

**PRIORITY AREAS OF THE CZECH REPUBLIC'S PRESIDENCY OF THE  
COUNCIL OF THE EUROPEAN UNION IN THE FIRST HALF OF 2009**

Office of the Deputy Prime Minister for European Affairs  
October 2007

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# **PRIORITY AREAS OF THE CZECH REPUBLIC'S PRESIDENCY OF THE COUNCIL OF THE EUROPEAN UNION**

## **Introduction**

The Czech Republic's Presidency of the Council of the European Union in the first half of 2009 is sure to be a challenge of exceptional importance for both political leadership and state administration in the Czech Republic. The way the Czech Republic copes with this task will have a major impact on its reputation and standing in Europe. Accordingly, the Czech Republic's prime objective should be to ensure a competent Presidency. The ability to listen to other Member States, insight into and anticipation of their standpoints, the playing of a facilitative role and the adeptness at proposing compromises – these are all keystone qualities expected of the country holding the Presidency. By the same token, prerequisites for a successful Presidency are smooth coordination at national level and communication with the Permanent Representation in Brussels, which makes sure that the Presidency speaks with one voice in Brussels. Another precondition for success is the seamless technical and logistical backdrop required for each event in the host country. The achievement of programme objectives, then, is just one area taken into account when assessing the success of a Presidency.

The priority areas of interest of any Presidency are determined both by its own preferences and by external factors. The Czech Republic's ambition for its Presidency should be to leave its mark on the direction taken by Union policies and deliver its own initiatives. This ambition should be the product of national debate and, pragmatically, should take into account the status and interests of the Czech Republic within the EU, as well as those of other Member States. The main external factors include the anticipated global political and economic context in which the Czech Presidency will take place, the long-term direction pursued by the Union as a whole, the European Commission's plans, and the policy preferences of France and Sweden. These factors will determine the content and scale of the agenda carried forward into the Czech Presidency from previous tenures.

By all accounts, the Czech Presidency will be affected by the end of the term of the European Parliament and the current European Commission. From the perspective of the way the EU works, it is important that the Czech Republic can hold the first Presidency to operate within the new institutional set-up stemming from the Reform Treaty, or – if difficulties arise with the ratification of the new Treaty, or if it is rejected – to have to deal with the resultant situation. In global terms, another external factor will be a new administration assuming office in the USA. Furthermore, the Czech Presidency must be in a position to deal with other unpredictable situations that may occur in Europe or globally.

In 2009, Europe will celebrate the twentieth anniversary of the fall of the Iron Curtain and the fifth anniversary of the biggest ever enlargement of the European Union. In the light of these historical lessons, the Czech Republic is particularly sensitive to the persisting obstacles hampering the European integration process, especially in relation to the internal market.. The Czech Republic plans to discuss the effects of enlargement on the functioning of the EU economy at informal EU Council meetings, and will prepare a conference for the professional public. The continued existence of obstacles makes it impossible to fully exploit the potential of individual Member States and the Union as a whole. At the same time, the Czech Republic is conscious of the fact that the EU is sometimes viewed from the outside as a closed

community. With this in mind, the Czech Republic's main motto for its Presidency is **'Europe Without Barriers'**.

Internally, the Czech Republic wishes to draw attention to the transitional periods for the free movement of workers, obstructions hindering the free movement of goods, services, persons and capital, the problematic functioning of the internal market in energy, the excessive financing of traditional policies (especially the Common Agricultural Policy) holding back extra funding for pro-growth policies, the need to improve and streamline the regulatory environment of the EU, and the need to deepen mutual cooperation between EU Member States in the fields of justice and home affairs.

As for the external dimension, the Czech Republic considers the main barriers to be the low level of liberalization in trade with third countries, the Union's inadequate energy policy, the slower pace of EU enlargement, and the obstacles existing to transatlantic economic cooperation. We need to press ahead with the creation of a common EU migration and asylum policy following the dismantling of barriers that hindered the mobility of people between the Union's Member States, and in the same vein we need to achieve greater external openness.

Further to the motto 'Europe Without Barriers', the Czech Republic has set five priority areas for its Presidency of the Council of the European Union. An key area of interest for the Czech Presidency will be **'A Competitive and Open Europe'**. In this way, the Czech Republic wishes to express its support for the existing policy reform programme both at EU level and in each Member State (the Lisbon Strategy). At the same time, the Czech Republic expects the promotion of EU reform efforts to drive forward the reform impulse on a national scale. The principal priority area, A Competitive and Open Europe, is joined by **other priority areas** planned for the Czech Presidency:

- Sustainable and Secure Energy
- A Budget for Europe's Future
- Europe as a Global Partner
- A Secure and Free Europe

## A Competitive and Open Europe

The Czech Republic is keen to promote this key priority area by placing an emphasis on increased competitiveness, promoting the four freedoms and liberal trading policies. This choice can be explained by a number of reasons. The approximation of the Czech Republic to the average level of economic development in the EU is an outstanding achievement. However, the flip side is the gradual loss of the Czech Republic's competitive advantage exploiting low costs and the undervalued currency. The loss of cost benefits therefore calls for new sources of competitiveness – support for the supply of unique, high value-added, systematically innovated products and processes produced and applied by a well-educated workforce.

