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Conference Report 7/2015

Cooperation or Competition?
Chambers of Commerce in the V4

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December 2015

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December 2015

International Expert Workshop “The Smooth functioning of the internal market among V4 countries: Cooperation or competition? Chambers of commerce in the V4” was held in Budapest on 24 November 2015. The event was supported by the International Visegrad Fund.

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Introduction

The primary similarity of the Chambers of Commerce in V4 countries is that their existence is based on private law principles. Many Chambers in Northern or Western Europe have obligatory membership and their budgets are covered through regular payments of member fees. The Chambers of Commerce in the V4 region have only facultative membership and their financial and thus also personal capacities are limited. The only partial exception is Hungary, which has an obligatory registration in the Chamber which is connected with one-time payment. The obligatory registration also serves to strengthen the link between a Chamber and every member of the business sector. As a result, the Hungarian Chamber of Commerce and Industry also has better awareness of the entrepreneurial sector in the country.

In contrast to the situation in V4 countries, the Austrian Federal Economic Chamber (WKO) has compulsory membership and represents more than 450.000 member companies.¹ Information provided by WKO are easily accessible also to entrepreneurs from the V4 countries as its official website offers information in Slovak, Polish and Hungarian version (the only missing V4 language is Czech).²

The first panel of the workshop consisting of representatives of the Chambers of Commerce (Chambers of Commerce and Industry) from the V4 countries focused on the following topics (1) the institutional framework for cooperation; (2) the common interests; and (3) the functioning of the Internal Market and possibilities of enhanced cooperation in V4.

The second panel of the workshop consisted of representatives of the Chambers of Commerce from V4 + Austria and covered the issue of (4) the negotiated Transatlantic Trade and Investment Partnership.

¹ WKO. *Working for your company*. Available at:
https://www.wko.at/Content.Node/wir/Austrian_Economic_Chambers_Home.html [04/12/2015].

² WKO. *Mehrsprachige Info*. Available at:
https://www.wko.at/Content.Node/mehrsprachige_info/Sprachauswahl.html [04/12/2015].



Conclusions and recommendations

- The further development of hard infrastructure on the North-South axis is a prerequisite for enhanced business relations between the V4 countries. Similarly, it was recommended to develop institutional – user friendly – environment in the public sphere, before any attempt on an enhanced integration of the V4 markets is considered.
- It is worth to consider joint mission to foreign markets but the coordination on organization of such missions must start at the earliest possible phase and reflect real interests of the business from the V4 countries.
- It is important to develop a common stances of the V4 Chambers on issues that have a potential of internal market fragmentation and potential dissuading of entrepreneurs from exercising of the four freedoms, such as in case of the introduction of the minimum wage for truck drivers in Germany.
- The Chambers of Commerce in V4 countries would appreciate clearer information from the public authorities (both national and European Commission) on the possible results of the TTIP negotiations.
- A new draft proposal of the European Union on the ISDS has aspects that can be disadvantageous for SMEs. The Chambers of Commerce can investigate the possibility to suggest some remedies to it, for instance by introduction of a basic threshold of claimed damage under which the appeals in ISDS cases may not be allowed. This would make the ISDS proceedings quicker and less costly.
- The negotiations of the TTIP involve countless highly technical features. The Chambers of Commerce can play an important role in summarizing the positions and views of business and in making the communication with public authorities and the general debate better structured.



The institutional framework for cooperation of the Chambers of Commerce in V4 countries

The formal institutional links providing for cooperation of the Chambers of Commerce from the V4 countries could be considered as sufficient. There is a network of agreements that govern cooperation of V4 Chambers of Commerce on bilateral level. Several regional chapters are also in tight cooperation on common projects, especially in neighbouring regions. All V4 Chambers of Commerce are members of the Eurochambers (the Association of European Chambers of Commerce and Industry)³ which can also serve as a common platform for their coordination.

