



Asociace
pro mezinárodní
otázk
Association
for International
Affairs

Newsletter

European program

03/2008

1 – 15 June 2008

A Bi-monthly Review of European Affairs from the Czech Perspective

In this Issue

Progress in energy liberalisation? A summary of the compromise and its impact on the Czech Republic
French EU Presidency 2008: What to Expect?
Changing the European Labour Market
EU reaction to the soaring oil price: A French proposal?

Analyses

Progress in energy liberalisation? A summary of the compromise and its impact on the Czech Republic

Vladimír Beroun

On 6 June 2008, energy ministers of the EU member states reached another significant compromise on the road to the liberalisation of electricity and gas market. The goal of this measure is to separate the ownership of production and supply (so-called unbundling), which should reduce prices of these commodities through increasing competition. EU member states will be allowed to choose one of three proposed unbundling models (i.e. full ownership unbundling, ISO - independent system operator, ITO - independent transmission operator), depending on the specific conditions of their energy markets. However, making the European energy market more effective is not the only issue. It is also a matter of energy security (prevention of so-called blackouts, solidarity if they appear, and ability to face non-European energy giants – see more).

The opponents of full unbundling, including the Czech Republic, will probably choose the third model, based on the creation of an independent transmission operator. This option involves “legal” separation of transmission networks and energy production and consequent establishment of an independent national regulator. In the Czech Republic, such a liberalisation will mean changes especially in the gas industry, for the RWE Transgas Company owns the production as well as transmission networks. There are going to be no changes in the electricity industry, as ČEZ and ČEPS are two legally separated companies.

The compromise is far from ideal, though, because it is not going to lead to unity in the EU energy market. The third, by many countries preferred model of unbundling will not bring about the longed-for opening up of the markets, as a result of the failure to achieve full ownership unbundling, primarily proposed by the Commission.

In fact, the original owner of production and networks will retain a substantial part of its influence in the transmission network, and what will play a crucial role will be the functioning of the fundamental restrictions set by the Commission. Further steps are expected under the French and Czech EU presidency. For the Czech Republic, energy is one of its priorities.

French EU Presidency 2008: What to Expect?

Katarina Lokšová, Jan Potucký

According to the French state secretary for European Affairs, Jean-Pierre Jouyet, the French presidency should be modest in style, ambitious about its goals and realistic in expectations. (Mezinárodní politika 04/2008). It is clear, that feasibility of such a rich programme like the French one will require insight, luck and support from other member states. Especially now, after the Irish “no” to the Lisbon treaty, it will be France’s task to cope with this complication.

The most important goal France has set for itself is the strengthening of EU's influence on international affairs and preparation of common EU security strategy. Another French priority is the creation of a common immigration policy and the related project of the Mediterranean Union. The first summit at which the founding charter is to be signed will be held in Paris on 13th July. Issues like the reform of the CAP and climate change also belong to the declared areas of French interest. Therefore statements about ambitious goals can be confirmed.

The modest “style” of presidency cannot be expected thanks to the “French season” which only in the Czech Republic comprises of more than 50 different events. The French embassy in the Czech Republic has also prepared the “Programme of European presidencies 2008-2009” which will be aimed at lecturing activities, teaching French etc.

It is clear from the wide array of planned French activities that the Czech presidency in 2009 will follow after six months of a very strong member country’s presidency.

Changing the European Labour Market

Michal Vít, Jan Potucký

On June 6, the European Union made an agreement concerning the employment policy. The European Council implemented an amendment to the Working Time Directive No. 2008/912, which deals with the reduction of working hours due to security reasons. The Council also agreed on adjusting social security of work agencies’ employees.

Virtually, working hours should be reduced to 48 hours per week with the possibility of working overtime but not exceeding 12 hours. The amendment also introduces the ‘state of working promptitude’. It is described as active work but not the whole period during which the employee is ready to work. In the field of social security for agencies’ employees, the signatories acceded to a status equal with that of proper workers after twelve weeks.

EU Commissioner for employment, social affairs and equal opportunities, Vladimír Špidla, depicted the amendment as a successful example of the implementation of the flexicurity principle in practice. The proposal must be approved by the European Parliament – the voting is expected to be held in the second half of 2008.

