

#### THE CZECH REPUBLIC SHARES CONCERNS OF ILLICIT TOBACCO TRADE

EU faces an uphill battle to stem the flow of illegal cigarettes pouring through its borders and across its Member States, warned the International Tax and Investment Centre (ITIC) the participants at a meeting on intellectual property, counterfeiting and piracy hosted by the European Parliament's Kangaroo Group on May 26 in Brussels. Illegal cigarettes account for approximately 9% of all cigarettes consumed across the EU, costing governments an estimated €10 billion in lost tax revenues each year. However, the consequences of illicit trade reach far beyond government revenue loss. "It is fundamental that government policy aimed at reducing tobacco consumption assesses any potential impact on aggravating illicit trade," said Daniel Witt, President of ITIC. At the end of May, retail associations from 11 EU countries signed a joint declaration opposing measures being put forward under the revision of the EU Tobacco Product Directive (TPD). Retailers expressed opposition in particular to plans to introduce plain, standardised packaging, to ban the display of tobacco products in shops, and to ban the use of cigarettes containing ingredients. "These measures

will mean huge costs for retailers along with an explosion in black market, presenting a threat to more than half a million small retail businesses in the EU," said Giovanni Rizzo, Chairman of the CEDT as well as President of the Federation of Italian Tobacconists. Retailers' livelihoods are already suffering the impact of illegal cigarettes sold at low prices, with businesses closing down in some cases. Standardized packaging would make products even easier to counterfeit and banning ingredients would simply mean that smugglers would bring in the very products the EU seeks to ban from countries where they are allowed. Czech businesses call for good governance and evidence-based regulations in all fields of business activity, including in what regards the revision of TPD. "Current discussions within the European Commission about TPD only target regulation of offer and limit free trade of tobacco products on the market. Such measures don't limit consumption, on the contrary, they cause boost of illegal products of uncertain quality," said Miroslav Toman, president of Federation of the Food and Drink Industries of the Czech Republic (FFDI).

#### >BETTER ACCESS TO FINANCE FOR START-UP BUSINESSES

The Czech Republic launched the programme INOSTART that will help start-up businesses get credit needed for their running or expansion in the field of innovation business. The start-up businesses will obtain a state guarantee up to 60% of their credit. Total budget of this programme is CZK200 million and each project can be guaranteed in the range of CZK500.000 to CZK15 million.

#### >SUCCESSFUL FIGHT AGAINST MAD COW DISEASE

The Czech Republic would like to reassess its National Monitoring Programme for BSE, as it is a successful fight against the Mad Cow disease. The European Food Safety Authority released its report, which objectively evaluates the effort of the Czech Republic. Now, the Czech Republic together with the Slovak Republic and Poland will request inclusion in the list of countries that can revise their National Monitoring Programme and ease the veterinary control for beef-kettle.

#### >MORE PRO-EXPORT OFFICES IN THE WORLD

The Czech Republic intends to significantly increase the number of countries in which it offers support for Czech exporters. Pro-export services are provided to Czech exporters by the network of CzechTrade Agency offices abroad. These offices focus on specific sectors and actively look for business opportunities abroad. This project starts this year.

#### >UNEMPLOYMENT DECREASED

In April 2011, unemployment is almost 34 000 lower in comparison to March 2011. The unemployment rate falls to 8.6% and this is the first time the unemployment rate falls down from 9% since November last year. At present 14 persons are applying for one vacancy.



#### Petr Kužel again at the head of the Czech Chamber of Commerce

The Czech Chamber of Commerce has re-elected its former President Mr. Petr Kužel to another three-year term at its plenary assembly held on May 26. Kužel's priorities are advocacy of more effective and professional public administration, simplification of taxes, construction of transport infrastructure in particular regions, cutting red tape, greater investments in R&D plus better transfer of knowledge and last but not least greater law enforcement in the Czech Republic.

#### SMES GOING INTERNATIONAL!



The European Union is the biggest exporter in the world. EU exports represent 13% of its GDP. However, it seems that it will not be easy to keep the first place. From 2015 onward, the 90% of the world growth might be recorded outside the EU, especially in China. Therefore the EU is challenged and has to react to new trends and ensure that persisting barriers on the third markets will be removed to the benefit of EU businesses. The access to the third markets is difficult especially for small and medium-sized business, which must deal with different regulations, standards and protection measures (e.g. uneasy access to public tenders and raw materials) and with insufficient IPR protection. When going international, the SMEs traditionally look for support on their doorstep. EU Member states have set up complex structures to support businesses when entering the third markets with a wide range of services (trade missions, information and analyses of targeted markets, support to participate in fairs, business to business matchmaking, workshops etc.). To the national structure of support services we must add existing support networks built up by chambers of commerce, employers' organisations and SMEs' associations. These structures must be taken into consideration when setting up new EU structures to avoid any duplication in services provided.

