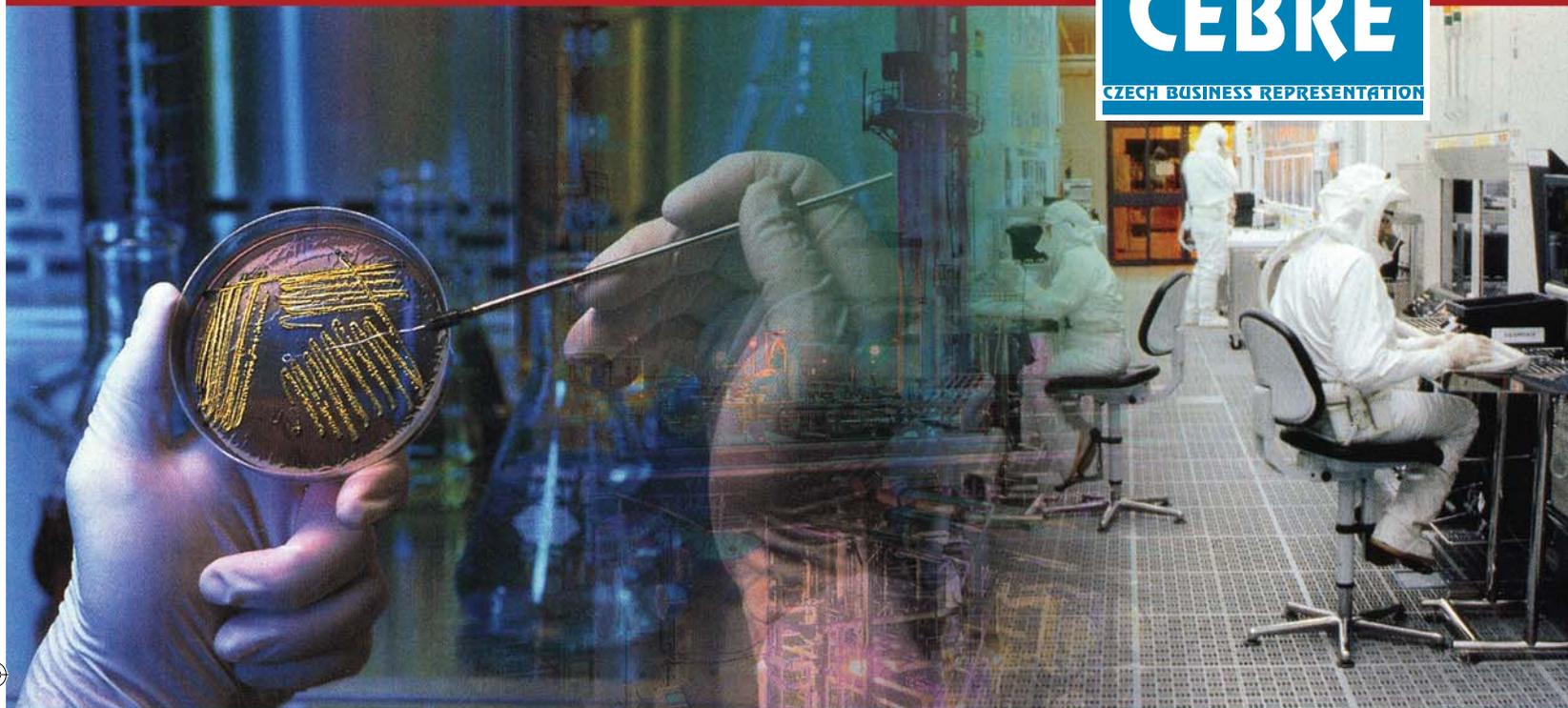


# Czech Business today

volume 4 - 1/2005



- **Quo Vadis Lisbon?**
- **Public Tenders in the EU**
- **Lost in translation...**

## Interview with Czech Deputy Prime Minister for Economics Martin Jahn

How do you perceive the Lisbon Strategy? Is it really as important as many people say it is? In it Europe has set itself the aim of achieving the most competitive position and the highest economic growth in the world by 2010. But the reality is somewhat different.

Just as five years ago, so today Europe is lagging behind America economically. Just to compound matters, competition is increasing from Asia, especially China. In the medium-term evaluation of the Lisbon Strategy the European Commission rightly prioritises economic objectives and reduces the number of priorities, which are now far clearer. It is important that these be genuinely attainable.

This is the only way that the Lisbon Strategy will be genuinely meaningful. In my opi-



nion it is not especially important what year we achieve our aim. The point of the Lisbon Strategy is to have a vision at which we can aim. We have to realise that the competitiveness of each individual country depends on how competitive Europe is as a whole.

At the beginning of February the European Commission put forward its proposal for the revival of the Lisbon Strategy. How do you

perceive these proposals and what will you be taking to Brussels to the spring Summit as the Czech representative, where the future of the Lisbon Strategy will be decided?

Our opinion is close to that presented by Mr Barroso in the European Parliament. It is right thing to concentrate on economic growth and employment. Without corresponding growth the European social model is difficult to sustain. On the sixteenth of February we approved the Framework Position to the Medium-term Assessment of the Lisbon Strategy in government. We place an emphasis on a more qualified and mobile workforce, for instance. Research and

*„It is right thing to concentrate on economic growth and employment. Without corresponding growth the European social model is difficult to sustain. If the social state grows out of control and environmental protection puts a brake on European industry, the entire model of a social state will collapse.“*

development must also be a priority. As far as the internal market is concerned we are in favour of accepting regulations on services, and we shall also request a re-evaluation of the re-

(see page 8)

## Lisbon Strategy from the Point of View of the Economic Chamber of the Czech Republic

The Lisbon Strategy approved by the European Union at its Summit in 2000 sets out the ambition of the EU to become the most dynamic and competitive economics in the world by 2010. The Economic Chamber of the CR welcomes any measures aimed at attaining this objective. As an assessment of the intervening period shows, there has been a tendency toward the social sphere rather than toward economic development. For this reason we would strongly urge measures to be taken which will kick-start a real development of the economy. *"In accordance with the Eurochambres declaration we request the simplification, clarification and through enforcement of rules in the business sphere, an overhaul of tax and social insurance to ensure greater incentives for economic development, and last but not least, we would urge that economic development be genuine, not simply the declared initiative of each national government,"* said the president of the Economic Chamber of the CR, Jaromír Drábek.