These institutional links were further strengthened by introduction of a truly V4 cooperation framework in April 2014. Based on the initiative of the Hungarian Chamber of Commerce and Industry, the presidents of all V4 Chambers met in Budapest and agreed on a common Memorandum of Understanding.⁴ The Chambers agreed on annual meetings in the V4 format.⁵ The Memorandum further mentions exchange of experience including cross-border clusters and exploration of mutually favourable opportunities in specific sectors such as automotive, logistics or energy from the perspective of suppliers to big transnational companies.⁶ It also declares a shared will to coordinate formulation of common positions to the legislative proposals and other important issues at the level of European Union and possible common “V4 Chambers” positions at the Eurochambers.⁷

The speakers consider the existing formal framework to be sufficient, but mentioned that further development of business cooperation between V4 countries may be limited by underdeveloped hard infrastructure between V4 countries. The energy, road and railway connections tend to be constructed primarily in the East-West direction and the North-South direction is lagging behind. The V4 economies however have entered into a stage when both directions will be necessary to tap all the available opportunities.

The speakers also mentioned that several common projects have failed on a lack of interest from member companies of the Chambers. For instance, the Polish chamber tried to invite companies from other V4 countries to join a mission to foreign markets but did not find

³ Eurochambers. *Members*. Available at: <http://www.eurochambres.eu/Content/default.asp?pagename=OurMembers> [02/12/2015].

⁴ Hungarian Chamber of Commerce and Industry. *V4 Chambers Tighten Links To Promote Regional Cooperation*. Available at: <http://www.eurochambres.eu/Content/default.asp?pagename=OurMembers> [02/12/2015].

⁵ The signatories to the Memorandum of Understanding are: the Hungarian Chamber of Commerce and Industry, the Slovak Chamber of Commerce and Industry, the Czech Chamber of Commerce and the Polish Chamber of Commerce.

⁶ Memorandum of Understanding between V4 Chambers, April 10, 2014.

⁷ Ibid.



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sufficient interest in their offer. Therefore, it is worth to consider extending of the existing framework by specific practical projects which would improve planning and advanced cooperation in such cases.

For instance, the foreign missions could be coordinated already in an early preparatory stage, possibly even before the final selection of the target destinations. Individual V4 countries may have better links to some foreign markets than the others and mutual sharing of these advantages could yield benefits to all. This holds true especially in cases when it is considered that not all sectors are evenly represented in each V4 country and a joint V4 mission could offer broader and more diverse range of contractors. The successful mission, however, must be prepared jointly from the beginning and reflect major preferences of all participating sides. It would also require well-timed dialogue between the Chambers and coordination also with the political representation of V4 countries.

The representative of the Polish Chamber of Commerce also suggested that in regards to negotiations with big investors, for instance from China or the USA, it is relevant to advertise the whole region and not only individual states. Big investors look at the broader region. It was at the same time suggested that in such case it is worth to consider a joint cooperation not just on the V4 basis but on the wholly Central European region and to include also such countries as Romania and Bulgaria.

The coordination of the incoming foreign direct investment may be difficult since the V4 countries are still to the large extent competitors in this field. It was mentioned that at least certain level of coordination of the incoming investments could be triggered due to the fact that the big investments are not only about benefits but also about potential risks, as in case that the economy of the whole region is becoming too much dependant on one specific sector, for instance on the automotive industry.

The Czech Republic currently has V4 presidency. The Czech Chamber of Commerce prepares a joint meeting of V4 Chambers and an Economic Forum in Prague in spring 2016. The agenda should include also the topic of how V4 countries could use the European Fund for Strategic Investments (EFSI), the Juncker €315bn investment package.

The common interests of the Chambers of Commerce in V4

The speakers agreed that the Chambers of Commerce in V4 countries have broad common interests. This is a result of similar historical development of the V4 countries and stage of the convergence of their economies to the rest of the European Union. Creating a common position at Eurochambers was mentioned among possibilities, however the Eurochambers platform has not been always sufficiently responsive to the interests of V4 business and it is



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thus important to consider also other means of lobbying at the level of European Union on behalf of the V4 business.

The development of the common position against introduction of German minimal wage to truck drivers from the rest of the European Union was mentioned as an example of joint action. It was stressed that V4 Chambers must be firm on such issues as otherwise the internal market could be fragmented and entrepreneurs dissuaded from exercising of the four freedoms.