The Czech Republic is in favour of the agreement because it clearly defines working promptitude (The European Court of Justice has already dealt with a number of complaints regarding this problem) and therefore it will help to solve the problem with the definition of working promptitude for example in health care services. Because of the vague definition of the ‘readiness to work’, problems with financial evaluation do occur. According to the Minister of labour and social affairs, Petr Nečas, the new amendment is positive, because it boosts market flexibility. European trade unions have been supporting the arrangement of working hours at European level.

Intensive work on the legislation regulating the functioning of the Union's labour market still goes on – the Commission is to release the new agenda on the integration of young people into the labour market on July, 2.

EU reaction to the soaring oil price: A French proposal?

Petr Hajný

What are the causes of the current dramatic increase in the price of oil? Some of the most significant factors are the world economy's strong demand for this strategic commodity and its derivatives (especially thanks to the growing economies, such as India and China), the location of the world's resources in unstable regions (and related repeated cut-offs of supplies) and, last but not least, the attitude of the Organisation of the Petroleum Exporting Countries (OPEC), refusing to increase supplies in order to keep the oil price high and influence the oil market by its output capacity and relative power.

Countries with no oil reserves, including most of the EU member states, have to adopt compensatory measures. Thus, there is pressure on decreasing the consumption, which, however, clashes with the unwillingness of people to give up consumption to such a great extent that would be needed to make the impact relevant. Furthermore, there has been a shift towards alternative, especially energy, resources, with all its pros and cons, and, of course, reductions of oil excise taxes.

France chose exactly the last mentioned way and has been prompting the other member states to do the same and the European Commission to set a common maximum level of VAT on this commodity. President Sarkozy argues that the situation is untenable, in view of the strikes of fishermen, drivers and other workers in industries afflicted by the price rise. Nevertheless, positions of individual European countries are rather sceptical. The Czech government is against the proposals of the Opposition and refuses to lower fuel taxes.

It is inarguable that for example in the Czech Republic more than a half of the petrol and oil price consists of VAT and excise tax, but still, it is not the only factor. The price of oil increases also in the countries where taxes are not so high (USA) and even there has been causing considerable trouble. Moreover, one should take into account that a generally sensitive issue is presented here. Adoption of the French concept would mean another step on the way towards tax rates' harmonisation in the Union, which is still hardly acceptable for some member states.

Comments on Recent News

Irish No Vote

The only referendum on the Lisbon Treaty ended in failure, when 53,4% of the participants voted 'no'. President of the European Commission J.M. Barroso announced that the ratification process would continue with respect to the countries that already ratified the document. As far as the Czech Republic is concerned, it is essential that its presidency will proceed in the unreformed framework, as it is highly expected that the situation that has occurred will not have been dealt with by 1st January 2009. More

Common Immigration Policy of the EU Countries

All the 27 EU countries agreed on common procedure against citizens of non-EU countries who enter the EU area without particular dossier or those, who do not leave the particular country after their permission expires. Their next status must be discussed in six-month time on national level. Immigrants can be confined for up to 18 months and they can be banned from entering any EU country for up to 5 years. At first, the Czech Republic and other EU countries did not agree on providing free legal assistance to illegal immigrants, however, in the end they gave in. Amnesty

International, European Council on Refugees and Exiles and other organizations strongly oppose this policy because of the possibility of violating human rights by taking immigrants in custody too often. [More](#)

Summit EU-USA: Transatlantic Cooperation and Global Issues

On 10th June, the leaders of the European Union met with U.S. President George Bush. The world centers of conflict, environmental issues and energy were discussed. Apart from these, negotiations with the World Health Organization were held. The EU and the USA agreed to deepen their economic relations. [More](#)

Václav Klaus: „Europe's big test: why the euro will not help?“

The Financial Times and other influential dailies released the article of Czech President Václav Klaus about the common European currency facing current difficulties of the world economy such as rising prices and consumption of natural resources etc. V. Klaus highlighted the increasing inflation and non-existence of an optimal monetary space in the Euro zone. He regards the Euro as a political tool and therefore deems it necessary to look for its advantages in the political area. [More](#)

Interesting Publications

University of Oxford

“[Energy Politics and Poverty](#)”, a work by Oxford professors brings an excellent view of contemporary energy politics and its effects on the environment. The publication demonstrates the ways in which the energy politics of developed countries affect the environment, which devastates the already fragile economies of developing countries. The result of the aforesaid is growing poverty in the region.

