

Two years in the EU: impact on local businesses

case of the Czech Republic



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Changes of the „D“ Day

- **New tax procedures in intra-EU trade**
- **Direct application of:**
 - **the EU Common trade policy**
 - **the EU Common agricultural policy**
 - the EU Competition policy
 - the EU State Aid control
- EU-wide producers' responsibility for damages caused by defective products
- EU-wide enforceability of national judgements in commercial and civil matters

Czech businesses: first experiences

(survey XI/2004)



- 75 % - state assistance in preparations for the EU was totally unsatisfactory or rather unsatisfactory
- 49 % - information and trainings provided beforehand were not specific and practical enough
- 19 % - proved to be well prepared for the EU
- 54 % - proved to be prepared enough for the EU
- 60 % - deeper internal changes were necessity
- 35 % - mere administrative changes were necessity
- Most-perceived changes: trade procedures and barriers inside/outside EU, regulation of agricultural market... competition and state-aid rules, EU funds

„2 years after“ in statistics

- Exportations to the EU 2003-2005: + 33,2 %
- 2005: 1st time surplus in total foreign trade balance: + 41,9 bil CZK
- Growing diversification of exports:
 - Automotive and other machinery (traditonal)
 - Food-stuff (new)
 - Consumption goods (new)
- GDP growth: over 6%
- GDP per capita in PPP: CZ overtook Portugal (CZ 73 % EU average, Portugal 71 %)
- *70 % of citizens: no impact on living standard, 20 %: improvement, 5 %: deterioration of living standard*

Winners and Losers



- ☺ Component suppliers and sub-contractors
- ☺ Building industry
- ☺ Long-time exporters to European markets
- ☺ Food processing industry

- ☹ Declining industries (textile/shoemaking etc.)
- ☹ Selected agri-business
- ☹ Services living on „EU bubble“

Unfulfilled expectations



- **EU funds: too big expectations – mediocre results**
- **Higher import customs tariffs** (aluminium, copper, chemical semi-products, plastics, electro components)
- **New or bigger barriers to exports** (transport machinery to Russia, Ukraine, mechanical machines to Russia, Ukraine, China... loss of GSP in USA, Canada)
- **Transitory limitations and their enforcement** (especially Germany and Austria)
- **New administrative duties** (sometimes more than less paperwork)

Unfulfilled expectations



- **Hidden barriers of the EU Single market**
(recognition of certificates, diplomas, requiring effective money from travellers at border crossings, work permits for services providers etc.)
- **Enduring two tier approach „new and old“**
member states, distrust and disesteem *vis-a-vis*
poorer newcomers
- **Slow growth in key EU economies and Czech trading partners**

Unfulfilled expectations



- Slow pace of systemic changes - weak influence of the EU over locally managed policies and issues
 - State administration, judiciary – efficiency, quality, corruption
 - Business environment, taxes, labour market regulation
 - Education, research and development
 - Social security and pensions systems

World Bank Survey „Doing Business 2007“

Czech Republic

Ease of...	2006 rank	2005 rank	Change in rank
<i>Doing Business</i>	52	50	-2
Starting a Business	74	85	+11
Dealing with Licenses	110	111	+1
Employing Workers	45	44	-1
Registering Property	58	55	-3
Getting Credit	21	19	-2
Protecting Investors	83	81	-2
Paying Taxes	110	104	-6
Trading Across Borders	41	39	-2
Enforcing Contracts	57	55	-2
Closing a Business	113	110	-3

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Thanks for your attention
&
Good luck in the EU!

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