The common positions and projects do not have to be only targeted at the level of the European Union, but also at the level of V4 state political representations. The V4 Chambers of Commerce could join forces in promotion of regulatory environment that would be friendly to business, including SMEs. In order to move forward with convergence of our economies it is important to address not only hard infrastructure, but also soft institutional infrastructure of the state and public authorities. For instance, an initiative by the Polish Chamber of Commerce tries to develop a more business-friendly environment of politicians and public servants and change the mind-set from “public authorities that maintain power over citizens” to “public authorities that are servants to citizens.” Without this change even the biggest investments into hard infrastructure (such as those in former Eastern Germany after reunification) cannot change the way of functioning of the business and the convergence will cope with the glass ceiling. The mentioned initiative of the Polish Chamber of Commerce tries to tackle this problem through educational means at school system for public servants. It has been suggested that the V4 Chambers of Commerce should create a common project that would steadily demand such a change from political representations. Such a project could also cover support for proper harmonization and practical execution of the internal market legislation of the European Union, in particular when the legislation serves as a limitation of cross-border barriers to business.

The Czech and Polish representatives stressed also the problem of labour shortage (in case of Poland in regards to some cities where the unemployment remains below 5 %). It has been mentioned that it is the first time in several centuries that Poland is to be a target country and a source of migration of labour. It has been stressed that there is a need of workers with technical vocational training. The primary source of incoming workers could be Ukraine, from which already hundreds of thousands workers came to Poland and other V4 countries. This may be another issue for a joint initiative by at least some of the V4 Chambers in putting pressure on political representation. Lack of skilled labour has been identified as a possible barrier to new investments into our region and even threatening to render our region less competitive on the internal market in attraction of new foreign investments.



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Functioning internal market and possibilities of enhanced cooperation in V4 countries

The speakers agreed that the functioning internal market is one of the key priorities to business in all V4 countries. The V4 Chambers of Commerce have a joint interest to lobby for a functioning internal market at the level of the European Union. They can also play an important role of guardians of proper implementation of the internal market *acquis* at the national level as their members would be primarily influenced by any shortage in this regards.

The Chambers could also serve as an important bridge between the public authorities and entrepreneurs in finding data for studies and surveys in forming national positions for legislative procedures at the level of the European Union. The lack of obligatory membership may be however limiting for the representativeness of the positions of the Chambers as well as for the available administrative capacity the V4 Chambers can devote to such purposes.

There is draft internal market legislation that is currently blocked at the level of the European Union. The introduction of the country of origin principle for the free movement of services or of the Common Consolidated Corporate Tax Base (CCCTB) could be mentioned among examples of such blocked draft legislation. Despite significant similarities of the V4 economies that may in theory allow enhanced cooperation in these fields among V4 countries, the speakers found such suggestions of enhanced cooperation as hardly acceptable at the political level. Only the representative of the Czech Chamber of Commerce suggested that such enhanced cooperation could consist in harmonization of tax rates of Value Added Tax (VAT) among V4 countries. This suggestion was not supported by the speakers from Poland and Hungary. The primary concern was that the consumption is still too much different in each V4 society and each state could find itself in different stage of the economic cycle and needed to use the VAT tax rate as an instrument of its policy. The speaker from Slovakia stressed that before any VAT rate harmonization could be considered between V4 countries it would be better if Czech Republic, Hungary and Poland adopted euro, as otherwise the harmonized VAT rates could not anyway serve for price comparability.

The discussion also revealed that it would be hard to find a common position of the Chambers of Commerce on the adoption of euro in the three remaining V4 countries. It has been acknowledge that euro could lower transactional costs to business, but at the current situation could increase a risk for the economy and limit individual approach to the economic cycle. The adoption of euro thus was not considered as plausible in the next years.



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For the time being the cooperation of the V4 countries in regards to functioning of the internal market should focus primarily on proper exchange of information and following of the best practice and only secondary the bigger projects of the enhanced integration of V4 markets beyond the current level of the European Union acquis could be considered in our region. Development of a more user-friendly culture in public authorities was also indicated as a prerequisite for any project on enhanced cooperation of market integration between V4 countries. Without substantial changes of the current mind-set of public authorities, any such project may face a threat that it would not bring more interconnected and liberalized markets but in fact an imposition of additional administrative burden to business.