In the opinion of the Eurochambres, ways of making the new Lisbon Strategy more effective include:

**New governance:** The installation of Ms/Mr Lisbon is an excellent proposal. In the Chambers'

view Ms/Mr Lisbon should be the Prime Ministers of each Member State. In addition, a single, key, high-ranking economic Minister at national level should be the sole representative in the Competitiveness Council. Furthermore, national parliaments should be involved in the annual review of the National Action Programmes, not only in the initial compilation of those plans.

**Better regulation:** The aim of reducing the regulatory burden and of better regulation should be complemented by adopting competitiveness as the overarching principle. All new legislation, including amendments by the European Parliament, must undergo an assessment of its impact on competitiveness.

**Social partners:** To be successful, the broad coalition should include all relevant economic actors, and not only the very limited, traditional social partners.

**Structural reforms:** In order to make Europe a more attractive place to invest in and work the communication must give more emphasis to overdue structural reforms of the pension, social security, tax and education systems, as well as more flexible labour markets.



Jaromír Drábek, President of the Economic Chamber of the Czech Republic

At the meeting of the Government Economic Council at the beginning of February 2005 the Czech government discussed the National Economic Strategy. Part of this material will also be an Action Plan for implementation of the Lisbon Strategy. The Economic Chamber of the CR welcomes this initiative and believes that it represents a step in the right direction.

Viktorie Plívová  
Economic Chamber of the Czech Republic

## Quo Vadis Lisbon? Confederation of Industry of the CR Welcomes the New Tack Taken by the EU in the Direction of Growth and Employment

Entrepreneurs and employers in the Czech Republic welcome the new wind blowing from Brussels in the form of a comprehensive package of strategic documents prepared for the spring summit in Brussels. From the long awaited report by the European Commission entitled *Growth and Jobs: A New Start for the Lisbon Strategy*, and especially from the strategic objectives of the Commission for 2005-2009 it is clear that Europe's imperative is economic growth and the creation of job opportunities. Strong economic performance and dynamic growth were always the basic building blocks on which Europe constructed its model of social solidarity and sustainability from the start.

*"Priorities of Czech entrepreneurs - research, development and innovation, human resource development and knowledge based economics, transparent legislation with a lower level of regulation, liberalisation of the job market, a business-friendly tax system, the development of a functional infrastructure, an effective and sensible environmental policy, access to foreign markets - correspond not only to the aims and priorities of European and global entrepreneurial and employee circles, but with all the priorities of the revised Lisbon agenda."*

The Barosso Commission has shown great courage in facing up to the new challenges and picking up the gauntlet. It understands that targeted reforms must be realised, jointly and immediately. The employer's and business lobby in the CR especially welcomes:

- The reduction of objectives and the empha-

sis on macroeconomic policy

- The rehabilitation of the economic pillars of the strategy
- The emphasis on the involvement of social partners in the entire process
- The compilation of national action plans for Lisbon as concrete obligations for governments to take essential reform measures

The Confederation of Industry of the CR (SP ČR) has endorsed the challenge of the Union of Industrial and Employer's Confederations of Europe (UNICE), which in December of last year called for member federations to launch initiatives on a national level aimed at supporting the national ac-

tion plans, and above all at supporting economic growth and competitiveness.

Employers and entrepreneurs in the CR have a completely clear idea based on their own strategy and designated priorities for the years 2005-2007. Everything which they work so hard for every day, and the battles they fight in the interests of their

member companies, all this will bring added value to the revised Lisbon process. Their priorities – research, development and innovation, human resource development and knowledge-based economics, transparent legislation with a lower level of regulation, liberalisation of the job market, a business-friendly tax system, the development of a functional infrastructure, an effective and sensible environmental policy, access to foreign markets – correspond not only to the aims and priorities of European and global entrepreneurial and employers circles, but with all the priorities of the revised Lisbon agenda. As the president of the confederation, Jaroslav Mil, says, *"This is not a new target for us, we have been such a policy since our confederation was founded. We, the representatives of the real economy, are the people warning national governments and EU bodies of the risks involved in overestimating objectives in the social and environmental spheres and underestimating the role of economic growth based on increased productivity."*

The Czech "Mr. Lisbon" has already presented his conception of the National Strategy for Growth, part of which will be the National Action Plan for Lisbon. However, discussions regarding the revised Lisbon agenda are only just beginning in the Czech Republic and entrepreneurs and employers want to be part of them!

Vladimíra Drbalová  
Confederation of Industry of the CR  
Member of the EESC

## Czech Commissioner Vladimír Špidla on Lisbon Strategy

In spring of 2004 the Prime Minister of the CR at that time compared the Lisbon Strategy to the Yeti, which "everyone speaks about but nobody has seen". Now Vladimír Špidla as European Commissioner for Employment, Social Affairs and Equal Opportunities has his own opportunity to participate in the discovery of the abominable snowman. Vladimír Špidla is satisfied with the new form of the Lisbon Strategy, which was introduced by the Barroso Commission at the beginning of February. "The Lisbon Strategy is above all a partnership between the EU and its member states. At the start it seemed that individual countries were not embracing it, and not surprisingly – the number of its objectives kept on rising; and differentiation of the spheres of competence between the EU and member countries was just about impossible. The modified Lisbon Strategy attempts to avoid this,"

said Špidla on 18 February 2005 at a conference on the new industrial dialogue in Brussels. Regarding social policy Vladimír Špidla said: "Europe needs active solidarity between member countries and individual regions. It is clear that the success of this effort will depend on the volume

