

CZECH BUSINESS *today*

2/2002

Association Maison Tchèque
CEBRE
CZECH BUSINESS REPRESENTATION



- Information for businesses about the European market is the key to success
- EU Support Programmes - Opinion of Czech Entrepreneurs
- Fighting with Flood: Czech Success Stories
- EU - Czech Republic Joint Consultative Committee

DEPUTY
PRIME
MINISTER
P. MAREŠ



INFORMATION FOR BUSINESSES ABOUT THE EUROPEAN MARKET IS THE KEY TO SUCCESS

Interview with Deputy Prime Minister P. Mareš

"... We want to take advantage of close co-operation with self-administrative business bodies. It is high time to move from general, basically political information to specific, practical information."

■ The Czech Republic was hit by destructive floods in August 2002. What would you now like to say to European Union citizens about the state of the Czech Republic after the floods. Do they have anything to worry about when visiting the Czech Republic?

On the contrary, I would like to warmly invite European Union citizens to visit the natural and historical sights of the Czech Republic. They will be able to see for themselves how fast people and businesses managed to deal with the difficult situation.

■ On the one hand the European Commission's regular progress report praises the Czech Republic and expresses the will to accept the Czech Republic in 2004, but on the other it criticises us for corruption, the difficulty of enforcing rights, the position of

the Roma minority and public finances. If you had to assess the EU countries in a similar report, what would you mention most of all?

In such an event the vast majority of the assessment would be positive and would end with the statement that the EU is an integration grouping that the Czech Republic should soon become a member of. Nevertheless, I would find it necessary to point to a few shortcomings, which would certainly include the slow pace of reform of the Common Agricultural Policy or the unnecessary fears of some member countries regarding the application of the right to free movement of labour for new members.

■ You are Deputy Prime Minister in the government, which is in favour of a social

state. What role do you see for medium-sized enterprises in this concept?

The same as other US-DEU ministers in the current Czech government, I am in favour of a social market model, in accordance with the programme of the European People's Party. Small and medium enterprises play a key part in this model. Their development is a condition for a balanced business environment and introduces permanent dynamism into it. I therefore regard it as my task to push measures that support them through cabinet. I regard the role of small and medium enterprises in the field of innovation and the rapid transfer of research and development knowledge to production as

(see page 8)

Long-distance Run

Interview with Václav Šmejkal, Director of Czech Business Representation (CEBRE), Brussels

Would you like to introduce CEBRE? What are its main tasks?

CEBRE, a.k.a. Czech Business Representation, is a joint office of Czech entrepreneurs' organisations, Czech Economic Chamber, Czech Confederation of Industry, Czech Confederation of Employers' and Entrepreneurs' Associations and CzechTrade, an agency that supports exports. It opened a three-member office in Brussels this year with the aim of making working contacts with EU bodies and European business federations and, obviously helping Czech businesses get ready for EU entry. In a nutshell you could say that CEBRE is a reaction by Czech businessmen to the country becoming an EU member in the near future. At the end of the day, if the EU really does expand to include another 10 candidate countries in January 2004, it's a necessary and definitely not premature reaction.

What has CEBRE managed to do in the relatively short time since its establishment?

Representing business interests in Brussels is a long-distance run. You can't expect us to know and be able to do everything after half a year. Nevertheless, we have a fully functional information service for businessmen, we arrange managerial placements in Brussels and we issue a quarterly in English. In addition, I would go so far as to say that Czech businessmen who are interested in the EU have already heard of our Brussels office. In the Czech Republic we have done presentations at dozens of business conferences, we work with a number of periodicals and journalists. To put it briefly, we've done our bit for the smooth entry of Czech companies this year.

Small and medium enterprises particularly need information that concerns their specific field. Does CEBRE offer such information?

Yes, it's one of the basic areas of our activities. The EU itself actively makes a huge quantity of information available, but it isn't yet in Czech and in a structure corresponding to the needs of Czech SMEs. There is more and more "Business news from the EU" on our website every day and, depending on what companies are interested in, we monitor selected topics. We take advantage of the fact that here in Brussels we are directly at the source and we get a lot of information at conferences and presentations or directly through questions and visits to EU civil servants. Although the three of us can't replace a whole press office, I would go so far as to say that our news service provides everyone with everything important about new legislative acts, proposals, initiatives, analyses and statements from EU bodies' workshops.

Do you get feedback? Can you say how Czech businessmen use the information and how they are generally preparing for EU entry?

Judging by several research projects and judging by the interest in our activities and the services of our founders - Czech business organisations - I can say that Czech businesses are showing more and more interest in the EU. They read

I believe that the majority of firms that informs itself already uses or will soon use some of the information we provide.

more about the EU, they attend more education and information events. For example, we have more applications from businessmen wanting placements here in Brussels than our small office can cope with. Businesses are asking us quite specific questions, as they are fully aware that a lot of things will change upon EU entry, in terms of trade, production, promotion, employment, etc. Only a fraction of them can be considered to be fully informed about the forthcoming changes,

but the large majority has got a general idea or knows where to find the information. Only about a tenth of Czech companies are regarded as uninformed, or convinced that Czech entry into the EU will in no way affect them. Whether and how they use the information we provide? I believe that the majority that informs itself already uses or will soon use some of the information we produce. I'm confident of this because our founding organisations contain companies that have a decisive share of the Czech market and GDP production. On the other hand, we are obviously not the only source of information about the EU in the Czech Republic by a long way and we will never have a monopoly on providing information to businesses.

Can you say, based on the questions and requests you deal with, which sector of the Czech business community is most interested in the EU?