Notre Europe

“[Think Global, Act European](#)”, a unique paper is the result of cooperation of French, Czech and Swedish think tanks. The trio's experts have created continuous proposals and recommendations for the upcoming presidency with the vision of the EU as a global player. The articles focus on e.g. the area of EU's exterior relations, defence, immigration, economy or EU enlargement.

Fondation Robert Schuman

First from a series of analyses connected with the upcoming French presidency “[Sarkozy at the Wheel of Europe: What to Expect from the French Presidency of the European Union](#)” is handling the logistical and organizational role of the state during this period. It also compares French and European interests. The author mentions the improving relations of France and its partners. In connection with the presidency, he deems managing technical tasks more difficult than political ones.

Invitations

Debate: Transatlantic Relations: Possibilities and Visions

When: 17th June 2008 from 16:00

Where: Institute of International Relations, Nerudova 3, Praha 1

Organiser: Institute of International Relations

Guest: Tomáš Pojar

[Programme](#)

Seminary: French EU Council Presidency

When: 19th June 2008 from 17:00

Where: Eurocentrum Praha, Evropský dům, Jungmannova 24, Praha 1

Organiser: Eurocentrum Praha

Guest: Marianne Barkan-Cowdy (1st Secretary of the French Embassy in the Czech Republic)

Registration

Upcoming Events**EU Council Meeting**

The last EU Council meeting during Slovenian presidency is to take place in Brussels from 19th to 20th June. The main theme of the meeting will probably be the Lisbon treaty and its future after Irish "no" vote. The member states will also discuss e.g. the soaring food prices or the future of West Balkans. [More](#)

Swiss Referendum on Free Movement of Persons from the EU

The Swiss Parliament has decided to hold a referendum on renewing the treaty on free movement of persons from the EU, which would newly encompass Romania and Bulgaria as well. Swiss citizens can express themselves about this topic after every enlargement of the EU. In case they vote against this treaty, the whole complex of relations between Switzerland and EU is put in jeopardy, because their continuance is conditioned by the elongation of the treaty. The referendum is supposed to take place in May 2009. [More](#)

Macedonia Hopes to Begin Entry Talks with the EU

Macedonia (FYROM) hopes to begin entry talks with the EU in the second half of 2008. It has had candidate status since December 2005. However the possibility of EU enlargement to Macedonia is rather hypothetical, especially because of the tensions in the EU that have appeared after the rejection of the Lisbon treaty but also because of [Greece's persistent problem with the state's name](#). In spring this led to the refusal of the country's accession to NATO. Let us also remind you of the violence and problems connected with recent elections in Macedonia. [More](#)

The opinions expressed in this newsletter are those of the authors and do not necessarily reflect the views of the Association for International Affairs.

Project Coordinator: Ivana Jemelková Project Assistant: Lenka Ryjáčková Analyses: Vladimír Beroun, Petr Hajný, Katarina Lokšová, Jan Potucký, Michal Vít Comments on Recent Events: Jan Husák, Sylvie Milerová, Andrea Tršová Interesting Publications: Katarina Lokšová, Lenka Ryjáčková Invitations: Katarina Lokšová, Lenka Ryjáčková Upcoming Events: Jan Husák, Sylvie Milerová, Andrea Tršová Corrections: Lenka Ryjáčková (Coordinator), Vít Michal Andrea Tršová Translations: Sylvie Milerová (Coordinator), Katarina Lokšová, Jana Slavíková Professional Editing: Ivana Jemelková Graphic Layout: Side2 Composition: Josef Vomáčka Office Contact: newsletter.ep@amo.cz

Association for International Affairs (AMO) Žitná 27, 110 00 Praha 1 Tel./Fax: +420 224 813 460 E-mail: info@amo.cz / www.amo.cz

© Association for International Affairs 2008
