http://www.britcham.be/content/events/registration.asp?EventID=285</a>



# Statistical window

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

## Price development

	m-on-m HICP growth			y-on-y HICP growth			average y-on-y HICP growth in %		
	VIII-04	IX-04	X-04	VIII-04	IX-04	X-04	VIII-04	IX-04	X-04
<b>EU</b>	0.1	0.2	0.3	2.3	2.1	2.3	2.0	2.0	2.1
<b>EU - minimum</b>	-	-	-	-	-	-	0.4	0.5	0.6
<b>CR</b>	0.0	-0.7	0.4	3.2	2.8	3.1	1.6	1.8	2.3
<b>Estonia</b>	-0.1	0.2	0.3	3.9	3.8	4.0	1.8	2.0	2.5
<b>Cyprus</b>	0.5	1.0	1.0	2.8	1.8	2.0	2.1	2.1	1.9
<b>Lithuania</b>	-0.3	0.5	0.2	2.2	3.0	3.1	-0.5	-0.2	0.5
<b>Latvia</b>	-0.1	0.4	0.4	7.8	7.7	7.2	4.5	4.9	5.6
<b>Hungary</b>	-0.3	0.1	0.5	7.2	6.7	6.4	6.3	6.5	6.8
<b>Malta</b>	-0.5	0.5	0.0	2.5	3.2	2.7	2.6	2.6	2.8
<b>Poland</b>	-0.3	0.3	0.6	4.9	4.7	4.6	2.1	2.5	3.1
<b>Slovakia</b>	-0.2	0.2	0.1	7.0	6.4	6.3	8.6	8.5	8.0
<b>Slovenia</b>	-0.3	-0.4	0.1	3.7	3.4	3.4	4.3	4.2	3.9

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

	average rate	Last 24 months		average rate	Last 12 months	
		deviation maximum in %	deviation minimum in %		deviation maximum in %	deviation minimum in %
<b>Czech koruna</b>	31.90	+3.5	-4.3	32.04	+3.4	-3.9
<b>Estonia kroon</b>	15.65	+0.0	+0.0	15.65	+0.0	+0.0
<b>Cyprus pound</b>	0.583	+1.8	-1.0	0.582	+1.2	-0.8
<b>Lithuanian litas</b>	3.453	+0.0	-0.0	3.453	+0.0	-0.0
<b>Latvian lats</b>	0.649	+8.7	-5.5	0.663	+2.4	-3.5
<b>Hungarian forint</b>	252.3	+7.5	-7.9	253.2	+3.8	-7.5
<b>Maltese lira</b>	0.426	+2.9	-1.5	0.428	+0.9	-1.2
<b>Polish zloty</b>	4.460	+12.8	-9.6	4.573	+8.8	-7.3
<b>Slovenian tolar</b>	236.1	+2.7	-1.6	238.8	+1.0	-0.5
<b>Slovakian koruna</b>	40.87	+4.1	-3.8	40.22	+2.4	-2.4

Note: volatility of foreign exchange rates of new EU member states to euro is expressed in the form of arithmetical average and in the form of maximum and minimum deviation from the average in the reference periods. The reference periods end at 30 November 2004. Source: Eurostat



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