We still don't have precise statistics and we still serve tens rather than hundreds of Czech companies. It is, however, clear that a large part of questions from all industries are related to EU support funds and programmes. Companies want to know whether they can get cheap loans or even grants from various EU sources for their new projects, for their research, for the development of international relations, etc. Another group of companies comes from the strictly regulated food, pharmaceuticals and chemicals industries and they are obviously interested in exactly what they will have to comply with and how, after Czech entry to the EU. Last of all, there are companies for whom the regulations that apply to the business they do with markets in the "east", i.e. in Russia and Ukraine, in the former Yugoslavia, i.e. in countries that are not entering the EU with us, will change. But that's not an exhaustive list. We get new requests every day, and they clearly show that EU entry has become part of immediate considerations and short- and medium-term planning for most Czech companies.

Pavčina Jandlová



Business Trip to Brussels to Visit EU Bodies

A group of 25 Czech businessmen from business associations and self-administrative bodies visited between 25th and 29th October 2002 Brussels. The aim of the study trip was to acquaint the participants with the environment of European Union bodies and their workings, as well as enabling interested businessmen to meet representatives of Czech institutions in Brussels in person and learn more about the practical side of European integration.

During its short time in Brussels the business delegation met representatives of the EU Council and Commission and learnt how the European parliament works. It was also received at the headquarters of the European Economic and Social Committee. There were presentations by the Directorate General for Enlargement and the Directorate General for Enterprise at the European

Commission. All the meetings took place in a very friendly atmosphere and confirmed that the EU's expansion timetable will be met. The employees of the EU institutions that received the delegation showed that they view the Czech Republic positively. Martin Sprýňar, general secretary of CESMAD Bohemia, had this to say, "European Union bodies are not unapproachable. If somebody wants to do something or push something through, it can be done through meetings at the various directorates general or through offices like CEBRE."

One of the key points on the study trip's agenda was a meet-

ing with employees of CEBRE, the Czech Business Representation. The businessmen attended a lecture and a following discussion with CEBRE director



Václav Smejkal, who told them about CEBRE's activities, options for lobbying for the interests of Czech companies in the EU and how to deal with the practical problems of Czech companies at the time the Czech Republic is entering the EU. On the last day the delegation was given a grand reception at the headquarters of the Prague Region Office and then attended a meeting at the Mission of the Czech Republic. Ambassador Libor Sečka informed the delegation about the state of accession talks.

"The aim of the study trip to Brussels was to get people acquainted with the EU's capital and the various institutions that are discussed and will be discussed more and more in the Czech Republic. I think that the study trip fulfilled its

purpose. The problem here is that most small and, in particular, medium-sized businesses don't think that EU entry will lead to any changes. Economic Chamber could contribute to better awareness. Every business should be told what it can expect and what changes it should get ready for. Many Czech businessmen have the feeling that EU entry won't affect them. It is, however, necessary to emphasise the fields where the changes will be and where alterations after EU legislation comes into force will be significant. Whether it concerns environmental protection or the production of packaging. EU legislation is also very focused on consumer protection (relations between customers and suppliers,

guarantees for goods, rules for business in the food industry). I think it is very good that the business community has an office like CEBRE in Brussels and that businesses should be able to take advantage of the information they get," said Daniel Havlík, chairman of the board of directors of DOB-Invest a.s., of the study trip.

The Czech Economic Chambers Centre for European Integration is planning further study trips to Brussels next year; the next one will take place in March 2003.

Jana Moravcová
Center for European Integration, ECCR
moravcova@komora.cz

EU Support Programmes - Opinion of Czech Entrepreneurs

The Czech Republic draws down European Union funding for developments in many fields and through various support programmes. The three basic programmes aimed at supporting candidate countries before EU entry, Phare, ISPA and SAPARD, are supplemented by other grant and loan programmes fully or partially financed from EU funds, including the Small and Medium Enterprises Support Fund, the Manufacturing Sector Investment Fund, the Grant Scheme for Business Infrastructure Support, various community programmes in the fields of education, employment, culture, the power industry, development of business and media, etc.

One third of companies would like the state and its specialised agencies to help with the preparation of projects, whereas thirty percent would expect such help from business organisations.

The Czech Business Representation, through its founding organisations - Czech Economic Chamber, Czech Confederation of Industry and Czech Confederation of Employers' and Entrepreneur's Associations, conducted a poll among its members in which Czech businessman had the opportunity to express their opinion on the quality and availability of funding from EU support funds. The questionnaire was sent to companies without regard to the sector in which they are active or their size and was divided into nine sections.

The answers received show that more than fifty percent of companies have only marginal knowledge of EU programmes, whereas one tenth is not only familiar with the programmes, but has also taken advantage of what they offer. More than sixty percent of this group is accounted for by medium-sized companies (51-250 employees). Eight percent of replies state that the company submitted a project with an application for support, but did not succeed, seventeen percent of respondents have personal experience of participating in programmes through being involved in a project that was prepared with EU support by somebody else. One tenth of companies stated that they are not familiar with the system of support programmes, almost half (47%) of which are small businesses (1-50 employees).

The best-known and most used programme is Phare; a quarter of all respondents have personal experience of using this tool, seven percent have

submitted projects as a part of the SAPARD programme and five percent have obtained funding from the ISPA programme. Of the other community programmes the most frequently used projects were part of the 5th Framework Programme and Leonardo da Vinci.

Czech businesses would welcome EU programmes that provided funding for projects from candidate countries, including the Czech Republic, in particular for investment support (loan guarantees, support for venture capital funds, etc.), and also for research and development, marketing and export support. One tenth of replies state that funding from support pro-

grammes should not go straight to businessmen, but should be used to improve the general business environment (commercial law, the work done by courts, revenue authorities, etc. ...).

Almost a quarter of companies get information about EU programmes from the national press, just under a fifth from the Internet and eighteen percent from business organisations; only twelve percent gave state administration bodies and specialised agencies as a source of information.

The most valued characteristics of EU programmes are the facts that well prepared projects have a good chance of success - so say more than a third of respondents - and that specific financial support can be obtained through them - twenty-two percent of replies. On the other hand, according to twenty-six percent of respondents there is a lack of information about new programmes and a fifth of them feel that the demands placed on applicants for support are too high.

