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COMMISSION RECOMMENDATIONS AIM CORRECTLY, BUT IMPLEMENTATION IS CRUCIAL

Better availability of childcare facilities and reduction of tax burden on labour for persons with low income could increase employment, says European Commission in this year's Country Specific Recommendations for the Czech Republic. In addition, the Commission recommends fiscal correction of 0.5% of GDP in 2016, further improving the cost effectiveness in the health care system, better tax collection and reforms to improve the higher education system, implementation of anti-corruption plans and establishment of central register for public procurement. The economic recommendations were the main topic of a debate organized by CEBRE with EC Representation in the Czech Republic in the European House in Prague at the end of May. According to Jan Michal, Head of the EC Representation in the Czech Republic, this year's recommendations focus on the reforms that can have real benefits for the economy, such as fight against tax evasion, reduction of labour tax burden and, last but not least, the higher education reform. However, it is the duty of the Czech government to implement these reforms. Lucie Šestáková, Deputy State Secretary for European Affairs from the Office of the Czech Government welcomed the new schedule of the European semester that gives member states more time for consultations. Jan Bureš from Era Poštovní spořitelna mentioned that the Commission does not come up with some revolutionary recommendations, but it reminds member states more than ever before on what areas they should focus, which is definitely a positive thing. He agrees with the proposed recommendations, but ads that the Czech Republic must constantly seek new growth impetuses to strengthen the economy in areas such as investment in the knowledge economy, in order to get closer to living standards of its western neighbours. All speakers agreed that the recommendations have undoubtedly the potential to boost domestic economic growth. The most important phase, however, will be the implementation.

SOCIAL STANDARDS IN TRANSPORT NEED TO BE ENFORCED ACCORDING TO EU LAWS AND PRINCIPLES

On the 19th of May 2015, the European Commission launched an infringement procedure against Germany concerning the introduction of the Minimum Wage Act to the transport sector. Particularly the social standards in transport and the Minimum Wage Act were the topics of the debate organised by CEBRE with the Czech Permanent Representation to the EU on 2nd June in Brussels. *"The Czech Republic supports initiatives that aim to increase conditions of road workers, but fair competition needs to be ensured,"* said Jakub Dürr, Deputy Head of the Czech Permanent Representation to the EU at the beginning of the debate. According to MEP Luděk Niedermayer, national governments have the right to introduce social standards initiatives like minimum wage, but they should, at the same time, look at the extent of implementation and consequences it might cause. *"In the case of German minimum wage, the legislation is too extensive and costs of compliance are too high,"* added Niedermayer. Therefore he hopes that after the intervention of the Commission, there will be no similar measures in other EU member states that cause uncertainty on the internal market. According to IRU representative Jan Němec, there is a good legislative framework to enhance social standards in the transport sector and a new legislation is not needed, but the current one needs to be enforced. One of the solutions to increase the social standards could be the introduction of social codes as a supplementary tool to legislation. All speakers agreed there is a need for improving safety standards and working conditions in transport sector instead of creating new barriers on the Internal market.

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.

www.komora.cz

www.spcr.cz

www.kzps.cz

www.czechtrade.cz

News FLASH

>CZECH UNEMPLOYMENT 2nd LOWEST IN THE EU

According to Eurostat, the Czech Republic recorded the 2nd lowest unemployment rate among the EU member states in June 2015 with 4.9%. The only member state with better results was Germany (4.7%).

>CZECH BANKS ARE NOT IN FAVOUR OF SINGLE RULES FOR ALL

New rules that would allow the use of creditors financial assets to save banks on the fall of bankruptcy were opposed by the Czech Banking Association. According to the association, national regulators should have the possibility to take into account specific conditions of the market, otherwise it could lead to destabilization of certain bank sectors.

>"V4 TRUST", THE CZECH PRESIDENCY OF THE V4

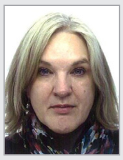
In July 2015, The Czech Republic took over the presidency in the Visegrad Group from Slovakia. Among the main priorities of the presidency belongs the fight against tax fraud, cooperation in defence or active fulfilment of the principle of solidarity in the EU. The slogan of the Czech presidency is "V4 Trust".