Fostering competitiveness, largely linked to the successful implementation of the Lisbon Strategy, i.e. the Strategy for Growth and Jobs, nationally and on a Union scale is a major challenge from the perspective of the Czech Republic. Until its review in 2005, the implementation of the Lisbon Strategy had delivered no tangible results in relation to the goal initially set. Europe is presently making headway in the wake of a review of the policies incorporated into the overall strategy for stronger economic growth and higher employment. Nevertheless, the EU continues to lag behind the competition in many important fields. The steadily shifting position of rapidly emerging economies, especially in Asia, in the global economy is a major challenge for the EU. These countries are now starting to compete with Europe in technology-intensive segments, and can offer attractive conditions even for more technologically demanding foreign investments.

As 2010 approaches, and with the end of the mandate of the current European Commission, which set the Lisbon Agenda as one of its priority objectives, we are likely to see a more heated debate on how to continue the process of increasing the EU's competitiveness. Therefore, it can be expected that the Spring European Council, which regularly deals with the Strategy for Growth and Jobs, will be dedicated for the most part to a debate on the future direction of Europe in relation to the progress achieved by the region. The Czech Presidency should be prepared for this debate. Although new Member States' interests in the field of reforms to increase the EU's competitiveness are identical to the interests of the EU-15, it is the new Member States which, given their medium-intensity technological structure in traditional manufacturing and processing industries, are at greatest risk from the competition posed by the emerging Asian economies. Accordingly, in formulating support policies the Czech Republic should make a special effort to take into account the specificities of the new Member States, whose competitiveness parameters, as a general rule, differ from those of the former EU-15. This will place extraordinary demands on coordination, as the preparations for the conclusions of the EU's Spring Summit will be shaped in various Council formations, in particular within Economic and Financial Affairs Council, the Competitiveness Council, the Employment, Social Policy, Health and Consumer Affairs Council and the Transport, Telecommunications and Energy Council.

One of the key enabling factors in increasing EU competitiveness is **innovations**, which are dependent in particular on the quality and quantity of investment in **education, research and development**. As mentioned earlier, an important prerequisite for maintaining a competitive edge long term is a high-skilled workforce, i.e. the quantity and quality of investment in education. Promoting learning among the population also contributes to Europe's social dimension, which underlines the coherence of efficiency and equality aspects, especially equal opportunities and social participation, and thus the removal of barriers hindering social

mobility and inclusion. Increasing the permeability of education systems among EU Member States increases the mobility of students and teachers. Higher mobility increases prospects on the labour market and, by the same token, significantly contributes to personality development. Accelerating technological development and the growing momentum of production, investment and research activities exert pressure on the need for the workforce to adapt systematically to the changing demands placed on qualifications, knowledge and skills throughout workers' professional lives. Therefore, promoting lifelong learning is a major precondition for an increase in competitiveness. As labour mobility increases in tandem with skills levels, besides education another important factor is the attractiveness of the environment, especially in the fields of research, development and universities. It is no secret that the EU is still grappling with the problem of brain drain to the USA and its own weaker position in attracting non-European brains to Europe rather than the USA. The brain drain could also be avoided if the education systems were more flexible, making it easier to combine studies, further education and family life. The problem with most EU Member States is the weak links between different institutional sectors in the innovation process, especially between the academic community and the business sector. In addition, innovation as a priority is closely in compliance with the 'European Year of Creativity and Innovation', which the European Commission plans to proclaim in 2009.

The Czech Presidency's activities should therefore be geared towards the strengthening and further development of the **European Research Area**, the aim of which should be to create a single, attractive labour market for researchers. In 2009, the Knowledge and Innovation Communities are also likely to start operating in the context of the new European Institute of Technology. The Presidency will also be involved in a common priority of the whole Presidency Troika – an impact assessment of the coordination of European research.

Besides education, research and development, important prerequisites for innovative performance are the degree of competition, quality of regulation, business conditions, flexibility of the labour market and the free movement of persons. It is in the Czech Republic's interests to preserve a certain form of tax competition (e.g. corporate income tax rates). Another indispensable factor for the development of innovation is the improvement of the protection of intellectual property rights, including an integrated and affordable patent system.

In the field of **competition**, the Czech Republic will support the ongoing modernization of European competition law, which aims to adapt Community competition legislation to the conditions of the enlarged EU, achieve greater clarity and simplify the relevant rules.

Another important issue for the Czech Republic is to **improve the regulatory environment**. The heavy administrative burden and level of regulation attached to the European economy are often regarded as main drivers impinging on the potential and competitiveness of the business sector. The current Commission has made this subject its key challenge. At the end of 2008, the European Commission is due to put forward draft changes to EU legislation, which results in an unnecessary legislative burden. The European Council's spring summit in 2009 will also address this issue. The Czech Presidency should seek a consensus as regards the setting of further goals to reduce the administrative burden in different areas. The Czech Republic is among a handful of EU Member States that have set themselves the quantitative goal of reducing the administrative burden; the Czech Republic has already conducted an analysis measuring the administrative burden. Another important theme will be adherence to

the Council's commitment to introduce the compulsory assessment of the impacts of EU legislative proposals on the private sector.

The subject of better regulation is of fundamental importance for **small and medium-sized enterprises** in particular, as they find administrative regulation an excessive burden. By the same token, small and medium-sized enterprises throughout the EU account for the lion's share of employment, and in many countries they are the drivers of economic growth and innovation. An important mechanism to improve conditions for these undertakings is the exchange of experience between Member States. During its Presidency, the Czech Republic will organize a conference on the European Charter for Small Enterprises, the prime objective of which will be to share best practices concerning the operation of small and medium-sized enterprises in individual EU countries. An important issue at the time of the Czech Presidency therefore seems to be support for an increase in the share held by small and medium-sized enterprises in exports and the development of services that help to establish companies on foreign markets.

