

# Czech

## Business Today

NEWS

Czech Business Today  
volume VII, 1-2008

Published by



CEBRE – Czech Business Representation, protects the interests of the Czech business community in relation to EU institutions, informs Czech businesses about EU legislation affecting them, trains Czech entrepreneurs in Brussels and represents Czech business associations at European business federations. CEBRE was founded by the Confederation of Industry of the Czech Republic, the Czech Chamber of Commerce and the Confederation of Employers' and Entrepreneurs' Associations of the Czech Republic. Contact: Czech House, 60 Rue du Trone, 1050 Brussels, Tel: +32 2 2139 450/2, e-mail: [cebre.europe@mail.be](mailto:cebre.europe@mail.be), [www.cebre.cz](http://www.cebre.cz)

“Entrepreneurs take risks and create jobs for others – it is necessary to support them”, said Commissioner Verheugen



Photo: from left Jan Wiesner representing Czech entrepreneurs, Alexander Vondra, Deputy Prime Minister on EU Affairs and Günter Verheugen.

Public discussion that took place on March 6 in Prague followed the theme of “EU as a contribution to the competitive strength of small and medium size enterprises in a global economy”.

Present at the debate were keynote speaker Günter Verheugen, Vice-President of the European Commission for Enterprise and Industry and Alexander Vondra, Deputy Premier for European Affairs. The chairman of the Confederation of Employers' and Entrepreneurs' Associations Jan Wiesner and the chairman of the Small and Medium Entrepreneur's Union CR David Šeich also appeared at the debate.

A united market has the potential to offer European small and medium enterprises access without barriers to nearly 500 million consumers, business part-

ners from more than 27 countries, new sources of financing, research and innovation, and the professional experience of people from all parts of the EU. Verheugen called attention to the three main points of competitive strength for SMEs – improvement in the quality of European legal regulations, simplification of these regulations, and the reduction of administrative stress. Verheugen also mentioned the need to motivate business. “An entrepreneur is a person who takes risks and creates employment opportunities for other people. It is necessary to support him,” he said.

Dear readers,

All Czechs, including entrepreneurs and employer associations, are preparing for the upcoming Czech Presidency of the Council of the EU in 2009. For this reason, you can look forward to more interesting events, business breakfasts and seminars organized by CEBRE that will take place in Brussels in the coming months focusing on current European topics.

The new year has also brought many changes to CEBRE. Our team has been completely refreshed over the last year. From January, the team has consisted of Michal Kadera and Alena Vlačíhová.

The quarterly bulletin, Czech Business Today, is being given a new freshness as well. From this issue on, you will receive a slightly shorter bulletin with more up-to-date information from the Czech business sector.

CEBRE



## NEWS FLASH

### The New Trade License Act

Czech lawmakers changed the Trade License Act for entrepreneurs from January 2008. The extract of a single record from the Trade Register will replace the current complicated system of trade license proofs. Thanks to this simplification, entrepreneurs will save 5 million Euro per year. This change along with the decrease in charges and the reduction of the number of trades will help simplify and streamline the entrepreneurial environment.

### Czech GDP Growth

Statisticians predicted the rise in GDP in the fourth quarter of last year, and the result surprised economists. According to data from the Czech Statistical Office, GDP increased approximately year-on-year to 6.6% (seasonally adjusted) in real-time representation in the fourth quarter of 2007 comparing to 2.6% in the EU. The question is to what degree the present recession affects the growth of the Czech economy. Private sector analysts expect it to fall to 4.5%.

### Czech Entrepreneurs to Support Higher Quality Chinese Production

If the European Commission approves a project proposal within SWITCH programme, Czech entrepreneurs will have the chance (with the help of Czech Chamber of Commerce) to participate in upgrading and streamlining Chinese production within the EU-China Shanxi Region Partnership project, which is aimed at machine manufacturing, chemical products from coal, new materials and environmentally friendly production.

### Czech Food Products

The delegates of Czech entrepreneurs fight for support of Czech food products, which are losing the fight against foreign competition at the present time. Czech products sell for comparable prices and are higher quality because they are subject to stricter rules than those established by the EU.

### New Portal about Euro

The Ministry of Finance of the CR started the new internet site [www.zavedenieura.cz](http://www.zavedenieura.cz) serving to the improvement the knowledge of the Czech public, including the businesses, with regards to the European currency and steps related to adoption.