*The Lisbon Strategy is above all a partnership between the EU and its member states"*

*of resources available." The commissioner added: "Modern society cannot exist without regulation. The question is not whether to regulate or not, it is how to regulate well."*

Marie Kolmanová  
Economic Chamber of the Czech Republic



Vladimír Špidla, Commissioner for Employment, Social Affairs and Equal Opportunities

## Environmental Dimension of Lisbon Strategy in the CR

During the nineties new and fundamentally improved legislation was passed pertaining to environmental protection. Most of the duties and financial burden of this dramatic change were born by Czech industry, which adapted itself to the modern requirements of environmental protection in half of the time which the industrial sector of Western Europe needed for similar changes. In the first stage of the introduction of the ecological acts, during the years 1991 to 1999, more than CZK 250 billion was invested, most of it by Czech industry.

In the next stage (1999 – 2007) the thorough harmonisation of Czech environmental laws

*„Czech law places requirements which are over and above the framework of European legislation; the requirements of environmental laws are being expanded by an unsuitable formulation of secondary norms and executory regulations.“*

with the relevant legal regulations of the EU was undertaken. This stage removed certain differences between Czech legislation and EU regulations while also extending Czech law by the new legal regulations and procedures passed by the EU. This phase is not yet over and the costs linked with it are estimated at around CZK 200 billion, again largely to be invested by the private sector. Despite hefty forecast costs for achieving the complete accordance of European and Czech environmental legal norms, the net effect will be relatively low, and there will be no further improvement to the quality of the environment which could be comparable to the results attained in the previous phase.

One of the causes for this situation is to be located in serious inadequacies to the process of the harmonisation of Czech legal regulations with those of Europe, and in the incorrect application of European regulations to Czech law. Moreover, Czech industry, after a wave of massive ecological investment, is frequently

obliged to invest in the same things it did in 1991 to 1999, regardless of whether this makes economic sense or matches the innovation cycle of companies. This has resulted in a devaluation of the efforts of Czech companies to improve the environment in the previous phase, a reduction in investment resources, and poor competitiveness on the part of Czech companies on the single European market.

The Czech government has repeatedly addressed the question of the efficient and economically effective introduction of EU legal regulations in the sphere of the environment during this phase (e.g. Government Resolu-

tion 594/2003 of 18 June 2003 to the Framework Strategy of Financing of Investments for Implementation of EU Legal Regulations in the Sphere of the Environment). The government debate included contributions from the Confederation of Industry of the CR and other private sector actors regarding the inadequate expansion of the material content of EU legal regulations into Czech law and the impediments thus created to the operations of Czech companies on the single European market. The Ministry of the Environment reacted to the proposals and objections with a repeated

*„Czech industry adapted itself to the modern requirements of environmental protection in half of the time which the industrial sector of Western Europe needed for similar changes.“*

declaration on the compliance of Czech environmental regulations and the limits specified therein with EU regulations.

However, this claim on the part of the Minis-

try is at variance with the everyday experience of the broad membership base of the Confederation of Industry of the CR. For example, a survey which the Federation of the Chemical Industry conducted amongst its members at the end of 2003 pointed to several basic mechanisms by which Czech environmental regulations and government bodies, including the Ministry, had expanded requirements for protection of the environment over and above the valid EU regulations and thus reduced the competitiveness of Czech companies within the single European market. The following serve as examples of such mechanisms:

- whatever the Ministry claims, Czech law places requirements which are over and above the framework of European legislation;
- the requirements of environmental laws are being expanded by an unsuitable formulation of secondary norms and executory regulations;
- in practice EU regulations are applied in an extensive way in the CR;
- the administrative offices interpret the requirements of valid legal norms incorrectly. The mechanisms specified do not result in the intended higher level of protection of the environment but to the ineffective increase of company costs without any corresponding benefit to the environment, and thus to a weakening of the competitiveness of Czech companies on the European market.

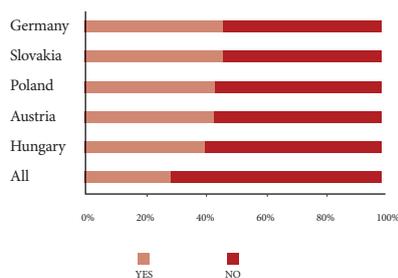
From the Communication of the Board of Directors of the Confederation of Industry

# Czech Companies and Public Tenders in the EU

An awareness of the importance of this topic and an attempt to chart the participation of Czech companies in public tenders in other countries of the European Union led CEBRE, the Czech Business Representation at the EU, to examine this problematic in detail. After all, public contracts within a European context comprise 16.3% of the gross domestic product of the EU, which already provides sufficient justification to give consideration to possible company expansion.

CEBRE carried out two pilot activities in this sphere. The first was an on-line survey of Czech companies regarding their participation in public tenders in the EU on which CEBRE collaborated with BusinessInfo.cz, the official portal for the support of business. The second involves a conference entitled Public Contracts in the European Union, organised with the collaboration of the Senate Committee for the Economy, Agriculture and Transport. So let's look a little more closely at how active Czech companies are in this sphere.

*In which EU countries do you intend to participate in public tenders?*



The survey was conducted in electronic form during November and December of last year and 287 companies, mainly small and medium enterprises, participated. Almost a half of these were manufacturing companies, a third belonged to the service economy and the rest were trading companies. The respondents included companies operating in the processing industry (almost a third) and construction, trading, transportation and communication companies, etc.

## There would be interest

There is certainly no lack of interest in participating in tenders on the part of Czech companies. For almost three quarters of the companies involved public tenders as such are nothing new. They have experience acquired from the domestic environment. However, participation in other EU countries is weaker. At present some fifth of the companies are active (though this does not mean that they are already delivering their goods and services within the framework of public contracts). However, as many as half of the companies displayed interest in this opportunity and were attempting to acquire more information. Just under a third showed no interest in such contracts, which completely reflects the situation vis-à-vis participation in Czech public contracts. It will be very interesting to monitor whether the

companies at present giving consideration to this possibility act on their impulses, and if so, to what extent they are successful.

