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# **THE IMPACT OF LARGE ENTERPRISES ON THE ECONOMY OF THE CZECH REPUBLIC**

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## Executive summary

Evaluation of the role of large enterprises in the economy is not particularly looked into in economic theory. The following effects of large enterprises are mentioned in scientific articles. Large enterprises have a major impact on the labor market. In addition to jobs created in the enterprises, there are other jobs created mainly indirectly in supply chain companies (e.g. Zamrazilová 2007). Besides the positive effect of job creation, the above average wages that these companies provide are also referred to. They stem from higher labor productivity (e.g. Görg, Strobl, 2005, Bajo-Rubio et al., 2005 and others). In connection to large enterprises, transfer of technology is also mentioned, it contributes to higher productivity and competitiveness of the economy. In this context, Srholec (2004) states that multinational companies most often utilize modern technologies. Their positive impact on the balance of payments resulting from export orientation is also referred to (e.g. Blomström, Kokko, 1996). Callahan, Smith, Spencer (2013), as well as Arend (2006), emphasize the ability of large enterprises to succeed in the global marketplace. Subsequently, small and medium-sized enterprises working as suppliers benefit from this. Javorcik (2004) draws attention to the fact that large multinational companies implementing investment abroad also increase the productivity of domestic companies. On the contrary, in terms of large enterprises, the risk of relocation processes can be assessed as a negative for the host economy (e.g. Rugraff, 2010) another risk can be identified in form of one-sided orientation of regional economies. **Despite these facts, it is possible to mark the effect of large enterprises in the economy as very positive.**

The highest number of large enterprises (250+) per 1 million inhabitants from the monitored countries can be seen in Luxembourg (277), the Czech Republic (135) and Germany (125). The high number of large enterprises in Luxembourg is largely determined by the choice of company authorities as the official registration address. In reality, however, these enterprises operate elsewhere. The Czech Republic is among the countries, with regard to its size and population, where there is the greatest number of large enterprises. The highest proportion of large enterprises can be found in Switzerland (0.72%), Germany and Luxembourg (both 0.49 %). In international comparison, the relatively low proportion of large companies in the total number of firms in the Czech Republic (0.14%) is mainly due to the large number of micro firms. Large enterprises have the highest share of employment from the countries surveyed. They are the UK (46.42%), Germany (37.54%) and Finland (37%). In the Czech Republic, the proportion of large firms is 30.62% from the total employment. The proportion is higher in micro enterprises and reaches the figure 31.79%. **Large enterprises are a key part of the economy of the Czech Republic and the EU. Despite their relatively low share in terms of total number, they contribute significantly to employment, production and added value throughout the whole economy.**

In the Czech Republic, 2.17 trillion CZK of sales went through the 80 most important companies only in 2012. The assets of these companies reached 2.33 trillion CZK and these firms provided export of 997 billion CZK. Number of employees in these companies is about 357 000. Their proportion on the Czech economy by market production is almost one quarter (24.96%). These companies have a major impact on export (producing nearly a third of exports, 32.86 %). These firms represent for small and medium enterprises intermediaries for export and realization of production to the final consumer. Any decline in production in these companies is multiplied in the economy. Depending on the share of sales and production, it is estimated that this multiplier effect will more than triple. **Large enterprises**

**play a crucial role in the open economy of the Czech Republic through multiplier effects and the involvement of SMEs in the export.**

With the restriction of production and the related proportional redundancies in the 80 most important companies in the Czech Republic, the total tax loss of 448.3 million CZK a year ( property tax is not considered , since it is paid regardless of the number of employees) is accounted for 1,000 employees (until replacement by another company). With 2230 employees the loss is 1 billion CZK. Taking into consideration that 80 major companies reduce the number of employees by 1% (3567 workers) the loss in the state budget will attain 1.6 billion CZK a year. This decline would be reflected in particular in the administration of the state, regions, municipalities and health insurance companies. It would be also accompanied by an increase in expenditure on social policy. **Even small proportional changes in economic activities of large enterprises have significant impacts on public budgets.**

According to empirical investigation, the proportion of university graduates in the total number of employees in large companies is about 10 percent. Large enterprises created plans for development of their employees. The collaboration with the university sector, both technical and non-technical is common. Work teams of large companies are internationalized. Language courses are therefore integral part of the training program for company employees. **This increases the potential of human resources not only in large enterprises.**

Large businesses represent a significant demand for research and development results. In addition to this they also carry out their own research. Number of scientific jobs in large companies is growing. **Large enterprises are a key accelerator of development of applied research and development.**

Most of the large enterprises realize a wide range of social activities, the sponsoring of non-profit activities in particular, beyond their legal obligations. These include sponsoring sport, cultural and other social activities. The firms fulfill their legal obligations related to the employment of persons with altered working ability. This obligation is met directly or through compensation. Large enterprises have their own health centers and medical care is therefore provided to the employees directly in the enterprise or in contract facilities. Large firms also provide above-average contributions. **The social behavior of large enterprises in the Czech Republic can be described as very positive.**

Large enterprises make up the majority of foreign investment in supported sectors in the Czech Republic. This can be illustrated by the development of supported investments. The share of small and medium-sized enterprises attained more than 10 percent in 2005. **Large enterprises form the basis of industrial investments.**

Large enterprises compete with small and medium-sized enterprises in the market of production factors in regions with a shortage of available labor (nowadays a relatively rare phenomenon). Not even here is the relation of small and medium-sized enterprises fully competitive. Staff turnover among firms is a natural tool for knowledge transfer. This increases the competitiveness of all the subjects. **The competitiveness of small and medium-sized enterprises is minimal in the market of production factors.**

The market of goods and services is another market where competitive relations can be identified. Even here, however, a competitive relationship is not definite. This relation is rather the opposite, especially in export-oriented sectors such as manufacturing. Only large companies are able to employ

effectively their production globally. The reason is economies of scale that small and medium-sized enterprises are not able to achieve. Small and medium-sized enterprises participate in global trade particularly through large companies as their subcontractors. **The competition of small and medium-sized enterprises and large corporations is in the market of production factors minimal at the national level. The situation on the market of goods and services can be assessed similarly.**

The image of the Czech economy is associated with large companies such as Škoda Auto ČEZ , etc., in the same way as the image of other states is associated with Fiat, Siemens, Bosch, Gorenje, etc. In today's rapidly changing conditions quantitative calculations when planning investments are limited. Large enterprises, therefore, significantly determine the investment attractiveness of the region. **Large enterprises have a major impact on an image of national economies.**

Large companies have a specific role in environmental protection. In addition to environmental friendly production, they also address other environmental aspects of their activities. These include the promotion of public transport. Typical examples are having their own bus connection, financial support to initiated bus connection and setting up bus stops. Within the typical infrastructure, large enterprises build their own sewage plants and often also fund the repair and maintenance of local roads. From the perspective of the region, it is important that they initiate state measures to improve transport accessibility. **Environmental protection is an integral part of the strategic thinking of large enterprises.**

Since 2007, strong pressure can be perceived to move business activities abroad. These tendencies are emerging, particularly in the manufacturing industry and are caused by various factors. In addition to the natural market factors, such as rising labor costs and high corporate taxes, there are also other non-market factors where we can include in particular investment incentives, lower standards in social and environmental protection. **Relocation tendencies are stronger in case of large (multinational) companies.**

Therefore the Czech Republic has to compete with other states that implement very generous investment support, regardless of their economic advancement. A number of countries outside the EU (e.g. South East Europe) are currently implementing a very competitive tax policy for large investors, which could be characterized as "dumping". Similarly, this also applies to the sale of land at a discounted price and to subsidy for job creation. This is an important issue in the context of other obligations that EU countries pass on to investors. These include disproportionately tougher legislation on environmental protection and social protection of workers. **Investment incentives therefore work as a tool for equalizing investment conditions in an environment where it is not possible to unify public investment support with countries outside the EU.**

Key findings:

- Large enterprises are a key part of the economy of the Czech Republic and the EU. Large companies play in a very open economy such as the Czech Republic a crucial role, including the involvement of small and medium-sized enterprises in the export. Large companies form the basis of industrial investments.
- Even small changes in the economic activities of large enterprises have a significant impact on the budgets of the state, regions and municipalities.

- It is not possible to identify the relationship of large enterprises and small and medium-sized enterprises as purely competitive in the national market. The reality suggests otherwise. Large firms generate demand for goods and services from small and medium-sized enterprises.
- In addition to the economic effects, large enterprises play a crucial role in the development of human resources, the use of applied research and development and these businesses contribute to the image of the state and region.
- Environmental protection and social development is an integral part of the strategic thinking of large companies.
- Investment incentives are used as a tool for equalizing investment conditions in an environment where it is not possible to unify public investment support with countries outside the EU or compensate for the increased demand in the environmental and social areas.

## 1. Introduction

Large enterprises represent a key group for the economy of the Czech Republic. The aim of the study is to assess the influence of large enterprises on the socio-economic development of the Czech Republic and to assess the legitimacy of public support for these companies.<sup>1</sup> The study was prepared in response to the currently debated state aid rules, which significantly change the ratio of the maximum public support for small and medium-sized enterprises and large enterprises.

The basic criteria for assessing the size of an enterprise include the number of employees, annual turnover and the size of the annual balance sheet, or rather volume of assets (see Commission Regulation (EC) No. 800/ 2008 of August 6th 2008). A large enterprise is any company that employs more than 250 employees, its annual turnover exceeds EUR 50 million or its assets exceed 43 million euro.

The study is based on the use of publicly available data and methodological tools of traditional economics and statistics.

The study was carried out by the Centre of Regional and Administrative Sciences, which was founded as a research platform for the field of regional development, European integration, public administration and related areas. Centre for Regional and Administrative Sciences aims to provide the public and private sector professional support for their activities. Currently, it provides its assistance to e.g. Ministry of Regional Development, Ministry of Industry and Trade, Investment and Business Development Agency - CzechInvest or MasterCard. Centre for Regional and Administrative Sciences collaborates with reputable organizations such as the Association for Foreign Investment (AFI) or CzechTop100. Centre for Regional and Administrative Sciences aims to maintain its position as a key professional academic workplace in the areas of investment, EU cohesion policy and rural development issues.<sup>2</sup>

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<sup>1</sup> The study is primarily focused on economic issues. Social and environmental areas are complementary.

<sup>2</sup> See <http://srsv.vse.cz>

## 2. Assessment of a role of large enterprises in economy

An assessment of the role of large enterprises in the economy is not a common topic in economic theory. However, the role of multinational investors, as a closest topic, is analyzed more often. Selected findings from scientific studies are summarized below.

The role of large enterprises is evaluated from different perspectives. An impact on the labor market is an important issue. In this context, we can identify positive direct effects in the form of jobs created and the associated reduction in unemployment. The indirectly created jobs in supply chain companies have a fundamental effect on the labor market. Zamrazilová (2007) states that a large company can either strengthen linkages with domestic suppliers, or on the contrary it can discontinue the original cooperative ties and prioritize imported components. In the case of cooperation with domestic suppliers, positive effects on employment exist; otherwise it may lead to job cuts. In general it can be said that large firms provide above-average wages. This can be positively evaluated, only provided that the above-average wages are compensated by adequate labor productivity. Above-average wages in large firms raise wages in small and medium-sized enterprises.

Another positive effect of large enterprises is technology transfer, contributing to higher productivity and competitiveness of the economy. Srholec (2004) states that multinational companies utilize more modern technologies. Multinationals can be described as instruments for the dissemination of technology. The fundamental role is played by workers who change employers and therefore enable innovation and diffusion. Srholec (2004) adds that the strongest technology transfer can be identified by the "market-seeking" investment in the form of consultancy services, logistics and distribution networks.

According to Dunning (1994) the intensity of transfer is affected by the position of the company in the production chain of transnational corporations. For example, if it is only an assembly plant or autonomous production plant. Blomström, Sjöholm (1998) argue that technology transfer is dependent on the nature of the national economy. Countries and regions investing in the knowledge economy have an advantage.

Large companies have a major impact on the balance of payments. Primarily "cost-seeking" investments, which are usually very export-oriented, have a very positive effect on the balance of payments. Large multinational companies are able to penetrate to foreign markets and generate export potential of the region or state (Blomström, Kokko, 1996).

Large companies often contribute to strengthening the protection and enforcement of property rights, the effectiveness of the public administration, to implementing a higher level of entrepreneurial culture and the openness of the economy (Dvořáček, 2005). These companies transfer management approaches to the public sector.

Singh (2007) emphasizes in his study the importance of large enterprises that engage in international trade relations, incl. investments. He concludes that there is not only a significant inflow of knowledge from multinationals in the host country, but that the exchange of knowledge flows also towards multinational company. This allows transferring modern knowledge in a natural way, especially through the exchange of staff.



Görg, Strobl, (2005) and Bajo-Rubio et al. (2005) emphasize that, thanks to the large and multinational companies labor productivity is increasing. Like Singh (2007), they highlight the importance of the transfer of technological knowledge through labor mobility. The authors concluded that there was not only a significant inflow of knowledge from multinationals to the host country, but that the exchange of knowledge also is under way towards multinational company. This increases the overall technological development of the economy.

Callahan, Smith, Spencer (2013), as well as Arend (2006) state that different companies form relationships, due to missing or insufficient ability to maintain and further develop market share growth. Individual company is not able to handle all aspects related to the growth of its market share. These include, for example, the global economy, rapid product cycle, technology development and the various capital constraints. This partnership has an influence on the performance of the company. How big this performance is, however, depends on the industry, the nature of the company and the type of alliance. They are, in particular, strong customer relationships. Large companies are therefore able to get on global market much better.

Crozet, Mayer, Mucchielli (2004), as well as Mariotti, Piscitelli, Elia (2010) stress the importance of agglomeration advantages for the efficiency of the company. These agglomeration effects are intensified when large enterprises participate and by this large companies improve the investment image of the area.

Smarzynska, Javorcik (2004) draw attention to the fact that large multinational companies, that realize investments abroad, also increase the productivity of domestic companies.

Basile, Castellani, Zanfei (2008) conclude that the regions that received funding through the structural funds, regions in the countries having benefited from the Cohesion Fund, to be more attractive for foreign investors, because the EU cohesion policy creates favorable conditions for investments in peripheral areas through funding education, infrastructure and research and development.