As a country with a long-standing industrial tradition, during its Presidency the Czech Republic should focus on key areas that will help increase the competitiveness of this sector. In the context of **industrial policy**, the Czech Republic, as a country attractive for foreign investors, will concentrate on how relocating industrial resources to countries with lower production costs (delocalization) can fuel the growth of EU competitiveness and national economies. With a view to steady growth of EU competitiveness, attention will also be paid to the development of new technological processes that can be used for greening. The Commission's medium-term outlook for 2009 also encompasses specific activities in the automotive industry (the mid-term review of the CARS21 initiative) and the chemical industry.

Another important aspect in achieving greater EU competitiveness is the rigorous drive to **intensify the internal market**, the functioning of which (in the form of the free movement of goods, services, persons and capital) is faced with certain restrictions. In this respect, the Commission has published its revised Internal Market Strategy in November. This review sets out legislative and non-legislative initiatives on the internal market which the European Commission plans to roll out in the upcoming years. The Czech Presidency should attempt to start a debate on the further liberalization of the service sector; in this respect, it would be advisable to organize a conference on the subject of the free movement of services within the EU.

Advances in information and communication technology have intensified services as a subject of international trade. Nevertheless, service market fragmentation means that services take up a share of less than 5% of GDP in trade between EU Member States, which reduces pressure to increase competitiveness in this sector. Despite the recently adopted *Directive on Services in the Internal Market*, the situation as regards the **free movement of services** is hardly satisfactory. If entrepreneurs and recipients of services are to benefit from the directive, timely and correct implementation is a prerequisite. The main bulk of tasks connected with the finalization of the implementation work will take place during the Czech Presidency. The Czech Republic should consider whether, during the Presidency, to encourage a debate on the further liberalization of the service sector. The Czech Republic will also strive to consolidate the rules of compensation for health care so that it is more transparent and facilitates the greater mobility of individuals.

As regards the **free movement of persons**, the Czech Republic advocates the abolition of transitional periods in all EU Member States. The free movement of persons can help increase productivity and the innovation performance of companies by smoothing the way for the influx of new capabilities and ideas. The positive influence of the free movement of labour on GDP growth and on the creation of the workforce is borne out by the experience of the United Kingdom, Ireland and Sweden. In April 2009, the second phase of the transitional period for restrictive measures relating to the free movement of workers and the second phase of the transitional period for the free movement of workers in relation to the provision of services in Germany and Austria will come to an end (as will the initial phase of measures applicable to Bulgaria and Romania). The Czech Presidency's priority will be to underline the importance of all the fundamental freedoms of the internal market and to seek the abolition of the transitional measures applied to the free movement of workers.

From the Czech Republic's perspective and in the context of the Presidency's motto, 'Europe Without Barriers', the remaining areas of the EU's internal market also remain a priority. In the **free movement of goods**, the Czech Republic will focus on Community regulations which are regarded by certain Member States and by the Commission itself as a jungle. Although some issues are addressed in numerous regulations, many basic terms have yet to be defined. One of the Czech Presidency's priorities, then, will be to continue the thorough review of EU legislation relating to the 'New Approach' Directives.

As regards the **free movement of capital**, a smoothly operating sector of financial services and efficient financial markets are fundamental prerequisites for a sound economy at national and European level. An internal market adequately stabilized by the legal framework yet still dynamic and with well-regulated financial services makes it easier for entrepreneurs to obtain the capital they need for further investment, and for consumers to see their savings grow safely and at an advantageous pace. On the other hand, it is in financial services that Europe suffers from a persistent high degree of fragmentation, especially as regards retail banking. Therefore, in the future financial services should be harmonized in a move combined with an increase in the level of financial literacy among consumers and greater consumer protection.

One of the major challenges for Europe's competitiveness and for the sustainability of the standard of living enjoyed by its population is **demography**. Rapid population ageing has affected many EU countries, and the Czech Republic is no exception. The negative demographic trend can be countered by suitable policies ensuring the long-term sustainability of economic growth and public finances (reforms of the pension, health and social care systems, including policies securing a high level of participation on the labour market, especially among older citizens). The employment policy needs to be effectively connected with the policy of active social inclusion and the availability of quality social services. The Czech Republic will also focus on assessing the implications of the flexicurity concept, concentrating on the adequacy of social protection when people's employment situation changes, and on increasing the motivation to find and accept new employment.

The development of the **Trans-European Networks** is geared in part towards increasing the EU's competitiveness. This will help achieve objectives relating to the internal market and will enable EU citizens, economic entities and regions to fully exploit the creation of an area without internal borders. In 2009, the European Commission is due to submit a report to the European Parliament and the Council on the implementation of Community guidelines for the development of the Trans-European Transport Network.

Even before joining the EU, the Czech Republic applied a **liberal trading policy**, and applies the same approach to negotiations within the EU. As the country holding the Presidency, it will draw on these principles and promote a liberal trading policy throughout the EU. The need to increase the emphasis on trade policy as a means of driving forward external competitiveness, economic growth and the creation of new jobs has even been incorporated into the EU's new trade-policy strategy *Global Europe: Competing in the World*, and into the revised Strategy for Growth and Jobs. In this respect, the EU is keen to make the effort to improve access to third-country markets (especially access to raw materials), to remove non-tariff barriers to trade, and to rigorously enforce intellectual property rights. The Czech Republic, in line with its programme priorities, will promote the implementation of this strategy.