Turning to what specific countries companies are most interested in, the results are not surprising. Companies display most interest in neighbouring countries. Perhaps because of the size of its market Germany is the most popular (with 46% of companies being interested), along with Slovakia (46%), which has of course been a known quantity since the time when the two countries were one. What's more, there is no language barrier to face. These countries are followed closely by Poland (43%), Austria (42%) and Hungary (39%). More than one third of companies show an interest in the entire territory of the EU.

## It is too bureaucratic ...

A frequent complaint of companies regarding public contracts relates to the bureaucracy that has to be waded through and the lack of transparency involved in the process of selecting the winning bidder. However, the survey showed that the main problems which companies face in the sphere of public orders are the same as they face during traditional foreign trading activities. Almost half of companies cite as the biggest impediment the lack of personal contacts (46%) in the country organising the tender. This is followed by a lack of familiarity of the local environment (39%) and the bureaucratic hoops that have to be gone through (37%). To a lesser extent companies have to reckon on short deadlines for the submission of bids, discrimination against foreign bidders, a high level of competitiveness, lack of transparency, and corruption. Somewhat surprisingly, even though Czech companies tend to be smaller in comparison with many European companies, they do not have a problem with the volumes of public contracts being too large to handle. So perhaps Czech companies are not lacking in the necessary self-confidence after all.

## How to set about it

The survey revealed that a hidden problem with regard to the participation of Czech companies in public contracts within the EU could be their ignorance of the appropriate procedures and legislation. It could be argued that a company can simply hire an external legal firm and overcome this handicap at a stroke. However, the fact remains that the managers of companies participating in public tenders should at least have a certain overview of this sphere. The survey shows that only 12% of managers believe that they have such an overview, with more than one half of managers (53%) frankly admitting that they do not have enough information on legislation. The remaining managers (35%) preferred not to respond to the question.

The situation is slightly better (but only slightly) as far as the search for public tender opportunities is concerned. Sixteen percent of managers are satisfied with the existing information on offer. However, a half of managers

(50%) admit that a host of potential transactions simply slip through their fingers or that they do not get their hands on the requisite information.

The main source of information (regarding both legislation and specific contracts) for companies is CzechTrade, economic chambers and the specialised press. The European Union Official Journal, which publishes all public tenders above a certain limit, is also an important source of information regarding contracts out to tender.

## Rely on oneself

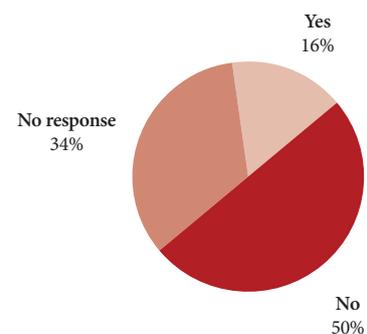
This is perhaps the best way to describe the approach taken by Czech companies to putting together bids for public tenders. Who says that Czech companies lack self-confidence? Almost half of the companies prefer to compete on an independent basis (46%). Some companies will reluctantly opt for a subcontractor strategy (36%), in which they attach themselves to the tender winner as subcontractor. Creating consortia is not that popular as a strategy and only around a quarter of companies opt for it. Those that do would prefer Czech companies as partners to foreign ones.

## Support?

Of the possible forms of assistance on offer to companies during participation in public tenders in the European Union almost two thirds of managers would welcome the targeted monitoring of newly issued tenders according to company profile (60%). The fact is that creating an information system within the company which would monitor all the potential opportunities is not really viable, especially when a company is active in more than one country and is interested both in the larger tenders announced in the EU Official Journal and tenders announced on just a national level. Respondents also displayed a significant interest in the assistance of specialised consultants when applying for a tender (31%) and in seminars focusing on public tenders in the individual member countries of the EU (28%).

*Ondřej Hradil  
CEBRE Brussels*

*Do you have enough information regarding specific public tenders announced within the EU?*



## Lost in translation...

The year 2005 will go down in history as the first in which the European Union appeared in its new composition, i.e. with more than 450 million inhabitants, 25 member states and 20 official languages. While the increase in the population was less than 20%, there was an increase of 66% in the number of member states and of 80% in the number of official languages. As well as Czech, the EU family of languages was extended by such divergent languages as Hungarian, Estonian, Lithuanian, Latvian, Polish, Slovenian, Slovak and Maltese.

It is clear that this considerable increase in the number of official languages will make it necessary in the future to up the volume of translated texts. If around 1.5 million pages were translated in 2003, this figure will be around 2.5 million in 2005. This will inevitably involve higher expenditure by the Union on translations, but also increase the risk of errors cropping up in translated documents. In 2003 the Union spent € 549 million on translations: by the end of the transitional period, which is to continue until the end of 2006, it is anticipated that the Union will have spent more than € 800 million. Although the sums in question are high, when annual outlay per EU inhabitant is calculated the figure prior to expansion was around € 1.5 and in 2005 this figure will be less than € 2 per capita. The probability of errors arising cannot be calculated so precisely, and so there is nothing for it but to hope that the bodies responsible manage to eliminate this risk.

The situation outlined above could not have been managed if every institution had not prepared itself sufficiently in advance. The European Commission began preparations for last year's expansion as far back as 1996 and is already preparing for the planned addition of Rumania and Bulgaria, planned for 2007, and the arrival of Croatia and Turkey some time in the future. Only thorough preparations ensured that from the moment the Czech Republic entered Europe all the newly passed regulations published in the Official Journal were also in Czech, and that every inhabitant has the possibility of acquainting himself with the new communitarian regulations and union law in his mother tongue.