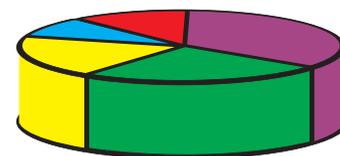
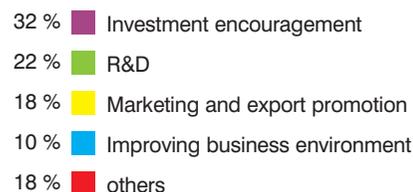
One third of companies would like the state and its specialised agencies to help with the preparation of projects, whereas thirty percent would expect such help from business organisations. Eleven percent believe that companies do not need help and that they will manage to prepare the projects themselves or with the help of hired advisors.

If a programme requires co-financing by the applicant, according to the opinion of forty-two percent of businesses there should be a pro-

gramme of state-guaranteed loans for these purposes, or banks should have special loans for those seeking EU support. One tenth of replies state that applicants should help themselves, and almost half the replies in this group were sent by medium-sized companies.

Almost forty percent of respondents think Czech entry to the EU will lead to greater opportunities to get support from EU programmes and fifteen percent think that more funding will be offered to Czech businesses from EU programmes.

EU Support Programs for Candidate Countries Should Focus on :



The results of the poll show that Czech businesses are getting used to the opportunity of using the funding the European Union offers for the development of business, including research and development, the introduction of new technology and education. In particular, they are looking for ways to learn more about the new opportunities. Their industry associations and chambers should certainly be the main ones who provide them with help in this respect.

(The conclusions were presented on 14th October 2002 at an international conference in Brussels that dealt with getting funding from EU support programmes for candidate countries.)

Blanka Jakubcová, Deputy Director
CEBRE, Brussels, www.cebrecz

Fighting with Flood: Czech Success Stories

In the last edition we used this space to write about successful businesses. This article is also about successful small and medium enterprises. This year, however, these companies have not only had to compete successfully on the market, but also deal with another obstacle - flooding. How did businesses deal with the floods? Did they get any support? What is businesses' experience of this crisis situation?

Christmas Eve Dinner without Carp?

Advent is here and the pre-Christmas rush will start soon. Sellers are putting out tubs of carp along the streets, because fried carp is an integral part of Czech Christmas Eve dinner. Given that companies from South Bohemia are among the main suppliers of carp to the market, people are asking whether this area, which was the hardest hit by the floods, will be able to supply the market with fish this year. The situation of Rybníkařství Hluboka a.s. says a lot about how companies have dealt with this extraordinary situation.

The company, which specialises in breeding South Bohemian fish, is successful. Rybníkařství Hluboka a.s. is the second largest fish farm in the Czech Republic. The tradition of fish farming in Hluboka goes back more than six centuries.

FLOOD DAMAGE AND FORMS OF ASSISTANCE

The total damage the Czech Republic suffered in August's floods is now estimated to be a minimum of EUR 2.3 billion, but Czech Prime Minister Vladimír Špidla has said that this figure is not final. Most property destroyed or damaged by the floods belonged to businesses. Insurance companies expect to pay out around EUR 0.8 to 1 billion to settle the estimated losses. The remainder will be paid by the state, private companies and the population. Businesses will have to absorb costs of EUR 0.7 billion.

Rybníkařství Hluboká is the contractual supplier of fish to the president's table and President Vaclav Havel takes part in the fishing out of one of the ponds every year.

This year's floods, which affected 80% of all fishponds that belong to the company, as well as the plant, however, were a real disaster for them. Here the flooding was as much as 73cm higher than in 1890. Company director Vladimír Kaiser estimates the losses to be at least EUR 0.6 million in fish and EUR 170,000 in equipment, which is around 10% of registered capital. The floods, however, also affected the breeding of unique types of fish - sturgeon - which will be hard to replace financially. The carp production cycle takes four years and the floods have significantly interfered with it, as younger fish have died. "The damage to this year's production of fish for market will be at least around 10%," said Kaiser, "We will have to buy replacement fry for the ones that died. The company will do everything to make sure that the volume of fish produced for market next year is the same as in previous years."

How did the company deal with the unexpected costs? The damage that occurred will be partially paid for by the insurance company, but, given the large amount of damage, the insurance

company will not pay out benefits immediately and operations and repairs are currently being paid for from own funds. The company's attitude to possible help from the state is sceptical, "I don't think the state will have to pay for the loss of fish, that's what insurance companies are for. Nevertheless, I would welcome it if the state could contribute to the renewal and maintenance of the fishponds. Fishponds have got several functions, for example during the floods they held twice as much as dams," emphasised Kaiser, "Other elements include landscaping and recreation, but fisheries only get very limited support."

Revealing a company's human wealth

REALEX International Ltd. can be used as an example of a successful small company whose reliability is shown by its twelve-year history. The company, which has been importing labelling guns and labels for them since its establishment, has, like every other small company, undergone several stages of development. But last August Realex, which is based in the Prague district of Karlín, the worst hit part of the city, found itself underwater. The building Realex was based in had its storage space on the ground floor and offices on the first floor. The goods in the storage space were underwater and its office equipment

was damaged. Company director Jaroslav Sládek totalled the damage up to EUR 120,000 for the goods in the storage space that were destroyed and another approximately EUR 30,000 for the office equipment. The company is starting up again after the floods, which is a lot more complicated than getting established for the first time, because the company has obligations. But the company still has some capital - most importantly its employees, who did not leave it in its darkest hour and are helping to rebuild it. Customers are also helping, understand the company's situation and have declared their willingness to increase purchases of goods and speed up their payments. None of them has terminated their contract with Realex. This shows their reliability and solidarity and in a way conflicts with the impression that business ethics are bad in the Czech Republic. There is a slightly different situation with suppliers. Some want payments in advance, but some of them are willing to wait a while for payment.

