

NEW INDUSTRIAL STRATEGY AND SME POLICY – A GOOD STARTING POINT



On 10th March, The European Commission presented a package of communications covering a new industrial strategy, a long-term action plan to better implement and strengthen Single Market rules and a strategy to support SMEs in the area of digitization and sustainability. The Commission's communication on the new industrial strategy can be seen as a summary of the areas where the Commission intends to encourage European industry to excel, with legislative follow-up initiatives to be crucial. Undoubtedly, it is positive that the summary is complemented by planned actions in the area of support for SMEs and the internal market, which are by no means revolutionary, but focus on what is essential - better implementation and enforcement of the rules. Companies do not need new rules, most important is the effective implementation of the already adopted rules and the removal of barriers to the internal market. The aim of the new industrial strategy is to turn Europe into a carbon-neutral economy and a global digital leader. The twin transformation of the economy is a long-term process that won't be completed overnight, and European companies need a guarantee that EU plans will not change drastically over the years and will be coherent on all fronts. Therefore, it will be important to set technologically feasible targets supported by individual initiatives. This will help businesses to see the EU's digital and climate objectives as an opportunity and a competitive advantage. The Commission's

guarantee that it will ensure a competitive position on a global scale for companies is important. European firms must not feel alone in meeting ambitious climate targets. Furthermore, the EU must address the risk of carbon and investment leakage so that it stays attractive for investors in the future, and therefore must put in place instruments that will so ensure. The introduction of a so-called carbon border adjustment mechanism could work for several sectors, but industry cannot fully rely on it. The EU will have to take measures to alleviate market distortions caused by heavily subsidised companies in third countries and/or by their noncompliance with EU sanitary and safety standards. Setting a level playing field will be crucial to ensure that European producers, as well as traders, are not in a disadvantageous position compared to third-country companies. The transformation in heavily industrialised areas and the move away from coal will require a special approach so that this process does not significantly affect jobs. In this respect, Czech enterprises welcomed the Just Transition Fund. However, the question is how the aid will be set up and how the state aid rules will be flexible. At the same time the Commission shouldn't underestimate the further development of the transport and energy infrastructure as a precondition of a successful industry transition. In the light of COVID-19 strongly impacting the world economy, the Commission has launched assistance to SMEs and

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>ACADEMIC COOPERATION IN AI

Top Czech universities, namely Czech Technical University in Prague, Charles University and Masaryk University in Brno, signed a memorandum to start building a European Centre of Excellence in the field of artificial intelligence for a safer society. It is part of the National AI Strategy from last year.

>SUPPORT TO FAMILY COMPANIES

As of March, Czech family companies and self-employed persons can register for a "family company" label and apply for interest-free loans and advantageous guarantees thanks to the cooperation of the Ministry of Industry and Trade, the Association of Small and Medium-Sized Enterprises and Crafts and the Czech Chamber of Commerce.

>FREE CONTACTLESS PAYMENT TERMINALS

In order to broaden the network of contactless payment terminals, the Ministry of Industry and Trade signed a memorandum of support of cashless payments and digitalization with banks and payment card providers. Thanks to this, companies will be able to rent the terminals for free for one year.

the labour market by setting up a special fund. It is quite likely that a number of firms will be forced to postpone the planned investments and the transition of industry will not be as rapid as the Commission envisaged at the time it was preparing the industrial strategy.

CORONAVIRUS – IMPACT ON THE WHOLE ECONOMY

The fast spreading of coronavirus has impacted the whole world and the EU is no exception. Although the situation in the Czech Republic is not as critical as for example in Italy, the Czech government decided to implement measures that should limit the increase of infected persons to the minimum. Needless to say that restrictive measures will have an impact on entrepreneurs. The Czech Chamber of Commerce predicts that in case of a long-term crisis of more than six months it could

paralyze the entire economy. According to a flash survey carried out by the Czech Chamber of Commerce from 14-16th March among 1,323 respondents, the biggest challenge is the decrease in sales (60% of companies) followed by the fear of employees (28%). Problems mainly relate to domestic business activities (82% versus 18% of mostly foreign operations). Only 4% of companies do not expect a drop in sales, the largest share of respondents (28%) expect a drop in sales in the range of 20 to 40%.

