

# Czech BusinessToday.eu

Published by



volume XVI, 7-2017

## SME SUPPORT THROUGH EFSI IS SUCCESSFUL IN THE CZECH REPUBLIC



The European Investment Bank has been entrusted with managing the financial flows within the Investment Plan for Europe of which the European Investment Fund (EFSI) is the main instrument. The EIB lends and provides guarantees for the financing of infrastructure, energy, environment, innovation and SME support projects. Investment support for SMEs is facilitated through loans (through EIB guarantees) provided by domestic banks. In the Czech Republic, the SME support has been successful in the last two years. On the contrary, the project in the area of local infrastructure or a large loan to the business sector - with the financial support of EFSI - is not yet available in the Czech Republic. The European Commission Representation in the Czech Republic together with CEBRE organized a seminar on financing the investment by the EIB in October. Czech-Moravian Guarantee and Development Bank, a.s. (ČMZRB) already provides loans, guarantees and capital inputs supported by the state and the EFSI.

Financial instruments are undoubtedly more effective than one-off non-repayable subsidies. They have more leverage, are less of a burden on public budgets in the long run, and eliminate inefficient projects. Compared to subsidies, there is less risk of distortion of the market environment and misuse of public funds. In the new EU programming period after 2020, their share of funding is likely to increase at the expense of traditional subsidies. In the Czech Republic, entrepreneurs can use the GUARANTEE 2015-2023 program, providing the portfolio guarantee to small businesses, or an individual guarantee for social entrepreneurs. The advantage of EIB guarantees is the possibility of financing projects, even with a higher than usual risk. Compared to structural and investment funds, the conditions of advantageous loans are less administratively demanding and the approval is done very quickly within the normal credit process. Under certain conditions, credit products supported by the EFSI can be combined with EU funds.

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.



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## News FLASH

### >ANO WINS PARLIAMENTARY ELECTIONS

Political movement ANO led by Andrej Babiš is the winner of the Czech parliamentary elections held in October with almost 30% of the votes.

### >CEBRE CELEBRATES 15 YEARS

CEBRE – Czech Business Representation to the EU, founded in 2002, will keep providing guidance to Czech companies in the coming years. Given its added value and positive feedback from Czech businesses, CEBRE founding organizations agreed on 10<sup>th</sup> of October to prolong its activities until the end of 2020.

### >POSTING OF WORKERS TAKES WRONG DIRECTION

Czech employers' and entrepreneurs' organisations are strongly disappointed with the conclusions of the last EPSCO meeting reaching a premature general approach on the revision of PWD. The celebrated "political" consensus completely ignores the reality and needs of the service providers. In its new working programme for 2018 the EC is reiterating its commitment to the EU internal market and its four freedoms. On the other hand it does its best to hamper movement of workers, experts, talents and services so needed by European companies. The current proposal would only bring additional administrative burden and long-term legal uncertainty.

## DUAL STANDARDS – WE WANT TO BE A PART OF THE SOLUTION



*"We welcome the current discussion over the dual quality, but we would rather discuss dual standards or a different composition of the same branded products. Preferably it is the question of different composition of goods and we fully support the statement of the Commissioner Jourová to solve this issue based on the current Consumer rights law. Big retail companies in the Czech Republic don't want to be a part of the problem, but definitely a part of the solution."*

Marta Nováková,

President of the Czech Confederation of Commerce and Tourism

## RETAILERS READY TO PARTICIPATE IN COMMISSION'S DIALOGUE ON DIFFERENT STANDARDS

On the 27<sup>th</sup> of September the S&D Group in the European Parliament organised a debate on the different quality of products in the Single Market. EU institutions' representatives discussed with stakeholders the issue of the so-called dual quality of products in the EU. Marta Nováková, the President of the Czech Confederation of Commerce and Tourism welcomed the Commission's guidelines and also the effort to work on a methodology to improve

food product comparative tests so that Member States can discuss this issue on a sound and shared scientific basis. In the discussion, she pointed out the dialog is needed rather than any new regulation and the Confederation is ready to participate in the Commission's dialogue with producers and retailers. She stated that big retail companies are accountable and credible partners and therefore they can help to eradicate the dual standards issue efficiently.

