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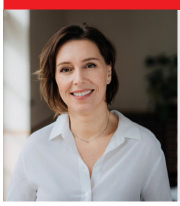
EU RECOVERY PLAN TO BE DECIDED IN THE 2nd HALF OF 2020

The German presidency of the Council of the EU that started at the beginning of July has a difficult task ahead of it – to find a compromise on the recovery plan and the new Multiannual Financial Framework (MFF) for the period 2021-2027. The recovery plan, also called 'Next Generation EU', was initially proposed on 27th May with a budget of 750 billion EUR, while the initial MFF budget amounted to 1.1 trillion EUR. It is based on three major pillars of supporting Member States to recover, kick-starting the economy and helping private investment, and learning the lessons from the crisis. Although it may seem that the special summit of EU leaders, which ended on the 21st of July after extremely long and complex negotiations with an agreement on both the MFF and the recovery plan, was a major step ahead, it was, in fact, just the beginning of the process. Shortly after the Council summit agreement, the European Parliament adopted a resolution that did not approve the deal of EU leaders. Members of the Parliament especially opposed the idea of cutting the budgets of programmes focused on education, health and research in the MFF, although they welcomed the size of the Next Generation EU budget. However, given the specific situation, the MFF and the Next Generation EU are largely considered as one package. Furthermore, MEPs insisted that the European Parliament should be fully involved in the decision-making process regarding the recovery plan. The million-dollar question is, of course, where to get the money to finance the recovery. Therefore, for the first time, the Commission proposes that it would borrow money on international financial markets under favourable conditions and redistribute the money to the Member States. The Commission would start repaying the debt as of 2028 and the money would need to be paid back by 2058. Immediately after the proposal, a lively debate emerged about whether it is responsible to run into debt that would be paid back by future generations. As for the Czech Republic, economists and analysts agree that the budget of 750 billion EUR, representing roughly 4 per cent of EU GDP, isn't by itself overly large. Public debt to GDP ratio of the EU usually reaches 80 per cent, it will most probably surpass 90 per cent next year and from this point of view, the amount isn't huge. On the other hand, experts argue whether further increasing the debt would give confidence to investors and encourage recovery, or have negative effects. Another big debate ahead of the representatives of EU institutions and Member States is going to be about internal resources. The Commission came up with several options how to increase the EU budget, for example digital tax, tax on plastics, or carbon tax. However, not all Member States are inclined to this idea. Czech business organizations share this point of view and are not in favour of introducing new taxes. The idea of applying more taxes on EU companies could be especially counterproductive in times like these, when the pace of recovery will very much depend on the competitiveness of EU companies. In addition, Czech business organizations agree that money from the recovery fund should be distributed to the economy as soon as possible.

MEP CORNER



"We should regard the Next Generation EU as an investment for the future. The recovery plan should have clear targets and the financial support should be distributed to the economy as soon as possible."

Martina Dlabajová
Renew Europe Coordinator in the Committee on Industry, Research and Energy, European Parliament

News FLASH

>CZECH PM WANTS EU REFORMS IN ORDER TO JOIN THE EUROZONE

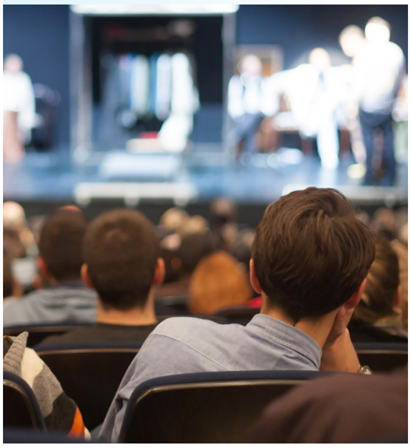
Czech Prime Minister Andrej Babiš told in an interview for Harvard International Review that „The Czech Republic is ready to join the eurozone, but prefers to wait until the EU adopts some necessary reforms that will allow member states to force countries in southern Europe to use their budgets more reasonably".

>A WOMAN IN HEAD OF CZECH PERMANENT REPRESENTATION TO THE EU

The new Czech ambassador to the EU will be Edita Hrdá, replacing current Ambassador Jakub Dürr in October. Hrdá previously served as Executive Director of the European External Action Service for the Americas and as Permanent representative of Czechia to the UN. Czech business representatives thank Mr. Dürr for his excellent work and great cooperation and are ready to follow the same path with his successor.

