

2021 WILL BE A CHALLENGING YEAR FOR ENTREPRENEURS



EUROCHAMBRES Economic Survey (EES2021) reveals the scale of the impact of COVID-19 on businesses across Europe, which predict a very difficult year ahead. The results show decreases across all indicators - domestic sales, exports, employment, investment and overall business confidence. Businesses across Europe have been hit by a double whammy of severe production and consumption constraints since measures to control the spread of COVID-19 were introduced in early 2020. This, combined with continuing uncertainty about the trajectory over the coming months, weighs heavily on entrepreneurs. The findings reinforce the chambers' call for swift measures to support financial liquidity and strengthen market access, also underlining the need for a business-friendly approach to the EU's long-term policy agenda. EES2021 results emphasise the critical need for investment support, so EUROCHAMBRES also calls on the institutions to

reach agreement swiftly on the €1.85 trillion recovery package which could also contribute to a business-friendly approach to Europe's twin transition to a green and digital economy. EES2021 is based on responses from over 58,000 businesses in 29 countries. According to BusinessEurope's Autumn Economic Outlook, the EU economy should shrink by 7.3% this year, while a growth of 5.0% is expected next year. This shows that pre-COVID levels of economic output will not happen in 2021 but it is hoped that the output will exceed 2020 levels in 2022. Apart from that, unemployment is expected to increase to 9.0% next year. All in all, all the figures show that businesses have been hit hard by the crisis and need to get back to growth as soon as possible. Apart from a rapid agreement on the recovery package, businesses need a stable and predictable environment together with support programmes on a national as well as an EU level. In order to avoid further economic shocks, BusinessEurope hopes

News FLASH

>CZECHIA EXTENDS THE STATE OF EMERGENCY

Due to the worsening of the COVID-19 epidemic, the Czech government has extended the state of emergency until 12 December.

>YOUNG HACKERS MET AT SMART HEALTH HACKATHON

120 hackers from 20 countries took part in the November Smart Health Hackathon that took place virtually in Prague. The winner of the 48-hour marathon was the Mild Blue Breviary project, an intelligent application that facilitates heparin and insulin dosing.

>CZECHIA AUCTIONED 5G SPECTRUM

In November, the Czech Telecommunication Office auctioned allocation in the 700 MHz and 3400 MHz to 3600 MHz bands covering the 5G spectrum. Although no new major mobile operator was found, the Government believes the auction will speed up the uptake of 5G in the country.

that an agreement between the EU and the UK will be reached soon. Last but not least, businesses eagerly await the publication of the updated industrial strategy and SME strategy that must present a clear plan on how to support businesses in the green and digital transformations.

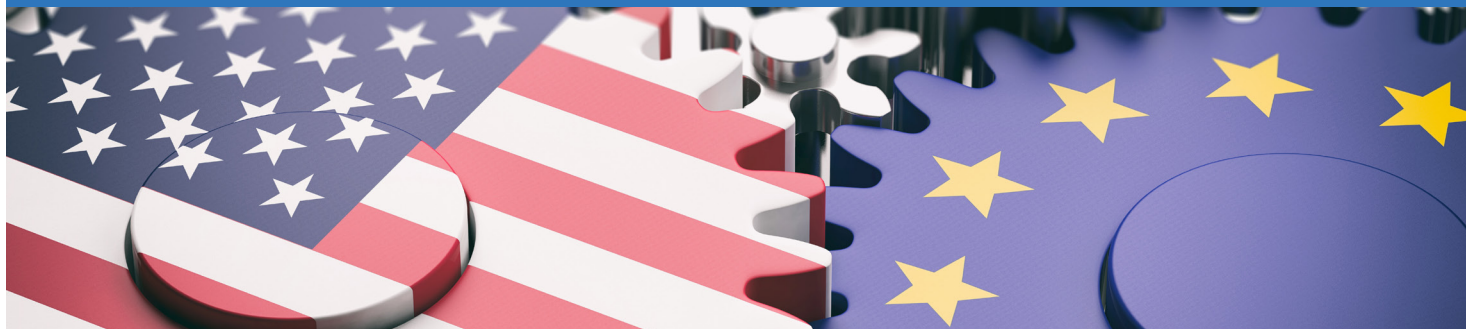
ARE THE EU CLIMATE TARGETS FOR 2030 REALISTIC?

