

Czech BusinessToday.eu

Published by



volume XVI, 3-2017

BRITISH DIVORCE MUST NOT AFFECT COMPANIES



Although many still don't believe it to be true, Brexit is happening. Current British Prime Minister Theresa May triggered the famous Article 50 of the Treaty on European Union on 29 March by sending the letter to the European Council President Donald Tusk. This step officially starts the process of the United Kingdom leaving the EU and both parties have to decide what kind of relationship they want to establish. The negotiations will be twofold; firstly it will be necessary to negotiate the "divorce" conditions of the UK leaving the EU and secondly, the deal setting up future relationship of the two – the so-called free trade agreement (FTA). During the early discussions after triggering the article 50, the United Kingdom expressed its interest to negotiate an FTA that would be larger and more important than any other FTA of the EU so far, covering all the key sectors, including financial sector. The United Kingdom is one of the most important markets of the EU and therefore it is clear that mainly European companies are worried about the future relationship. Therefore Czech, as well as European business organizations call on the

EU and UK representatives to negotiate such conditions that will ensure smooth transition from current status to new reality. Czech business organizations support setting up the closest economic relationship possible, without creating unnecessary and burdensome trade barriers. Free trade between the two is the utmost priority while safeguarding the integrity of the internal market. Also, negative impacts of Brexit on citizens and companies must be limited. Last but not least, establishing legal certainty is key for both EU companies in the UK and UK companies in the EU to continue with their business as usual as soon as possible. During a special summit of the European Council on 29th of April focused purely on Brexit, EU27 agreed that UK should remain a close partner of the EU and one of the key priorities for negotiations is to maintain the integrity of the single market. The unanimous adoption of European Council guidelines following the United Kingdom's notification under Article 50 is a positive initial signal and a first step, but let's see what will the negotiations bring.

MEPs CORNER



"Brexit must be a win-win for both EU member states as well as the United Kingdom. We need to remain strong allies and partners, especially in the fields of free trade, investments, security and energy policy. Conflicts and revenge thinking will be harmful for us all and especially for our economy and jobs."

Jan Zahradil (ECR),
Vice-Chair of Committee on International Trade, European Parliament

5TH FREEDOM OF THE EU? FREE FLOW OF DATA

At the beginning of the year, the European Commission presented its Communication on Building a European Data Economy, which was accompanied by the Staff Working Document on the free flow of data and emerging issues of the European data economy. The document focused on restrictions that prevent free flow of data both in the EU and outside of it, transfer and access to non-personal machine-generated data, portability of data etc. At the end of March, the Permanent Representation of the Czech Republic to the EU hosted an event called Data flows: heartbeat of the digital single market that brought together representatives of member states, European institutions, business organizations and other stakeholders to discuss this key topic for creating a truly digital single market in the EU. According to the European

Commission's representative Pearse O'Donohue, forced data localization on the single market is one of the biggest obstacles to a digital single market. If the EU manages to remove it, it would mean reduction of costs for companies up to 8 billion euro per year. Czech businesses were represented at the event by Milena Jabůrková, Member of Board of the Confederation of Industry of the Czech Republic. According to her, it is necessary to create a legal framework in the EU that would prevent creating new data localization restrictions and other obstacles to free flow of data. It is the key condition for creating single digital market in the EU. To achieve this, individual member states must refuse protectionist sentiments often hidden behind the idea of protection of personal data. Furthermore, she added that free movement of data should be considered

CEBRE was founded in 2002 by the three most important Czech business organizations - Czech Chamber of Commerce, Confederation of Industry of the Czech Republic, Confederation of Employers' and Entrepreneurs' Associations of the Czech Republic with kind support of the Ministry of Industry and Trade via its Trade promotion agency CzechTrade.



News FLASH

>END OF THE KORUNA INTERVENTIONS

At the beginning of April, the Czech National Bank stopped its Czech Koruna (CZK) interventions. There was no immediate shocking development of Koruna's exchange rate but it is expected to steadily strengthen during the year from the current rate of 27 CZK per euro.

>KEY CZECH BUSINESS PRIORITIES INTRODUCED

Ahead of autumn elections, the Confederation of Industry of the Czech Republic presented its 14 key priorities for raising the Czech competitiveness. They include, among others, revision of Construction Act, better cooperation in R&D but also adoption of euro.

>EASIER LEGAL COMPLIANCE FOR CZECH BUSINESSES

The Czech Chamber of Commerce is preparing a digital tool for entrepreneurs that will allow them to manage their legal obligations online. The tool should be operational as of 2018.

the fifth freedom of the EU. As mentioned by the Czech MEP Dita Charanzová, data flows restrictions must be removed also vis-à-vis third countries. According to her, all the free trade agreements of the EU should have separate chapters focused on digital issues, including free flow of data.