The role of large enterprises is also analyzed in the studies of the University of Economics in Prague, which confirmed the benefit of large companies for technological development, development of science and research, labor productivity and competitiveness of the Czech Republic in particular. For example, Novotný, Jabůrková (2012) show considerable coherence of large and small and medium-sized enterprises. One of the conclusions is that the deterioration in the competitiveness of large enterprises and limitation of their investments would be immediately reflected in the economic situation of small and medium-sized companies, which figure as suppliers of goods and services. Another study of the University of Economics, Prague (2011), which assessed the effect of investors in the manufacturing sector in the Czech Republic, states that large investments affect small and medium-sized businesses in a positive way and that they improve business image of the area.

Besides these positives, there are some negatives of a high proportion of large firms mentioned. One of the basic problems is possible hostile takeover motivated by limited competition (Benáček, 1999). Another threat is the possibility of a unilateral focus of regional and national economies, which is brought by the growth of large enterprises.

Finally, attention is drawn to the threat of relocation, which appears in a number of studies, e.g. Rugraff (2010), where the author deals with, among others, danger of relocation processes for large enterprises.

### 3. Comparison of Czech Republic with selected EU countries

This chapter presents the position of the Czech Republic among selected EU countries (excluding Malta and Greece), Switzerland and Norway. The selection copies statistical list from Eurostat database<sup>3</sup>.

Micro-firms employing from 0 to 9 dominate the whole EU28. Their share is more than 92 percent (see Table 1, all data see Annex). In this category, however, the self-employed (free-lancers) are also included. The free-lancers in the Czech Republic function often only formally without income and expenses ("dormant companies") or it is a secondary activity to their proper job.

**Table 1: Structure of the economy according to size of enterprise in 2011**

Country	0 to 9	10 to 19	20 to 49	50 to 249	250 and more
EU28	92.54%	4.10%	2.14%	1.02%	0.20%
Switzerland	69.18%	17.07%	8.95%	4.08%	0.72%
Germany	81.78%	10.25%	4.92%	2.56%	0.49%
Luxembourg	87.03%	6.45%	4.00%	2.04%	0.49%
Czech Republic	95.94%	2.03%	1.23%	0.66%	0.14%
Slovakia	96.00%	2.19%	1.13%	0.55%	0.13%
Portugal	94.98%	2.83%	1.46%	0.63%	0.10%
Italy	94.76%	3.35%	1.30%	0.51%	0.08%

**Source: authors according to data from Eurostat**

Table 2 shows that the highest number of large enterprises per 1 million inhabitants is Luxembourg (277), followed by the Czech Republic (135) and Germany (129). On the contrary, the lowest number is reported in France, Spain and Italy (see Annex). The high number of large companies in Luxembourg is largely determined by the fact that the country is selected for the official registration address. However, the company operates elsewhere. The Czech Republic thus can essentially be seen in the comparison as the country with the largest number of large enterprises, taking into account the size and population. For comparison, countries of similar size as Belgium and Slovakia have lower figures, namely 82, and 96 large companies per million inhabitants. A high proportion of firms per capita is determined, among other reasons, by the structure of the Czech economy. It has the industrial type of economy, while the share of industry in gross value added of industry reached in 2012 a value of 31 %<sup>4</sup>. A greater proportion of large firms is currently in the industrial sector, where, for example, in the Czech Republic there more than half of large companies currently come from manufacturing sector)<sup>5</sup>.

<sup>3</sup> More information see Eurostat:

[http://epp.eurostat.ec.europa.eu/portal/page/portal/statistics/search\\_database?piref458\\_1209540\\_458\\_211810\\_211810.node\\_code=bs\\_sc\\_sca\\_r2](http://epp.eurostat.ec.europa.eu/portal/page/portal/statistics/search_database?piref458_1209540_458_211810_211810.node_code=bs_sc_sca_r2)

<sup>4</sup> Industry defined as sectors B+C+D+E according to NACE II, according to data from National accounts registered in Eurostat to date January 14th 2014.

<sup>5</sup> The share of large firms in the manufacturing industry in the total number of large companies in the Czech Republic is 54.3%, according to Eurostat data for 2010 (for the year 2011 the data was no longer available broken down by sector) Sector: Total business economy; repair of computers, personal and household goods; except financial and insurance Activities, Annual enterprise statistics by size class for special aggregates of Activities (NACE rev. 2) Data retrieved in August 15th 2013.

**Table 2: Number of enterprises in different size categories per 1 mil. inhabitants**

Country	Total	0 to 9	10 to 19	20 to 49	50 to 249	250 and more
EU28	43 696	40 434	1 793	937	446	87
Luxembourg	56 981	49 590	3 673	2 280	1 161	277
Czech Republic	95 794	91 902	1 944	1 180	633	135
Germany	26 398	21 590	2 706	1 298	675	129
France	39 502	37 198	1 172	749	315	68
Spain	44 729	42 077	1 502	787	305	58
Italy	63 396	60 073	2 124	824	322	52

**Source: authors according to data from Eurostat**

The highest proportion of large enterprises in the gross turnover<sup>6</sup> was attained in United Kingdom 55.74 percent. More than a half of total is visible in Germany (51.93%) and just a little less in Finland (49.9%). The Czech Republic with its 42.21% is close to 43.55% of the EU average (see Annex). The relatively low proportion of large firms generates a relatively high percentage of the gross sales or gross insurance. For example big companies in the Czech Republic, which constitute 0.14% of the total, contribute to the total gross turnover with about 42%. This definition is given by the classification of enterprises that includes free-lancers, but also points to the strength and importance of large companies for the whole economy.

**Table 3: Structure of gross turnover by size categories of enterprises, 2011**

Country	0 to 9	10 to 19	20 to 49	50 to 249	250 and more
EU28	16.74%	7.42%	10.84%	20.07%	43.55%
United Kingdom	12.86%	5.82%	9.26%	16.32%	55.74%
Germany	11.07%	6.83%	9.53%	20.64%	51.93%
Finland	15.97%	6.36%	10.25%	17.52%	49.90%
Czech Republic	19.19%	6.74%	11.02%	20.83%	42.21%
Latvia	24.45%	9.71%	16.43%	26.06%	23.35%
Estonia	30.72%	10.54%	13.12%	22.49%	23.13%
Cyprus	26.73%	11.46%	16.82%	24.17%	19.91%

**Source: authors according to data from Eurostat**

The highest proportion of large enterprises on added value is registered in the United Kingdom (49.44 %), followed by Poland and Hungary. The Czech Republic with its 46.26 % is above average of EU28 (see Appendix).

**Table 4: Structure of added value according to size of enterprises, 2011**

Country	0 to 9	10 to 19	20 to 49	50 to 249	250 and more
EU28	21.42%	7.76%	10.28%	18.45%	42.08%
United Kingdom	18.85%	6.57%	8.46%	16.68%	49.44%
Poland	16.53%	4.70%	8.79%	20.93%	49.05%
Hungary	19.44%	7.16%	8.55%	18.59%	46.26%
Czech Republic	19.71%	5.71%	9.41%	20.79%	44.38%
Luxembourg	21.85%	8.25%	10.69%	28.64%	30.56%
Norway	40.51%	5.99%	8.45%	16.39%	28.65%
Estonia	24.72%	9.64%	13.25%	26.09%	26.29%

**Source: authors according to data from Eurostat**

The highest proportion of large enterprises on employment is shown unequivocally in the United Kingdom (46.42%) followed by Germany (37.54%) and Finland (37.1%). These countries will be

<sup>6</sup> Data see Eurostat:

[http://epp.eurostat.ec.europa.eu/portal/page/portal/statistics/search\\_database?piref458\\_1209540\\_458\\_211810\\_211810.node\\_code=bs\\_sc\\_sca\\_r2](http://epp.eurostat.ec.europa.eu/portal/page/portal/statistics/search_database?piref458_1209540_458_211810_211810.node_code=bs_sc_sca_r2)

affected the most by limited public support for big companies. The Czech Republic with its value of 30.62% is in the middle of ranking. In the manufacturing industry, large companies in the Czech Republic contributed to employment with their share of even 41%<sup>7</sup>.

The economic importance of large companies can also be confirmed by linking data for employment to data for gross turnover and added value. The data confirm that large firms are able to create more added value per worker. For example, in the Czech Republic, where large companies employ about 30.6% of total employment, these employees realize 44% of added value and 42% of the gross turnover of all businesses, including free-lancers.

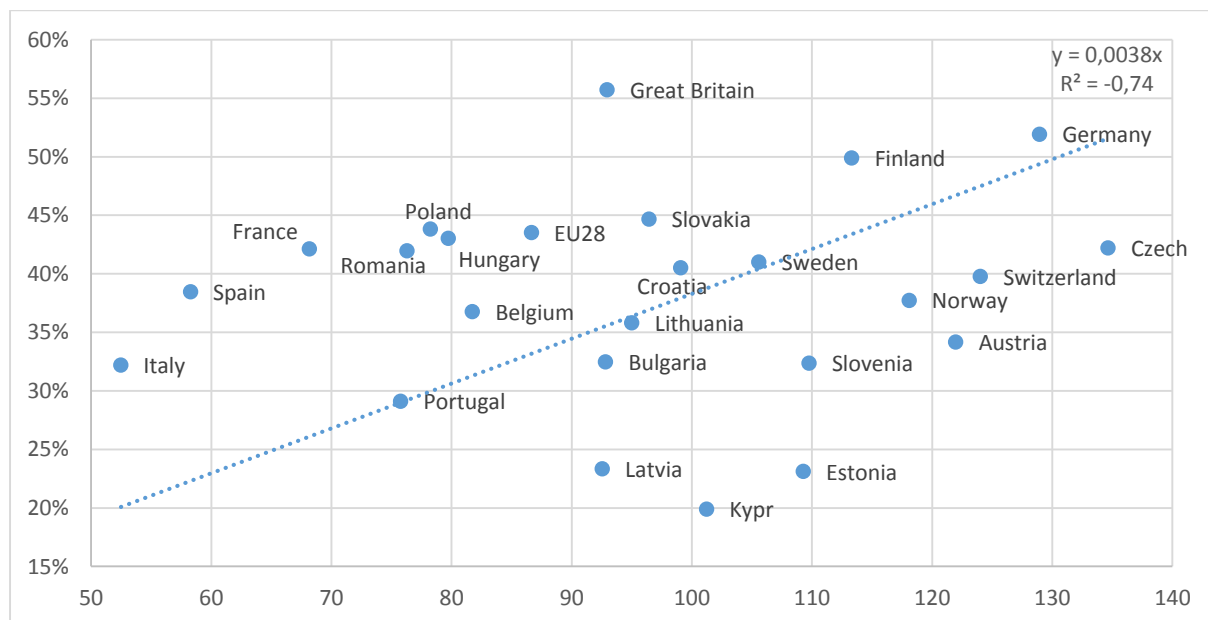
**Table 5: Proportional share of size categories of enterprises on total employment in 2011**

	0 to 9	10 to 19	20 to 49	50 to 249	250 and more
United Kingdom	18.00%	8.46%	10.90%	16.21%	46.42%
Germany	18.27%	10.40%	11.70%	19.52%	37.54%
Finland	24.67%	9.30%	11.78%	17.16%	37.10%
Czech Republic	31.79%	7.90%	10.50%	19.19%	30.62%
Portugal	41.82%	9.86%	11.56%	15.95%	20.81%
Italy	46.02%	11.30%	9.95%	12.56%	20.18%
Cyprus	37.13%	10.56%	13.00%	20.43%	18.34%

Source: authors according to data from Eurostat

As demonstrated by Graph 1 and Graph 2, large enterprises are the most important for countries such as Great Britain, the Czech Republic and Germany (data are shown without inserting extreme values of Luxembourg). The high number of large enterprises in Luxembourg and Switzerland is largely a choice of these countries as the official registration address.

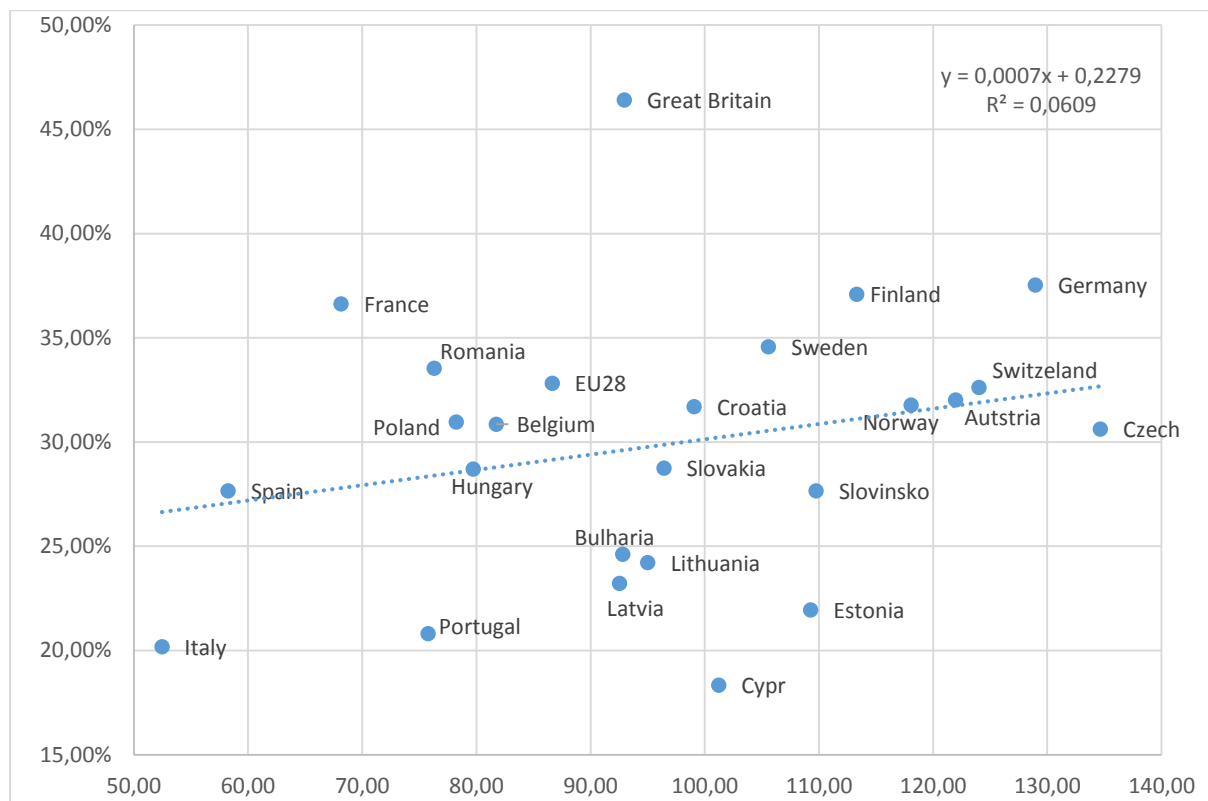
**Graph 1: Position of the countries according to proportion of large enterprises on turnover and number of large enterprises per 1 mil. inhabitants, x-axis: proportion of large enterprises on turnover, y-axis: number of large enterprises per 1 mil. inhabitants**



Source: authors according to data from Eurostat

<sup>7</sup> Data from Eurostat, 2010, Sector: Manufacturing (NACE Rev. 2), Number of persons employed, Data downloaded 15/8/2013. For 2011 the data is not available.

