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EU'S SANCTIONS AGAINST RUSSIA: NO DRAMATIC EFFECT, SAY CZECH ECONOMISTS



The impact of sanctions is not dramatic for the Czech economy in its integrity. According to the calculations of Miroslav Zámečník, advisor to the President of the Czech Chamber of Commerce, economic sanctions could reduce Czech GDP by 0.03%. On the other hand, sanctions could have a significant impact on those companies whose sales are dependent on Russian market. According to Karel Havlíček, chairman of the Association of SMEs and crafts CR, the impact of sanctions will be mostly indirect, i.e. the Czech export will decrease to those countries (e.g. Germany)

which have important trade with Russia. "The companies will reorient their trade and it is a question, when and in what extent they will come back to Russia", he stressed. Confidence is a very important aspect of business and it is difficult to regain it when lost. "There is also a question what will happen if the sanctions will have no effect", points out Vilém Semerák from CERGE-EI. The economic impact of the EU's sanctions against Russia was discussed by renowned economists at the European House in Prague on Oct. 23. Speakers agreed the most dramatic consequences will be

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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for Russia and its State Treasury which is tied to the price of oil and exchange rate of Rouble to US Dollar. Helena Horská, chief economist of Raiffeisenbank explained that the impact of cheaper oil has been so far compensated by depreciation of the Rouble. Therefore the global impact on State Treasury was neutral. "The problem for Russia will appear when the price of oil will continue to decrease or when the Rouble will appreciate", she stressed.

MEPs CORNER

"I personally consider the EU's sanctions against Russia counterproductive. In reality, it can only bring two types of reactions. In case they inflict serious economic harm, we cannot expect compliance from Russia, but more likely an aggressive response further escalating the situation. On the other hand, if Russia is not affected by these measures, there will be no reaction at all. The objective of the EU is to contribute to the resolution of the Ukraine

conflict. In my view, both scenarios described above will make any possible reconciliation only harder. To conclude, I would like to point out that the effort to conform to common sense is not a failure of politics, which is the popular belief in our country, but its true mission."



MEP Jan Keller

WE WILL NOT RAISE FUTURE TECHNICIANS WITH CHALK IN THEIR HANDS!

The European Union has been still battling with the consequences of economic and financial crisis and signs of stabilization have been still weak. Businesses are concerned by expensive energy, lack of skilled people and uneasy access to finance. These were the topics discussed by the Czech companies with the Czech Ambassador to the EU Martin Povejšil and Jakub Mazur from his team, MEP Michaela Šojdrová and Jan Pánek from the European Commission on Oct. 15. "Forms and types of State interventions differ across the EU which render cross-border activity difficult for energy companies", said Pánek. "We have 30 funding schemes for energy renewables in

28 Member States!" he stressed. In the afternoon Czech businesses participated at the European Parliament of Enterprises organized by EUROCHAMBRES. This event gives European businesses the opportunity to raise their voice regarding EU legislative proposals that concern them the most. In the Hemicycle, full of EU entrepreneurs, Ondřej Homola, CEO of Corinth, pointed out in his speech that it was important to bridge the needs of the market and skills of today's school leavers. "We will not raise future technicians with chalk in their hands anymore", he stressed. The businesses discussed their needs and requirements for change also with Czech MEPs.

News FLASH

> NATIONAL CONVENT ON THE EU

The Czech Republic kicks off a project called National Convent on the EU which is addressing the key questions of the relationship between the Czech Republic and the EU. The opening ceremony of the Convent's activity will take place on Nov. 13.

> ENERGY AND CLIMATE PACKAGE FOR 2030

EU leaders reached an agreement on the new climate-energy package for Europe 2030 on Oct. 23. The Czech Republic enforced into the final texts explicit reference to the sovereignty of Member States in the questions of choice of energy mix.

> CZECHS WON EU PRIZE FOR LITERATURE

Czech author Jan Němec is one of the winners of the 2014 European Union Prize for Literature announced on Oct. 8 at the Frankfurt Book Fair. The award recognises the best new and emerging authors in Europe.