>CZK 900 MILLION IN STATE AID FOR COVID CULTURE PROGRAM APPROVED BY THE EC

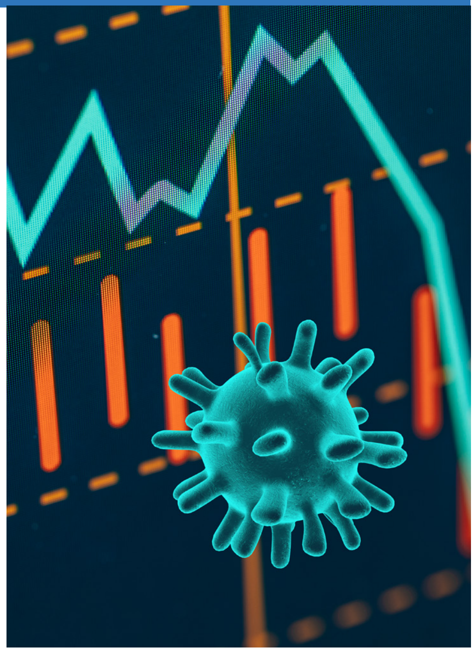
The European Commission has approved CZK 900 million for the COVID culture program. It is intended to help cultural event organizers who have had to cancel events due to government measures against coronavirus.



CEBRE – Czech Business Representation, protects the interests of the Czech business community in relation to EU institutions, informs Czech businesses about EU legislation affecting them, trains Czech entrepreneurs in Brussels and represents Czech business associations at European business federations. Contact: Avenue des Arts 19 AD, 1 000 Brussels, Tel:+ +32 2 502 0766/+32 2 502 8091, e-mail: brussels@cebre.cz, www.cebre.cz

COMPANIES ARE RESPONDING TO THE SLUMP IN EXPORT ORDERS BY INVESTING IN DIGITAL TOOLS

The loss of foreign orders in connection with the Covid-19 pandemic was recorded by three quarters of 121 export companies that took part in a survey conducted by the Confederation of Industry of the Czech Republic at the end of June. The biggest obstacles to trade were limited travel to trading partner countries, the cancellation of exhibitions and trade fairs, and the inability to send workers to the customer to complete deliveries. However, more than half of respondents also stated that they had to deal with newly introduced trade barriers, which the different countries justified as protection against coronavirus. However, according to the Czech Statistical Office, Czech foreign trade is recovering. In June, Czech exports increased by 12 per cent in national terms compared to May and almost reached the values from 2019, following an increase of 14% in May compared to April. During the first half of the year, Czech exports fell by 14 per cent year-on-year due to measures against the spread of coronavirus. Of the key destinations in the first six months of the year, exports to Spain (by 28%), France (by 24.5%) and the United Kingdom (by 23.5%) decreased the most, while exports to Turkey (by 20%) increased the most. Half of the companies have already responded to the coronavirus crisis by investing in the digitization of business activities or preparing a plan for such investments. The research has also confirmed that digital technologies are helping companies manage the crisis better. Digital technologies helped maintain business relationships during the coronavirus crisis, according to 78 per cent of survey participants. The most important support in business activities, especially for the search for new opportunities, is joint participation in exhibitions and fairs abroad. Services related to product interest verification, marketing surveys, regional sector analyses or the assistance of local sector specialists are also important to them.



EESC CORNER: COVID-19 WILL HAVE A PROFOUND IMPACT ON GLOBAL TRADE

In its 2015 Trade for All communication, the EC committed to reporting annually on the implementation of the EU's most significant trade agreements. This is now the third report on this matter, and the first time the EESC has made recommendations.

FTAs make up a rising share of EU trade. In 2018, 31% of EU trade in goods with the rest of the world was covered by preferential trade agreements and this figure is expected to rise to over 40% when considering the trade agreements concluded since then.

At present, the EU has the largest trade network in the world, with 44 preferential trade agreements covering 76 countries. The annual implementation report covers different types of EU trade agreements:

- *"first generation" agreements, negotiated before 2006, that focus on tariff elimination;*
- *"new generation" agreements that extend to new areas, including services, investments, public procurement, competition, subsidies, regulatory issues and sustainable development;*
- *Deep and Comprehensive Free Trade Areas that create stronger economic links between the EU and its neighbouring countries;*
- *Economic Partnership Agreements focusing on the development needs of African, Caribbean and Pacific regions.*

COVID-19 will have a profound and unprecedented impact on our globalised trade world. So far, the European Commission estimates there will be a record 9.7% decrease in global trade, a possible reduction of 9.2% in extra-EU27 exports of goods and services, and an 8.8% decrease in extra-EU27 imports for 2020. We have witnessed large-scale disruptions to supply chains, ad hoc export restrictions on crisis-relevant goods like medical supplies, tightened customs and border controls, and restrictions on the free movement of workers and service suppliers. This crisis underlines the importance of global cooperation and showcases that national and unilateral solutions are not the answer, neither at European nor at global level. Hence, the reform process of the WTO must continue in order to ensure a strong and effective organisation that can act against protectionism and unilateralism.

Marie Zvolská,
Employers' Group (Group I)

CEBRE CALENDAR:

- 17th September – Online seminar for Czech exporters
- 25th September – CEBRE founders´ meeting with Czech MEPs, 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.