If you visited Realex today, you would not realise that the company's existence was under threat a couple of months ago. The company has a new headquarters and is meeting its obligations with the same quality and speed as before the

floods - it supplies goods within 24 hours of ordering, offers a full range, as well as full service, and the financial situation has stabilised.

What recipe did Realex apply to get going again? The key elements were the contribution of the owner's savings and gruelling work by employees. This shows the enormous will and responsibility that Czech businessmen have "on the quiet" and without popularisation. "I'm proud of my employees, who got stuck into the cleaning up, remained faithful to the company and didn't give their notice and go to look for work elsewhere," said Mr. Sládek. The company looked into loans for businesses affected by the floods. They found that Realex could not take advantage of support in the form of a banker's guarantee from a state-subsidised bank as a part of the Reconstruction Programme, because, in addition to the banker's guarantee, private banks wanted another method of collateral - either an insurance policy or property. As Realex was not insured and does not own property, it could not get a loan. The director is currently discussing an operating loan that the company would get as a part of the Renewal Programme. What is surprising about this situation is that Realex could not even get a loan from its main bank, which has long experience of Realex as a solvent partner.

Lessons

Businesses showed their ability to stand on their own two feet even in a situation where floods had pretty much washed away the whole enterprise. This shows the strength and flexibility that small and medium enterprises have and is another reason they should get a more favourable environment and their activities should be supported.

A crisis situation, which being flooded to such a large extent undoubtedly is for a company, paradoxically also brings benefits. In particular it becomes clear whether a company is strong enough to successfully overcome unexpected, extraordinary situations. The fact that a company was able to renew supplies of goods and provide full service in such a short time, as well as meeting its obligations, convinced its partners that the company is able to deal with unforeseen circumstances and is a reliable partner that meets its obligations. "Revealing" a company's human wealth is a great benefit.

Some general conclusions that should serve as a guide to behaviour and solutions in extraordinary crisis situations in the future.

- **Fast access to money** - when drafting claims for loan applications it is necessary to take into account the fact that many businesses' data and accounts have been destroyed.

- **Fast and precise information** - about the situation, about how the situation is expected to develop, advice on how to proceed, where to go, where support and assistance can be found, etc.

- **Communication facilities** - a company that has suffered damage needs to rapidly communicate with its customers, suppliers and the authorities.

Zdeněk Kubín, Pavlína Jandlová

How We Helped Businessmen to Fight with Flood Damage

Economic Chamber of the Czech Republic Jaromír Drábek, President

The floods hitting the Czech Republic this August have had an impact on the lives of many people of this country - be it a direct or indirect one. To be sure, the Czech business community has not been spared either, with the damage suffered by companies and entrepreneurs estimated at CZK 20 billion. Some two thirds of this amount accounts for damage costs incurred by SMEs.

Shattered infrastructure is one of the chief torments for Czech entrepreneurs. Restricted traffic on major routes has caused problems even to businessmen elsewhere than in flood-stricken territories. For this very reason transport infrastructure should rank top on the damage-repair priority list. And attention shall not be focused on roads only - railways, too, are a vital part of the integrated system. Reminding that it has been trade with the foreign companies that suffered most in the wake of the natural disaster and that the impact on sales in the tourist sector has been negative seems almost unnecessary in this respect.

Damage suffered by entrepreneurs was as serious as to threaten the very existence of their businesses. In an open letter to Prime Minister Vladimír Špidla, I urged the Czech executive to make maximum use of the provisions of Act No. 12/2002 Coll., on state aid in recovery of a territory affected by natural or other disaster as well as of the related Government decree. Although many SMEs in flood-stricken regions clearly qualify for state aid under this legislation-their business activity being vital for providing the given territory with basic goods, services and infrastructure while complying with the rest of the requirements of the act-the unofficial information we have obtained from national authorities seems to hint at no more than exceptional use of state funding to assist businesses along these lines.

The Economic Chamber of the Czech Republic (ECCR) has sought to lend the flood-hit entrepreneurs a helping hand where and as much as its capacities have allowed. Furthermore, it called upon firms to pay tax advances earlier than the due date so that the government could use the funds received for covering the immediate repair of at least some of the flood damage. Dozens of companies from all over the country have responded to that appeal. Moreover, the ECCR set up a special "Flood Exchange" on the Chamber's website and businesses lucky enough not to have been hit by the August flooding offered assistance of all kinds to flood-hit firms. ECCR's Property and Individual Protection Section prepared an advisory service for entrepreneurs seeking protection and security of their property etc.

Despite the vast damage I cannot but note that Czech entrepreneurs have indeed been quick in handling the damage repair. The world should know that, no matter how much the natural disaster has affected Czech firms, they got back to business very soon. ■

Confederation of Industry of the Czech Republic Stanislav Kázecký, President

On many a place in the country the floods were still culminating when I met with Chairman of the Czech-Moravian Confederation of Trade Unions Milan Stech, agreeing on a joint Appeal to Employers which then gained a well-deserved and broad acceptance:

Considering the extraordinary catastrophic effect of the flooding, the Czech and Moravian Confederation of Trade Unions (CMKOS) and Confederation of Industry of the Czech Republic calls upon the employers, asking them to give their flood-stricken employees vacation on grounds of serious personal circumstances when and as the employer's capacities would allow. Confederation of Industry of the Czech Republic and CMKOS are appealing to both the employers and trade unions to provide for the funding of such employee compensation through annexes to collective agreements or a special internal regulation.

Another in a series of active moves by the Confederation of Industry of the Czech Republic coming in response to the extraordinary situation caused by the natural disaster hitting the country was the following letter sent out to 13,706 e-mail addresses:

Dir Sir/Madam,

In connection with the catastrophic floods hitting the Czech Republic last week and on behalf of Confederation of Industry of the Czech Republic, please find attached the relevant parts of labour legislation to serve as a useful tool to guide your decisions on how to proceed in labour law issues related to the floods. I believe that this explanatory piece of legislation will assist you in tackling any potential ambiguities in line with the applicable law.