According to a survey of the Confederation of Industry of the CR among 350 industrial companies conducted in the early phase of the pandemic, a third of them had to place one or several employees in quarantine and more than a third expected to have problems with the lack of components or raw materials and therefore a decrease in demand.

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In order to help Czech entrepreneurs, the Ministry of Finance issued a so-called liberation tax package, which allows deferred tax payments (without fees, without interest and fines). For VAT payments, businesses must ask the competent tax authority to delay payments and charges incurred in connection with the COVID-19 situation. Filing personal income tax and corporate income tax can be submitted any time by 1st July 2020 instead of 31st March 2020. The Government has also approved a national COVID loan programme in record-breaking time in order to facilitate access for small and medium-sized enterprises to operating financing, in cases where their economic activities have been restricted due to the coronavirus. The interest-free loans is provided by the Czech-Moravian Guarantee and Development Bank (ČMZRB). Czech credit insurance corporation EGAP prepared a package of measures to support exporters. It includes a fast track, i.e. priority treatment of insurance claims

for exporters seeking new customers as a result of the global coronavirus pandemic; significantly reduced fees for exporters and reduced time necessary for the recognition of claims for insured loans from 6 months to 3 months and for insured guarantees from 3 months to 1 month, which will help resolve any cash flow problems of the exporter. On 17th March, the Government adopted quick compensations for employers in case of quarantine and closing down of shops. The proposal for a special benefit similar to nursing for self-employed persons who are unable to pursue their business as a result of caring for children for whom schooling has been abolished is already in an accelerated legislative process. The discussion with the Government on further compensations continues on topics such as addressing any special benefit or subsidy program for self-employed persons who, due to an emergency situation, do not have income from their gainful activities.



EESC CORNER: A NEED TO SURVIVE



Until very recently, a need to survive in Europe and the world was connected with the implementation of the Green Deal strategy through a set of instruments. First of them were announced already during January and connected with a financial and investment way of implementation. In the meantime, however, the need to survive was fatally modified by the COVID-19 pandemic, which became during a second the key priority now. When it is over, the time for the Green Deal will come again. The Green Deal doctrine started to be implemented via its financial and investment tools called in a more general manner as a Sustainable Europe Investment Plan (SEIP) and its more precisely specified part, the Just Transition Mechanism (JTM) and the Just Transition Fund (JTF). The SEIP represents the first concrete policy reaction to accommodate very ambitious carbon-neutrality targets as defined by the European Green Deal. As such, it is the investment pillar of the European Green Deal working with expected additional investment allocation of EUR 260 bn. per year until 2030. For being this concept successful, it is vitally important to

engage in it the private capital sources. In fact, this concept represents a new kind of social contract between the private and public sectors to finance projects with highest importance with and in favour of public interest. The SEIP is intended to cover all the relevant areas and sectors important for the transition, mainly energy, construction (buildings), transport, agriculture and digitalisation. It strongly respects not just the technology change, but broadly covers also the consequent social impacts. The Just Transition Mechanism represents a balanced symbiosis between subsidies and financial instruments, between the centrally- and shared managed programmes, between different types of financial sources as well as competences and responsibilities at several levels (Union, national, regional as well as municipal). This quite original mix will therefore require a new level of governance and management. As the JTF is the first tangible step to tackle with the issue from the financial and investment points of view, we are aware of and underline the necessity to practically implement also the other tasks in the European Green Deal

agreement. Without that, the efficiency of the JTF would be limited. The European Green Deal can be understood as the backbone of the future EU economic configuration, a potential start of a fundamental change and a turning point. It could be a symbol for common European added value. Despite the huge volume of connected investment and provisional costs, we still consider the Green Deal as a long-term challenge and a global comparative advantage for Europe. Therefore, it is worth to agree that the green target represents one of the key priorities of the future Cohesion Policy, with allocation for this purpose of at least 30% of the total Cohesion Policy budget. We are however convinced that it will be very suitable to more precisely elaborate the financial framework not only for the JTF itself, but for the whole JTM and SEIP. We add that some expected amounts (for example the additional contribution from national sources, or the transfer of some ERDF and ESF+ money for this purpose) are not guaranteed. Also, the special regime within the InvestEU Programme, or the EIB Loan Instrument for the Public Sector need to answer a lot of remaining question marks.



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CEBRE CALENDAR:

- 22nd May – Debate on Free access to data, Prague (CZ)

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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.