TTIP PROTEST DAY: NEW CONCERNS TO BE ANSWERED



On the 11th of October, protests against the Transatlantic Trade and Investment Partnership (TTIP) between the EU and the United States took place in several major cities in Europe. The concerns expressed by the protestors were mainly related to lowering of EU labour standards, flooding the EU market with genetically modified food, beef full of hormones and chickens treated

with chlorine. Recently certain concerns about the possibility of shale gas drilling in the EU were raised. Some also refer to TTIP as to new ACTA, the Anti-Counterfeiting Trade Agreement, that aimed to fight online piracy but was rejected in the end by the European Parliament after massive protests because of transparency issues during the negotiations and fear that the agreement will

cause loss of privacy on the internet. However, the intensity of the protests was not as high as expected. Although there were quite large gatherings in some countries, especially in Germany and France, there were no protests at all in other member states, including the Czech Republic. The EU business community backs TTIP strongly as a mean to eliminate duties, harmonize regulations, increase access to the US market, simplify customs procedures and reduce non-tariff barriers. The partnership also gained its geopolitical level as the situation with Russia and Ukraine escalated, and as the US have recently increased their energy production by enabling shale gas drilling, which might be exported to the EU. The position of the Czech government is supportive to TTIP since the announcement of the negotiations. Although the positive effect on the Czech Republic won't be as strong as on some bigger member states, the Czech Ministry of Trade sees TTIP as a mean to reduce tariffs and non-tariff barriers, ensure access to American public procurement and harmonize regulatory frameworks. Furthermore, the Ministry appreciates the overall positive impact on EU economy, being it creation of new jobs or GDP growth, although moderate. The protests are about to continue during both this and the next year and it is up to the European Commission and national governments to explain to general public that TTIP is an opportunity, not a threat.

EESC CORNER: REFIT IS IMPORTANT FOR IMPROVEMENT OF BUSINESS ENVIRONMENT

The European Economic and Social Committee was asked by the European Commission to make an opinion on its Communication on Regulatory Fitness and Performance Programme (REFIT) published recently COM(2014) 368 final. REFIT is one of the positive steps to react on many justified complaints of business but also general public about the Brussels attempts to regulate everything. As its name suggests, the aim of REFIT is to judge the regulatory fitness of existing legislation. It is linked to other programmes like Smart Regulation and Better Regulation but would need clearer distinction of their mutual hierarchy. The Committee prepared the draft of the opinion to be approved by the plenary session in December. The EESC expresses its support to the REFIT programme. Companies need the EU to ensure a level playing field and facilitate competitiveness and the public looks to the European level to protect their interests, particularly in regard to health and safety, the quality of the environment and the right to privacy. With proliferation of rules produced by European legislators in the past decades there is an urgent need to cut the red tape and constraints on small, medium-sized and micro enterprises and the public. The Commission should focus on quality rather than quantity and prioritise reductions of regulation

representing the cost to businesses, a brake on their competitiveness and an obstacle to innovation and job creation. The EESC stressed in its proposal the need to improve the process of legislation be it through better functioning of impact assessment or more representative public consultation. It seems that preventive impact assessments on SMES and micro-enterprises are now given greater consideration than in the past, but the SME test should be applied more thoroughly and consistently. The EESC proposes that the Commission takes advantage of the resources of the representative consultative bodies of civil society organizations that already exist at the European, national and regional levels such as chambers of commerce, employers organizations, trade unions, consumer protection organizations instead of commissioning the different surveys and studies to private agencies who then collect the data from these organizations. The EESC also shares the Commission's view that the need for legal certainty and predictability argue against quick fixes. It considers that any changes to the legislation must be carefully thought through and situated in a long-term perspective in order to ensure predictability, legal certainty and transparency. The entrepreneurs should follow-up very closely what benefits the REFIT programme can bring them in

cutting of red tape. They should endeavour also to enforce similar programmes for the reduction of unnecessary regulation on national level. The Czech business representation is very active in this respect and finds positive response from the Government but there is still large scope for the improvement and removal of administrative barriers.



Ivan Voleš
Member of the Group of Employers
EESC

CEBRE CALENDAR:

- Meeting with Czech MEP assistants – **November 6 (Brussels)**
- CEBRE debate on Grand Coalition for Digital Jobs – **November 25 (Prague)**
- EU Sector seminar on Energy – **November 27 (Brussels)**

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