For the EU, the main platform in the context of the liberalization process remains the liberalization of the multilateral trading system of the World Trade Organization (WTO). During its Presidency, the Czech Republic will try to implement the WTO's Doha conclusions, according to which the EU market should be more open to imports from developing countries. Parallel to the multilateral system, the Czech Republic should back the Commission's efforts to negotiate trade agreements with promising business partners or regions (e.g. with Korea, India, ASEAN, Mercosur, the Andean Community, countries in Central America, and potentially China) and, once the prerequisite conditions have been met, to negotiate trade agreements with the EU's closest neighbours (Russia, Ukraine).

## Sustainable and Secure Energy

For the EU and all its Member States, a key issue at present is secure, sustainable and competitive energy. The Union must be capable, in the foreseeable future, of finding an adequate response to the external pressures it is exposed to in this area. In particular, it needs to cope with the accelerating process of climate change and with the fact that roughly 90% of the world's oil and natural gas reserves are located in politically unstable areas. In the context of the Czech Presidency's main priority area, the Czech Republic is fully conscious of the importance of competition in public service sectors (electricity, gas, telecommunications, transport, postal services) for consumers and for the companies who use these sectors.

During its Presidency, the Czech Republic will advocate the rigorous implementation of existing efforts to create a common energy strategy that also encompasses a strategic concept of energy security for the EU as a whole. Increased cooperation here is essential for the stable economic development of the Union, which is dependent in large part on regular supplies of energy. Another equally significant goal will be the advocacy of comprehensive measures culminating in the restricted impact of energy production on the global climate. In all these steps, the right of each Member State to decide on its overall energy mix must be respected.

The Czech Republic is prepared to hold negotiations on individual themes stemming from the implementation of the *Energy Policy for Europe Action plan (2007-2009)*, approved by the European Council in March 2007. During these negotiations, it will be necessary to concentrate on three key areas which, together, form the kernel of sustainable and secure energy: a) the safeguarding of resources, the safety of energy transmutions, the transmission, distribution and supply of energy to the final consumer, b) the preservation of competitiveness, c) the protection of the climate and the environment.

A major challenge for the Czech Presidency will probably be the finalization of negotiations on legislation laying down rules for the internal market in gas and electricity (i.e. the third liberalization package submitted by the Commission in September 2007). The Czech Presidency will evidently also coincide with discussions on the directive on renewable sources of energy, which the Commission is due to submit in December 2007. By reference to the *Commission Communication on the Updated Strategic Energy Review*, to be presented to Member States by the start of 2009, the Czech Republic will prepare some of the conclusions of the 2009 Spring Summit with specific initiatives for further energy policy developments in Europe. On the international stage, the Czech Presidency will have the significant task of leading negotiations, on behalf of the whole of the EU, concerning global measures to soften the impact of climate change in the post-Kyoto period.

The **security of energy supply** is a key issue today that has a bearing on economic and political stability in the European region. The constituent elements of energy security must be well-functioning markets and the diversification of energy sources, geographic origin and transmission routes. EU Member States must work together to improve their resiliency and reduce the vulnerability of critical infrastructure in the face of present and future security threats. The Czech Presidency will channel greater effort into making headway in the common approach to energy policy so that each state cooperates and respects the interests of others as much as possible. In connection with the implementation of the second Action Plan under the Commission's Strategic Energy Review, it is necessary to focus primarily on increasing the security of oil and natural gas supplies while reducing the EU's dependence on imports of these strategic raw materials. These objectives should be achieved by seeking out

alternative opportunities for the supply of oil and natural gas to individual EU states and by introducing alternative fuels in transport together with support for the use of domestic energy sources, based on the possibilities open to the Member States. An effective monitoring system needs to be set up to avoid energy crises or, if they occur, to resolve them promptly. All these issues will be consulted in detail with both EU and non-EU partners with a view to ensuring the corresponding security and stability of supply.

**A reliable, safely functioning internal market in electricity and gas** is instrumental in reinforcing the EU's competitiveness in the energy sector. Accordingly, during its Presidency the Czech Republic will strive to round off talks on the third liberalization package of energy legislation, which should inter alia establish a functional model of regulation within the EU capable of ensuring the issue of binding decisions. This model is essential for the creation of the stable, predictable environment required for investment and cross-border issues. In connection with the preceding and following Presidency, the Czech Republic will pay due attention to the issue of investments and other matters to finalize the necessary transmission capacities in and between Member States. All these issues will be consulted in detail both with EU and non-EU partners with a view to ensuring the corresponding security and stability of supply.

The Czech Presidency will intensively tackle **climate change** as the EU plays a leading role in this area on the international stage. The sustainable use of energy sources and the reduction of emissions must be consistent with the policy of protecting the Earth's climate system. As a party to the United Nations Framework Convention on Climate Change and its Kyoto Protocol, the Czech Republic is involved in activities at EU level and on an international scale. Climate change will be one of the key issues in the EU's external relations, and will be discussed with third countries at various levels, including ministerial meetings and summits. From the perspective of the environment, the protection of the climate is a clear priority of the presidencies of the Czech Republic, France and Sweden. Therefore, they agreed to work together on preparations for a climate change roadmap covering all three presidencies with a view to the successful completion of discussions on individual subjects at EU level and on an international scale by the end of 2009. The Czech Presidency will be geared to a debate on the review of Directive 2003/87/EC on greenhouse gas emission allowance trading and other market-based instruments proposed to achieve the goals of environmental protection, which are to be presented jointly to the Council in the context of the climate/energy package. At the same time, a debate needs to start on the opportunities and risks of applying modern low-carbon technology and, in the same vein, appropriate and efficient adaptation measures to soften the negative impacts of climate change.