Transatlantic Trade and Investment Partnership: perspective of Chambers of Commerce from V4 + Austria

The panel speakers described the form of discussion on the Transatlantic Trade and Investment Partnership (TTIP) in their countries. The speakers mostly agreed that the public discourse on the TTIP negotiations in V4 countries is similar. The public discourse in Austria is much closer to the discourse in Germany than in the V4 countries.

The panellists from the V4 countries mainly stressed that the entrepreneurs mostly adopted the “wait and see” approach to the TTIP negotiations. The representatives of the V4 Chambers of Commerce declared that their organizations are mostly in favour of successful TTIP negotiations, but would appreciate much clearer information (both from national level and from the European Commission) on the possible outcomes of the TTIP negotiations.

The situation in Austria has been described as different from the V4. The general discourse on the treaty is dominated by a big campaign stressing the negative aspects of the TTIP. It is led by a broad coalition of Labour Unions, Catholic Church and the anti-capitalist and anti-globalisation movements. The discussion on the practical trade aspects of the treaty from the perspective of entrepreneurs is mostly overshadowed. Media in Austria mostly follow this general public discourse and do not include voices that would discuss the TTIP from the perspectives of existing trade barriers between the USA and the European Union. The political representation is supporting the negotiations when it sits at the table with other member states of the European Union in Brussels, but at home it joins the general discourse.

The representative of the WKO further mentioned that the result of the discourse in countries such as Austria and Germany has already influenced the negotiation position of the European Union. A new draft proposal of the European Union on the investor state dispute settlement (ISDS) has been changed into suggestion which is disadvantageous especially for SMEs. It has been mentioned that especially the possibility of an appeal by a state against the first



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instance decision is prolonging the process and makes it more costly which is particularly burdening for SMEs. Chambers of Commerce can at least seek to remedy this by demanding the introduction of a basic threshold of claimed damage under which the appeals may not be allowed.

On the issue of the accessibility of public procurements in the USA the representative of the Czech Chamber of Commerce mentioned that further liberalization would be welcomed mostly by Czech construction companies which would like to have a broader access to work for the public sector in the USA. Both representative of the Czech and Polish Chambers also stressed that the further development of possibility to employ in-house workers from the European Union in the USA and liberalized visa policy in the USA are key factors that would made TTIP attractive for entrepreneurs and general public.

The representative of the Polish Chamber of Commerce further pointed out that it is still not clear how would the Polish stance on the TTIP change with the new Polish government. The Law and Justice political party is politically in favour of close Polish relationship with the USA, but at the same time stresses importance of domestic interests in particular in regards to the agricultural sector or sectors with high energetic consumption that may be in defensive position to their competitors from the USA. The situation in Poland is difficult also for differences even inside the agricultural sector. For instance the beef producers (a relatively small sector in Poland) are in favour of the treaty while poultry producers (a much larger sector) is significantly more in defence against their competitors from the USA due to their access to cheaper grain for feeding chicken at the US market.

The negotiations of the TTIP involve countless highly technical features. It is necessary to follow them closely so the TTIP is a balanced solution and a reliable link fitting into the modern global trade network. It has been, however, concluded that it is impossible to bring these technical details into general debate. The Chambers of Commerce can play an important role in summarizing the positions and views of business and in making the communication with public authorities and the general debate better structured.



Program

International expert workshop organized by the Association for International Affairs (AMO) and Antall József Knowledge Centre, co-financed by the International Visegrad Fund.

Time and venue

Tuesday, November 24, 2015

Antall József Knowledge Centre, 4-6 Közraktár, 1093 Budapest

Program

1st panel: **How to improve functioning of the internal market among V4 countries?**

- How can chambers of commerce in the Visegrad region help to improve the functioning of the internal market between V4 countries and prevent market fragmentation?
- Are the existing links between chambers of commerce in different V4 countries sufficient? Can chambers of commerce soften and moderate the potentially competing interests of some of its members?
- How can chambers of commerce in the Visegrad region cooperate better? What common projects could be developed? For instance, could a common approach and position to the introduction of the single currency in Visegrad countries be forged between chambers of commerce?
- Is there room for the joint promotion of common interests at EU level or for the joint promotion of the Visegrad region in foreign markets, including America or Asia?