**Graph 2: Proportion of large enterprises on total employment in entrepreneurial sector and number of companies per 1 mil. inhabitants, x-axis: proportion of large enterprises on total employment, y-axis: number of large enterprises per 1 mil. inhabitants**



**Source: authors according to data from Eurostat**

In terms of the position of the Czech Republic in the graph, it can be classified in the group of countries such as Germany, Switzerland, Austria and Finland, the countries that are placed in the charts of international competitiveness ranked at the top. According to The Global Competitiveness Index 2013-2014 (Schwab, 2013) Switzerland was ranked first, Finland the 3rd, Germany the 4th and Austria on the 16th rank. The Czech Republic was placed at 46th rank. From the point of view of the size structure, the Czech Republic ranks among the most competitive economy. Overall, it belongs to Posttransition economy.

Position of the Czech Republic suggests that although the number of large companies per 1 million inhabitants is the highest in the EU, their share of employment is below the average EU28. In fact, this means that large Czech companies are below the size of large companies in most EU countries. This was due to the historical development, since the beginning of the creation of the first industrial enterprises through a centrally planned system to present strong and relatively stable position of the industry, particularly manufacturing. The data of the Czech largest companies are discussed in the next chapter more in details.

## 4. Economic importance of large enterprises for the Czech Republic

To evaluate the role of large companies in the Czech economy it is possible to use a database of Czech Top 100, which annually compiles a ranking of hundred major manufacturing and trading companies by the amount of sales. After the removal of state-owned enterprises and enterprises with fewer than 250 employees the data of 80 firms can be used for further analysis.

**Table 6: The most important manufacturing and trading companies – compiled data, for 2012, in thousand CZK**

Indicator	80 most important companies	40 most important companies	5 most important companies
Sales	2 169 268 189	1 859 854 751	898 654 088
Assets	2 332 914 401	2 121 248 642	1 112 902 398
Earnings	206 542 820	208 478 279	137 200 787
Export	996 576 105	964 851 020	582 107 261
Number of employees	356 723	316 620	145 519

Source: Czech Top 100

2.17 trillion CZK sales went through the 80 most important companies in 2012. The assets of these companies reached 2.33 trillion CZK and these companies provided export of 997 billion CZK. Number of employees in these companies is about 357 thousand. These data confirm the economic importance of these companies. This characteristic of importance of large enterprises for economic performance is not specific to only the Czech Republic and corresponds to the current global situation. The proportion of 80 leading companies on the Czech economy by market production is almost one quarter (24.96%). The share of the assets is nearly 12 percent. The most important companies have a major impact on export. 80 most important companies produce nearly a third of exports (32.86%). The share of the top five companies involved in the export is more than 19% (40 companies then generate almost 32 percent).

**Table 7: Proportion of the most important companies on the market production, assets, export and number of employees, 2012**

Indicator	Sales production (mil. CZK)	Assets (mil. CZK)	Export (mil. CZK)	Number of employees
CR - national economy	8 689 884	19 504 473	3 032 632	4 168 643
• Share of 80 most important companies	24.96%	11.96%	32.86%	8.56%
• Share of 40 most important companies	21.40%	10.88%	31.82%	7.60%
• share 5 most important companies	10.34%	5.71%	19.19%	3.49%

Source: Authors according to data of Czech Statistical Office and Czech Top 100

Although these companies have in terms of employment less than ten percent share, their role in the economy is essential. They usually stand at the end of a production-distribution chain and their multiplier economic effect is high, as is proved by the share of market production and exports. Export of the 80 largest companies per one employee exceeds 3.8 times and market production 2.9 times an average company in the Czech Republic (according to CSO data). These companies represent for small

and medium-sized enterprises intermediaries for export and realization of production by the final consumer. Any decline in production in these societies is reflected in the economy several times, it means by the multiplier effect.

The average number of employees in a large company in the Czech Republic was, according to Eurostat data, in 2011 737.3 employees. One large company as an employer can be replaced by more than 7 companies in the category of 50 to 249 employees, 52.6 firms in the category of 10 to 19 and 670 micro enterprises (data see Table 8). In the case of other indicators, i.e. added value and gross value, the figures are even higher.

Interconnection of companies that would increase the need for a rise in the number of companies, is not considered in this model calculation. The average number of employees in the analyzed 80 firms is 4459, which is about 6 times the average of a large company. So here the number of companies that is able to replace one of the leading 80 companies is even larger. For example, in terms of employment, one such company would have to be replaced by about 4053 micro-businesses or 319 companies in the category of 10-19 employees.

**Table 8: Average number of employees per a company in 2011**

	Total	0 to 9	10 to 19	20 to 49	50 to 249	250 and more
United Kingdom	10.5	2.0	14.6	39.8	115.3	1429.7
France	5.9	1.8	na	na	114.4	1264.5
Spain	5.7	2.5	17.0	37.4	116.0	1081.6
Sweden	4.4	1.2	14.9	31.9	104.3	1006.5
Italy	4.0	2.0	13.6	30.3	95.8	945.2
Belgium	4.8	1.7	13.1	29.0	98.2	939.2
Poland	5.5	2.1	13.2	30.1	105.3	878.2
Germany	11.6	2.7	12.3	28.9	92.8	874.4
Finland	6.3	1.7	13.2	29.1	94.5	870.9
Hungary	4.4	1.7	13.7	31.5	98.3	860.8
Switzerland	18.9	4.9	14.4	30.9	100.5	855.7
Portugal	3.9	1.7	13.9	31.5	99.2	838.7
Romania	9.1	2.5	12.3	28.2	95.3	817.7
Slovakia	3.5	1.4	16.4	23.9	102.0	799.9
Austria	8.4	2.5	13.1	29.3	96.1	793.5
Croatia	7.0	2.4	14.0	30.9	105.6	780.8
Slovenia	5.1	1.7	13.8	30.9	107.9	765.0
<b>Czech Republic</b>	<b>3.4</b>	<b>1.1</b>	<b>14.0</b>	<b>29.5</b>	<b>101.1</b>	<b>737.3</b>
Bulgaria	6.2	2.1	13.5	29.9	98.1	687.9
Lithuania	6.1	1.7	13.4	28.8	90.1	655.9
Latvia	6.8	2.2	13.4	29.5	90.4	618.3
Estonia	6.7	2.2	na	na	89.8	535.5
Luxemburg	8.0	1.7	12.3	28.6	96.2	528.0
Cyprus	5.3	2.2	13.2	28.0	95.4	516.9
Denmark	7.1	na	na	29.2	na	na
Ireland	7.3	na	na	na	na	na

**Source: Authors according to data from Eurostat**

Departure of one average firm from the group of 80 most important companies without replacement by other companies lead to increase in unemployment of 0.11%, in the case of 40 most important companies, this value is 0.19% and the five most important companies 0.7 percent. An unequal distribution of impacts in space is not considered in this calculation. In the situation when the companies operate in two regions, the impact will be on average seven times greater, i.e. in the case of 40 major companies the increase in unemployment would be 1.33% not counting the multiplier effect.

### **Impact of large enterprises on public budgets**

Tax system in the Czech Republic is made of direct and indirect taxes. Among direct taxes we include income tax (a) personal income tax, (b) corporate income tax, followed by property taxes (a) property tax, (b) inheritance tax, (c) tax of donation, (e) property transfer tax and (f) road tax. Indirect taxes are divided into universal (in fact, it is only the value added tax) and selective consumption taxes (a) including consumption taxes on spirits, beer, wine, tobacco and tobacco products and mineral oils.

The most important tax revenue of the state in 2012 was value added tax (VAT). The value added tax in 2012 was collected in the amount of CZK 278.2 billion. The second most important item was the consumption and energy tax CZK 140.4 billion. Followed by income tax of CZK 136.3 billion, corporate income tax of 133.6 billion CZK, real estate tax of CZK 9.5 billion and real estate transfer tax of 7.7 billion CZK. Collection of any other tax does not attain more than 7 billion CZK.<sup>8</sup>

A key item of income of regions is formed of tax revenue. Regions receive a share of the gross revenue from value-added tax, from the gross revenue tax (advance of tax) the personal income tax from dependent activities and emoluments paid by the employer as a tax payer, with the exception of taxes on personal income tax withheld under a special rate of the gross revenue from value-added tax from the gross revenue tax on personal income tax withheld at a special rate of the gross revenue tax (advance of tax) personal income tax.

The municipalities are funded similarly. They acquire 100 % of the property tax, from territory where the property is located, share of the gross revenue tax on the value added, share of the gross revenue tax (advance of tax) personal income tax from dependent activities and fringe benefits, paid by the employer as a taxpayer pursuant to the Income Tax Act, the share of the national gross revenue tax (advance of tax) personal income tax withheld at a special rate, as a percentage of the gross revenue tax (advance of tax) income individuals, the proportion of the gross revenue tax on corporate income tax, from the proceeds of tax advances income persons who are resident in the municipality on the due date, and tax revenue (settlement and subsequent approval or additionally assessed tax) personal income tax, which had in the municipality of residence on the last day of the tax year to which the tax obligation, except for taxes withheld at special rates with the exception of tax (advance of tax) Income from dependent activities and emoluments withheld and discharged the taxpayer, the share of the gross revenue tax (advance of tax) personal income tax from dependent activities and fringe benefits, paid by the employer as a payer of income tax, except taxes personal income tax withheld at a special rate.<sup>9</sup>

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<sup>8</sup> Source of data Ministry of Finance ČR

<sup>9</sup> Accurate specification see tax systém of the Ministry of finance ČR ([www.mfcr.cz](http://www.mfcr.cz)).



The following data quantify the role of large enterprises for public budgets:

- **Corporate income tax**

From the data obtained in the survey Czech Top 100, it is visible that per employee among the 80 largest companies there is 579 000 CZK profit per employee (data for 2012). The total profit of these companies reached 206.54 billion CZK. Corporate income tax is 19 percent. Adjusted amount of taxes paid on corporate income is 39.24 billion CZK (total corporate income tax in 2012 amounted to CZK 133.6 billion). From the total, 67.5 % goes to the state (26.49 billion CZK), 23.58 % to municipalities (CZK 9.25 billion) and 8.92 % (3.50 billion CZK). Tax calculated per one employee CZK 98,610<sup>10</sup>.

- **Tax on personal income from employment**

In these 80 leading companies, a total of 356,723 workers are employed. When considering the average monthly wage in the industry being CZK 27,249 (year 2012 according to the Czech Statistical Office), the total volume of wages is 116.64 billion CZK. When the discount for two children is requested, the tax rate, including employer contributions is 37%<sup>11</sup>. Taxation of these wages reaches a total of 43.16 billion CZK. Per employee, we are speaking of 120 986 CZK. This amount is divided among the state, regions, municipalities, and health insurance companies.

- **Property Tax**

According to the investigation in industrial zones carried out in 2010 in the industrial zones in the Czech Republic 30.2 employees accounts for an hectare of industrial site (only occupied parts of industrial zones). 356,723 employees (of 80 most important companies) account for 11,812 hectares (118 km<sup>2</sup>). In the case of standard industrial zone, standard conditions using the proportion 1/3 constructed property, 1/3 green areas and 1/3 other (hard surface) area can be considered. Property tax reaches at least the following values :

- buildings used for industry 39 km<sup>2</sup> ( 118 km<sup>2</sup> / 3) x 10 = CZK 390 million CZK
- paved area : 39 km<sup>2</sup> x 6 = CZK 174 million CZK
- Other area: 39 km<sup>2</sup> x 0.2 = 7.8 CZK
- Total: 571.8 million CZK (per employee it is 1,603 CZK).

Total value can be multiplied by a coefficient (established by municipalities) and attain values of up to 2.859 billion CZK (8014 CZK per employee). This tax is the sole income of a municipality.

- **Value added tax**

The amount of this tax collected can be estimated only with difficulty. One of the possible methods of calculation is based on the assumption of a constant ratio between income taxes and value added taxes. The ratio of total tax collected from corporate income tax and value added tax in 2012 amounted to 2.08 (personal income tax of 133.6 billion CZK, VAT of CZK 278.2 billion). Taking into consideration that this ratio is maintained even in the case of 80 leading companies, collected value added tax reaches 81.6 billion CZK, respectively 228 749 CZK per employee.

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<sup>10</sup> Simplification was considered, that the tax rate is effective at the same time.

<sup>11</sup> Calculation see: <http://www.finance.cz/dane-a-mzda/kalkulacky-a-aplikace/mzdovy-kalkulator/?result=1&VaseHM=27249&pocDeti=2&pocDetiZTP=&invalida12=0&invalida3=0&ztp=0&student=0&cenaAuta=&submit=0#submit>

The amount of other taxes, particularly consumption taxes, can be very difficult to estimate (e.g. consumption tax) and therefore they are not included.

According to the above calculations per one employee:

- tax on corporate income : 98 610 CZK ,
- tax on personal income from employment : 120,986 CZK ,
- Property tax : 1603 - 8014 CZK ,
- value added tax : 228 749 CZK .