The Confederation of Employers' and Entrepreneurs' Associations of the Czech Republic is an independent, voluntary and open lobby group promoting and coordinating entrepreneurial, employer and professional interests. At present, the organization represents seven professional associations. Contact: Václavské náměstí 21, 113 60 Prague 1, Tel.: +420 222 324 985, Email: [kzps@kzps.cz](mailto:kzps@kzps.cz), [www.kzps.cz](http://www.kzps.cz)



## What is the Small Business Act?

In June, the European Commission should publish the Small Business Act (SBA), a "law" for small and mid-sized enterprises that is a kind of set of obligatory and non-obligatory provisions that contribute to the development and the defensibility of European SMEs.

On February 1, the European Commission started public consultation about the SBA with the aim of gathering the opinions of all interested parties. Anyone interested can be involved in the counsel by filling out the electronic questionnaire before March 31, 2008. For more information, see the European portal for SMEs.

In the meantime, a number of meetings about the SBA mainly with a connection to the Lisbon strategy in the spring European Council are in progress. Its SBA proposal should be approved at the end of the French presidency. If the Gallic rooster doesn't manage to reach a compromise with the SBA, it will be inherited by the Czech presidency.

The European Commission in cooperation with entrepreneurs managed to identify 6 main SBA areas:

1. "better regulation" for the benefit of SMEs
2. stress on the SME in society
3. access of SME to the markets
4. access of SME to finances, abilities and innovations
5. meeting the environmental challenge is a chance for SMEs
6. support of the implementation principles for SMEs

For the European Commission, the legal form of the SBA will now be the question. This should ensure more efficient implementation of the principles included in the document.

### WHY WE NEED THE SBA?

European SMEs are an important driver of European economic growth and social cohesion in Europe. SMEs create approximately 100 million local jobs and make up over 99% of all businesses in the EU. Their size makes it difficult for them to find orientation in legislation, to access innovation and research, to be protected by intellectual property law, to reach financial instruments, to reach competitive strength in a global world, etc.

# TALKING ABOUT SBA...



CEBRE organized several events related to the SBA last two months for a large scale of stakeholders – businesses, EU and Czech officials, elected national representatives.

The participants agreed on the necessary support of European SMEs, whether it should be concerned with decreasing administrative stress, easing access to financial instruments and information or dealing with connecting business with research and the adaptation of education to the needs of the job market. The definition and realization of supporting steps would be decided, however, by the Member States and the subsidiarity principle would be kept without a doubt. The representatives of entrepreneurs appeal to the Czech Members of the European Parliament to support SMEs politically, to declare their significance publicly, and to stand for a positive movement in the perception of business by European citizens. Europeans do not feel that entrepreneurship is the most prestigious activity and very often do not want to understand the importance of a "second chance" which is, for the USA, very common and necessary for the economy.



Photo: Working breakfast on SBA organised by CEBRE on February 26, 2008 in Brussels.

### OPINIONS ABOUT THE SBA

**Jiří Plecity**, member of Vice President Günter Verheugen's cabinet

"The goal of the SBA isn't to copy the American SBA. Using this name should indicate the ambition of this initiative."

**Martin Tlapa**, Deputy Minister of Industry and Trade of Czech Republic

"It is necessary to aim for the practical aspects that are

in contact with the SME, such as the removal of lingering barriers to the internal market, respect for origin, and efficient implementation of the service directives."

**Zuzana Roithová**, Vice-chair of the European Parliament's Committee on the Internal Market

"There is general agreement in the matter of support. On the regulation of conditions for business, everybody promises that they will first think about "small and mid-sized enterprises". In practice though, there is greater support for large enterprises, which have a larger share of the income of the state budget."

**Marie Zvolská**, The Union of Czech and Moravian Production Cooperatives

"Entrepreneurs suffer from an overly-complicated process when it comes to establishing companies in CR due to difficult access of SMEs to finance and the lack of a qualified workforce."

**Ivan Voleš**, The Czech Chamber of Commerce

"A certain amount of positive discrimination for SMEs is necessary."

### CZECH SMEs

In 2006, there were one million active entrepreneurs in CR. With regards to the structure of SMEs, the number of physical entities significantly exceeds the number of corporate entities 1:5.