In a letter addressed to Prime Minister Špidla, we suggested several extraordinary measures to be taken by the state's executive which might help untying the hands of the over-burdened justice while providing the public service sector with a number of new capacities. To be sure, Confederation of Industry of the CR was not only standing by, watching the floods and the following elimination of the negative consequences the flooding brought. In a joint effort with our member associations we came up with a preliminary summarization of the cost of damage suffered by Czech industry and the country's economy as a whole. Representing the Czech business community, we have been taking all the necessary steps to minimise the flood damage and enable our economy to continue its vital growth.

We are glad indeed to note that even at the time of enormous stress many a company and businessman have been able to focus not only on their own problems but also come with an offer

of very specific and effective help to those hit harder than themselves. It is these entrepreneurs whom I would like to thank now.

Even in our business community, the dyke of solidarity is an effective barrier to the great water and a way of diminishing the devastating power of the floods. ■

Confederation of Employers' and Entrepreneurs' Associations Milan Veverka, Chairman

Starting on 13th August the Confederation and member associations got involved in projects to help affected municipalities and families. The main burden of the "heavy work" was on the Czech Association of Construction Contractors. The Association asked companies to give emergency work top priority when allocating capacity, to loan machinery and vehicles, to keep to a reasonable pricing policy, i.e. to do work at cost price, and even asked companies to provide contractor loans.

In the second stage, the renewal of the country, the chairman of the Confederation proposed that the Prime Minister establish a Coordination Committee for the Renewal of the Country. People affected by the floods were offered 35 housing projects which could be completed within 4 weeks and cost up to CZK 1.5 million. As of 7th October more than 10 houses had been built and the foundations had been laid for in excess of 15 more. A number of discussions took place with employees of the Ministry of Industry and Trade, cabinet members and deputies regarding government assistance for affected entrepreneurs, alterations to current SME support programmes and in other forms.

The board of directors of the Union of Czech and Moravian Producer Cooperatives rapidly approved terms for the provision of interest-free loans of up to CZK 300,000 for dealing with the consequences of flooding, and extended the availability of short-term special purpose loans to cover financial requirements in connection with specific projects for dealing with flood damage for which a contract had been concluded. Driers purchased with UCMPC funds were made available to affected cooperatives free of charge. An initiative by the Agricultural Association led to material aid being provided to its members immediately, e.g. supplies of litter, feed and seed corn, cattle stalling and offers of breeding assistance, assistance by fire brigades, etc.

Associations also established special flood accounts and organised humanitarian aid based on company gifts, from water, hygienic materials, tins and clothing to furnishings; they also provided assistance dealing with insurance events, etc.

The floods showed the readiness for action and solidarity of associations and companies. This is demonstrated by letters to the chairman of the Confederation and the president of the Czech Association of Construction Contractors from regional commissioners, who praised the assistance provided. ■

EU - Czech Republic Joint Consultative Committee (EU - CR JCC) and Support for Dialogue With Organised Civil Society in the Czech Republic

Acting as an institutional spokesman of civil society, the European Economic and Social Committee (EESC) has ever since its early days been a strong promoter of the European Union's enlargement. In 1990, the EESC identified the key role the EU came to play in the reform process undertaken by Central and East European Countries (CEEC). Within its mandate, the EESC has always put a special emphasis on the need to strengthen the development of civil society along with civil and labour rights in these countries.

Seeking to meet its commitment and bolster the efforts by candidate countries within the process of their preparation for EU membership, the EESC has encouraged creation of Joint Consultative Committees (JCCs) involving social interest groups and representatives of non-governmental organisations (NGOs) from candidate countries. Since 1998, such JCCs have been established in Bulgaria, Romania, Hungary and Turkey. Over time, other candidate states such as Poland, Slovenia, Slovakia, Estonia, Lithuania as well as the Czech Republic have seen their own JCCs launched. The main task of JCCs is to act in their consultative role for the Association Council while strengthening civil society organisations in candidate countries, assisting their preparation for accession, and promoting structured dialogue between economic and social interest groups from both member states and candidate countries.

In the Czech Republic, it was already in late 1998 that the idea of establishing a JCC was discussed by the representatives of Czech socio-occupational groupings. However, it was not yet a proper timing for establishment. Given EU's approval procedure and the date of entry set originally onto 1 January, 2003 there seemed to be no particular purpose to set up this body in the Czech Republic. Moreover, the social environment in the Czech Republic had grown much more favourable to the development of social dialogue while the newly developed institutional structure seemed adequate to the task of integrating Czech economic and social interest groups in the preparations of the country for EU membership, and the involvement of these interest groups in the work of European and international organisations appeared satisfactory as well.

Reformist efforts within the EU and the preparation of the Nice Treaty proved once again the EESC's major role of an intermediary between the EU institutions and civil society within an enlarged Europe. In early 2001, the economic and social interest groups in the Czech Republic decided to set up a Czech-EESC JCC, supporting thus the

development of civil society in the Czech Republic and integrating it into the Europe-wide debate on the future of Europe. On 27 March 2001, Czech economic and social interest groups sent a Joint Memorandum to the Association Council, declaring their will to establish a CR JCC whose aim would be to promote at the national level social and civil dialogue, lend support to the preparation of the Czech Republic to join the EU and, last but not least, enhance the relationship between all the key groups within EU member states and candidate countries, i.e. employers, workers, and various interests.