Restriction of production and the related proportional redundancies in the 80 most important companies in the Czech Republic counted per 1,000 employees, there is the total tax loss of (until replacement by another company ) 448.3 million CZK (property tax is not considered, since it is paid regardless of the number of employees). When we change it to 2230 staff, the total tax loss is CZK 1 billion. Taking into consideration that 80 major companies reduced headcount by 1% (3567 employees) a loss of \$ 1.6 billion CZK occurs in the state budget. This would be accompanied by an increase in expenditure on social policy.

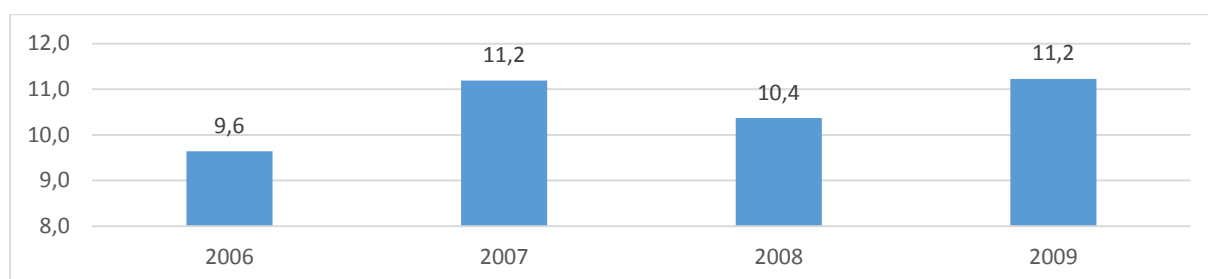
## 5. Qualification, further training of employees and wage level

Compared to large enterprises, it is difficult for small and medium-sized businesses to fund research which is then systematically implemented. The economies of scale that small and medium-sized firms are not able to realize are the main reason. The demand for research in research organizations is generated particularly by large companies.

In 2010 and 2011 the Centre for Regional and Administrative Sciences at the University of Economics in Prague did a research on the behavior of large firms. The research has also addressed the question of qualification and staff development. 59 large enterprises with a total of more than 32 thousand employees took part in the research, which was both qualitative and quantitative in nature.

One of the questions dealt with was the proportion of staff with university degree. The proportion ranged between 9.6 and 11.2 percent in the monitored firms.

**Graph 3: Average proportion of university graduates in the monitored large enterprises in percentage**



**Source: Authors' survey<sup>12</sup>**

The survey confirmed that large enterprises have prepared plans for development of their employees. The collaboration with the university sector, both technical and non-technical is very common. Big companies promote university research activities, cooperate in the implementation of bachelor's, master's and doctoral theses. A higher degree of cooperation are "spin off" companies focused on research and development.

Examples include Tescoma, which works closely with the Faculty of Technology of Tomas Bata University in Zlin. Cooperation covers in particular the development and testing of new products. Another example is the city of Brno, where in cooperation with the Technical University in Brno and companies in the ICT sector in the Czech Republic a unique technological park was created.

Work teams of large companies are internationalized. This brings the linguistic requirements for employees. Language courses are therefore integral part of training for company employees. Multinational companies provide hosting of their employees in foreign branches. This increases their skills and naturally supports the diffusion of knowledge.

According to the survey of the University of Economics in Prague an average monthly gross wages in large enterprises amounted to CZK 27,439 (weighted arithmetic mean by number of employees). In the Czech Republic, the average gross monthly wage is 23,598 CZK. The difference reached the figure of CZK 3,841, or 16.28 %. Higher wage means higher purchasing power of the workers and hence the

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<sup>12</sup> It is derived from empirical survey realized by University of Economics in Prague in 2010 for Ministry of Industry and Trade CR under supervision of Milan Damborský, PhD

demand for other products from other firms in the economy and higher contributions for public budgets.

In the period from 2006 to 2009 large firms were also creators of new jobs in research and development. In 2006 0.53 jobs were newly created in the area of research and development directly in large enterprises per one hundred employees. In 2007 it was even 0.61. A positive development was slowed down by the economic downturn in 2008 and 2009. The numbers are evidence of increasing importance of research and development for large companies. The development of the knowledge economy is a key factor for the future competitiveness of the Czech Republic and throughout the whole Europe.

**Table 9: Created jobs in R&D**

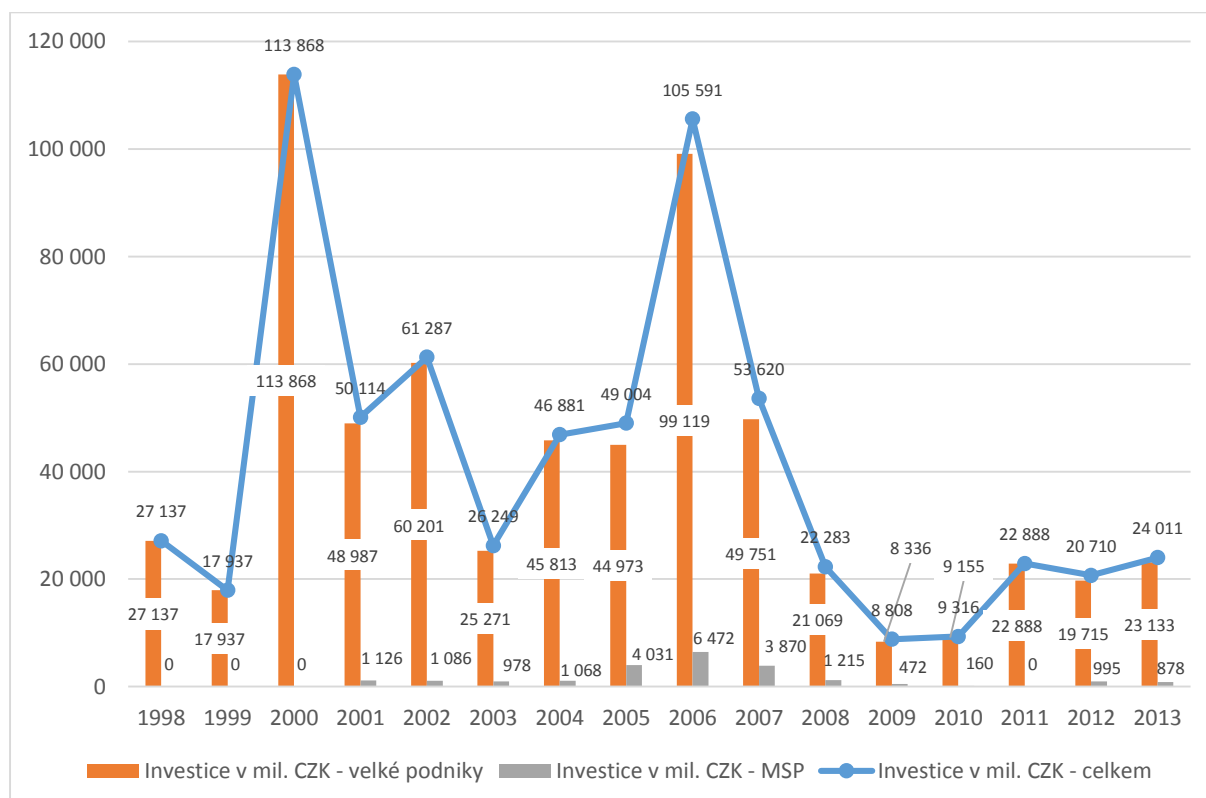
<b>Year</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>
<b>Newly created jobs in R&amp;D</b>	150	181	119	75
<b>Total number of employees</b>	28 334	29 577	32 049	28 156
<b>Per 100 employees</b>	0.53	0.61	0.37	0.27

**Source: Authors' survey**

## 6. Investment incentives

Investment incentives are an essential direct tool for investment activity in the Czech Republic. Further, additional tools mainly use the EU funds.<sup>13</sup> This chapter provides an overview of the importance of large enterprises within the investment incentives and thus also in the investment process in the Czech Republic.

**Graph 4: The volume of supported investments by promised investment incentives (April 1998 to November 2013 according to the filing date of the project), in millions of CZK, divided into small and medium sized and large enterprise**



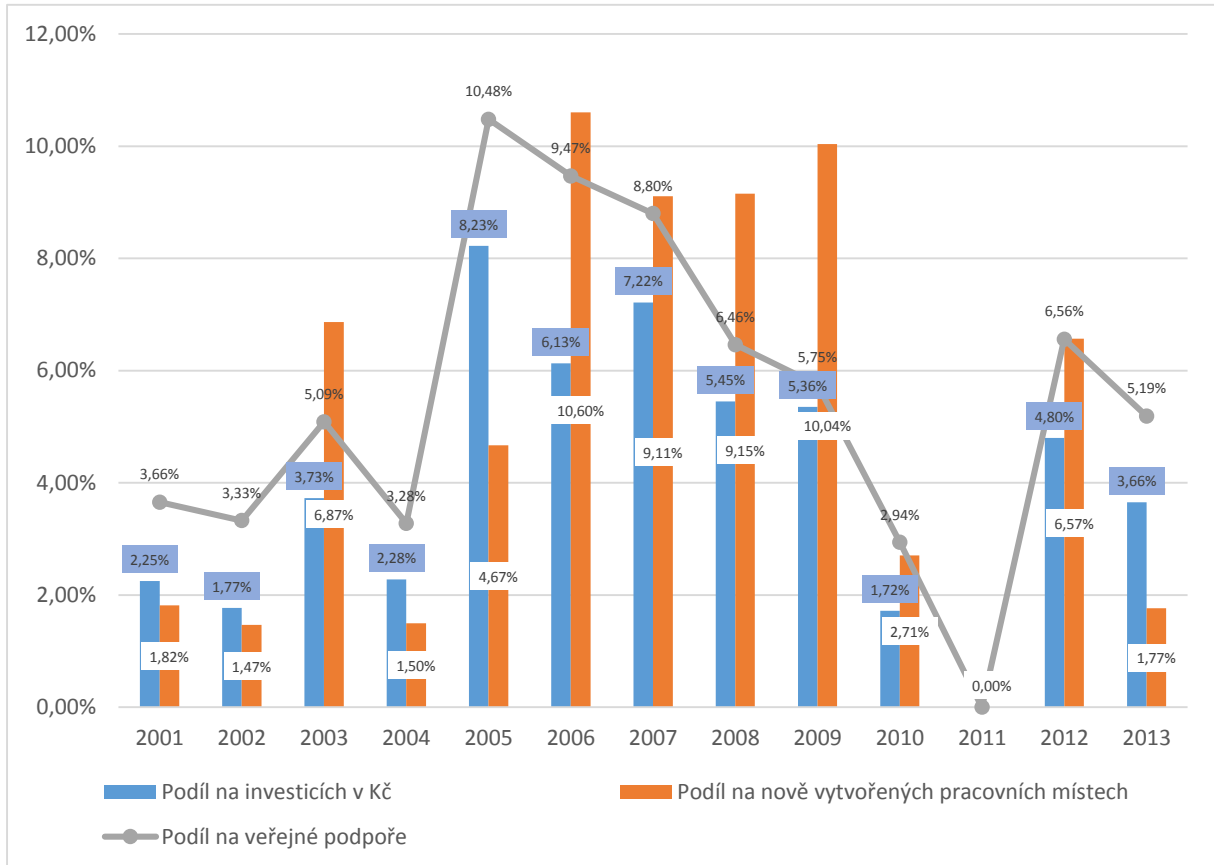
**Source: Authors according to data from CzechInvest**

Among the supported investments in the Czech Republic, large enterprises dominate. This can be illustrated by the development of supported investments (Graph 4). The highest volume of supported SME investments was recorded in 2006 (according to the submission of the project). It was CZK 6,472 billion, which is about 6.1% of the total supported investment using the promise of investment incentive.

The first SME supported projects by investment incentives were plans from 2001. Since then, the number of SME projects has been extremely low. Graph 5 shows the share of SMEs on investments in CZK, newly created jobs and public support for the investments supported by investment incentives. The highest share of public aid under the investment incentives was attained by SME in 2005, it was 10.48%. In contrast, in 2011, there was not a single plan from a small and medium-sized enterprise submitted.

<sup>13</sup> In the case of EU funds, the SME are preferred and on the contrary in many cases, large enterprises are excluded.

**Graph 5: Proportion of SME on investment in CZK, newly created jobs and public support**



Source: Authors according to data from CzechInvest, 2014

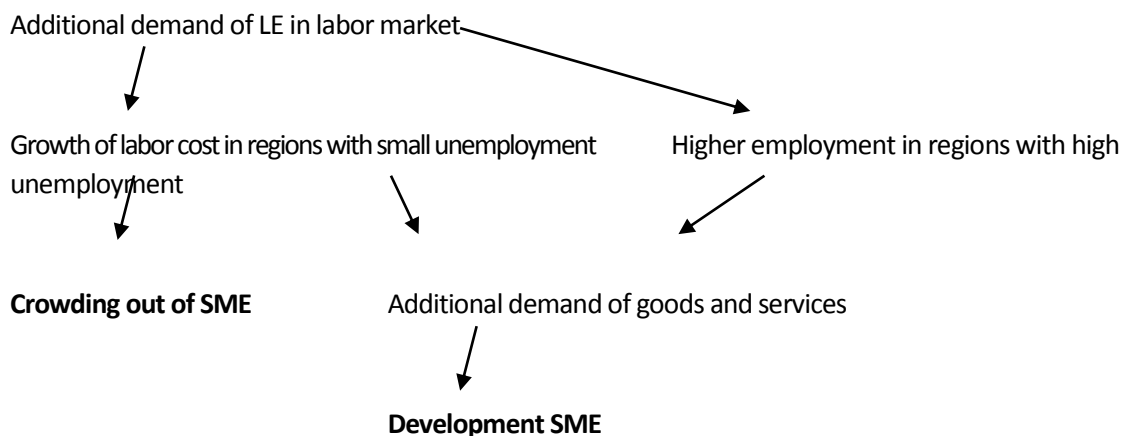
## 7. Relation between large and small and medium-sized enterprises

Relation between small and medium-sized enterprises and large corporations has two main dimensions. They are a competitive and cooperative. Small and medium-sized enterprises compete with large ones in the market of production factors, especially labor market. This competition will be exacerbated in regions with a shortage of available labor. At present, this shortage is rare in the European economy and the Czech Republic is not affected at all, with the exception of Prague. Small and medium-sized enterprises compete with large ones in certain segments of the labor market (in parts with inadequate labor force, as in the case of qualified technically-oriented employees). Even here, however, the position of small and medium-sized enterprises is not fully competitive. Staff turnover among firms is a natural tool for knowledge transfer. This increases the competitiveness of all subjects.