2nd panel: **V4 + Austria: what can TTIP bring to business in our region?**

- **Impact Analysis:** Are SMEs in our region able of a break through directly on the US market? How could be the economies of V4 countries and Austrian affected by the TTIP compared to other EU member states?
- **Common Interests:** How to turn the TTIP into a real advantage for economy in V4 countries and Austria? Are there common offensive and defensive positions on TTIP (on both tariffs and TNBs) that are shared among businesses in V4 countries and Austria?
- **The Route Ahead:** Is there a place for Chambers of Commerce to send a joint signal to their governments and the EU on their preferences regarding TTIP?

The 2nd panel was organized with support of British Embassies in Visegrad countries and Austria.



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Speakers (1st panel)

Czech Republic: Irena Bartoňová Pálková, Vice-president, *Czech Chamber of Commerce* (<http://www.komora.cz/>)

Poland: Marek Kłoczko, Vice-president and General Director, *Polish Chamber of Commerce* (<http://www.en.kig.pl>)

Slovakia: Juraj Kupčiha, *Slovak Chamber of Commerce and Industry* (<http://web.scci.sk/>)

Hungary: Bozsó Gergely, an economic analyst for *Hungarian Chamber of Commerce and Industry* (<http://www.mkik.hu/en>)

Speakers (2nd panel)

Czech Republic: Irena Bartoňová Pálková, Vice-president, *Czech Chamber of Commerce* (<http://www.komora.cz/>)

Poland: Marek Kłoczko, Vice-president and General Director, *Polish Chamber of Commerce* (<http://www.en.kig.pl>)

Slovakia: Juraj Kupčiha, *Slovak Chamber of Commerce and Industry* (<http://web.scci.sk/>)

Hungary: Bozsó Gergely, an economic analyst for *Hungarian Chamber of Commerce and Industry* (<http://www.mkik.hu/en>)

Austria: Ralf Kronberger, Head of trade and Tax, *The Austrian Economic Chambers WKO* (<https://www.wko.at>)

Moderation

Kryštof Kruliš, Research Fellow with the Association for International Affairs (AMO); Prague.

Participating experts

Liwiusz Wojciechowski (the Sobieski Institute), **Norbert Szijártó** (Antall József Knowledge Centre).

The international workshop was a part of the [Smooth Functioning of the Internal Market between V4 Countries](#) project supported by the International Visegrad Fund. The project is a platform for meetings of experts, representatives of media, consumer organizations, chambers of commerce and public administrations from Visegrad countries in order to discuss possibilities of enhanced functioning of internal market in the Central European region.



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ASSOCIATION FOR INTERNATIONAL AFFAIRS (AMO)

AMO is a preeminent independent think-tank in the Czech Republic in the field of foreign policy. Since 1997, the mission of AMO has been to contribute to a deeper understanding of international affairs through a broad range of educational and research activities. Today, AMO represents a unique and transparent platform in which academics, business people, policy makers, diplomats, the media and NGOs can interact in an open and impartial environment.

In order to achieve its goals AMO strives to:

- formulate and publish briefings, research and policy papers;
- arrange international conferences, expert seminars, roundtables, public debates;
- organize educational projects;
- present critical assessment and comments on current events for local and international press;
- create vital conditions for growth of a new expert generation;
- support the interest in international relations among broad public;
- cooperate with like-minded local and international institutions.

RESEARCH CENTER

Founded in October 2003, the AMO Research Center has been dedicated to pursuing research and raising public awareness of international affairs, security and foreign policy. The Research Center strives to identify and analyze issues crucial to Czech foreign policy and the country's position in the world. To this end, the Research Center produces independent analyses; encourages expert and public debate on international affairs; and suggests solutions to tackle problems in today's world. The Center's activities can be divided into two main areas: first, it undertakes [research and analysis](#) of foreign policy issues and comments on [AMO blog](#); and second, it fosters dialogue with the policy-makers, expert community, and broad public.

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