More than a year after the *Memorandum*, the approval procedure was completed in June 2002 and the Association Council decided to set up a JCC in the Czech Republic. In parallel with this formal procedure, both parties launched intensive preparations for their future co-operation. A Steering Committee of Representatives of Economic and Social Interest Groups became active in March 2001 in the Czech Republic, seeking to complement and transform in time the Czech partner organisations into the final JCC structure. The CR JCC will have fourteen members in total - seven from each side. The Czech Republic is represented as follows: Group I (Employers) - Confederation of Industry of the Czech Republic (SP CR), Confederation of Employers' and Entrepreneurs' Associations of the Czech Republic (KZPS CR) and the Economic Chamber of the Czech Republic (ECCR); Group II (Workers) - Czech-Moravian Confederation of Trade Unions (CMKOS) and Association of Independent Trade Unions (ASO); Group III (Various Interests) - Union of Czech and Moravian Consumer Cooperatives (SCMSD) and Agriculture Chamber of the Czech Republic (AK CR). Pavel Prior, Vice-president of the Confederation of Industry of the Czech Republic, was elected to co-chair the CR JCC meetings with Eva Belabed (ESC Group II, Austria) for one year. Following the October 2002 plenary session and a new election, the rest of the members representing the EESC will be known.

The regular joint meeting of all chairmen or candidate countries' JCC representatives took place within the framework of the March 2002 EESC plenary. For the first time, the Czech Republic's JCC representative gave an informal presentation on the status of Czech preparations for the first JCC joint meeting. Though originally scheduled for 1 July 2002, the inaugural meeting will take place on 22 November 2002, reflecting the date when the Association Council made its decision. Yet, the

Czech JCC members met for another preparatory meeting mid-May to discuss the organisation and agenda of the first JCC session as well as the rules to provide for the co-operation of Czech JCC partners, and a preliminary schedule of joint meetings assigned to particular issues to be tackled during the pre-accession phase.

The inaugural JCC meeting in Prague will be held as a special celebratory occasion with State Secretary for European Affairs Pavel Telicka, Head of the Delegation of the European Commission in the Czech Republic Ramiro Cibrian and Ambassador of the Kingdom of Denmark in Prague Jorgen Bojer as guest speakers. Besides matters of administration and procedure, the meeting will chiefly focus on the preparation of the CR for accession to the EU in light of the last Regular Report of the European Commission on the CR. Besides, the status and the outcomes so far of Czech-EU negotiations, the work of the Convention and several other issues suggested by both parties will be debated.

By Way of Conclusion

The outcomes of the EESC Conference on "Organised Civil Society and European Governance" held between 7 and 9 November 2001 clearly showed that although civil society in the member states needs more consistent involvement in the process of forming a new Europe, its counterpart in the candidate countries still lacks the necessary transparency and clear shape to allow its effective involvement in the process of preparing the country for its EU membership.

Czech economic and social interest groups take their preparation for work with the EESC seriously, perceiving this new initiative as one of the ways to promote and develop civil dialogue on the national level while getting prepared for their future mandate in the EESC framework.

Given the above, the following objectives are perceived crucial for CR JCC:

- Co-operation with the Association Council
- Co-operation with the EESC Secretariat and its Sections on Draft Positions
- Co-operation with Other Candidate Countries' JCCs
- Co-ordination of Activities With Relevant European Umbrella Organisations

Main Discussion Topics:

- Negotiations with the European Commission
- Social and Economic Impact of the Czech Republic's Accession to the EU
- Activities of the Convention
- Specific Economic and Social Issues (Labour Market, Immigration, Single Market, SMEs, Infrastructure Development, Pre-Accession Aid, Cross-Border Cooperation Development).

Vladimíra Drbalová
EU-Czech Republic JCC Secretariat, Prague
Confederation of Industry
of the Czech Republic,
vdrbalova@sprc.cz

Year	Meeting	Key Topics
22 Nov. 2002	1st meeting	<ul style="list-style-type: none"> • Inaugural Procedures and Organisational Issues • Convention's Outputs So Far
1st half 2003	2nd meeting in Brussels	<ul style="list-style-type: none"> • Actual Situation of Economic and Social Interest Groups Within the Integration Process (Before and After Election) • Current State of Social and Broader Dialogue (Before and After Election)
2nd half 2003	3rd meeting in Prague	<ul style="list-style-type: none"> • Convention • Economic and Social Impacts of Accession • Convention
1st half 2004	4th meeting in Brussels	<ul style="list-style-type: none"> • EU and CR Communication Strategy: Outcomes

WHITE BOOK OF CONFEDERATION OF INDUSTRY- PROPOSALS FOR ECONOMIC POLICY

The general assembly of Confederation of Industry of the Czech Republic discussed and presented a document entitled "Proposals for Economic Policy" at the end of October. It summarises findings from the Confederation of Industry's specialist facilities and company managers' experience of competition on foreign and domestic markets. Based on this, it proposes priorities for the government's economic policy from the viewpoint of industry.

It sees the most important task for the future as increasing the competitiveness of Czech companies, so that they can acquit themselves well in the conditions prevalent after entry into the EU.

The Confederation's leadership is currently discussing "Proposals for Economic Policy" with ministers responsible for economic departments, members of economic committees in both chambers of parliament, social partners and other important entities in social structures.

We will deal with the document in more detail in the next issue.

RAPID TRANSFER FROM CROWN TO EURO WINS FURTHER SUPPORTERS

The tendency towards further strengthening of the crown again revived debate about the expediency of the Czech Republic acceding to EMU within the shortest possible timeframe.

The idea of replacing the crown with the Euro is gaining more and more supporters and support has come from the Ministry of Industry and Trade, Czech National Bank representatives, representatives of self-administrative business bodies and the Czechtrade agency.