Another market where there are competitive relations is the market of goods and services. Even here, however, the competitive relationship is not definite. Especially in export-oriented sectors such as manufacturing, this relationship is rather the opposite. Almost exclusively large companies are able to make effective use of their production globally. The reason is economies of scale that small and medium-sized enterprises are not able to achieve. Small and medium-sized enterprises participate in global trade particularly through large companies as their subcontractors.

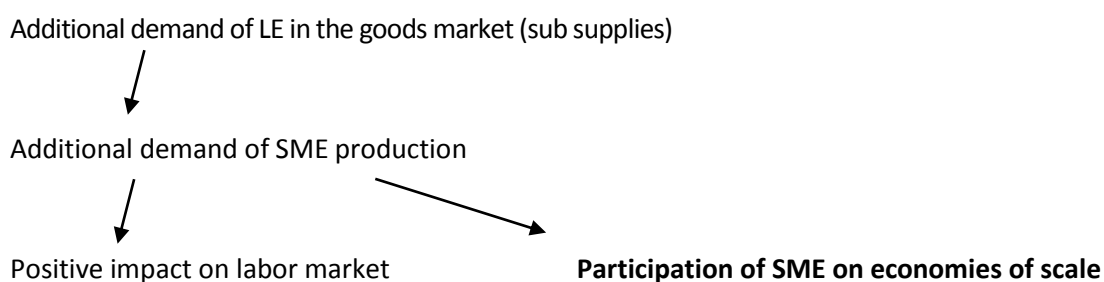
Basic causality in the labor market and in exports can be defined within the scheme 1 and 2

### Scheme 1: Labor market



Source: Authors

### Scheme 2: Export stimuli



Source: Authors

Similarly, the relationship between large firms and small and medium-sized business can be assessed. Competition of large companies is more evident, as in the case of services, the place of consumption is normally connected to the place of the service provider. On the other hand, large companies outsource range of services to small and medium-sized companies. These include legal services, security, catering, IT services, development and testing services etc.

Large enterprises have a major impact on the image of national economies. Like the image of the Czech economy is associated with large companies such as Škoda Auto, ČEZ, etc., the image of other states is associated with Fiat, Siemens, Bosch and Gorenje. Positive image of the country then determines success of small and medium-sized businesses in foreign markets.



## 8. Impact of large enterprises on social and environmental areas

Large enterprises are often criticized by environmental organizations for problematic behavior in environmental and social areas. Findings of the University of Economics in Prague (see e.g. Wokoun 2010) support the contrary.

Most large companies organize a wide range of social activities beyond their legal obligations, including in particular the sponsoring of non-profit activities. These include sponsoring sports, cultural and other social activities.

Examples of promoting local activities can be: children's days by Nemač or Písecké festivities that are supported by companies from the local industrial zone. TPCA sponsors specific local event "Kmočův Kolín" and created a grant program "TPCA Partnership for Kolínsko". Municipalities, non-profit organizations and primary schools can apply for funding for their projects from this fund. In addition, TPCA organizes concerts on its own.

HYUNDAI Motor Manufacturing Czech (HMMC) created a special foundation, whose signatories were HMMC, Moravian-Silesian Region and representatives of NGOs. The foundation is managed by administrative (4 members) and supervisory (4 members) councils. HMMC has one vote in each council. Foundation supports rather soft projects in the Moravian-Silesian Region, in particular projects related to the environment.

Other activities supported by large firms are in the field of health of employees. Large companies have their own health centers and medical care is provided to employees directly in a company or in contract facilities. Large firms also provide above-average contributions. Over-standard care is offered to employees of Tescoma, which built, for its employees and their family members, on-site wellness center. Construction was paid from the company's profit after taxation. TPCA implements its own specific program, which indirectly encourages its employees to pursue a healthier way of life. In addition to the built cycle paths leading to the area, TPCA has established a center for preventive care, the company also labels its food (e.g. green labeled food is healthy).

Large enterprises actively cooperate with the educational sector. E.g. Škoda Auto also provides both experience and technical equipment. From 2008-2013 ŠKODA AUTO sent altogether 306 vehicles to schools for technical education. In addition, eight subjects succeeded in the grant procedure. The company helped to ensure, above all, classroom equipment and technical workshops.

There is a big pressure in contemporary society on environmental protection and "sustainable" growth. Large firms, under the influence of government regulations, carry out a range of measures to meet environmental limits. In addition to standard measures to make the production more environmentally friendly, there are also other measures that relate to the production only a little. They include the promotion of public transport. Typical examples are having their own bus connections, financial support to bus lines or setting up bus stops. Other examples are the measures connected to parking lots, as well as promoting the use of bicycles. Parking spaces for bicycles have already become an integral part of parking solutions.

Companies emphasize the conservation of green areas within their premises. For example, industrial zone Liberec South fully implemented the rule of 60:20:20, which means that total area comprises of 60% of the buildings, 20% of paved areas and 20 % of green areas.

Many large enterprises implement so-called "green concepts". An example might be the company TPCA, which maintains a low level of their waste, which is about 7 kg per car. This was confirmed by

the BAT (Best Available Techniques) certification, which TPCA received together with international certificate of environmental management EN ISO 14001:2004. Environmental protection is in TPCA an integral part of the production system and policy.

There is a special project called "For every car sold in the Czech Republic, one tree planted". It is carried out by Škoda Auto. As part of this project more than 363,000 trees were planted in more than 50 locations. The company also invested in 2012 an amount of CZK 617.8 million to clean contaminated sites. These activities are part of ŠKODA GreenFuture strategy, which is based on the principles of sustainable development.

Another example is the care for greenery around businesses. For example HMMC, when constructing its manufacturing plant in Nošovice, replanted 1,065 trees (only 6 trees did not survive this shift).

In terms of infrastructure development, it is also possible to evaluate positively the effect of e.g. presence of corporate firefighters, who work for the whole area, not only in the company premises. Škoda Auto goes even further; it actively cooperates with the Integrated Rescue System (police, fire brigade, ambulance) to improve road safety.

Within the typical large infrastructure, large enterprises build their own sewage treatment plants and often also fund the repair and maintenance of local roads. From the perspective of the region, it is indispensable that the companies initiate state measures to improve transport accessibility. This chapter shows a very wide range of activities of large enterprises that are undoubtedly beneficial for the welfare of the region and thus its attractiveness for other investors and its residents.

## 9. Relocation tendencies and related investment conditions

Since 2007, there has been strong pressure in the economy of the Czech Republic to move activities abroad. These tendencies are emerging, particularly in the manufacturing industry and are caused by various factors. In addition to the natural market factors, such as growing labor costs and high corporate taxes, there are also other non-market factors such as investment incentives, lower standards of social and environmental protection. Regarding the fact that relocation tendencies are not statistically monitored in the Czech Republic, specific examples are offered.

- **Johnson Controls**, which manufactures seat covers in Roudnice nad Labem. The company plans as of the end of September 2014 to stop the production and move it to Romania. **In total 1636 employees will be made redundant.** Johnson Controls operates in the Czech Republic since 1993 and now it has, besides Roudnice, nine other factories in the country, such as in Žatec, Česká Lípa, Strakonice and Stráž pod Ralskem. Johnson Controls Automotive Seating employs in the CR 5100 people, all units of Johnson Controls in the Czech Republic have around 6200 employees. Parent company Johnson Controls operates in 150 countries and with last year's sales of \$ 42 billion it ranks among the largest global suppliers for the automotive industry. The factory in Roudnice manufactures seat covers and other textile and leather parts of car seats. All products from Roudnice plant are exported to other European countries. CEO of Johnson Controls Automotive Seating Peter Heift explained the reasons for the transfer of production as follows: "The automotive industry in Europe is facing a longer period of challenging market conditions, which resulted in the decrease in the volume of production. As a supplier of car companies, we need to adapt to the decreasing demand." According to him, the current market situation negatively affected the orders of plants for the production of car seats and forcing manufacturers to optimize capacities in this area.<sup>14</sup>
- A company manufacturing steering wheels for vehicles **TRW Volant** ends in Prague in Horní Počernice its production as of the end of 2013. **Approximately 150 people will be made redundant and its production will be moved to Romania.** The factory in Počernice, functioning since 1928, is part of the U.S. TRW Automotive. Global automotive parts manufacturer TRW has factories in the Czech Republic in Dačice, Stará Boleslav, Benešov, Jablonec nad Nisou, Frýdlant and Řepov. Worldwide, it has about 200 factories with 70,000 employees. According to the latest available data, TRW Volant had in 2011 sales of 1.9 billion and a loss of 92 million CZK. In 2010 it had sales of 2.2 billion and a profit of 112 million CZK. This means that the company did not have economic problems. The company's management, however, decided to relocate factories to Romania, which is a destination even cheaper than the Czech Republic. TRW currently has five factories in Romania (Timisoara , Baia Mare, Oravita, Lupeni, Marghita), which employ around 3,500 workers. Latest factory is Baia Mare, where production was launched in January 2013 with 300 employees. By the end of 2013 TRW plans to employ 650 people there.<sup>15</sup>
- Another example of relocating production to Romania is the plant **Eaton Elektrotechnika** Suchdol nad Lužnicí. The company's management decided, in order to optimize the cost, that circuit breakers will be manufactured at Sarbu in Romania and therefore **156 employees will be made redundant** in the Czech Republic. The reasons for the shift were explained to IHNED.cz by director of the factory in Suchdol Eaton Electrical Josef Mazánek: "There were several reasons. Decision was made in **response to the challenging conditions in the global market, reduction of market**

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<sup>14</sup> See [http://litomericky.denik.cz/zpravy\\_region/johnson-controls-ukonci-v-roudnici-vyrobu-20130704.html](http://litomericky.denik.cz/zpravy_region/johnson-controls-ukonci-v-roudnici-vyrobu-20130704.html).

<sup>15</sup> See <http://www.novinky.cz/ekonomika/315672-vyrobce-volantu-v-hornich-pocernicich-pry-konci-presune-se-do-romunska.html>.

**prices and the need to concentrate production and optimize costs.** Of course, this step is part of the international strategy."<sup>16</sup>

- Next year in March, the manufacturer of airbags **GST Jevíčko** will close down. **About 60 people will be made redundant.** Their work will be relocated to a plant in the Romanian town of Sighisoara. The factory in Jevíčko is part of the Global Safety Textiles. It has operations in Europe, in Poland and Germany. Already in 2009, some capacity of GST Jevíčko was moved to Romania. According to director František Bušina, the firm employed over a thousand people in 2006. But then the crisis came. Entire production was not relocated immediately because one customer wanted airbags, which were put to cars of TPCA: Suzuki and Toyota, to be sewn in the Czech Republic. The reason for the loss of the plant in Jevíčko is the decline of European demand for new cars, which then falls on auto parts makers. They are forced to close down their plants and move them to the destination even cheaper than the Czech Republic. The shareholders decided to move GST factory to Romania, as they were responding to pressure from customers requesting a reduction in the price of products. Apparently, it was not possible to produce airbags in the Czech Republic for the reduced price. Jevíčko factory was in loss in recent years. Last year, it lost 1.7 million and a year earlier even 58 million CZK.<sup>17</sup>

**The reasons for the relocation of production to Turkey are basically the same as in the case of Romania. Low labor costs and a rapidly growing economy play the greatest role.**

- Václav Hubinger, Ambassador of the Czech Republic in Turkey, describes Turkish investment environment as extremely attractive. The Turkish market has enormous absorption capacity - about 76 million people, there has been an attempt to build quality infrastructure and a growing need to import not only products but also know-how. In Turkey, willingness to cooperate with third markets is also apparent. Other positive factors are the compatibility of standards, customs union with the EU, a good quality financial sector, geographic proximity and good transport accessibility of the country. Finally, the Turkish state has a simple, clear and interesting system of investment incentives and supports further liberalization of the market.
- Ilyas Cosgun, who is a board member of Czech -Turkish Association of Young Entrepreneurs (CETIAD), confirms the previous description of the investment environment in Turkey and further emphasizes their program to support foreign investment. Turkey forms agreements with various states (including the Czech Republic) concerning the reciprocal support and protection of investments. Regional incentives for investment heading into underdeveloped regions of Turkey, including the eastern part of the country are included in the generous program to promote foreign investment. They allow exemptions from customs duties and VAT which should be highly interesting for foreign entities.

**In the case of textile companies, there is a model applied where management including accounting remains in Europe, but part of the production is transferred to Asian countries in order to reduce costs.** Especially to China, Bangladesh, Pakistan, Vietnam and India. A company does not generally establish a new branch in Asia, but it has its collection sewn by its business partners. This applies, for example, to leading manufacturers of outdoor equipment and clothing Alpine Pro, Hannah, Husky or Direct Alpine.

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<sup>16</sup> See <http://byznys.ihned.cz/c1-59494830-jihocesky-eaton-presune-cast-vyroby-do-rumunska-o-praci-prijde-pres-150-lidi>.

<sup>17</sup> See <http://zpravy.e15.cz/byznys/prumysl-a-energetika/vyroba-autodilu-dal-miri-z-ceska-do-rumunska-v-jevicku-konci-s-airbagy-1028416>.

The following chapter provides a comparison of investment incentives of competing countries outside the EU. Many of these countries offer very generous investment incentives, and other investment advantages, such as lower requirements for environmental protection, social protection and taxation.

## 10. Investment support abroad

Different states have different options, but also restrictions on investment promotion. The fact remains that every state in some way is trying to promote investment activity. Developed and rich countries can provide investors with high support in the form of various investment incentives. Less developed countries offer lower standards of social or environmental protection. Overview of selected countries outside the EU is provided in the following text.

