

## RESULTS OF THE EP ELECTIONS – LEFT WING DEBACLE FOR CZECHS



While the centre-right EPP group and the left S&D won the most seats in the May European elections, this is the first time in 40 years that they will not hold a majority. This means that they will have to work more closely with other European Parliament political groups when voting. On the other hand, more seats were won by the liberal ALDE, newly rebranded as Renew Europe which includes MEPs from Macron's Movement (an increase from 69 to 105 seats) and by the Greens / European Free Alliance (an increase from 52 to 74 seats). A larger number of MEPs represent nationalist and anti-European parties, yet they won significantly less seats than predicted. For the Czech Republic, the left has clearly fallen behind in these elections. For the first time since 2004, the Czech social-democrats did not get a single seat in the European Parliament. Not even the recently formed parties and movements such as Telička's HLAS were successful. Czech Pirates and Okamura's SPD are heading for the

European Parliament for the first time. Pirates will join the Greens/EFA, and the SPD MEPs will join the Eurosceptic ID. The largest number of seats for Czech MEPs (21 seats in total) was attributed to those from ANO 2011 (6) and ODS (4). Furthermore, MEPs from STAN and TOP09 (3), Pirates (3), KDU-ČSL (2), SPD (2) and KSČM (1) were elected. Preferential votes were very popular this time. For example, Mr Vondra from Civic Democratic party (ODS) was elected from 15<sup>th</sup> place on the candidate list. Similarly, the preferences allowed Hynek Blaško (SPD) to prevail from 8<sup>th</sup>, Luděk Niedermayer (TOP09) from 3<sup>rd</sup> and Tomáš Zdechovský (KDU-ČSL) from 3<sup>rd</sup>. The leader of the Czech Christian Democrats and former JURI Committee Chair, Pavel Svoboda, was not re-elected. Czech MEPs will cooperate with the largest EPP group (TOP09 and KDU-ČSL), followed by Renew Europe (ANO 2011), the Greens / European Free Alliance (Pirates), the ECR Conservative Group (ODS) and the ID (SPD).

## COMMISSION'S RECOMMENDATIONS TO CZECHIA

On 5<sup>th</sup> July, the European Commission issued its recommendation for a Council recommendation on the 2019 National Reform Programme of the Czech Republic and delivering a Council opinion on the 2019 Convergence Programme of the Czech Republic. The Commission recommended that the Czech Republic take action in 2019 and 2020 in order to improve long-term fiscal sustainability of the pension and health-care systems, and to adopt pending anti-corruption measures. It also recommended to foster the employment of women with young children and improve access to affordable childcare. Low availability of affordable childcare, long parental leave entitlements, low use of flexible working arrangements and the lack of long-term care facilities still have a major impact on labour market participation. According to the Commission in 2017, only 6.5% of children below the age of three were in formal childcare (compared to the EU

average of 34.2%). The Commission also recommends to increase the quality and inclusiveness of the education and training systems, including by fostering technical and digital skills and promoting the teaching profession. Last but not least, it wants the Czech government to focus on investment-related economic policy on transport (notably on its sustainability), digital infrastructure, and low carbon and energy transition, including energy efficiency, taking into account regional disparities and to remove the barriers hampering the development of a fully functioning innovation ecosystem. The recommendations are not a big surprise for the Czech business. They are based on the country report and despite being too general, they are going in the right direction. Czech business appreciates particularly, that for the first time the technical and digital skills have been mentioned. The further focus should be on the dual systems' development.

## News FLASH

### >28% CZECH PARTICIPATION IN EU ELECTIONS

The participation in the May EU elections was 28% in the Czech Republic. Compared to the last elections it was a significant increase, although it is still very low compared to EU average (50%).

### >MORE UKRAINIANS COMING TO WORK TO CZECHIA

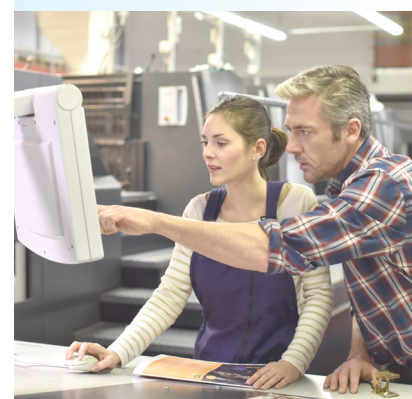
The government has decided to increase the annual quota for receiving applications for qualified employees from Ukraine to 40 thousand in order to address acute labour shortages.

### >YOUNG CZECHS WILL LEARN TECHNICAL SKILLS

The Czech Republic is to make technical education more attractive with the introduction of a new subject, "Technical", into primary schools, preparation of a dual education system for secondary technical schools and also introducing masters exams.