It cannot be expected that the EU will agree to a relaxation of the conditions for candidate countries' entry into the Eurozone and leading Czech National Bank representatives expect that the Euro will be able to become the Czech Republic's official currency in 2007, at the earliest. The Bank

recommends taking such fiscal measures that would enable the rapid adoption of the Euro. Its representatives believe that the Euro would provide a small, open economy that exports two thirds of its production to the Eurozone, as the Czech Republic does, with reduced costs to companies and thereby an increase in competitiveness. The Minister of Finance did not take up a clear position in response to the Bank's ideas. He claims that the Euro can be adopted at the moment it becomes clear that meeting the Maastricht criteria is not a problem. Whether this is in 2007 or a year or two later is not that important in his opinion. The budget deficit could cause a problem with adoption. If it remains as high as it is now, the country would not meet the Maastricht criteria for entry into the Eurozone.

SUPPORT OF EUROPEAN UNION ENTRY INCREASE AGAIN

Or so say the latest results of representative research conducted in September by GfK Praha. The number of citizens who would vote for Czech entry to the EU increased by 12% in comparison with the second quarter. More than half (53%) of Czech citizens would currently vote for Czech entry into the EU.

The share of "Euro-sceptics" in the population, i.e. those who reject EU entry, however, did not decline in comparison with the last survey. There was a slight fall in the number of undecided respondents, i.e. those who do not know whether they would vote for or against EU entry.

What are the people who want to enter the European Union like? In the long-term the results show that they are more likely to be men (56%) than women (50%), young (up to 44), with a better education, employed and students. Czech membership of the EU is more frequently supported by people with higher incomes and citizens of medium-sized towns. On the contrary, more than a third of private businessmen and people in the liberal professions, in particular in the 45 - 59 age category, people with worse education would currently be against membership.

ANNOUNCEMENT

CENTRAL EUROPEAN LAW FIRMS OPEN JOINT OFFICES IN BRUSSELS

Prominent Czech, Polish and Slovak law firms, Kocián Solc Balaščík from Prague, Wardyński & Partners from Warsaw and Cechová Rakovský from Bratislava announce joint opening of offices in Brussels. The purpose is to provide advice on EC law and representation before EC institutions for clients from Central Europe. The joint offices will also offer EC companies and law firms direct access to strategic legal advice in respect of each of the represented Central European countries. The three law firms are recognized as leaders in their respective home countries. Over the past ten years they have successfully co-ordinated client representation across their mutual jurisdictions. The firms will share premises at 36, Avenue d'Auderghem, and will also co-operate with Brick Court Chambers, British barristers in Brussels.

BUSINESS INFORMATION POINTS (BIP)

In many cases SMEs do not know what business conditions they can expect on the single European market, are not able to calculate the related costs and often are not looking for a strategy, according to research conducted by Eurochambers. The Eurochambers research confirmed that a full 43% had not started preparations for EU entry, around a tenth of respondents believed that EU entry did not concern them. The Economic Chamber wants to fill this knowledge and contact deficit using a network of Information Centres for Businesses. 217 centres should be formed at district chambers or trade associations and their main activity will be to inform local businessmen about the changes they can expect after EU entry. The costs of establishing an BIP and operating it for a year should be around EUR 30,000. The budget should be provided by the local chamber organisations and the Chamber will discuss further funding at municipal, regional and national levels. Two pilot centres are currently in operation.

Economic Data

Despite fears about the consequences of the floods, the Czech economy is continuing to grow, remains the number one recipient of FDI per capita in the region and the negative trade balance is improving. Inflation is very low and unemployment is being kept in check. There are fears over the budget deficit, which could threaten compliance with the Maastricht criteria for entry into the Eurozone.

The Ministry of Finance estimates **GDP growth** will be 3.3% next year, compared to an estimate of 2.7% this year.

The net inflow of **direct investment** into the Czech Republic reached EUR 5.5 billion in the second quarter. The decisive proportion of revenue was accounted for by the privatisation of the state interest in Transgas. Transport and telecommunications accounted for more than three quarters of overall inflow and banking and insurance more than 13%. Investment from

European Union countries was more than 98% of the total inflow of foreign direct investment.

The improvement in the **trade balance** was partially eliminated by a fall in the services surplus and an increase in the revenues deficit. The total trade deficit for the first nine months of 2002 was EUR 1.9 billion. The total result was affected favourably by a surplus in machinery and vehicles and unfavourably by a trade deficit in manufactured consumer goods. The trade deficit is linked to the slowdown in economic growth in the Czech Republic during the floods - flooding restricted transport routes and the operation of border crossings. It is also affected by continuing economic stagnation in countries to which Czech companies export and the strengthening of the crown against the Euro and the dollar.

The **territorial structure of foreign trade** is characterised by the continuation of growth in surpluses in relations with countries in the

European Union and the Central European Free Trade Area. Of the countries in this group, relations developed favourably in particular with the Netherlands, Great Britain, Germany and Austria. 70% of Czech exports go to European Union markets and 61% of imports come from this area.

Inflation remains low. The rate of inflation, expressed as the increase in the consumer price index for the last 12 months against the average for the previous 12 months, slowed down to 2.7% in September.

The **overall rate of unemployment** was 7.2%, although there are still large differences in the unemployment rates in the various regions.

The expected final **budget deficit** for 2002 rose to EUR 2.09 billion. The draft budget for 2003 contains a record deficit of EUR 3.71 billion. The Czech Republic's **public finance deficit** in 2003 will rise to 6.3 percent of gross domestic product, from 5.7% this year.

(interview with Deputy PM P. Mareš from page 1)

particularly important. I am also aware that it is an area where the Czech Republic has significant reserves. It is certainly one of the main challenges for our government.

■ **The transfer of certain powers to self-administrative business bodies is often discussed. How do you view a possible strengthening of their role?**

Experience with self-administrative business bodies, namely Economic Chamber and Agrarian Chamber, shows that, despite the various problems they have encountered, they are starting to make their presence felt during the formulation of economic policy. I am sure that we will have to intensify co-operation with these institutions in the final stage of accession talks.