## NEW EXPORT OPPORTUNITIES IN ASIA

In July, after five years of negotiation, an agreement in principle was reached on the main elements of the EU-Japan Economic Partnership Agreement, with the conclusion of negotiations being expected by the end of this year. Apart from that, the final signature of the EU-Vietnam agreement is expected at the beginning of next year. Both deals create new possibilities for European and therefore Czech exporters. The potential impact of the agreement on Czech exporters were the topic of a seminar organized by the Ministry of Industry and Trade of the Czech Republic and CEBRE - Czech Business Representation to the EU, which took place on 10<sup>th</sup> of October in Brno within the framework of the International Engineering Fair. Lucie Vondráčková, Director of the Trade Policy and International Economic Organizations Department of the Czech Ministry of Industry and Trade, compared the problematic areas of negotiations of both agreements. As for Vietnam, the tariff elimination offer was rather weak at the beginning and transition periods leading to elimination of tariffs were long. In addition, protection of intellectual property rights,

protection of geographical indications, and access to public procurement at all levels or restrictions on the share of foreign capital and the trade in services were one of the main points of the negotiations. As for Japan, in addition to the issues mentioned for Vietnam, tariffs on industrial goods, agriculture, fisheries and forestry, and transitional periods for car tariffs were high on EU negotiations agenda. In the end, the EU has managed to negotiate agreements that will promote mutual trade, eliminate 99% of tariffs, ensure high protection of geographical indications, high standards, better access to the services and public procurement, and will remove major non-tariff barriers. According to Pavel Fára, Deputy Director of the International Relations Department of the Confederation of Industry of the Czech Republic, Czech companies will also benefit from these agreements as they will open new opportunities on both markets. According to Pham Van Hien, Director of East Sea Travel, Czech products have a good reputation in Vietnam. In addition to traditional sectors such as engineering and energy, he sees the biggest potential for



Czech companies in services and tourism. The situation in Japan is a bit different. According to Alice Tomášková, Director of the Czech branch of the Czech Chamber of Commerce in Japan, there are currently only 7 Czech companies operating on Japanese market. However, the potential is much bigger, from health and medical technology, through ICT, food, energy and energy storage, industry 4.0, engineering to chemicals. Thanks to the agreement, the situation should improve and Czech products will become more competitive in Japan.

## EESC CORNER: EU – A HEALTHY MONETARY BACKGROUND AND FRESH FINANCE



The EESC has recently prepared a set of four opinions as a part of the White Paper discussion on the future of the EU. Two of them relate to the euro-area economic policy challenges (healthy monetary background) and the prospects for EU financing (fresh finance). Let's comment on both briefly. We welcome the progress made in the development of euro area economic policy. We regard as particularly important the circumstances linking the euro area environment with fiscal aspects and the strengthening of its institutional framework. It is essential to have a balanced mix of euro area economic policies, with their monetary, fiscal and structural components properly interlinked. Given the planned regrouping of these policies in line with economic development, especially due to expected monetary policy restrictions, this is becoming an increasingly important factor. We therefore disagree with the European Council's

rejection of a positive fiscal stance and call on it to reconsider this conclusion. At the same time, we recognise that the scope of a positive fiscal stance must be properly directed so as not to increase the still high level of public debt and be targeted at areas generating a clear long-term benefit. We note the improving economic situation in the euro area and recommend that, in order to maintain and bolster this, crucial steps be taken to stimulate investment and carry out structural reforms that promote both higher productivity and quality jobs. Structural reforms should be implemented more robustly in line with the processes of the European Semester. Moreover, we recommend that the need for structural reform be seen at the euro area or EU level as a whole, not just in terms of isolated structural measures in the various Member States. We strongly back enhanced cohesion in the euro area in the form of both closer coordination of economic and fiscal policy and improved financial intermediation, completing financial union and ensuring the euro area's greater influence in the global economy. We also take the view that the euro is the currency of the whole of the EU and, in the light of the improving economic situation in the EU, favour again considering the possibility of enlarging the euro area, as it is anticipated that this would have positive impact on both the euro area and its new members. In the context of the upcoming 2018 economic and policy recommendations, we emphasise the need to launch a debate on the future of EMU. We endorse the approach taken in the reflection paper whereby the basic principle

of the EU budget must be to deliver European added value, achieving better outcomes than would be possible for uncoordinated national budgets acting individually. The time has therefore come to abandon the logic of a "fair return", of dividing Member States into net contributors or beneficiaries, and of ad hoc rebates for individual Member States. The reform of the EU budget must of necessity aim to improve it, overhauling its structure as regards areas of expenditure and own resources, taking account of suitable rationalisation, efficiency and effectiveness criteria and maintaining direct, transparent channels of communication with the public.



Petr Zahradník,  
EESC Member, Group – I

## CEBRE CALENDAR:

- **21<sup>st</sup> November** – Sector seminar on Energy in EU External Aid (Brussels)
- **8<sup>th</sup> December** – Debate on Dual quality of food (Prague)

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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. Contact: Avenue des Arts 19 AD, 1 000 Brussels, Tel: +32 2 502 0766/+32 2 502 8091, e-mail: brussels@cebre.cz, www.cebre.cz