The fostering of stable relations with third countries in energy-related matters is a matter of fundamental significance for the EU. These stable relations need to be built up with suppliers, consumers and transit operators of energy supplies. Accordingly, during its Presidency the Czech Republic will promote stronger dialogue with these countries and groups, and will push for the creation and implementation of a common **external energy policy for the EU**. To this effect, cooperation and coordination at EU level will have to be increased. The Czech Republic will pursue the priorities of the EU's external energy policy under the 2007 Action Plan and will pay due attention to the updating of this policy in the new action plan. In this regard, the EU's energy partnership with Russia and the effective implementation of the European Neighbourhood Policy will play a crucial role.

During its Presidency, the Czech Republic will encourage debate on the use of all available energy sources and their efficient use in line with the EU's climate protection commitments. The long-term objective is a **sustainable, effective and diverse mix of energy sources** culminating in the fulfilment of the goals of secure supplies, competitiveness, and sustainable development. In discussions on this subject the Czech Presidency will draw on the initiatives contained in the EU's second *Strategic Energy Review*, used for the preparation of the *second Action Plan on an energy policy for Europe (2010-2012)*. The Czech Republic will support the EU's existing efforts in the pursuit of its energy policy objectives by promoting energy efficiency, the efficient use of domestic energy sources, and the diversification of energy supplies from external sources (including transmission routes). In the light of the EU's future energy demand outlook, the Czech Republic will encourage an appropriate reinforcement in the range of sources and an increase in the availability. In this regard, the Czech Republic will support coordination at European level.

**Enhancing energy efficiency** will contribute to all three energy policy pillars, i.e. sustainability, security and competitiveness. Reduced energy demands in EU countries through energy savings is therefore a significant theme that will be raised by the Czech Presidency. The en-masse roll-out of new technology will also be of paramount importance for consumers in the EU. In the energy sector, extra efforts will have to be channelled into the coordination of research and development along with the corresponding efficient use of financial resources invested in this area. With regard to the legislative instruments used to achieve this objective, the Czech Presidency will concentrate on reviews of the directives on labelling and the energy efficiency of buildings, which should be submitted to the Council during 2008.

## **A Budget for Europe's Future**

In the first half of 2009, the Czech Presidency will have the considerable challenge of mediating a debate on a review of the EU budgetary framework. The heart of this debate will be linked to the reform of the **Common Agricultural Policy (CAP)**, which has been the long-term recipient of the lion's share of funds allocated every year under the EU budget.

The budget is a key instrument in the implementation of Union policies. Therefore, it must be viewed primarily as an investment in the EU's future; the Czech Presidency will aim to make an active contribution so that this investment is for the benefit of EU citizens and so that its long-term rate of return is as high as possible. It is necessary to ensure that resources from the Union budget are used effectively and that the way they are managed keeps pace with the current requirements of the EU as a whole in a global economic context. CAP reform, together with the planned decrease in the share of the budget earmarked for agriculture in favour of more expenditure on education, research, development and innovation, plays a vital role in this respect. Furthermore, efforts to curb agricultural expenditure, especially farming subsidies, directly overlap with the negotiations of the World Trade Organization, and are therefore linked to the liberalization of EU trade policy.

In discussions between the representatives of Member States and EU institutions, the Czech Republic will promote the widely shared stance that, if the EU is to hold its ground in the future in a dynamically developing global economy, a review of its budget is absolutely imperative. The continuing modernization of the EU agenda, responding to challenges and risks primarily connected with the process of globalization, is logically reflected in the need to change the structure of the revenue and expenditure policies. From the long-term perspective, the EU will find it impossible to maintain its competitiveness in the global economy unless it reforms the budget and cuts the spending on CAP. For this reason, the Czech Presidency will pay special attention to the objective of budget review and CAP reform.

The Czech Presidency will follow up on the conclusions reached by the European Council of December 2005, according to which a full and wide-ranging review should be conducted covering all aspects of EU spending, including the CAP, and of resources, including the British rebate. A *White Paper* assessing the current situation and offering the first proposals concerning all aspects of EU expenditure and revenues will stimulate discussion on the future of the European budget. The Commission will submit the White Paper by the end of 2008 or at the beginning of 2009. Bearing in mind the huge proportion of budget expenditure taken up by CAP, the issue of its further development will have a fundamental impact on the overall result of the debate. That said, the review will affect all expenditure policies, including the policy on economic and social cohesion, which constitutes the second largest expenditure heading of the European budget in terms of volume. It is likely that simultaneously with the debate on changes to the expenditure, the discussion on the revenue side of the budget will be carried out. Here, the Czech Republic will promote the abolition of the VAT-resource and of all corrections on the revenue side, and will oppose introduction of new budgetary sources. In any case, the Czech Republic stands ready, as debate moderator, to make an active contribution in the search for a compromise that will benefit the EU and its citizens.

It will be very difficult to reach any agreement on the substance of the CAP reform concurrently with a consensus on financial aspects as the two issues are interrelated. It is clear that the French Presidency and the Commission will push for at least a partial separation of

the talks on CAP reform from the discussions on the budget. Nevertheless, there is always the possibility that the two aspects of reform will be debated at the same time. In any case, the Czech Presidency will place an emphasis on the main purpose of the review, i.e. a **gradual reduction of CAP share in expenditure side of the budget**. This key aim will have to be pushed through against a background of debate on the formulation of the new objectives and values that agriculture provides to EU citizens.

The Czech Republic expects that the debate on the EU budget review will be rather general without any quantification of the financial aspects. However, the conclusions of the negotiations on the budget reform will form the starting point for negotiations on the financial perspective for the period after 2013.