(see more on page 2)

# Internationalization of SMEs



(continues from page 1)

According to the European Commission survey, only 24% internationalised SMEs are aware of public support programmes for internationalisation. A very small part of them are microenterprises. On May 16 the Commission launched a public consultation on internationalization of SMEs aimed at ensuring better coordination of existing national support tools and proposing more coherent SME support for penetrating the third markets. The Commission envisages setting up EU gateway for internationalization. It might be a good tool providing SMEs with important information. Nevertheless, it must be ensured that such a supporting tool will be known to many SMEs unlike very performing EU Market access database, and interconnected with national tools. Any raising awareness of EC's tools should be made by local entities (national and local government, chambers, media) and communication campaign should be co-financed by the Commission. As for the EU programmes and tools that the Commission could propose to strengthen existing support tools, the most effective instruments for the SME internationalization are the programmes facilitating business contacts for EU SMEs in third countries (B2B meetings, matchmakings and fairs).

However, travelling outside the EU represents significant costs for transport and accommodation and some SMEs cannot afford international journeys expenses. Therefore the EU programmes focusing on internationalization should take into account the possibility of co-financing of travels and accommodation costs of participating SMEs. Today, within the EU programmes, these costs can be reimbursed only to SMEs from third countries. This is not an understandable approach to many European businesses. There also rises a question whether we might open the contact events organized in a third country and co-financed by the EU also to companies who are not project partners. In its working paper on internationalization, the Commission mentions that it would like to motivate the Member States to provide support services in third countries also to other, not only national, SMEs. However it could pose a problem. Some national agencies and governments providing national support to their national SMEs can't charge foreign SMEs for their paid services as they are only destined (and co-financed by the State) to national SMEs. This lack of finance could be only covered by EU money.

## General Congress of the Czech Chamber of Commerce

On May 26, the XXIII General Congress of the Czech Chamber of Commerce met in Litoměřice (CZ). It was an opportunity to review not only the activities of the Chamber of the last year but also the whole 3-year period since the congress elected the governing bodies of the Chamber for the coming three years. The Congress took the note of the further strengthening of the Chamber as the largest entrepreneurial representative organization in the Czech Republic. Chamber consolidated its ranks internally, improved its economic performance and cooperation between its regional and sectoral structures. Thanks to this the Chamber managed to enforce many of its improvement proposals of the business environment. The Congress mentioned also the issues where the Chamber has not been successful enough so far such as taxation, technical and vocational education and training and pension reform. Mr. Petr Kužel, President of the Chamber, stressed that it is not enough to defend the interests of entrepreneurs on the national level only. Now when more than 70% of the regulation originates in the EU institutions the Chamber must be active in this direction as well. Thanks to its membership in the EUROCHAMBRES, UEAPME and the European Economic and Social Committee the Chamber contributes to the consultations of the EU legislation. Through its Brussels representation CEBRE supported by the Ministry of Industry and Trade and its agency CzechTrade the founding members Czech

Chamber of Commerce, Confederation of Industry and Confederation of Employers and Entrepreneurial Associations got excellent access to the first hand information and contacts necessary to lobby for the interests of the Czech businesses.

There were many critical remarks from the delegates to the Congress about the EU bureaucracy and uncoordinated approach of different European institutions and services that caused excessive administrative burden to the entrepreneurs. An example to mention: a list of forbidden chemical substances in products was published too late, thus manufacturers were unable to react on such list. Czech entrepreneurs criticize also uneven conditions in the internal market distorted by hidden subsidies to companies in many countries. An unfair competition comes especially from third countries. The Congress adopted a call to enforce the thorough controls of the products entering the internal market from third countries by checking if and how these products comply with the EU regulations and standards. The certification bodies issuing the certificates should undergo also strict and regular check-ups to avoid non-compliance of imported goods to the EU standards. The President of the Czech Associations of Cleaning Industry, Vice-President of the European Cleaning Association Mrs. Bartoňová Pálková replied that by active engagement in the European umbrella organization they managed to take care of the interests of their sector.

The Chamber made a small contribution to improve the knowledge of the entrepreneurs about the current debate in the EU by distributing a concise compendium of the main strategic documents adopted by the EU recently and a short review of all the legislation tabled during last several months relevant to business including the position of Czech Chamber of Commerce, EUROCHAMBRES and UEAPME on these subjects to the delegates. The Compendium will be published on the Chamber's website and updated regularly. The Chamber invited the delegates and all Chamber members to take active part in the consultation of the European legislation.



Ivan Voleš,  
Chief Advisor of the  
President of Czech  
Chamber of Commerce  
Member of the EESC

### CEBRE CALENDAR:

- Meeting with Czech exporters,  
June 27 – 28, 2011 (Prague)
- Debate on export opportunities in Balkan and East European Countries,  
June 28, 2011 (Prague)
- Round Table on taxation,  
June 29, 2011 (Prague)

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