■ **Do you intend to ensure that, after entry onto the highly competitive single European market, support for Czech businesses is at least at the same level as support from other member states for their businesses?**

We are aware that Czech businesses would be

in an untenable position without such support. That is why the government's mission statement expressly said that a significant part of public support will go towards structural projects that meet the conditions for co-financing from EU structural funds. When doing this we will significantly increase support for production with the greatest added value. We will also attempt to improve the availability of funding from the banking sector, in particular for small and medium enterprises.

■ **Is the Czech government preparing to introduce measures leading to better information for Czech businesses about the EU market?**

Information for businesses about the European market is understandably the key to success. It is in this field that we want to take advantage of close co-operation with self-administrative business bodies. It is high time to move from general, basically political information to specific, practical information. It will be necessary to create an information network that will have a mostly advisory role. At the current time discussions are taking place about its specific form, the method of

financing and its connection to public administration reform in the Czech Republic.

■ **Do you regard yourself as a Euro-realist or a Euro-optimist? And why?**

I have always been more of a Euro-optimist, at least in the usual usage of the word. I believe that Europe has a huge potential for co-operation and I am sure that the task that our generation of politicians faces is to make full use of it.

■ **Are you looking forward to the "Brussels duties" that you will be under, after the Czech Republic enters the EU?**

The Czech government has, to a significant degree, already acquired its "Brussels duties". Preparation for EU entry is an important part of all departments' activities and Czech civil servants have been intensively preparing to work with its bodies for several years. As far as concerns me personally and the field of my executive responsibilities, I would say that I am greatly looking forward to actively participating in the creation of a European research area. *Pavčina Jandlová*



Economic Chamber of the Czech Republic (ECCR)

Economic Chamber of the Czech Republic is the only entrepreneurial self-governance institution in the Czech Republic. Within its structure it comprises more than 60 active district chambers and regional chambers as well as of 70 professional associations covering the whole territory of the Czech Republic and the entire scale of enterprises from the largest to the smallest ones. This network secures an every-day contact with the entrepreneurs, monitoring of their interests and efficient representation towards the Czech Government. ECCR provides customs and certification services, legal and legislative services, representative and information services. ECCR plays an important role in the support of export, European integration and SMEs. Its Court of Arbitration resolves through arbitration proceedings commercial disputes related to foreign and domestic trade.

Contact:

Economic Chamber of the Czech Republic
Seifertova 22, 130 00 Prague 3, Czech Republic,
tel: +420-224 096 111, fax: +420-224 096 222,
e-mail: info@komora.cz,
http://www.komora.cz/en



Confederation of Employers and Entrepreneurs Associations of the Czech Republic

Confederation of Employers and Entrepreneurs Associations of the Czech Republic is an independent, voluntary and open interest organisation aiming at promotion and co-ordination of entrepreneurial, employers' and professional interests in negotiations with the Parliament, the Government, the public administration and Trade Unions. At present, the organisation has following members: Association of Businessmen of the Czech Republic, Union of Employers Associations of the Czech Republic, Union of Agriculture of the Czech Republic, Association of Textile, Clothing and Leather Industry, Confederation of Commerce of the Czech Republic, Association of Building Entrepreneurs of the Czech Republic, Union of the Czech and Moravian Producer Cooperatives.

Contact:

Confederation of Employers and Entrepreneurs Associations of the Czech Republic,
Skřetova 6, 120 59 Prague 2, Czech Republic,
tel: +420-224 225 693, fax: +420-224 230 606,
e-mail: konfederace@socr.cz,
http://www.cebre.cz/kzps.htm



Confederation of Industry of the Czech Republic

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 interests of employers concerning social policy in the tripartite negotiations with the Government and Trade Unions. It strives to define, support and assert its members interests in order to reach prosperity and favourable business environment, provides consulting and information services focused on the international relations, trade opportunities, production co-operation, legislation, collective bargaining, European integration, education and training of its members. It is a full member of the International Organization of Employers (UNICE).

Contact:

Confederation of Industry of the Czech Republic,
Mikulandská 7, 113 61 Prague 1,
tel: +420-224 934 088,
fax: +420-224 934 597,
e-mail: spcr@spcr.cz,
http://www.spcr.cz



- Represents the Czech Business Community in Brussels
- Provides Entrepreneurs and their Organisations with Information and Services Facilitating their Integration into the Single European Market
- Defends Interests of Czech Business Community within Integrating Europe and Helps in Satisfying their Needs
- Represents Various Czech Entrepreneurs and Employers Organisations at their Pan-European Counterparts
- Promotes Interests of Czech Businesses within the Context of EU Institutions and European Associations

CEBRE - Czech Business Representation
Bastion Tower, level 20

5, Place du Champ de Mars, 1050 Brussels;

Tel.: 0032 2 550 3547/49; Fax: 0032 2 550 3548; e-mail: cebre.europe@mail.be

Czech Business Today

Quarterly; December 2002 issue

Publisher: Economic Chamber of the Czech Republic, Argentinská 38, 170 05 Prague 7, IC: 49279530; in co-operation with Confederation of Employers and Entrepreneurs Association of the Czech Republic and Confederation of Industry of the Czech Republic; **Editorial Board:** Drbalová Vladimíra, Fischer Aleš, Hradil Ondřej, Jandlová Pavčina, Smejkal Vaclav; **Editor:** Centre for European Integration, Economic Chamber of the Czech Republic, Pavčina Jandlová, e-mail: jandlova@komora.cz; **Advertising:** Centre for European Integration, Economic Chamber of the Czech Republic, Pavčina Jandlová, Ondřej Hradil, Seifertova 22, 130 00 Prague 3, tel.: +420 224 096 356, fax: +420 224 096 227, e-mail: cebre@komora.cz,

Registration: Ministry of Culture of the Czech Republic - MK CR E 13767; **Publisher service:** Q-art; klenik@q-art.cz **Edition:** 1000 printouts