- 99.8% of all business subjects in CR are in the form of SMEs
- SMEs share 35% GDP of CR
- SMEs share a 61% employment rate in the Czech business sphere
- SMEs share 51.4% of the total achievement of the business sector CR
- SMEs share 54% of the total investment of the business sphere in CR, and the rate is still rising
- The share of export/import SMEs of the total amount of Czech export/import amounted to 43.5% (or more precisely 54.5%) in 2006



The Czech Chamber of Commerce is an independent 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. The CCC provides customs and certification services, legal and legislative services as well as representative and information services. Contact: Freyova 27, 190 00 Prague, Tel.: +420 296 646 356, Email: eu@komora.cz, www.komora.cz

## ENERGIZING EUROPE

Dear readers,

Starting in this issue of Czech Business Today, you will find a short summary of what has happened in the EU's energy sector in the last few months. The aim of this editorial is to provide you with a basic overview of energy in the EU from the viewpoint of the Czech Republic.

To begin, February was another energy-consuming month. Among industry representatives, European Commission representatives, the Member States and the Members of the European Parliament, the main issue discussed was the climate-energy package published by the Commission on January 23rd. The main areas discussed involve the ability to achieve the binding target fixed for renewables, the full auctioning of emission allowances in the energy sector by 2013 and the financing of carbon, capture and storage technology. A very interesting discussion took place in the European Parliament regarding a third energy package, the ownership unbundling issue and alternative options. In some Member States, the possibility of nuclear energy was put on the table again when the first sessions of the working groups of the European Nuclear Forum took place in Brussels. The Forum will take place in Prague on May 22nd. Finally yet importantly, the ministers gathered at the Energy Council in Brussels and approved the Strategic Energy Technology Plan. In summary, there were many significant developments and the energy policy of the European Union is continuing to develop. We will see in the following months if it is headed in the right direction.

Zuzana Krejčířiková  
Head of EU Agenda Department, ČEZ, a.s.



# The Impact of the Climate-energy Package

On January 23, 2008, the European Commission published a "environmental package" (a set of proposals for legal regulations) which should implement a political obligation of EU Member States from the spring summit of the European Council in March 2007.

This package contains a proposal of a revised directive regarding Emissions trading scheme (directive 2003/87/ES), the proposal of a directive for using renewable energy resources, and the proposal of a directive regarding the separation and storage of CO<sub>2</sub> in the subsoil (CCS technology). It is completed by the resolution proposal of the European Parliament and the Council with the effort of Member States to decrease the emissions of the gases by 30% to fulfill Community obligations with the intention of decreasing greenhouse gases by the year 2020 and contents of the CCS area.

**“ Proposal says 13% of electricity in the Czech Republic shall come from renewable resources in 2020 – comparing to 6% in 2005. ”**

The first proposal relevant to trading with emission permits will change the situation after 2012 as follows: the total number of permissions for the proposal should match the European level and the base allocation principle should be an auction based on the directive proposal. The third trade period should last 8 years and assumes that in 2013 at least 2/3 of the permissions will be distributed via auction, and total emissions of greenhouse gases should steadily decrease by 21% of 2005 levels by 2020. Rules should be changed about using the credits from projects realized in terms of Kyoto mechanisms and the projects in a future international contract, which should replace the Kyoto protocol after 2012. The proposal also requires part of profits from the auction be used for provisions related to decreasing emissions. Until adoption, uncertainty will exist from the investment viewpoint because of unclear long-term regulation of CO<sub>2</sub> in the EU.

The second proposal regulates the use of renewable resources of energy (RES) and should replace the current directive 2001/77/ES with regards to the share of RES produced by electric energy and the directive 2003/30/ES regarding the support of bio-fuels. The proposal will say that 13% of electricity in the Czech Republic will come from renewable resources in 2020. This percentage should

be divided between power production, heating, cooling and transport. Inasmuch as the share of the renewable resources in CR reached 6.1% in 2005 (source: Eurostat), the 13% obligation will mean a significant increase in production from renewable resources for the CR. For the producers of electrical energy, there is a positive signal in the proposal of possibly transferring guarantees of the origin of the electric energy produced, though the proposal primarily counts on transfers between Member States. This theme is the topic of lively debate in the energy quarters of the EU. For the producers, it is also positive that the gradual goals defined in the directive proposal are only mentioned as indicative.

