

Reformed, resourced and ready

By **MARTIN RIMAN**

MINISTER OF INDUSTRY AND TRADE



MARTIN RIMAN has degrees in both Electrical Engineering (from the University of Technology at Brno) and in Law (from Masaryk University, Brno). His early career was in the private sector, but between 1990-2001 he also developed a parallel career in local politics in his home town of Frydek-Mistek, as Deputy Mayor and later, Chairman of the District Council. In 1996 he was appointed Minister of Transport and Communications, serving until 1997. He shadowed the Ministry between 1998-2002 and was subsequently Shadow Minister of Industry and Trade from 2003-06. He was appointed to his present position in September 2006.

What are the key objectives, priorities and challenges for your Ministry?

Since the Civil Democrats took over the reins of government from the Social Democrats more than a year ago, the Ministry of Industry and Trade has focused on changes designed to make doing business easier in the Czech Republic. One of the priority areas is to do away with the administrative burden placed by the state and public sector on the business community.

Another priority is to foster a constructive approach to both domestic and foreign investors. I believe the linchpin here will be the reduced tax burden on enterprises that our government recently established. Corporate income tax will steadily fall to 19 per cent by 2010. This will be an impetus for foreign and domestic firms alike.

For me, a particular priority resulting from the Czech Republic's EU membership is the use of money from EU funds. While I am no advocate of any form of subsidy, I feel it is necessary to help smooth the way for entrepreneurs keen to access the cash available from European funds. The Ministry of Industry and Trade is one of the most successful ministries at using European funds; during the last year we managed to almost double the speed at which resources are disbursed. As a result, the money we contribute to the European budget finds its way back to the Czech Republic.

The Czech Republic is attracting an increasing volume of foreign direct investment. What are the principal benefits of investing and into which sectors are you seeking to attract inward investment?

The Czech Republic boasts several comparative advantages: geographical location, a stable political situation, a market economy, and high-skilled labour that is still cheap compared to the workforces of our western neighbours. These are the circumstances we can capitalise on as we seek to attract foreign investors. The government wants to see investment in hi-tech manufacturing and, in fact, any production with high value-added flourish in this country. There are already plenty of factories assembling components in the Czech Republic, and the potential they offer is questionable. We want investors to come to the Czech Republic for its brains, not its cheap manual labour. Pursuing this path will steer us towards the advanced economies of western countries. This is our target.

You recently signed the 'agreement concerning co-operation in the area of countering the proliferation of nuclear materials and technologies' with the US. What are the objectives of this treaty and what benefits will accrue to the Czech Republic?

In September, Richard Graber, the US Ambassador to the Czech Republic, and I signed a cooperation agreement to prevent the proliferation of nuclear materials and technologies. Under this agreement, the US government will bankroll the transfer of two tonnes of spent nuclear fuel from a Czech research reactor to the Russian Federation, which is where the fuel originated. This substantial financial assistance of US\$35 million is designed to help the Czech Republic find a technical solution and funding for the shipment. The goal is to cultivate technical and economic conditions conducive for the conversion of the research reactors from the use of highly enriched fuel to low enriched fuel. Similar projects are underway in other countries in the context of this initiative, and I am pleased the Czech Republic had the opportunity to join this programme.

With global commodity prices at historically high levels, what are the prospects for extending mining limits? Do you see a trade off between extending these limits and the protection of local communities?

As in other countries, in the Czech Republic mineral resources are owned by the state. At one time, territorial extraction limits set upper thresholds for the mining of lignite. Now, following the privatisation of the mining companies, the situation has changed. The limits are no longer binding on private companies. Companies can broker deals with municipalities to go beyond the set mining limits. In this respect, it is important to reach an agreement with the public. Furthermore, there are areas beyond the given limits where mining would not encroach on human settlements. I believe we should think about mining in those areas. Coal remains the most important source of energy in the Czech Republic. If we want to keep to our current level of energy independence and maintain current electricity prices, debate on the transgression of these limits is unavoidable. Today's trendy wind plants and hydro-electric power stations are no source of salvation for the Czech Republic as conditions for the generation of renewable electricity are severely restricted here.