- **Switzerland**

Swiss investment policy focuses on business development, which creates high added value with a high proportion of research and development. Investors can draw relief for income taxes (which are the income of the individual cantons). These cantons also provide a variety of tax deductions. In addition to discounts on regional taxes, businesses can receive a discount on the federal tax credit for income requested by the canton after the allocation of regional tax relief. Direct payments and grants are available only to companies that are actively involved in research in the form of reimbursement of costs.

Tax relief on a cantonal level (total 36) can be described as follows. The period when you can take advantage of these concessions is a maximum of 10 years. The range is set at 50 to 100 percent. To evaluate the investments we analyzed sectorial focus of investment, involvement in international trade, turnover, number of employees, size of investment and competition in the market.

At the federal level, the specified range of tax relief is from 50 to 100 percent. The relief is only available in selected regions. Through tax relief, only industrial enterprises and companies providing complementary services for industrial companies can be supported, the firm has to have a positive impact on their surroundings, create new jobs, cooperate with local suppliers, support the development of quality manpower, research and development and collaboration with the public sector. They create high added value. In the case of production, the transformation of raw materials into semi-finished and finished products must be done with participation in global production processes.

In the case of enterprises providing additional services to industry they must be focused on innovation, advanced technology. What is important is the number of jobs created, the size of the market for sales of products. Supported activities include software development, technical and call centers, shared service centers, research and development, etc. The federal tax credits cannot be used in the case of the provision of banking, accounting, insurance, distribution, hotel and fitness services.

In selected cantons investments can get direct support in the amount of 5 to 30 percent of a one-off non-repayable contribution towards the capital costs. Each canton offers individual investors individual and tailor-made investment packages.

Financial assistance from the cantons is also available for research and development, product certification and costs associated with intellectual property protection. Some cantons also provide capital in return for a financial interest (shares).

In order to promote the recruitment of local staff, companies can in some cantons get contribution for technical education, which will be part of the salary of employees who need to improve their skills to achieve a new position.

Guarantees and loans, improving business environment, quality modern infrastructure, transparency in government processes, free advice and support for entrepreneurs in search and acquisition of intangible assets, advice for getting tax credits, public-private partnerships, facilitating contacts and services companies (legal services, organizations and associations, financial advisors, educational institutions, government agencies) are used as an indirect instruments. Small and medium-sized businesses are provided with free marketing services oriented to marketing studies, market analysis, competitive analysis, etc.

Regional government is a very strong in Switzerland. This applies to the provision of investment incentives. The cantons are free to create individual investment packages, incentives and extent of any available investment incentives in Switzerland.

- **United States of America**

Very generally, one could say that the U.S. uses tax relief and grants as a tool of investment incentives. Other instruments that are indirect in nature are different information and assistance. Support is strongly regionalized due to the fact that each state has its own tools and disciplines which favors. All is ensured by state on the federal level. From a global point of view, we can say that somehow all major industries are supported.

To promote foreign direct investment the organization Select USA is a key. It works at the federal level, and aims at supporting the localization of the world's top businesses. It allows easy access to programs and services related to investments. The organization has to ensure activities that contribute to the economic development of the USA.

Supported sectors are aerospace, agricultural and forest products, automotive, chemical and pharmaceutical industries, construction and real estate market, consumer goods, media, defense and security, education and training, electronic industry, environment and energy, financial services, food and catering equipment, ICT, health, transportation and logistics, manufacturing, petroleum and mining, engineering, legal services, retail, textile industry, tourism and wholesale.

At the national level we can see how each state creates its own specific incentives and loan programs that are targeted to the industry in which operate the firms that this particular state seeks to attract. It does not matter whether they are foreign or domestic investor. In any case, the investment incentives reflect the capital intensity of investment, newly created jobs and wage levels. The state then determines the type of incentives and credit which can be used by investors. Incentives and loan programs are funded by the state and local communities (municipalities) through various taxes, PPP and other mechanisms. Various states and local communities compete with each other to attract investment.

- **China**

Peoples Republic of China is a big country and the focus of investment incentives is derived from this fact. They are divided according to regions that have not only different potential and geographic

accessibility, but also infrastructure needs. In China, there are thus specially supported regions, and there are individually identified sectors of support. With the opening of the market, particularly the entry of China into the WTO, a space for many investment incentives to kick-start the economy was created.

Foreign direct investments are primarily directed to the development of agricultural production (new technologies, agricultural infrastructure), energy (production and distribution of electric power, renewable energy), use of natural resources (including mining safety), transportation, engineering, petrochemicals, pharmaceuticals, manufacturing medical equipment and projects aimed at exports.

Foreign investors are often hindered by the protectionist policy of the Chinese market, which requires administrative burden of certification, the conditions for entering the Chinese market, etc. The actual administrative process is difficult and long. Investment incentives are administered by the Ministry of Trade.

China is especially attractive because of cheap labor. Previously, China provided incentives such as tax holidays, which were generally offered to the industry but they are moving to other sectors as well. Tax incentives for businesses are applied according to the type of business.

In the 15 central government approved special economic zones, companies that have been created there, can take advantage of duty-free imports and exports, if the material stays in the zone. This allows producers to import materials and equipment and to export finished products. Waigaoqiao allows foreign companies to import and export goods from other manufacturers through its commodity exchanges. Waigaoqiao and Shenzhen Futian offer unlimited duty-free storage without charging customs inspection. This is interesting for companies whose products are waiting for marking, grading, packing and are stored there, since there is then a shorter delivery times and more space for after-sales support. <sup>18</sup>

Foreign investments may be approved by the local government in the support category independently (to 300 million USD). Foreign investment in restricted or prohibited areas must obtain approval from the central government.

- **Indonesia**

Indonesia is the largest economy in Southeast Asia and a member of the group of twenty largest economies in the world G20. Her tools of investment incentives are focused mainly on different deductions and tax relief and support for importing materials for the production and promotion of export of finished products. The granting of investment incentives, however, requires the prior approval of the Director General of the Coordination Council for taxation and investment. <sup>19</sup>

Investment tax incentives are available to investors in certain sectors and certain approved sites (the Integrated Economic Development Zones). Altogether there are 25 selected industries, including automotive and 15 selected sites. The tools of investment incentives include: withholding tax on taxable income up to 30 % of the amount invested, exemption from corporate income tax for a period of 5-10 years, acceleration of tax depreciation deductions, losses from the previous extension period

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<sup>18</sup> Businessinfo.cz: Free Trade Zones.: <http://www.businessinfo.cz/cs/clanky/cina-zahranicni-obchod-zeme-19056.html#sec6>

<sup>19</sup> Coosupport.org: Incentives overview: <http://www.coosupport.org/indonesia/tax/incentives/overview>



of up to 10 years (normal period is 5 years), reduced rate of withholding tax on dividends paid to non-residents by up to 10 %, tax holidays, which are available for new foreign investment in these business sectors (metallurgy, petroleum industry, chemical industry, industrial machinery, renewable energy and/or production of telecommunications equipment) or you can apply the tax holidays in remote areas and two-year 50 % tax reduction of corporate income tax at the end of the tax holiday .

According to the Embassy of Indonesia in Brussels<sup>20</sup>, the company producing for the domestic market may receive exemption from import duties on all machinery and equipment as well as raw material and support material required during the first two years of commercial production. The company producing for export markets may request a refund of import duties paid on inputs that are subsequently exported as finished products. Approved investments located in economic development zones (Capet) can use other additional incentives such as: suspension or reduction of import duties, exemption from VAT and income tax, and deductions on some expenses (benefits and expenditures on development of the local community).

- **Malaysia**

Malaysian Investment and Development Agency (MIDA)<sup>21</sup> is the main institution in this state, focusing on the promotion of industry and services. Investors are offered a wide range of investment incentives. Usually, however, the investor receives either a status of "pioneer" or investor is offered the tools of investment tax credits.

Status Pioneer - companies that intend to enter into or engage in activities that were initiated less than a year ago and concern supported sectors or production of supported product. The aim of this incentive is to attract investment in high- tech innovative products and skills. Then they are offered tax holidays up to 10 years and exemption of 70 % of statutory income for a period of 5 years from the date of manufacture or 100 % of statutory income for 5 years in assisted areas (Kelantan, Terengganu, Pahang (incl. Pekan), District of Mersing in Johor, Perlis, Sabah and Sarawak).

Investment tax credits (alternative to pioneer status) - companies that intend to enter into or engage in activities that were initiated less than a year ago and concern supported sectors or production of supported product. These companies may benefit from contribution of 60 % to 100 % on capital investments for up to 10 years. 60 % of eligible capital expenditure of up to 5 years from the date of approval can be offset against 70% of statutory income for each year of assessment until the contribution is fully enabled. Other incentives are: accelerated capital allowances, double deductions and allowances for reinvestment.

- **Thailand**

Thailand is a country where they emphasize the flow of investments and investment incentives. The country tries to shift to support of high-tech and highly innovative industries. Board of Investment (BOI)<sup>22</sup>, which operates under the Ministry of Industry, is preparing a policy of investment incentives and supports the flow of investments into the country. Thailand provides a variety of incentives that can be divided into tax and non-tax ones. Tax incentives can be used only in certain areas and for

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<sup>20</sup> Embassy of Indonesia. eu Performance requirements and incentives: <http://www.embassyofindonesia.eu/content/performance-requirements-and-incentives>

<sup>21</sup> MIDA.gov.my Incentives for investment: <http://www.mida.gov.my/env3/index.php?page=incentives-for-investment>

<sup>22</sup> BOI.go.th Investment Incentives: <http://www.boi.go.th/index.php?page=index>

specific activities. In contrast, non-tax incentives are available to anyone, meaning to investments in all regions and sectors.

Tools include tax investment incentives: exemption/reduction of import duty on machinery, reduction of import duties on raw materials, exemption from corporate income tax on a dividend, a reduction of 50 % on corporate income tax; double deductions for the costs of transportation, electricity and water supply; additional 25 % discount on the cost of installation or construction of facilities and exemptions from import duties on raw materials used in production for export. Among non-tax incentives we can include various permits. They are permits: for foreigners to enter the UK in order to study investment opportunities; the arrival of skilled workers and experts in the Kingdom who work in supported sectors to own land, or choose to return the money abroad in foreign currency.

Special investment zones supported and export -oriented firms are equally important components of the support of foreign investors. Companies that invest in supported special investment zones, are eligible for additional incentives, which include: 50 % reduction of corporate income tax for 5 years from the end of the current tax holiday, the opportunity to apply double deductions the cost of transportation, electricity and water supply, and finally able to deduct from their taxable income up 25 % of the investment costs of infrastructure construction for 10 years. Export-oriented firms have the following additional incentives: exemption from import duties on imported raw materials and components, exemption from import duties on re-exported items and exemption from export duties.

- **Turkey**

Location of Turkey on two continents is a major advantage. The Turkish economy has achieved over the last decade remarkable performance and steady growth. Turkey has a sound macroeconomic environment. Since 2002, Turkey has implemented structural reforms that increase investment attractiveness and is harmonized with the EU system. OECD expects the Turkish economy will achieve average annual GDP growth of 6.7 percent.

Turkey liberalized its economy since 1980. The role of the state in the production of goods and services is gradually being withdrawn; the state focuses on infrastructure development and the provision of public services. The main economic objectives of the state are to reduce unemployment, to support technological development, privatization, reduction of balance of payments deficit and Turkey's integration into the world economy. Turkey provides investors with significant tax incentives for industrial development.

Turkey has created a new system of investment incentives. This system actually includes four different areas, or if four different systems. For each system, there is a minimum investment amount. In addition, there is a set of tools; some tools can be used only in certain system of investment incentives. Another limitation is regional, which means that some tools can be used only in certain regions. Turkey is divided into six regions.

The new system of investment incentives comprises four different systems. They are:

### **1) General Investment Incentives Scheme**

There is a minimum fixed investment amount of TRY (Turkish lira) 1 million in Region 1 and 2, and TRY 500,000 in Region 3, 4, 5 and 6.

## **2) Regional Investment Incentives Scheme**

There is a minimum fixed investment amount TRY 1 million in Region 1 and 2, and TRY 500,000 in the remaining regions.

## **3) Large-Scale Investment Incentives Scheme**

The amount of support depends on a minimum investment amount, which ranges 50/200/1000 million TRY)

## **4) Strategic Investment Incentives Scheme**

There is a minimum investment amount of TRY 50 million.

These are the actual support instruments offered by Turkish representatives. The number at the end corresponds to the number of scheme. As mentioned above, some instruments can be used only in certain regions. If there is a restriction for an instrument, the number of the region that it is applicable to is given. The tools are: VAT Exemption – 1234, Customs Duty Exemption – 1234, Tax Reduction – 234, Social Security Premium Support (Employer’s Share) – 234, Income Tax Withholding Allowance – 234 (Reg. 6), Social Security Premium Support (Employee’s Share) – 234 (Region 6), Interest Rate Support – 24 (Region 3, 4, 5 or 6), Land Allocation – 234, VAT Refund – 4 (min. inv. Amount 500 mil. TRY).

- **Ukraine**

Ukraine provides government incentives in defined sectors focusing on activities with higher added value. This is the IT industry, technology, environmentally focused investments, manufacturing and export-oriented industries. The government incentives include mainly tax relief.

To attract foreign investors, this is the main aim of the State Agency for Investment and National Projects. There are also national projects aiming to support other sectors, because Ukraine is facing problems in areas such as infrastructure (transport, technical, tourism). Regionalization is not explicitly stated, but is apparent from national projects. The investment attractiveness of Ukraine on the contrary, is increased by privatization projects.

Government incentives for the IT sector include the reduction of corporate taxes for legitimate IT companies from the current rate of 21 % to 5 % and exemption from VAT on supplies (both cross-border and domestic) software products. Among conditions of the investment, there is a minimum amount invested. This is 3 million for large companies, 1 million for medium and 0.5 million for small businesses creating more than 150 jobs in large companies, 50 in medium-sized and 25 in small companies, salaries are higher than 2.5 times the minimum salary.

- **Russia**

Russia is one of the largest economies in the world. Recently it has started to strongly encourage inflow of foreign direct investment, for example by a creation of legislation and institutions (Russian Fund of Direct Investments, Strategic Initiative Agency).