The last proposal, which is part of the environmental package, is the proposal of a directive for the carbon capture and storage (CCS). The proposal regulates the legal framework for the safety of depositing CO<sub>2</sub>. In the Czech legal environment, implementation of this proposal will mean changing several legal regulations. Because of its significant shortcomings, it is necessary from the view of the industry to consider the lack of indications regarding the financing of this new technology in practice – the European Commission is silent if the topic is financing. It's clear that the question of changing finance is the responsibility of the Member States or the energy companies. It is necessary

**“ Producers welcome that the gradual goals are only indicative. ”**

to positively consider the choice to get state assistance to put this technology into practice and new instructions to enable state assistance in the area of living environment. More details should be adjusted in an announcement by the European Commission expected this year.

The package will be, in this process, without a doubt the subject of many amendments from Member States. The opinion of energy companies shouldn't be neglected, because they are the very companies who will fulfill the goals required by the package in the future.

# What You Shouldn't Miss

April 4th 2008

## BUSINESS BREAKFAST

CEBRE will hold a business breakfast on April 4th 2008 at 9 am in the Czech Center (60, rue du Trone, B-1050, Bruxelles) focused on the topic of Energy. The representatives of the European Commission, Ministry of Industry and Trade, Permanent Representation of the Czech Republic to the EU, European Parliament and Czech entrepreneurs will discuss the third and the fourth energy package. For more information, contact CEBRE.



April 4th 2008

## CZECH BALL

Permanent Representation of the Czech Republic to the EU in cooperation with other Czech parties will hold a ceremonious Czech ball in the Brussels Concert Noble on April 4th 2008 under the patronage of Czech Commissioner Valdimír Špidla and Deputy Minister of Foreign Affairs Alexandr Vondra. This will mark the beginning of a tradition of Czech ceremonial balls in Brussels.

March and April

## JÍŘÍ VOVES: RAVENS

From March 11th to April 24th 2008 there will be an exhibition in the Czech Center of artist Jiří Voves, who was inspired by natural reflections that distract human attention. Please find a bit of time to come to the Czech Center.



Photo: Image by Jiří Voves

FROM NOVEMBER  
ON AVAILABLE  
IN BRUSSELS!



# Events



## BUSINESS LUNCH

On March 6 in Prague, entrepreneurs and the Czech members of European Parliament, Senate of the Parliament CR, Office of the Government, Department of Trade and Industry CR discussed the January Climate-Energy package and preparing "legislation" about small and me-



Photo: Minister of Industry and Trade discussing with presidents of Czech business organisations.

dium sized enterprises (Small Business Act) at a work lunch arranged by CEBRE – Czech Business Representation to the EU in co-operation with the Confederation of Industry of the Czech Republic, the Czech Chamber of Commerce CR and the Confederation of Employers' and Entrepreneurs'. The Minister of Industry and Trade Martin Říman and Vice-President of the European Commission Günter Verheugen attended this meeting briefly.

During the discussion, most attendants agreed that in the case of emission permits and the share of renewable resources, the European Commission got off on the wrong foot. The proposed measures can bring positive results and are positively received by the public. Nevertheless, they aren't based sufficiently on carefully formulated evaluations of impact. If the EU does not limit the industry, the industry could focus on investments in innovations and new technologies and would achieve significantly better results for a lower price in the medium-term. The industry and the energy firms will eventually cope with all limitations, and the consumer will pay for the adjustment.



Photo: From left Jaroslav Hanák, vice-president of the Confederation of Industry, Martin Říman, Minister of Industry and Trade and Vice-President of the European Commission Günter Verheugen.

## GLASS OF WINE

On March 12 in Brussels, CEBRE organized a glass of wine for Czech members of the European Economic and Social Committee under the auspices of the Permanent Representative of the Czech Republic to the EU Milena Vicenová. Attendants from European institutions and regional representations agreed on the vital role of EESC in forming balanced European legislation and in preparations of the Czech Presidency.

Photo: Permanent Representative Milena Vicenová (in the middle) with Vladimira Drbalová (Bureau Member of EESC) and Michal Kadera (CEBRE).



If you have any questions or comments,  
please, contact us at:

[cebre.europe@mail.be](mailto:cebre.europe@mail.be)