The government is committed to a programme of further privatisation. What is the current status of the programme?

Most state enterprises have now been privatised; there are only a handful remaining to be sold to private owners. Companies ripe for privatisation in the coming years include the Czech post Office (Česká pošta, a.s.) and the Budvar brewery. The Ministry of Finance will pave the way for the privatisation of these companies in liaison with the Ministry of the Interior and the Ministry of Agriculture. The government takes the view that private ownership of production resources and capacities is much more effective than when firms are state controlled. Accordingly, the government is open to and encourages privatisation.

You are promoting intensified restructuring among large enterprises and improvement in the financial sector to strengthen output growth. How is this process developing?

The transformation process in the Czech Republic ended in 2002. Where necessary, state enterprises followed financial recovery plans and were subsequently privatised. This action saw steel works and other industrial enterprises achieve market success. The banking sector was also privatised. The banks are now backed by powerful multinational banking houses with global operations. That they are interested in the Czech Republic is a sign that the country is a developed, stable economy. The market and consumer potential here is an incentive for foreign companies to invest.

The Czech Republic enjoys strong trading relations with China. How important is this relationship?

For the Czech Republic, trade with China is an interesting prospect, and not just for the purposes of imports. Last year, China ranked second among countries importing goods and services from the Czech Republic. Trade with this Asian country is worth US\$6 billion. Mechanical engineering forms the nuts and bolts of Czech exports to China. Czech exports are enjoying continuing growth. In 2000, Czech exports were worth US\$66 million, rising to US\$388 million in 2006. If this trend is to continue, in 2008 Czech exports could come close to US\$500 million. An interesting factor in our trade relations is the transfer of several production lines from the Czech Republic to China.

What benefits has EU membership brought to the Czech Republic's trade and investment development and how would you characterise the business relationship with the United Kingdom?

EU membership has endowed the Czech Republic with numerous advantages, but also certain expenses, like any other member state. Nothing is free; everything has a price. An indisputable advantage – in fact the

most fundamental – is the opening up of the European market. Economic growth can be confined by state frontiers. This has been the case of the Czech Republic too. The opportunity of investing abroad under simple conditions is a major benefit of membership. Citizens also appreciate the chance to work in another country. However, not all states have permitted the free movement of workers. In this respect, the United Kingdom should be praised as a model. This is a clear example of how minimum restrictions and regulation are an optimal solution in this sphere. Membership means the Czech Republic is in a position to contribute to the development of Europe; it can put forward its ideas and stances. It is no longer the country that, in the past, suffered the indignity of talks ‘about us without us’. Let’s hope that the situation stays that way, and that the EU pursues a liberal path that does not treat the big countries preferentially.

Trade between the Czech Republic and the UK is rising by 20 per cent every year. The United Kingdom is fifth in terms of the destinations of Czech exports, reporting a volume of almost €4 billion. Perhaps the best-known Czech export in the UK is Škoda. Aircraft production is linked to a commitment by BAE Systems to run an offset programme to lease Gripens for €1 billion. Collaboration between universities is progressing in the context of EU programmes. Key investors such as SAB Miller, Unilever, Vodafone, Tesco, and Logica are feeding the Czech Republic with the necessary know-how. The overall volume of investments stands at approximately €2.5 billion. The proportion of UK firms is significant in brownfield regeneration.

What is the outlook for the Czech Republic's trade and industrial performance over the coming decade?

The Czech Republic used to be heavily industry-based. Now, industry accounts for about a third of GDP, and if anything this share is rising. Bearing in mind that the trend in western countries is for the service sector to expand, this is as much a paradox as if the proportion of agriculture had started growing in the 19th century. Obviously, to maintain the positive momentum the economy will have to focus on increasing value-added. It is axiomatic that research and development and, in particular, cohesion between activities carried out by university research centres and industrial operations will be supported. As a result, young people will not migrate to more advanced economies to work; instead, they will be able to enjoy the benefits of top-class facilities in their field in the Czech Republic. The Czech economy will not only benefit immediately from their worth and experience, but their know-how also offers good prospects for the future. Therefore, I believe the future of the Czech economy lies in a focus on relatively young, vibrant sectors with high value-added. **F**

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