European business organisations question the credibility and feasibility of new EU climate targets for 2030. BusinessEurope questions "the value and credibility" of the economic analysis underpinning the EU's proposed climate target plan for 2030. The association stresses that the Commission has used pre-COVID-19 data in the impact assessment accompanying its 2030 climate target plan and, therefore, the impact assessment does not take into account the economic impact of the pandemic. BusinessEurope is not alone in the criticism. Christoph Leitl, President of EUROCHAMBRES said in his reaction

to the European Parliament vote on the proposed EU Climate Law that, "Ambition is laudable, but to deliver on our shared aims, the EU needs an approach that is based on realistic targets and a clear plan rather than just wishful thinking". Increasing the cost burden with a higher emission reduction target will certainly not add to the investment capacity of companies in R&D, upscaling and export of clean technologies. One last question remains „How to achieve a reduction in emissions of 55 or 60% compared to 1990 in just ten years, when we have achieved a reduction of 25% in 30 years?"



BUSINESSES URGE FOR A FRESH START IN EU-US RELATIONS



At the beginning of November, the whole world watched the Presidential election in the United States, including the EU and European business community. The last couple of years weren't the easiest for the relationship between the two partners. After promising negotiations during the mandate of President Obama on a free trade agreement, his successor, President Trump, chose a different approach not only vis-à-vis the EU, but also regarding other countries. In the current global trade environment, which is characterised by the rise of protectionist measures, retaliation and overall destabilisation of international trade rules, business organisations hope that the President-elect, Joe Biden, will return to the approach based on a dialogue, rather than a

confrontation. The EU and the USA have always been strategic partners and both partners should aim to build a positive agenda. The USA is still the biggest trade and investment partner for the EU and vice versa. From the businesses' point of view, the cooperation should intensify on all levels. First of all, EU business organisations call on policymakers on both sides of the Atlantic to establish a high-level strategic dialogue on trade and economic cooperation. Furthermore, both the EU and the USA should intensify talks about tariff reduction, starting with industrial goods and then expand the talks to more sensitive areas such as agriculture, services etc. In this regard, the so-called "lobster deal", recently agreed between both sides, is a good sign as

it is the first deal to focus on cutting tariffs in more than 20 years. Besides cutting tariffs, European businesses call for increased regulatory cooperation in different sectors and enhanced dialog on other trade-related issues such as data flow, screening of foreign direct investment and infrastructure. Last but not least, the EU and the USA should take the leading role in stabilising the global trade environment by not only breaking the deadlock in the case of the WTO appellate body crisis, but also by fighting against protectionist measures, setting new rules in areas like industrial subsidies, state-owned enterprises, forced technology transfers, dealing with the issue of overcapacities and in general, building up a positive trade agenda.

EESC CORNER: ECONOMY MIGHT BE HARDER HIT THAN PREDICTED BY THE EUROPEAN COMMISSION FORECAST

The Autumn 2020 Economic Forecast projects that the Euro area economy will contract by 7.8% in 2020 before growing 4.2% in 2021 and 3% in 2022. The forecast projects that the EU economy will contract by 7.4% in 2020 before recovering with growth of 4.1% in 2021 and 3% in 2022. Output in both the euro area and the EU is not expected to recover its pre-pandemic level in 2022. The economic impact of the pandemic has differed widely across the EU and the same is true of recovery prospects. This reflects the spread of the virus, the stringency of public health measures taken to contain it, the sectoral composition of national economies and the strength of national policy responses.

The European Commission Forecast projects that the Real Gross Domestic Product of the Czech Republic will contract by 6.9% in 2020 before growing 3.1% in 2021 and 4.5% in 2022. The EESC Employers' Group agrees with the European Commission's Autumn 2020 Economic Forecast, which makes it clear that Europe's economic rebound has been interrupted by the resurgence of the pandemic. The second wave of the COVID-19 pandemic is leading to continuing high levels of uncertainty and downside risks, such as a rise in unemployment, growing deficits and public debt, reduced investment activity and consumer spending and a labour market downturn in the European economy. The EESC Employers' Group believes that the current

high level of uncertainty could make the Autumn Economic Forecast less accurate and that the economy might be even harder hit than predicted by the European Commission. The second wave of the COVID-19 pandemic struck the Czech Republic very hard and has resulted in difficult economic situation for many Czech companies, especially for service providers. Unfortunately, the opinion of the EESC seems to be right and the European economy will suffer more than was expected.



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David Sventek,
Group I – Employers,
EESC Member



CEBRE CALENDAR:

- **10th December** – Online debate with V. Jourová, Vice-President of the Commission on Democracy Action Plan and its impact on the media sector

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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.



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