EU-VIETNAM AGREEMENT REACHED

After more than two and half years of negotiations, the EU and Vietnam have reached an agreement on a free trade deal at the beginning of August. Both parties agreed in principle on the FTA, meaning that the main parts of the agreement have been negotiated, but the scrutiny process will continue. The FTA is a success for both parties, as it is the most ambitious and comprehensive agreement with a developing country so far, second in ASEAN region and it has a potential to become a model agreement for other ASEAN countries. The FTA will eliminate more than 99 percent of custom duties over the next years, as Vietnam committed to liberalize 65 percent of import duties on EU products when the FTA enters into force and eliminate the rest gradually in a 10-year period, while the EU will do so over 7 years. A big step forward can be seen also in the non-tariff barriers area, where Vietnam agreed to implement a variety of international standards, sanitary and phytosanitary measures and the agreement will have a separate automotive annex focused on non-tariff barriers elimination. As for the rules of origin, for the first time in any FTA, Vietnam has agreed to use the “Made in EU” marking for non-agricultural products, except for the pharmaceuticals, where the rules depend largely on national legislations. In addition, the FTA recognizes and protects 169 European food and drink products geographical indications. Furthermore, EU companies should benefit from simpler access to public procurements and service sectors, investment and better IPR and data protection. The agreement was welcomed by businesses on both sides. As for the EU, the agreement was welcomed mainly by the pharmaceuticals industry. For example, the European Federation of Pharmaceutical Industries and Associations expressed its satisfaction with the outcome of the negotiations, especially with the level of protection of IPR and increased data protection. Furthermore, food and drink industry welcomed the elimination of import duties and expects exports to significantly increase for some products, especially for some alcoholic beverages. On the other hand, the ICT sector expressed concerns about certain provisions of Vietnamese government that could limit the access of European companies to public procurement and hopes that they will be eliminated during the finalization process of the agreement.

EESC CORNER: BUILDING A FINANCIAL ECOSYSTEM FOR SOCIAL ENTERPRISES

The Luxembourg EU presidency highlights the fact that limited access to finance (particularly access to tailored finance) is a barrier to the growth and development of the social economy. A new social landscape is emerging in Europe as a result of the crisis and our society is facing new complex challenges. There is an urgent need for social innovation mobilising all sectors in society. The social economy is a vital sector employing over 14 million people and has a key role to play providing solutions for e.g. employment creation and social inclusion contributing to smart, sustainable and inclusive growth. But the sector is still underdeveloped in many Member States. To unleash its full potential an enabling ecosystem must be developed where access to tailored finance plays a central role. To frame this opinion, the European Economic and Social Committee reiterates the definition set out in the Rome Strategy, whereby social economy is described as a plurality of organisational forms shaped by diverse national and welfare contexts, but with shared values, characteristics and goals. Social economy enterprises (SSE) include organisational forms such as cooperatives, mutuals, foundations and associations, as well as newer forms of social enterprises. As pointed out by the OECD, there is currently an incompatibility in the existing financing framework that does not correspond to the reality of social economy enterprises and their requirements, indicating a need for cultural adaptation of the financial, legal, policy framework to design appropriate tools. It is vital that for social finance to become sustainable, an integrated approach, different from traditional finance, must be adopted. One key issue is that SEE business models are insufficiently known and understood. Not fully recognising the specificities in these models (such as limited or no profit distribution, a user- or need-centred focus, shared decision-making, democratic governance or shared ownership) make it difficult for SEEs to access mainstream finance and instruments supporting SMEs generally. Several attempts have been made to promote social investment instruments building on the architecture of traditional financial instruments. However, since the logic of private capital often goes hand in hand with features such as short-term exit strategies, requesting ownership and high-return investment logic, these instruments fail to work for SSE since features like these often are in direct conflict with SEE’s business models and activities. Issues such as difficulties in divesting (when working with people in need) and no or limited second-market opportunities, create additional complications for mainstream investors. While these instruments may successfully reach some enterprises (often as profit-maximising businesses with a social mission), SEEs still need specifically tailored financial instruments.



Marie Zvolská,
EESC Member – Group I,
co-rapporteur on the opinion

CEBRE CALENDAR:

- 15th – 16th September – CEBRE consultations with companies (Brno)
- 17th September – Conference on Investment plan for Europe (Prague)
- 21st September – CEBRE debate on Digital contract (Prague)