However, this only applies to the newly passed regulations. To these must be added an important group of regulations comprising the *acquis communautaire*, passed prior to expansion, which comprise 80 to 85 thousand pages of text. Although these documents must also be translated into all the official EU languages, I have deliberately distinguished them as the individual member states are responsible for their translation. It is up to them to choose the strategy and tools that will ensure that their citizens, institutions and companies receive timely and clear access to the norms which become binding at the instant of their country's accession to the EU.

All translations are subject to very strict controls in order to guarantee that only top quality documents are published in the special editions of the Official Journal for individual countries. The moment each individual document is published in the Official Journal the translation acquires the status of an original which has the same legal force as the texts in all other languages of all countries of the EU. This is one of the main reasons for the multi-level controls of all published translations, the aim

of which is to minimise the risk of de facto new norms arising as a result of a translation of previously passed legal regulations. However, since the English, French and German wording of individual legal regulations are used during preparations of the Czech versions, and other languages are taken into account only during the revision stage, it will probably never be possible to fully eliminate this risk.

As the public tender announced in January of this year shows, the situation is completely different as regards translations of court resolutions, which also belong amongst the important sources of communitarian law. It is clear from the bidding conditions of this tender that there are still 20,000 pages of legal resolutions to be translated into Czech, which in my opinion means that the Czech Republic is still only at the very beginning of the process of translating the resolutions of European courts. The tender also anticipates that the bidders selected complete the translations of the appropriate resolutions by the end of 2006. This is probably the date we should consider as being that on which Czech becomes a genuinely equal official language of the Union.

Since I don't wish to disavow my membership of the legal profession, I have to mention the legal footings on which the linguistic basis of the Union is established. Linguistic diversification in the EU is enshrined both in primary and secondary legislation. The foundation stone of the current form was indirectly laid in the original Treaty establishing the European Economic Community of 1958, especially Article 248 (now 314), which reads: "This Treaty, drawn up in a single original in the Dutch, French, German, and Italian languages, all four texts being equally authentic..." Every time the Union is expanded this regulation of the Treaty has another language added to it, which language is thereby deemed authentic, and the Article has naturally included the amendments ensuing from last year's expansion of the Union. The list of languages in the Treaty establishing the European Economic Community and other deeds of foundation which are regarded as authentic was thus increased, amongst other languages, by Czech.

Notwithstanding the undeniable importance of the amendments referred to enshrining the principle of linguistic diversification in primary legislation, other steps were required, including the creation of citizenship of the Union. When the right of citizens of the Union, originally set forth in Article 8d of the Treaty establishing the European Economic Community (now Article 21), was expanded in 1997 in the Amsterdam revision by the following provision: "every citizen of the Union may write to any of the institutions or bodies referred to in this Article or in Article 4 in one of the languages specified in Article 248 (now Art. 314) and receive an answer in the same language", we can speak of the creation of the principle of linguistic diversification on the level of primary legislation. An identical principle is enshrined in Article II-101 paragraph 4 of the Treaty Establishing a Constitution for Europe.

In secondary legislation the principle of linguistic diversification is enshrined mainly in Regulation No. 1 of 1958. The importance of the principle referred to is emphasised by the fact that it is set forth in the very first regulation issued after the signing of the Treaty on the Establishment of

the European Economic Community. This regulation stipulates that any of the official languages may be used during contact with all EU institutions. There is a duty corresponding to this entitlement of member states and their citizens for all institutions to reply in the language of the original submission. The regulation also establishes a duty to publish the Official Journal, regulations and other documents with general applicability in all official languages. Although the regulation specifies that all languages of the Union are official and working languages of the institutions, it allows them to set forth the rules for the use of languages in their internal regulations. After the most recent amendment to the regulation, Czech belongs to the languages which can be used in relation to the institutions of the EU.

In proceedings before judicial bodies of the Union a distinction must be made between the procedural and working language. The working language in which meetings of judges are held and into which all written documents relating to each individual case are translated is always French. On the other hand, the procedural language is designated in accordance with the rules specified in the procedural regulations of the court in question in relation to each case separately in such a way as to take into account the native or official language of the parties to the proceedings. The procedural language becomes of crucial importance in the final phase of the proceedings, since only a verdict delivered in the procedural language is binding, and other languages serve only as translations. In this respect court verdicts fundamentally differ from other sources of the law, and the procedure of new member countries comprising the preferential preparation and publication of national versions of other sources of law prior to the publication of court verdicts can be adjudged as correct.

Although an advocate of the idea that it is possible to restrict the number of procedural languages in certain areas, I do not think that this can be realised in the foreseeable future. The successful realisation of the European Commission Action Plan entitled "Mother tongue-plus-two" should contribute to the process. The plan aims to increase the knowledge of languages of as much of the population of the EU as possible. If there is no agreement reached on a restriction of the number of procedural languages, I would at least like to express my wish that the current difficulties which linguistic and national diversification unavoidably involve be reconceived by Europe as a real advantage, which would become a basis for fulfilment of the EU motto – "united in diversity".

As is clear from the examples of courts, Parliament and the Commission referred to above, institutions have already found a way of dealing with the enormous volume of translations and all the different languages. In my opinion it would be a sad thing indeed if strict compliance with linguistic diversification, the original and main aim of which was to enshrine the fundamental right of natural persons and legal entities to preserve their identity, should act to their detriment. We would run a genuine risk of occasionally appearing like the heroes of the film whose title I have borrowed for this article ...

*Pavel Nosek  
Law firm Kocián, Šolc, Balaščík*

## Prague Economic Chamber Partner to the Competition Entrepreneur of the Year®

This year was the fifth in which Czech entrepreneurs fought for the prestigious title Entrepreneur of the Year. There was a new element this year which increased the objectivity of the results. The Prague Economic Chamber was a partner of the competition organiser, Ernst & Young, for the first time, and offered nominated entrepreneurs the opportunity of acquiring an SME Rating within the framework of the competition, thus facilitating the jury's job of deciding objectively on the economic health of each company whose owner was one of those nominated.