Russia has divided the supported industry into two groups, they are: sectors which need to modernize (advanced processing of natural resources, agriculture and food production with higher added value, housing/construction materials, transport and logistics) and innovative industries (aerospace, alternative energy, nuclear energy, pharmaceuticals and healthcare, telecommunications and IT). Russia imposes certain restrictions on the participation of foreign companies in some sectors both in industry and services (licenses for certain activities).

The tools that are currently used in Russia to promote investments are: government incentives, special economic zones and the promotion of regional authorities to improve the business climate. As a special tool offshore zones can be named (zones with favorable economic environment) that are supported at the regional level; and a production division agreement (investor pays by a delivery of specified part of its production to the state instead of taxes).

The government is trying to attract foreign investors in the Russian economy. Taxation of foreign companies is not, however, significantly different from the taxation of Russian subjects. Regional/local authorities may grant exemptions for those taxes that are within its competence. Any such matter is assessed independently and granted benefits relate primarily to the significant investment.

In Russia, according to the Law on Special Economic Zones in 2005, the zones are built for a period of twenty years, which cannot be extended. With regard to the interests of the Russian government and its economic priorities four types of special economic zones can be set up: technical-research zones for scientific projects, industrial production zones for industrial development, tourism and recreational areas for relaxation of inhabitants, port zones for maritime connections with foreign countries.

- **Serbia**

Serbia is an internationally recognized leader in business reforms as well as it is recognized location for investment in Southeast Europe. It offers a highly regarded intellectual capital and duty-free access to 15 % of the world market. Since 2000, Serbia attracted nearly \$ 25 billion of foreign direct investment.

There are many reasons why an investor should come to Serbia. This country provides, among others, improved business environment to investors and highly regarded location, unique and compelling combination of highly skilled, but yet cost-effective workforce. Geographical location is favourable with modern transport infrastructure and telecommunications. This country also offers an attractive tax regime and subsidy support.

Among investment incentives in Serbia we can include these tools: State Grants, The National Employment Service Grants, Corporate Profit Tax Holiday, Corporate Profit Tax Credits, Carrying Forward of Losses, Avoiding Double Taxation, Salary Tax and Social Insurance Charges Exemptions, Annual Income Tax Deductions, Value Added Tax Exemptions in Free Zones, Customs-Free Imports, Local Incentives.

There are government grants and other support available for investors. Non-refundable government grants of between € 4,000 and € 10,000 for each new job created within three years from the date of signing of the grant are offered typically to large greenfield and brownfield projects in manufacturing, export-oriented services and tourism. A special financial package is available for large investors. If the

project exceeds € 200 million with a minimum of 1,000 new jobs created within ten years, it is eligible for a grant of up to 17 % of the total investment value. Project with a value of more than € 50 million, with at least 300 jobs created within ten years from the signing of an agreement can be granted aid; such project can receive a grant of up to 20 % of the value of its total value. Medium-sized projects, which means investments exceeding a value of at least € 50 million and at least 150 new jobs within ten years from the date of signing the agreement, can apply for grants of up to 10 % of the total amount invested.

- **Montenegro**

Despite the relatively small size of its economy, Montenegro has managed to attract solid interest from foreign investors, especially through its privatization program. The primary sources of investment have been Greece, Slovenia, and Russia, and to a somewhat lesser extent Italy, China, and Croatia. The total amount of foreign direct investments in 2011 was 534 million Euros and is 158 million less, or 22.83%, more than in 2010. FDI per capita in 2011 was € 860.

All significant tax rates in Montenegro are very competitive with other countries in the region and in many ways Montenegro strive to make the tax system even more attractive. Corporate income tax, which is equal to 9 % is the lowest in the region. VAT rate is 17 % but for certain categories of products and services it is even 7%. Tax on income of individuals is also 9%, the lowest in the region.

Investment incentives are: Value added tax - 7 % and 17 %; Personal income tax - the progressive rate of 15 %, abatement to 12 % and 9 % planned for 2010; Company profit tax - 9 %; Average customs duty - 6% and the prohibition of double taxation and the establishment of Free Zones

By investing in the tourism sector to the southern part of Montenegro improved its position in relation to the central regions of Montenegro. Northern Montenegro is still significantly lagging behind, although at present it has a stable share of foreign direct investment, ranging between 6.3% - 8.1% of total direct foreign investments in Montenegro.

- **Bosnia and Herzegovina**

Bosnia and Herzegovina has achieved a satisfactory political stability that guarantees security for the foreign capital and businesses following the 1990's wars. The main goal of Bosnia and Herzegovina is EU membership and it is a potential candidate country for EU accession. In this respect, it is worth mentioning that Bosnia and Herzegovina has signed the Stabilization and Association Agreement (SAA) with the EU, establishing formal contractual relations between the EU and Bosnia & Herzegovina. The accelerated economic reform process in the country has greatly improved the business climate. In November 2010, the Council of EU granted visa liberalization to Bosnia's citizens.

There are many reasons for investing in B&H, such as: Stable financial sector; Excellent geographical location; Favorable Trade and other Agreements; Favorable Tax and Customs System; Availability of skilled, educated, competitively priced and multilingual labor force that is familiar with international business; Abundance of premises and sites, industrial zones, free trade zones; Foreign Investor Support Fund; B&H can be a successful platform to export to a market of app. 600 million people without customs duties.

B&H offers many benefits for foreign investors, such as:

- The Law on the Policy of Foreign Direct Investments of Bosnia and Herzegovina (“Official Gazette of B&H”, no. 17/98,13/03 and 48/10) ensures foreign investors have the same rights and obligations as residents of B&H;
- Foreign investors are entitled to open accounts in any commercial bank in domestic and/or any freely convertible currency on the territory of B&H;
- Foreign investors are entitled to freely employ foreign nationals, subject to the labor and immigration laws in B&H;
- Foreign investors are protected against nationalization, expropriation, requisition or measures having similar effects; such measures may take place only in the public interest in accordance with the applicable laws and regulations and against the payment of an appropriate compensation, i.e. compensation that is adequate, effective and prompt;
- Equipment being imported as part of share capital is exempt from paying customs duties (with the exception of passenger cars, slot and gambling machines);
- Foreign investors may own real estate in B&H. Foreign investors enjoy the same property rights in respect to real estate as B&H legal entities.
- Foreign investors are entitled to transfer abroad, freely and without delay, in convertible currency, proceeds resulting from their investment in B&H.
- Free trade zones in B&H are part of the customs territory of B&H and have status of legal entity. According to the Law on Free Trade Zones of B&H, free trade zone founders may be one or more domestic and foreign legal entities or natural persons. The users of free zone do not pay VAT and import customs. Investment in the free zone, transfer of profit and transfer of investment are free of charge. The free zone establishment is considered economically justified if the submitted feasibility study and other evidence can prove that the value of goods exported from a free zone will exceed at least 50% of the total value of manufactured goods leaving the free zone within the period of 12 months.

Agreements on Avoidance of Double Taxation, which mean that companies only have to pay tax in their home country, accelerate the flow of investments into the signatory countries, encourage joint ventures, create more investment opportunities, expedite the transfer of technology and constitute a legal framework to bolster economic cooperation and enhance strategic economic partnership.

One of the main reasons for investing in B&H is also favorable tax system. Bosnia and Herzegovina has one of the lowest rates of VAT (17%) in the region and Europe, as well as the very acceptable corporate tax rates that are also among the lowest in the region and Europe (10%).

- **Albania**

Albania is ranked 18th among 141 countries according to UNCTAD’s Inward FDI Performance Index for 2010, up sharply from the 68th place it occupied in 2005. In terms of UNCTAD’s Inward FDI Potential Index, Albania was ranked 81st in 2009, far behind other European countries. This low ranking was due to, among other things, poor infrastructure, and modest research and development activity. According to UNCTAD World Investment Report 2012, in 2010 the number of foreign direct investments received by Albania amounted to \$1051 million, and in 2011 amounted to €1031 million.

Aiming at encouraging foreigners (either physical persons or legal entities) willing to invest in Albania, the law provides considerable guarantees to them, consisting of:

- Removal of prior authorization from the government and the opening of all sectors to foreign investment;
- Removal of limitations in the share of foreign participation in Albanian companies as 100 percent foreign ownership is possible;
- Protection of foreign investments from direct or indirect expropriation or nationalization measures, except for special cases defined by law in the interest of public use.
- Right of foreign investors to expatriate all funds and contributions of their investment, in kind;
- Granting of most favorable treatment to investors in accordance with international agreements to which Albania is a party;
- Judicial protection of foreign investors with respect to the legal rights related to their investments. Foreign investors may bring disputes before an Albanian court, or refer the case to arbitration. The relevant provisions governing domestic and international commercial arbitration are incorporated in the Albanian Code of Civil Procedure

Industrial sector (including manufacturing and mining) accounted for almost 50 per cent of the inflow of FDI in 2010 and 2011, with mining and metal working being the main recipients. Some labor-intensive industries such as wearing apparel and foot-wear have attracted a large number of projects with modest amounts of capital, mainly from Italy and Greece. Foreign investors have an important role in the Albanian food processing industry in terms of turnover (22 per cent) and employment (16 per cent).

**From the above mentioned, it is clear that countries outside the EU provide a very generous investment incentives. These, combined with lower costs resulting from lower environmental and social standards threaten the competitiveness of the Czech Republic, or rather its lagging regions.**

## 11. Conclusion

The aim of this study was to evaluate the impact of large enterprises on the socio-economic development of the Czech Republic and to assess legitimacy of public support for these companies. The study was prepared in response to the currently debated state aid rules, which significantly change the ratio of the maximum public support for small and medium-sized enterprises and large enterprises.

In the study, authors sought to quantify the findings to the maximum extent possible. In this context it is necessary to draw attention to a very limited data base related to information on the performance of enterprises by the official statistics. A major problem is the threat of incompatibility of data. The authors are aware of these risks and conclusions are, despite the remarks, relevant.

Large enterprises represent in comparison with small and medium-sized businesses a topic that is hardly ever researched. Instead of large companies being central to economic analysis, economic research is rather done on the behavior of multinational companies and foreign investors, which means, only a subgroup of large enterprises.

The authors of the study focused not only on the economic aspects of the behavior of large companies, but also social and environmental areas were included. In this context, the role of enterprises in the development of human resources, the use of applied research and development and the effect on the image of the state and the region as an investment attractive or unattractive area should be mentioned in particular. Environmental protection is an integral part of the strategic thinking of large companies in the Czech Republic.

Although the relationship between small and medium-sized enterprises and large corporations is generally perceived as competitive, the reality is quite the opposite. Large firms generate demand for goods and services of small and medium-sized enterprises. The production of small and medium-sized enterprises is exported through large enterprises. This happens due to the high proportion of these subcontracting companies. The importance of this cooperation is enhanced by the openness of the Czech economy.

Large companies are key taxpayers. Public budgets are very sensitive to even small fluctuations in the economic activities of these companies. Even small changes in employment at these companies can cause (even though temporary) a substantial loss in revenue of public budgets at central, regional and local level.

Although investment incentives, of course, represent a tool for distorting market mechanisms, their removal does not have to mean a return to the market equilibrium. From the analysis of the market environment of countries outside the EU, it is obvious that you cannot count on the fact that non-European countries will follow the EU in reducing state aid for investors. Due to lower environmental standards and social costs in countries outside the EU, a reduction of state aid to large enterprises represents a significant motivating factor for investments to be placed outside the EU. This risk is higher for large companies (compared to small and medium-sized enterprises) regarding the greater mobility of capital of large enterprises.



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## Appendix 1

### Number of enterprises according to size category, 2011

	Absolutely						Relatively				
	Total	0 to 9	10 to 19	20 to 49	50 to 249	250 and more	0 to 9	10 to 19	20 to 49	50 to 249	250 and more
EU28	22 098 422	20 448 910	906 603	473 669	225 357	43 817	92.54%	4.10%	2.14%	1.02%	0.20%
Belgium	550 777	517 769	17 129	10 765	4 236	886	94.01%	3.11%	1.95%	0.77%	0.16%
Bulgaria	309 953	281 793	14 419	8 772	4 285	684	90.91%	4.65%	2.83%	1.38%	0.22%
Czech Republic	1 004 565	963 753	20 391	12 376	6 633	1 412	95.94%	2.03%	1.23%	0.66%	0.14%
Denmark	213 398	190 703	11 600	7 088	3 371	636	89.36%	5.44%	3.32%	1.58%	0.30%
Germany	2 158 094	1 764 993	221 245	106 147	55 169	10 541	81.78%	10.25%	4.92%	2.56%	0.49%
Estonia	54 933	49 075	2 944	1 772	996	146	89.34%	5.36%	3.23%	1.81%	0.27%
Ireland	147 457	130 661	9 051	na	na	na	88.61%	6.14%	na	na	na
Spain	2 087 372	1 963 596	70 074	36 746	14 236	2 719	94.07%	3.36%	1.76%	0.68%	0.13%
France	2 567 431	2 417 698	76 198	48 660	20 451	4 430	94.17%	2.97%	1.90%	0.80%	0.17%
Croatia	153 687	140 928	6 841	3 578	1 915	425	91.70%	4.45%	2.33%	1.25%	0.28%
Italy	3 843 455	3 641 988	128 783	49 973	19 530	3 181	94.76%	3.35%	1.30%	0.51%	0.08%
Cyprus	45 837	42 163	1 913	1 070	513	85	91.98%	4.17%	2.33%	1.12%	0.19%
Latvia	79 243	70 399	4 614	2 670	1 368	192	88.84%	5.82%	3.37%	1.73%	0.24%
Lithuania	127 517	114 721	6 381	4 006	2 119	290	89.97%	5.00%	3.14%	1.66%	0.23%
Luxembourg	29 165	25 382	1 880	1 167	594	142	87.03%	6.45%	4.00%	2.04%	0.49%
Hungary	550 259	521 381	16 462	7 540	4 080	796	94.75%	2.99%	1.37%	0.74%	0.14%
Netherlands	811 155	759 086	26 099	16 055	8 418	1 497	93.58%	3.22%	1.98%	1.04%	0.18%
Austria	304 242	265 584	21 294	11 327	5 012	1 025	87.29%	7.00%	3.72%	1.65%	0.34%
Poland	1 523 418	1 452 022	29 867	23 237	15 278	3 014	95.31%	1.96%	1.53%	1.00%	0.20%
Portugal	831 655	789 947	23 518	12 163	5 226	801	94.98%	2.83%	1.46%	0.63%	0.10%
Romania	408 951	356 008	26 947	16 294	8 161	1 541	87.05%	6.59%	3.98%	2.00%	0.38%
Slovenia	117 481	110 343	3 707	2 032	1 174	225	93.92%	3.16%	1.73%	1.00%	0.19%
Slovakia	414 905	398 309	9 066	4 709	2 301	520	96.00%	2.19%	1.13%	0.55%	0.13%
Finland	225 913	207 362	9 769	5 653	2 520	609	91.79%	4.32%	2.50%	1.12%	0.27%
Sweden	651 418	616 132	18 370	10 895	5 027	994	94.58%	2.82%	1.67%	0.77%	0.15%
Great Britain	1 696 589	1 518 212	97 931	49 092	25 496	5 858	89.49%	5.77%	2.89%	1.50%	0.35%
Norway	272 264	249 704	12 577	6 594	2 808	581	91.71%	4.62%	2.42%	1.03%	0.21%
Switzerland	135 532	93 763	23 135	12 124	5 534	976	69.18%	17.07%	8.95%	4.08%	0.72%