The Czech Presidency's activities will depend on the timing of the publication of the Commission White Paper. If the Commission presents the White Paper in the first half of 2009, the Czech Republic will merely launch the reform debate. Apart from the conclusions of the European Council in spring 2009 which may concern the further direction of CAP, no specific conclusions can be anticipated for individual policies. Therefore, the Czech Republic will pay particular attention to reaching an agreement on the roadmap for further talks and the setting of appropriate procedures. A more detailed debate would then be left to the subsequent Swedish Presidency. If the White Paper is published ahead of the Czech Presidency, the Czech Republic will steer the debate towards the substance of a possible budget review.

With regard to CAP, a prerequisite for the successful handling of the presidential role will be the Czech Republic's ability to influence the direction of the discussion on the future model of CAP in accordance with its priority objectives. As a basis for talks on the reform of the agricultural policy and for the subsequent debate on the post-2013 financial perspective, the Czech Republic will have to prepare its own position on the future model of CAP. The overarching objective of all modifications will be to rationalize the resources earmarked for CAP from the EU budget and redirect them to policies contributing to the long-term competitiveness of the European economy.

Besides an overall reduction in direct expenditure on agricultural production, a high priority of the Czech Republic shall be to maintain the role of the **policy on economic and social cohesion and to reinforce its territorial dimension**. The main role of the cohesion policy lies primarily in actively reducing the gap between developed and lagging behind Member States and regions with the aim of promoting a more balanced and sustainable development of the EU. As a result of the higher economic growth in majority of the less developed Member States and of further enlargement of the EU, at the end of the next programming period a topical issue will be the possible loss of eligibility for financial assistance from the Structural Funds and the Cohesion Fund. Therefore, during its Presidency the Czech Republic will strive to find a mechanism which would safeguard the possibility of further availability of European resources for relatively weaker regions. The prerequisite for a successful discussion will be the Czech Republic's ability to analyse the course and results of negotiations on the 2007-2013 programming period and the initial experiences gained from the implementation of structural assistance. Soon after the White Paper is published, the Czech Republic will have to set out its own position on how the policy should look like in the future.

## Europe as a Global Partner

The foreign policy dimension is traditionally placed among the Presidency's priorities. Here, the country holding the Presidency takes into account the latest developments in the Union's foreign policy; logically, special attention is paid to those aspects of external relations or areas in which the country has a larger presence, especially in view of its geographical location, history, own foreign policy bent, and security and economic interests.

In the field of external relations, the Czech Republic primarily focuses on contiguous regions, which undoubtedly has a trade and economic context. The Czech Republic has identified three areas on which it is keen to concentrate during its Presidency of the Council of the European Union: transatlantic relations, the regions of the Western Balkans and Eastern Europe.

The relationship between Europe and the United States, or **transatlantic cooperation**, represents a traditionally important area of EU interest. The transatlantic area is based on common civilization values and close links nurtured over the centuries. These include the field of political security (respect for human rights, freedom and democratic values, security cooperation in the context of NATO, the global struggle against terrorism), economics (a stress on the free market economy, liberal trade cooperation, steadily rising economic cooperation to sustain economic growth), and climate change (the shared commitment to cut emissions under the Kyoto process, commitments within the G8).

In the context of new security threats and risks, and from the perspective of the Czech Republic's security and long-term interests, it is imperative to maintain and keep developing transatlantic relations between the EU and the USA. Close transatlantic cooperation and the fostering of the USA's marked involvement in Europe is consistent with the Czech Republic's long-term national interests. Transatlantic cooperation will be one of the prime objectives of the Czech Presidency. President Sarkozy's French diplomacy will place an emphasis on the complementarity of the EU and NATO. The Czech Republic's interest at the time of its Presidency will be to harness these impulses in an appropriate manner and guide them towards a stronger role for NATO as a transatlantic coping stone and a key platform for dialogue on security issues between the EU and the USA.

In the context of the EU's Common Foreign and Security Policy (CFSP), during its Presidency the Czech Republic will promote effective cooperation between the EU and NATO, especially as regards the building, development and financing of military resources, their mutual complementation, and where appropriate deployment in international operations. The Czech Republic will strive to raise current cooperation at technical level to the plane of political dialogue between the two organizations on strategic challenges and security risks.

Economic partnership plays an indispensable role in Euro-American relations. The EU-USA Summit in 2007 presented certain new mechanisms of cooperation, in particular the Transatlantic Economic Council. The transatlantic market is open and integrated to a high degree; the significance of mutual economic relations, in the light of the scale and intensity, is uncontested. During its Presidency, the Czech Republic will try to further mutual economic convergence and remove barriers to mutual trade. The principal foreseeable event during the Presidency will be the EU-USA summit in Washington, where the new US administration will be representing the America side for the first time. This summit will be preceded, about a

month in advance, by a meeting of the Foreign Ministers Troika (the EU high representative, the foreign minister of the country holding the EU Presidency, and the US Secretary of State).

The priority projects within the scope of economic cooperation (intellectual property rights, investment, trade security, financial markets and innovation) were defined in the outline *Framework for Advancing Transatlantic Economic Integration* at the G8 summit in Heiligendamm (2007).

Under the Czech Presidency, high-level dialogue on climate change, clean energy and sustainable development will continue. In view of the debate on the post-Kyoto structure, which is set to reach a head during the Czech Presidency, difficult negotiations are probably in store. Political dialogue on border and transport security will also be led under the Czech Presidency.