The international competition, founded by Ernst & Young, was first held in 1986 in the USA and these days is a regular feature in 35 different countries, e.g. Canada, the Great Britain, France, Japan and Germany. The Czech Republic has been organising the competition since 2000, thus making it the first country in Central and Eastern Europe to compete for this prestigious award.

Any entrepreneur actively working as part of the management of a company which has existed for at least three years, employed 20 or more people in 2003, and in which they own at least a 10% interest in the registered capital, may compete in the Entrepreneur of the Year competition. Entrepreneurs can nominate themselves or be nominated by colleagues, employees, business partners or friends.

The title Entrepreneur of the Year 2004 went to Miroslav Řihák, chairman of the board of directors and managing director of ANECT. The other finalists were Jan Červinka, director of Adastra, Ondřej Fryc, chairman of the board of Internet Mall, Jan Měrka, executive director of REMAK, and Jiří Konečný, company secretary of ELKO EP.

Along with the company ratings, another novelty this year was the subcategory Technological Entrepreneur of the Year 2004. This was the brainchild of Ernst & Young, working with the



Miroslav Řihák awarded the title Entrepreneur of the Year 2004

involved competitors whose companies operate in the sphere of modern technology or which make significant use of modern technology in their core business activities. The first ever Technological Entrepreneur of the Year went to Jiří Konečný, company secretary of ELKO EP.

The competition organisers are already accepting nominations for the Entrepreneur of the Year 2005. You can send your tips for suitable candidates using the website [www.podnikatelroku.cz](http://www.podnikatelroku.cz).

Hana Janišová  
Prague Economic Chamber

## Czech Representative at EuroCommerce

On 9 December 2004 an important meeting of EuroCommerce was held in Brussels. The general meeting and supervisory board of EuroCommerce which met in Brussels represent the supreme assembly of business federations in the countries of the European Union.

The meeting saw approval of the action plan, a budget for 2003, the revised forecast budget for 2004, and the preliminary budget for 2005. A new supervisory board, steering committee and main auditor were elected. One representative was voted onto the supervisory board and the steering committee for the period from 1 February 2005 to 31 January 2007 for the Czech Republic, Michal Ševera, 1st vice-presi-

dent of the Czech Confederation of Trade and Tourism (SOCR) and managing director of GfK Praha. One representative from Hungary and one from Poland were also elected to both bodies. Of a total of 20 elected members of the steering committee there is one candidate from each member country. Great Britain, Germany, Italy and France are exceptions since, under the statute, they have a right to two representatives because of their higher national product.

In his opening speech Michal Ševera outlined the strategy of the SOCR over the next three years and passed on the results of trade surveys conducted in the Czech Republic. During the course of his trip to Brussels he met with repre-



Michal Ševera  
elected to EuroCommerce

sentatives of CEBRE (Czech Business Representation) and discussed possible cooperation between the two organisations. The appointment of Michal Ševera to the European bodies will reinforce the status of Czech business activities and the possibility of a swift transfer of information from EuroCommerce to the business sphere in the Czech Republic.

Alena Vlčková  
Czech Confederation of Trade and Tourism

## Successful Lobbying for Successful Business

On 27 January a meeting of representatives of Eurochambres, the European network of economic chambers, and MPs took place at the European Parliament. Present at the meeting were Jaromír Drábek, president of the Economic Chamber of the Czech Republic, and Miroslav Topolánek, leader of the ODS. "The European Union is at present drawing up important regulations on services, the final wording of which could impact significantly on the conditions under which many Czech companies do business within the EU internal market. Another serious topic is the con-

tinued development of the Czech textile industry within the framework of EU business policy. The European Parliament participates on drafting EU legislation, and so we have to be able to defend and assert our interests in this particular arena," Jaromír Drábek told the meeting.

Martin Duda, CEBRE, Brussels

Jaromír Drábek and Miroslav Topolánek would like to influence the conditions under which business is conducted within the EU to the benefit of Czech companies.



<b>KOCIÁN ŠOLC BALAŠTÍK</b> <small>ADVOKÁTNÍ KANCELÁŘ</small>	<h3>News from the Brussels branch of the law firm Kocián Šolc Balaščík</h3> <p>The law firm Kocián Šolc Balaščík opened a branch in Brussels at the beginning of 2003, thus becoming the first Czech law company to open its own office in Brussels. It is already clear that the decision to improve the range of services on offer by direct contact with the European environment more than a year prior to expansion of the EU has strengthened the standing of KSB amongst the best known Czech law companies. The fundamental expansion of our German Desk at the end of 2004 has also unquestionably led to improvements in the legal and tax services which KSB has been offering its clients for almost fourteen years.</p> <p>Personnel changes at the beginning of this year at the Brussels branch of KSB saw Pavel Nosek take over from Andrea Löfflerová in the post of permanent representative of KSB in Brussels. Pavel Nosek is a lawyer who, as well as studying at the Legal Faculty of the West Bohemian University in Pilsen, also followed a course at the University of Lapland in Finland (1998) and was also a postgraduate at the Asser Institute in the Hague (2001). He is a member of the Czech Bar Association and is registered on the EU list of the Brussels Bar Association. He is a specialist in community law, the legislative framework of mergers and acquisitions, competition law, and company law.</p>	<div style="display: flex; justify-content: space-between; align-items: center;"> <div style="width: 20px; height: 20px; background-color: #003366;"></div> <div style="width: 20px; height: 20px; background-color: #003366;"></div> <div style="width: 20px; height: 20px; background-color: #003366;"></div> </div> <p>Contact: <b>KOCIAN SOLC BALASTIK</b> 36, Av. d'Auderghem 1040 Brussels, Belgium Tel.: +32 2 230 32 15 Fax: +32 2 230 33 47 Email: <a href="mailto:pnosek@ksb.cz">pnosek@ksb.cz</a> <a href="mailto:brussels@ksb.cz">brussels@ksb.cz</a> <a href="http://www.ksb.cz">www.ksb.cz</a></p>
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### Czechs still don't know how to invest

Czechs continue to put their savings in fixed-term accounts and savings books, as well as in building societies. This is in contrast to the practice in other European countries, where it is customary to invest much more in life assurance, pension funds and unit trusts. The difference can perhaps be explained by lingering suspicions of funds, suspicions which find their roots in the ineptly managed coupon privatisation. In time, however, the share of bank and cash deposits will decline, and unit trusts will assume greater importance in investor portfolios. The range and quality of such unit trusts on the Czech market is fully comparable with the advanced countries of the EU. However, the trusts are more complex than fixed-term deposits and require a far more carefully planned investment strategy.