### >EAFA IN PRAGUE AND MLADÁ BOLESLAV

From 20 to 21<sup>st</sup> May, a conference organized by the European Alliance for Apprenticeships (EAfA) and Czech Chamber of Commerce took place in Prague and Mladá Boleslav. The two-day conference focused on showcasing the benefits of technical disciplines to companies, schools and pupils.



# WILL INSTEX BE A SOLUTION TO IRAN SANCTIONS?

At the end of 2018, the United States withdrew from the Joint Comprehensive Plan of Action (JCPOA), an agreement with Iran related to its nuclear activities. The JCPOA has been adopted in 2015 by the United Nations Security Council and since mid-January 2016, most EU and UN sanctions were lifted. The decision of US administration has put the EU in a difficult position. While the EU wants to keep business relations with Iran alive, it doesn't want to pour more fuel into the fire that has been started on the international trade scene. On 31<sup>st</sup> January 2019, representatives of the United Kingdom, France and Germany announced that they want to create a trade mechanism that would allow European companies to trade with Iranian counterparts without violating the sanctions. The so-called INSTEX mechanism – Instrument in Support of Trade Exchanges – should facilitate legitimate trade with Iran. While, according to the founding countries, INSTEX is not in conflict with the US sanctions, American president, Donald Trump,

made it clear to the EU, that companies taking advantage of INSTEX could expect restrictions in the US market. Czech businesses do not agree with the withdrawal of the USA from the JCPOA and support the position of the EU. Continuation of the implementation of the JCPOA is a way to keep EU-Iranian business links alive, given that the Iranian side will stick to the principles agreed in the JCPOA. On the other hand, Czech businesses are aware of current tensions in the global trade environment and are against a worsening of the situation. If INSTEX proves to be a legitimate mechanism that would not violate US sanctions against Iran, it shouldn't be a precondition for applying retaliatory measures against companies that want to make business both with Iranian and American counterparts. Therefore, we hope that the EU and the US will find a common ground in this matter and that European companies will be able to do business with both the USA and Iran.



## EESC CORNER: INVESTMENT PLAN FOR EUROPE: STOCK-TAKING AND NEXT STEPS



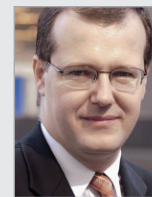
In November 2018, the European Commission published its Communication on an Investment Plan for Europe: stock taking and next steps. Generally, we welcome the Investment Plan for Europe for its contribution to the promotion of investment in the EU and more effective utilisation of limited financial resources for the purpose of strategic pan-European investments as a new type of EU financial redistribution. We are convinced about the huge potential of innovative financial instruments to accommodate the areas covered by the proposed InvestEU Programme and synergies between the InvestEU Programme and the future centrally managed programmes (Connecting Europe Facility, Horizon Europe, for example), with a preference for the use of a return-based instrument. To achieve this, regulatory simplification is needed when combining several programmes or projects. We also very much support the Commission's effort to identify the primary obstacles to more intensive investment activities in the areas of the Single Market environment, integrating infrastructure, education and skills requirements, and the alignment of state-aid rules. The profitability and

efficiency of investment depends on having a sound economic structure. Structural reforms are thus seen as a prerequisite for ensuring that investment brings about the expected impact. Significant structural failures result in a wide range of obstacles – regulatory, administrative, barriers to fair competition, etc. These obstacles are serious at both national and cross-border level.

We appreciate the benefits of the Investment Plan for Europe, in particular in the following respects:

- at the time of the crisis, private financing came to a halt and financial needs were therefore not met. Investors began to consider risks much more carefully and thoroughly. The Investment Plan for Europe has proven to be an appropriate, safe, practical and carefully considered platform for boosting investment and enlisting private finance;
- the Investment Plan for Europe has positively contributed to the targeted and systematic monitoring of instances of market failures or adverse investment situations and helped to tailor perceptions of risk to the need to address them in a market-compatible way;

- the examples of supported projects mentioned in the European Commission's Communication clearly show that, in the absence of the Investment Plan for Europe and the European Fund for Strategic Investments (EFSI), private capital would never have been put towards this type of project without sufficient guarantees and adequate risk coverage (unless it was philanthropically motivated) and public resources for such ventures would by their nature be limited;
- the Investment Plan for Europe and the EFSI require projects to undergo a direct financial return test and thus meet the minimum quality standard imposed on them.



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EESC Group I Member and  
a rapporteur of the ECO/486  
opinion on the Investment  
Plan for Europe

## CEBRE CALENDAR:

- 26-27<sup>th</sup> June – Meeting with Czech exporters (Prague)

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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.