During its Presidency, the Czech Republic will focus on fostering the cooperation of the EU and the USA in third countries. Besides Eastern and South-Eastern Europe, where the Czech Republic can be highly active in the light of its geopolitical position, national interests and specific historical experience, cooperation should also extend to other regions, e.g. to the Middle East, Central Asia and Latin America. During its Presidency, the Czech Republic, in conjunction with the USA, will try to support the development of democracy and human rights in the world.

An important EU-Canada summit is planned, the subject of which could reflect current trade and economic relations. With regard to Canada, attention will centre on cooperation in the field of crisis management, economic relations and human rights, as well as energy industries and the environment – including the issue of climate change – in the context of existing mechanisms.

Another of the Czech Presidency's main priorities will be to strengthen the European perspective of countries in the **Western Balkans** under the Thessaloniki Agenda. The assurance of the European perspective of the Western Balkan countries is realized under the Stabilization and Association Process (SAP), which is steadily transforming into an accession process. The progress made by Western Balkan countries towards membership hinges on the speed of internal reforms, as well as compliance with SAP criteria and accession criteria. In this respect, the International Criminal Tribunal for the Former Yugoslavia plays a specific role in cooperation. The way the status of Kosovo is handled could have a bearing on the Western Balkan countries' accession process. Accession negotiations with Croatia were launched in October 2005. Former Yugoslav Republic of Macedonia, granted candidate status in 2005, now awaits the launch of accession negotiations. For Kosovo, an *SAP Tracking Mechanism* is in place in view of its unresolved status. If the independence of Kosovo is recognized by EU Member States, the same SAP instruments will be applied to Kosovo as those used for the other countries in the region, and negotiations will open on a readmission agreement and on a visa facilitation agreement. The Czech Republic will endeavour to help Western Balkan countries proceed as far as they can within the scope of the SAP during the Czech Presidency.

From the perspective of long-term support, developments in accession negotiations between the EU and Croatia are important for the Czech Republic; their culmination in the first half of 2009 is one of the key priorities of the Czech Republic's Presidency of the Council of the European Union. The completion of accession negotiations with Croatia is conditioned by the

following factors in particular: the general political atmosphere as regards to further enlargement, the finalization of institutional reform, progress in accession negotiations and, ultimately, the unrelenting momentum of the pace of reform and observance of a roadmap under which Croatia will deliver on its commitments. The Czech Republic will also actively support the EU's negotiations with Croatia during the preceding Presidencies of Slovenia and France, so that they can be rounded off during the Czech Presidency. During its Presidency, the Czech Republic will try to make as much progress as possible in the field of EU enlargement. Besides the possible completion of negotiations with Croatia, there is the prospect of the launch (or continuation) of accession negotiations with FYROM and support for the European perspective of the Western Balkan countries (the offer of a clear European perspective to Serbia). Continuing negotiations with Turkey are a matter of priority for the Czech Republic.

The Czech Republic is considering the possibility of hosting, during its Presidency, a high-level EU - Western Balkans meeting or a conference to assess the results achieved by Croatia so far in the accession process. The nature and format of both events will be specified later, in response to developments up to the start of the Czech Presidency.

Key areas for the reinforcement of mutual cooperation between the EU and countries in **Eastern Europe** are: improvement of economic and trade partnership, respect for fundamental rights and freedoms, the facilitation of mobility and migration control, support for the establishment of mutual contact at diverse levels, and political and security cooperation. The Czech Republic supports wholeheartedly the intensification of the *European Neighbourhood Policy (ENP)* in relation to the EU's eastern neighbours, and during its Presidency it will try to raise the profile of its eastern dimension, with a substantive improvement in relations with countries in the region and the allocation of adequate resources. The Czech Republic will also promote stronger ties between the EU and eastern partners under the ENP. The continuation or completion of negotiations with Ukraine concerning a new, stronger treaty will be one of the Czech Republic's priorities in this field. Attention will also focus on Moldova, Georgia, Azerbaijan and Armenia. In the light of its own historical experience with an undemocratic regime and the process of political and economic transformation, the Czech Republic is in favour of democratization and transformation processes in the countries of Eastern Europe. It is presently difficult to predict developments in Belarus and, by the same token, the steps that will be taken by the EU. In the event of regime change, the Czech Republic will push for relations between Belarus and the EU in the context of the ENP to be elevated quickly to the level of other ENP states. The Czech Republic will continue to observe support of civil society in Belarus.

An important partner for the EU is Russia, whose policy towards countries in Eastern Europe substantially affects the EU's achievements in the region. The Presidency will offer numerous opportunities for close engagement in dialogue with Russian, including the regular EU-Russia summit and meetings of the Permanent Partnership Council in various formats. Following the possible approval of the mandate, negotiations are likely to be held with Russia on a new Partnership and Cooperation Agreement. The supply to the EU of energy raw materials and energy security are very important themes in relation to Russia. The key to the EU's relations with Russia lies in maintaining a single voice.

## A Secure and Free Europe

The building up of the area of freedom, security and justice is currently one of the most dynamic areas of cooperation within the EU. The Czech Republic is acutely conscious of its co-responsibility for further developments in this key area of EU cooperation, and will pay special attention to this during its Presidency. The removal of barriers hindering the movement of people among the Union's Member States requires continuous improvements in cooperation between the police, the judiciary and institutions involved in asylum and migration. This is the only way to ensure that the European area of the free movement of persons remains safe and that all EU citizens have equal access to their rights. The development of cooperation in this area also has a bearing on the EU's further economic development. In the interests of its competitiveness, Europe is also weighing up the possibility of employing high-skilled labour from third countries by means of a targeted immigration policy.