### Unfair competition is to blame for a surfeit of eggs

Chicken breeders are disenchanted by business within the framework of the European Union. It bothers them that while they have had to invest millions of crowns in the costly conversion of cages because of regulations on improved conditions for breeding chickens, several of the longer serving members of the Union pay little heed to the regulations. The competitive edge resulting from unfair competition has led to surplus production of eggs in Europe, and Czech farmers, who from April last year claim they have been selling eggs at under cost price, are paying the cost. What's more, the domestic market has recently been swamped by million of eggs from abroad. According to the European Commission five member states had problems implementing the regulations, and in 2003 were issued with reprimands by the European Commission. Four of the countries took remedial measures last year, though the last, Belgium, has yet to do so, and has been sent an official letter by the Commission.

### The Union of Czech Production Co-operatives is awarded the ISO 9001:2000

In December 2004 a certification audit of the quality management system of the Union of Czech Production Co-operatives (SČMVD) was conducted by the certification authority DNV Czech Republic s.r.o. (DET NORSKE VERITAS), against the international norms of ISO 9001:2000. The SČMVD was founded in 1953 and is now one of the strongest special interest groups in the Czech Republic. It thus became the first union of legal entities in the Czech Republic to receive this certificate and clearly now belongs amongst the pioneers within the ranks of organisations with this particular legal form.



### Electronic tolls as a means of preventing congestion on Czech roads

The Ministry of Transport estimates that the number of heavy freight vehicles in the Czech Re-

public went up by a half again after the country's entry into the EU and subsequent to the introduction of tolls in Austria and Germany. The Czech government has decided to resolve the resulting congestion by introducing its own electronic toll. Discussions regarding the method of selecting a toll have been joined in recent months by political representatives from Germany, Switzerland and Italy, who have been attempting to persuade the Czech government of the advantages of their systems. The Ministry of Transport should have prepared the documentation for a supplier of a toll system by the end of June 2005. The plan is to introduce tolls for freight vehicles over 7.5 tons from next year throughout a network of 970 kilometres of Czech motorways and high-speed roads. The system would later be extended to other roads, in all to more than 2,400 kilometres. From 2008 vehicles weighing more than 3.5 tons will be subject to the tolls. However, the expansion of the network will require the approval of the European Commission, which believes that all member states have the right to collect a toll only on motorways.

### Klaus asks the Constitutional Court for its opinion on the European Constitution

At the beginning of February the president of the Czech Republic, Václav Klaus, asked the Constitutional Court for its opinion as to whether the European constitution is compatible with the Czech constitution, or whether there should not be amendments made to the Czech constitution which would unambiguously eliminate discrepancies between the two documents prior to ratification of the European constitution. However, for procedural reasons the Constitutional Court cannot concern itself with this matter at present, since the government has not yet submitted the Euro Constitution to the ratification process. President Klaus believes that the Euro Constitution is the most important international treaty since the Czech Republic was created. He has already made it known several times that he is dead set against acceptance of the constitution, which he believes would restrict the sovereignty of nation states. The opposition ODS and the communists are also critical of the constitution, which is supported by the governing coalition. There has as yet been no decision taken as to when and by what means ratification of the treaty in the CR will take place. Czechs will most likely have their say in the form of a referendum.

### The costs incurred by the CR by participating Euro funds are rising sharply

The cost to the Czech Republic of co-financing European funds is set to rise sharply in coming years. The Ministry of Finance anticipates the state, regions and municipalities having to spend up to CZK 360 billion during the next ten years on co-financing European projects. The reason for the increase lies in the fact that over the forthcoming budgetary period the CR will be entitled to far more money from the Union budget than at present. This year the CR can receive some CZK 17.5 billion from Structural Funds and around CZK 8.5 billion from the Cohesion Fund, while in two years time the figure will be a total of CZK 133.5 billion and over CZK 200 billion in 2013. However, economists forecast that the volume of resources actually received will be smaller.

### The European Commission approves the social plan for Czech Rail

The European Commission has approved the Czech government's planned social measures costing CZK 1.86 billion, aimed at reducing the negative social impact of the restructuring of Czech Rail. "The Commission found that these social measures do not have the character of state assistance, since they relate to employees who are made redundant, and not to the joint-stock company Czech Rail or the state-run Railway Infrastructure Administration," the European Commission said in its communiqué. The communiqué argues that both companies will only oversee the transfer of assistance to employees who have been made redundant, without themselves receiving any form of advantage. This year Czech Rail intends to lay off around 6,000 of its 70,000 employees.

### The ÚOHS confirms that fines will be increased

The Office for the Protection of Competition (ÚOHS) issued three times as many fines last year as in 2003. Companies in breach of the rules on competition have to pay a total of CZK 1.5 billion crowns (around EURO 50 million) for 2004. So far only a third of the sum is final and conclusive. The level of the fines is confirmation that the monopolies commission is toughening up its stance in the fight against price agreements at the expense of the customer. It is thus following in the footsteps of the European Commission, which this year handed down its highest fine ever, to Microsoft, and the ÚOHS is promising even tougher measures in the future. The level of fines imposed up till now, for instance, has not reached the statutory maximum level of ten percent. The chairman of the ÚOHS, Josef Bednář, appealed for discussions to be started regarding the possibilities which the law allows for in the USA, the UK and Ireland, where cartel agreements are punishable not only by high fines but by criminal prosecutions and imprisonment for representatives of the companies at fault. "I believe that already this kind of threat will have a deterrent effect," he said.