FUTURE OF EUROPE: WHICH WAY TO GO?

At the beginning of March, the European Commission released a White Paper on the Future of Europe: Reflections and scenarios for the EU27 by 2025. The document identifies challenges in the next decade and offers 5 scenarios for the EU evolution by 2025. Scenario 1 represents a carrying on, scenario 2 means that the EU will gradually re-centre on the Single Market, scenario 3 means that those who want more do more, scenario 4 gives the EU the possibility doing less more efficiently and last scenario 5 means that the EU can do much more together across all policy areas. It is an appropriate format to kick off the debate on how the EU should be shaped in the next years however it is not an entirely exhausting summary of models or instruments for the future development of the EU. Scenarios do not represent anything revolutionary as these approaches already exist today in a great combination. The Member States are already in different integration stages – some are in euro area, some in Schengen Area and some are involved in enhanced cooperation. Now it is up to them to decide which way and speed to go. For businesses,

the Internal Market is an engine of the EU integration and a priority for the future development is certainly its better functioning without any barriers (Europe without barriers was the slogan of Czech Presidency back in 2009). Since its creation, globalization and digitalization have changed the Internal Market and many procedures have been automated. The importance of data has grown. Beside the current four freedoms, we need a fifth freedom which represents the free flow of data. Mobility of people, workers and service providers is needed across Europe to open more job opportunities and address the skills mismatch. In globalized era, common trade policy is important to be handled at EU level. EU27 has a stronger voice than each of its member state and can negotiate better conditions with global players. Migration flows showed us that efficient protection of external borders is important to business. Re-setting of internal border controls is negative for businesses. The member states are now to express their will which way to go. Business wants to keep up efficient and competitive Europe with social dimension well-balanced with economic



dimension. Business creates growth and jobs therefore it is crucial to create favourable conditions for its activities. If the leaders chose any of the scenarios or their mixture they will have to take into account that the administrative burden has to be reduced in all cases not only in scenario re-centring on the Single Market. The institutions must be efficient and we have to learn from the mistakes which will better prepare us for future challenges. The most important in the debate will be the communication and openness of the institutions as well as their ability to listen to public justified requirements.

EESC CORNER: EU ECONOMIC POLICIES AT CROSSROADS: A CHALLENGE FOR THE CZECH REPUBLIC



The current and expected development in different spheres of EU economic policies represents a big challenge also for the Czech Republic and more generally for the Visegrad-4 countries as well. The Czech Republic so far seems to be a very successful player in reaction to the co-ordinated economic policy steps within the process of the European Semester. Even in November 2016, at the launch of the European Semester cycle for 2017, the Czech economy had absolutely best results among all the EU Member states concerning the level of their macroeconomic, fiscal and structural imbalances. However, some new elements that are currently discussed within the gradual preparation for the next Multi-Annual Financial framework are of an extraordinary high importance. They include for example a possibility to introduce an autonomous budget for the euro-zone itself. After Brexit, euro-zone is to contribute to the total EU GDP by some 87%. That scenario brings for us as a cohesion

country a risk of substantial reduction of financial resources, currently used within the Cohesion Policy. Simultaneously, we should not also ignore the budgetary impacts of Brexit, not only due to the fact that Britain has been so far a net contributor. Brexit for us means an "artificial", "statistical" increase of our wealth as measured by the GDP/cap indicator. This indicator is increasing anyway as the economy follows a convergence track. We should further be well prepared to the other frequently discussed issues like EU Added-Value (where the EU Budget is to support mainly the projects having an impact not only on the level of the particular national state, but also in a broader EU context), a strengthened flexibility (as a reaction to the practical disability to be engaged in some recent critical events like economic crisis, migration, risks connected with security situation), broader use of new financial instruments (as a way of a gradual changeover from one-way subsidies to a multiply instruments based on a direct financial return).

We could expect anyway that the size of national envelopes will be reduced and the EU budgetary funds will be much more intensively redistributed via a whole European competition of projects. Also the accent on results and performance brought by the EU budgetary interventions will be further strengthened. We could therefore clearly say that EU financing now stands on



crossroads as very recently did the robust effort to co-ordinate EU macroeconomic and fiscal policies.

Petr Zahradník,
EESC Member, Group I

CEBRE CALENDAR:

- **26th May** – Debate on Trump's presidency impact on EU economy, Prague
- **16th June** – CEBRE founders' meeting with MEPs, Prague
- **16th June** – Debate on Road package, Prague

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