During its Presidency, the Czech Republic stands ready to do all that is necessary in implementing the **final stage of the Hague Programme**. This is the conceptual basis of all work in building up the area of freedom, security and justice, and was approved by the European Council in November 2004. The challenges awaiting the Czech Presidency are mainly predetermined by the inherited agenda; during talks on this agenda, the Czech Republic will act as an intermediary, brokering compromises for unresolved issues. However, the Czech Republic will only actively support those proposals which will have obvious value added in practice and a proper legal basis (the first versus the third pillar; or a vague legal basis in primary law in general). Another task will be a general evaluation of the results, usefulness and effectiveness of the EU's established legal instruments for Member States and their citizens.

The Czech Republic will also intensively devote itself to the **scrutiny and approval of the following multiannual plan for justice and home affairs** for the 2010-2014 period. The Commission is planning to issue a draft of its 'post-Hague' programme for the period of the French Presidency. This means that the Czech Republic, during its own Presidency, will lead the final negotiations on this programme between members of the EU Council and the European Parliament. Observations to date indicate that the new multiannual programme could be definitively approved by the European Council during the Swedish Presidency. Progress in the EU's institutional reform will have a major impact on the debate.

In terms of the EU's **policy on asylum and migration**, it will be necessary to focus on finalizing the *common asylum procedure* and hold a debate on the common migration policy. In this respect, the Czech Presidency will pay particular attention to the implementation of the first legal instruments under the *Policy Plan on Legal Migration* and the *Policy Priorities Against Illegal Immigration*. The Czech Republic will also concentrate on rounding off negotiations on an amendment to *Council Directive 2003/109 concerning the status of third-country nationals who are long-term residents*, expanding its scope to include those enjoying international protection. Another central theme will be the development and implementation of the *Global Approach to Migration* focusing on the eastern dimension of dialogue and cooperation with third countries in the context of the European Neighbourhood Policy. In the increasingly important field of the *integration of foreign nationals from third countries*, the Czech Republic will concentrate on strengthening social cohesion, supporting unity in diversity within society, the exchange of experience by Member States, the pro-active development of a common integration agenda and intercultural dialogue.

In the key area of **Schengen cooperation** and visa policy, the Czech Presidency will target the rigorous supervision of the technical dimension of the projects *SIS II* and *Visa Information System*, including biometrics. It will also be necessary to monitor the progress made by Bulgaria and Romania in their preparations for integration into the Schengen area, and to finalize work on the implementation of the *Community Code on Visas*.

As for police and judicial **cooperation in criminal matters**, the Czech Presidency will devote most of its attention to a project for the creation of an electronic network of national judicial records.

The Czech Republic will also concentrate on *reinforcing the practical forms of mutual cooperation* in the struggle against terrorism and organized crime, including steps to combat trafficking in human beings and provide assistance to victims. Likewise, particular attention will be paid to *improving the operations of the competent Union agencies*. Not least, it will be necessary to work on measures to curb cyber threats by raising public awareness and reinforcing cooperation between Member States. Other important subjects for the Czech Republic will be the discussion and approval of an *evaluation report on the practical application of the European Arrest Warrant in the Czech Republic* and the monitoring of the practical implementation of the *Prüm acquis*.

In the field of **civil justice cooperation**, the Czech Presidency will deal in particular with a debate on a proposal for an inheritance and wills regulation and an amendment to the *Brussels I* regulation on jurisdiction and the recognition and enforcement of judgments in civil and commercial matters. The debate on the proposal for the *Rome I* regulation on the law applicable to contractual obligations and the proposal for a regulation on jurisdiction, applicable law, recognition and enforcement of decisions and cooperation in matters relating to maintenance obligations – the *Maintenance Regulation*.

## **Conclusion**

In autumn 2007, the Czech Republic's preparations for the Presidency are getting into a more intensive phase. On 20 September 2007, negotiations officially opened with French and Swedish partners on the structure and content of their joint eighteen-month programme of three presidencies, which will form the basic content framework of the EU Council's agenda from 1 July 2008 to 31 December 2009. During these negotiations, the French and Swedish stances will have to be assiduously analysed, and regular communication will be necessary with the General Secretariat of the Council and with the Commission as, without their cooperation, the successful promotion of the Czech Presidency's priorities would be virtually unrealizable. Nor can the involvement of the European Parliament be overlooked. In-depth, constructive cooperation with representatives of these European institutions is imperative in the interests of a successful outcome for the Czech Presidency. Nevertheless, the lion's share of negotiations will rest with the representatives of the countries due to hold the three future presidencies, which will be the main architects of the eighteen-month programme.

In negotiations with the representatives of France and Sweden, it will be necessary, against the background of the Czech Presidency's priority areas, to map out areas of common interest, as well as subjects which could give rise to disputes. This analysis will form the basis for the ongoing preparation of an alternative scenario for the negotiations; subsequently, in the context of thrashing out the resultant compromise, it will be necessary to try and push through as many of the originally stated objectives as possible.

Observations obtained so far, inter alia during the above-mentioned trilateral negotiations on the 18-month programme of the French, Czech and Swedish presidencies, indicate that all five key areas the Czech Republic is keen to focus on during its Presidency are generally consistent with the stances of the French and Swedish partners. Certain themes within the set priority areas could prove controversial, such as the deregulation of the market in energy via unbundling. However, on a general level the basic framework of cooperation for the upcoming three presidencies is already starting to form and will result in a joint eighteen-month programme. The overriding challenge for the Czech Republic during the negotiations on this joint programme of the three presidencies in the upcoming months will be to assert as many objectives outlined in the preceding chapters as possible.