### Czech economists do not believe that the EU will pull together

Czech economists are not persuaded that the European Union will pull together, pass the necessary economic reforms, and thus catch up with the USA. They maintain that the new plans of the European Commission contained in the Lisbon Strategy, while being sound in principle, will be thwarted by the resistance of national politicians to reforms, an over-emphasis on social security, a swiftly ageing population, and a jobs market stymied by restrictively short working hours. In time the Union is more likely to lag behind the United States, and so the European Commission has decided to act. It has brought to the forefront the need for economic growth and the creation of jobs at the expense of an overfed social state and strict economical limits, something which the economists welcome.

Source: ekomail, www.novinky.cz, www.ihned.cz

(interview with Martin Jahn from page 1)

restrictions on the free movement of the workforce from the new member countries. The Lisbon objectives should be reflected in discussions taking place at present on the future form of the financial framework to 2007 up to 2013.

**What do you think is the main reason for the discouraging assessment after five years of the Lisbon Strategy being accepted?**

I think one of the main causes of the lack of success is the contradictory nature of some of the measures passed within the framework of the economic, social and environmental pillar. As I have mentioned, if the social state grows out of control and environmental protection puts a brake on European industry, the entire model of a social state will collapse. The unclear relationship between the European and national levels during the stipulation of objectives is also problematic.

**On the European level everyone agrees that the Lisbon Strategy has thus far been a failure. One of the reasons for this is that there are no appropriate tools to implement it on the level of the EU. Such tools as there are tend to be at the disposal of national governments. What real tools do you think the European Commission has to attain the Lisbon objectives?**

The European Commission is proposing a Lisbon Action Programme which differentiates the tools available to implement the objectives of the Lisbon

agenda between European and national tools. One of the tools could be business-friendly legislation. Leverage is also possible by means of expenditure from the communal union budget and from national budgets. I believe the priorities of the Lisbon strategy should be better reflected in a change of the structure of expenses, for instance by giving less to the common agricultural policy, more to science and research, the infrastructure, and so on.

**Turning to the Czech Republic, to what extent do you think the objectives of the Lisbon Strategy have been attained in the CR?**

Publication of an assessment of the Lisbon Strategy should act as an incentive to undertake essential changes in the business sphere, the job market and education. We have already passed measures in certain spheres which are in accordance with the Lisbon Strategy. In November of last year the government handed over coordination and monitoring of the attainment of the Lisbon objectives to me. The proposal by the European Commission also counts on the idea of a "Mr Lisbon". Personally I regard tax support for expenditure on research and development as very important and was the main sponsor of the proposal. The fact is we need to create a system which will motivate companies to invest in production equipment, research and training.

**In the Czech Republic you are attempting to promote several recommendations which appeared**

**in the report by Wim Kok. You occupy the function of Mr Lisbon and are preparing the Strategy for Economic Growth. Do you think that this approach will bring genuine results?**

Without question. As far as the post of "Mr Lisbon" is concerned it is extremely important that I also have the coordination of economic policy, human resource development, science, research and development, and an increase of competitiveness of the Czech Republic within my remit. These are spheres which are strongly linked to implementation of the Lisbon Strategy. We will be assisted in attempts to implement the Lisbon Strategy more effectively by our Strategy for Economic Growth up to 2013. This will be ready by the end of April and will be a crucial conceptual document for the preparation of the National Action Plan. The Strategy is divided into five main spheres which impact most upon economic growth: human resources, research and development, the infrastructure, sources of financing, and the business environment. The strategy will offer us a link between auxiliary domestic programmes and the European Structural Funds, and also between domestic policies and the Lisbon Strategy with its aim at knowledge-based economics.

**Thank you very much for the interview**

Ondřej Hradil, CEBRE Brussels



Economic Chamber of the Czech Republic (ECCR)

The Economic Chamber of the Czech Republic is the self-governance institution in the Czech Republic. Within its structure it embraces more than 60 active district and regional chambers as well as 70 professional associations covering the entire territory of the Czech Republic and the entire scale of enterprises, from the largest to the smallest. This network ensures daily contact with the entrepreneurs, monitoring of their interests, and efficient representation vis à vis the Czech Government. The ECCR provides custom and certification services, legal and legislative services, and representative and information services. It plays an important role in supporting exports, European integration, and SMEs. Its Court of Arbitration resolves commercial disputes relating to foreign and domestic trade.

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Confederation of Employers' and Entrepreneurs' Associations of the Czech Republic

The Confederation of Employers' and Entrepreneurs' Associations of the Czech Republic is an independent, voluntary and open lobby group promoting and coordinating entrepreneurial, employers' and professional interests in negotiations with Parliament, Government, public administration and Trade Unions. At present the organization has the following members: The Association of Entrepreneurs of the Czech Republic, The Union of Employers' Associations of the Czech Republic, The Union of Agriculture of the Czech Republic, The Association of Textile, Clothing and Leather Industries, The Association of Building Entrepreneurs of the Czech Republic, and The Union of the Czech and Moravian Producer Cooperatives.

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Confederation of Industry of the Czech Republic

The Confederation of Industry of the Czech Republic is a non-governmental, voluntary federation of employers and entrepreneurs in the Czech Republic. It represents and defends the interests of employers in the sphere of social policy during tripartite negotiations with the Government and Trade Unions. It strives to define, support and assert its members' interests in order to achieve prosperity and favorable business environment. It also provides consultation and information services for its members that focus on international relations, trade opportunities, production cooperation, legislation, collective bargaining, European integration, education and training. It is a full member of the International Organization of Employers (UNICE).

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- Protects the interests of Czech business community vis à vis the EU institutions
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