Source: Eurostat

Note: In case of Cyprus and Switzerland data for 2010 were used (data for 2011 are unavailable)

## Number of enterprises according to size category per 1 mil. inhabitants, 2011

	Number of inhabitants 2011	Total	0 to 9	10 to 19	20 to 49	50 to 249	250 and more
EU28	505 730 473	43 696.05	40 434.40	1 792.66	936.60	445.61	86.64
Belgium	10 839 905	50 810.13	47 765.09	1 580.18	993.09	390.78	81.74
Bulgaria	7 369 431	42 059.29	38 238.09	1 956.60	1 190.32	581.46	92.82
Czech Republic	10 486 731	95 793.91	91 902.14	1 944.46	1 180.16	632.51	134.65
Denmark	5 560 628	38 376.60	34 295.23	2 086.10	1 274.68	606.23	114.38
Germany	81 751 602	26 398.19	21 589.71	2 706.31	1 298.41	674.84	128.94
Estonia	1 336 107	41 114.22	36 729.84	2 203.42	1 326.24	745.45	109.27
Ireland	4 570 881	32 260.08	28 585.52	1 980.14	na	na	na
Spain	46 667 174	44 728.91	42 076.60	1 501.57	787.41	305.05	58.26
France	64 994 907	39 502.03	37 198.27	1 172.37	748.67	314.66	68.16
Croatia	4 289 857	35 825.67	32 851.44	1 594.69	834.06	446.40	99.07
Italy	60 626 442	63 395.69	60 072.60	2 124.21	824.28	322.14	52.47
Cyprus	839 751	54 584.04	50 208.93	2 278.06	1 274.19	610.90	101.22
Latvia	2 074 605	38 196.67	33 933.69	2 224.04	1 286.99	659.40	92.55
Lithuania	3 052 588	41 773.41	37 581.55	2 090.36	1 312.33	694.17	95.00
Luxembourg	511 840	56 980.70	49 589.72	3 673.02	2 280.01	1 160.52	277.43
Hungary	9 985 722	55 104.58	52 212.65	1 648.55	755.08	408.58	79.71
Netherlands	16 655 799	48 701.06	45 574.88	1 566.96	963.93	505.41	89.88
Austria	8 404 252	36 200.96	31 601.15	2 533.72	1 347.77	596.36	121.96
Poland	38 529 866	39 538.63	37 685.62	775.16	603.09	396.52	78.23
Portugal	10 572 721	78 660.45	74 715.58	2 224.40	1 150.41	494.29	75.76
Romania	20 199 059	20 246.04	17 624.98	1 334.07	806.67	404.03	76.29
Slovenia	2 050 189	57 302.52	53 820.89	1 808.13	991.13	572.63	109.75
Slovakia	5 392 446	76 941.89	73 864.25	1 681.24	873.26	426.71	96.43
Finland	5 375 276	42 028.17	38 577.00	1 817.40	1 051.67	468.81	113.30
Sweden	9 415 570	69 185.19	65 437.57	1 951.02	1 157.13	533.90	105.57
Great Britain	63 024 472	26 919.53	24 089.25	1 553.86	778.94	404.54	92.95
Norway	4 920 305	55 334.78	50 749.70	2 556.14	1 340.16	570.70	118.08
Switzerland	7 870 134	17 221.05	11 913.77	2 939.59	1 540.51	703.16	124.01

Source: Eurostat

Note: In case of Cyprus and Switzerland data for 2010 were used (data for 2011 are unavailable)

## Gross turnover or gross insurance

2011	Absolutely						Relatively				
	Total	0 to 9	10 to 19	20 to 49	50 to 249	250 and more	0 to 9	10 to 19	20 to 49	50 to 249	250 and more
EU28	25 452 719.1	4 261 012.7	1 888 670.2	2 757 828.5	5 107 123.1	11 084 380.2	16.74%	7.42%	10.84%	20.07%	43.55%
Belgium	980 256.5	235 321.7	78 305.1	125 124.1	181 029.3	360 476.3	24.01%	7.99%	12.76%	18.47%	36.77%
Bulgaria	103 340.7	20 827.9	9 561.2	14 917.5	24 452.2	33 581.9	20.15%	9.25%	14.44%	23.66%	32.50%
Czech Republic	446 171.2	85 637.7	30 074.2	49 172.0	92 948.6	188 338.7	19.19%	6.74%	11.02%	20.83%	42.21%
Denmark	428 892.7	95 663.1	na	54 043.9	na	na	22.30%	na	12.60%	na	na
Germany	5 569 071.7	616 328.0	380 358.9	530 670.9	1 149 613.0	2 892 100.9	11.07%	6.83%	9.53%	20.64%	51.93%
Estonia	44 494.6	13 669.0	4 689.2	5 835.9	10 008.5	10 291.9	30.72%	10.54%	13.12%	22.49%	23.13%
Ireland	323 095.3	35 131.1	22 186.8	na	na	na	10.87%	6.87%	na	na	na
Spain	1 633 880.4	371 052.9	134 911.5	191 365.9	307 974.1	628 576.0	22.71%	8.26%	11.71%	18.85%	38.47%
France	3 621 186.3	816 436.9	231 047.0	427 884.0	619 537.5	1 526 261.4	22.55%	6.38%	11.82%	17.11%	42.15%
Croatia	77 419.0	14 108.1	6 103.9	9 454.6	16 375.7	31 376.7	18.22%	7.88%	12.21%	21.15%	40.53%
Italy	2 931 630.9	740 210.9	304 818.1	339 306.6	602 506.8	944 788.5	25.25%	10.40%	11.57%	20.55%	32.23%
Cyprus	26 645.5	7 122.5	3 053.1	4 483.0	6 439.7	5 304.2	26.73%	11.46%	16.82%	24.17%	19.91%
Latvia	43 791.9	10 705.6	4 253.8	7 194.3	11 411.8	10 226.5	24.45%	9.71%	16.43%	26.06%	23.35%
Lithuania	62 540.9	10 162.4	5 784.1	8 440.2	15 747.5	22 406.7	16.25%	9.25%	13.50%	25.18%	35.83%
Luxembourg	135 074.8	20 820.3	9 050.2	7 818.0	63 627.5	33 758.8	15.41%	6.70%	5.79%	47.11%	24.99%
Hungary	262 065.4	54 153.5	19 422.8	25 909.0	49 800.6	112 779.5	20.66%	7.41%	9.89%	19.00%	43.03%
Netherlands	1 399 038.4	203 872.9	110 785.8	163 176.8	na	na	14.57%	7.92%	11.66%	na	na
Austria	630 672.3	108 602.9	57 297.6	78 243.6	170 978.8	215 549.5	17.22%	9.09%	12.41%	27.11%	34.18%
Poland	836 360.0	172 076.9	43 022.6	77 393.6	177 306.1	366 560.9	20.57%	5.14%	9.25%	21.20%	43.83%
Portugal	326 342.7	77 370.3	31 692.2	47 959.1	74 284.4	95 036.7	23.71%	9.71%	14.70%	22.76%	29.12%
Romania	234 488.1	40 319.3	18 488.1	27 015.5	50 213.5	98 451.7	17.19%	7.88%	11.52%	21.41%	41.99%
Slovenia	80 045.5	16 414.7	6 940.2	10 058.3	20 719.8	25 912.5	20.51%	8.67%	12.57%	25.89%	32.37%
Slovakia	158 030.5	26 918.3	13 452.6	16 335.9	30 693.8	70 629.9	17.03%	8.51%	10.34%	19.42%	44.69%
Finland	378 736.9	60 467.8	24 096.2	38 836.9	66 349.1	188 986.8	15.97%	6.36%	10.25%	17.52%	49.90%
Sweden	746 134.9	142 309.0	54 726.3	82 841.9	160 114.0	306 143.6	19.07%	7.33%	11.10%	21.46%	41.03%
Great Britain	3 519 246.2	452 483.4	204 962.4	325 846.2	574 245.1	1 961 709.1	12.86%	5.82%	9.26%	16.32%	55.74%
Norway	629 211.7	167 209.6	47 303.4	64 622.1	112 544.0	237 532.6	26.57%	7.52%	10.27%	17.89%	37.75%
Switzerland	954 237.6	72 755.7	42 267.0	98 444.2	380 709.8	379 598.8	7.62%	4.43%	10.32%	39.90%	39.78%

Source: Eurostat

Note: In case of Cyprus and Switzerland data for 2010 were used and also partly in case of Netherlands (data for 2011 are unavailable)

## Added value

	Absolutely						Relatively				
	Total	0 to 9	10 to 19	20 to 49	50 to 249	250 and more	0 to 9	10 to 19	20 to 49	50 to 249	250 and more
EU28	6 192 202.5	1 326 254.9	480 622.8	636 623.9	1 142 761.0	2 605 529.3	21.42%	7.76%	10.28%	18.45%	42.08%
Belgium	184 178.2	42 007.2	13 885.9	22 185.8	34 681.1	71 418.1	22.81%	7.54%	12.05%	18.83%	38.78%
Bulgaria	17 684.0	2 977.6	1 418.7	2 099.6	3 981.5	7 206.6	16.84%	8.02%	11.87%	22.51%	40.75%
Czech Republic	86 469.7	17 040.9	4 940.1	8 135.9	17 980.1	38 372.7	19.71%	5.71%	9.41%	20.79%	44.38%
Denmark	118 757.1	na	na	12 872.3	na	na	na	na	10.84%	na	na
Germany	1 383 998.6	na	na	na	na	na	na	na	na	na	na
Estonia	8 718.1	2 155.4	840.6	1 155.2	2 274.6	2 292.2	24.72%	9.64%	13.25%	26.09%	26.29%
Ireland	87 780.1	11 768.6	4 991.5	na	na	na	13.41%	5.69%	na	na	na
Spain	414 191.7	102 799.1	33 956.2	45 350.1	72 211.9	159 874.4	24.82%	8.20%	10.95%	17.43%	38.60%
France	894 442.7	242 350.4	57 743.7	89 876.3	133 100.9	371 343.3	27.10%	6.46%	10.05%	14.88%	41.52%
Croatia	20 414.0	3 481.6	1 548.8	2 115.4	3 987.9	9 280.3	17.05%	7.59%	10.36%	19.54%	45.46%
Italy	678 909.5	201 872.2	69 249.5	72 034.5	114 580.5	221 172.7	29.73%	10.20%	10.61%	16.88%	32.58%
Cyprus	8 440.3	2 217.9	na	1 277.1	na	na	26.28%	na	15.13%	na	na
Latvia	8 122.2	1 306.5	758.6	1 153.5	2 215.7	2 687.9	16.09%	9.34%	14.20%	27.28%	33.09%
Lithuania	11 460.6	1 506.6	994.8	1 661.2	3 415.6	3 882.2	13.15%	8.68%	14.49%	29.80%	33.87%
Luxembourg	19 054.5	4 163.4	1 572.6	2 036.9	5 457.8	5 823.8	21.85%	8.25%	10.69%	28.64%	30.56%
Hungary	48 501.2	9 426.4	3 472.7	4 147.1	9 018.5	22 436.6	19.44%	7.16%	8.55%	18.59%	46.26%
Netherlands	311 112.9	61 810.8	23 001.1	36 226.0	na	na	19.87%	7.39%	11.64%	na	na
Austria	161 349.8	30 002.0	13 535.0	18 998.4	36 107.0	62 707.4	18.59%	8.39%	11.77%	22.38%	38.86%
Poland	177 298.7	29 313.6	8 333.9	15 577.9	37 107.1	86 966.1	16.53%	4.70%	8.79%	20.93%	49.05%
Portugal	72 449.1	16 806.4	6 899.0	9 335.9	15 610.5	23 797.2	23.20%	9.52%	12.89%	21.55%	32.85%
Romania	48 319.9	6 223.3	3 039.0	4 653.8	na	na	12.88%	6.29%	9.63%	na	na
Slovenia	17 880.0	3 746.9	1 521.7	1 995.3	4 004.6	6 611.5	20.96%	8.51%	11.16%	22.40%	36.98%
Slovakia	33 296.6	8 714.7	2 515.3	3 795.3	5 856.9	12 414.4	26.17%	7.55%	11.40%	17.59%	37.28%
Finland	87 465.5	18 882.8	6 847.7	9 715.7	15 875.9	36 143.4	21.59%	7.83%	11.11%	18.15%	41.32%
Sweden	203 987.7	43 867.9	15 356.5	22 177.9	38 002.8	84 582.6	21.51%	7.53%	10.87%	18.63%	41.46%
Great Britain	972 552.9	183 318.9	63 896.3	82 273.1	162 190.2	480 874.5	18.85%	6.57%	8.46%	16.68%	49.44%
Norway	205 824.9	83 388.8	12 337.5	17 382.2	33 737.9	58 978.4	40.51%	5.99%	8.45%	16.39%	28.65%
Switzerland	181 612.1	21 954.4	16 656.3	22 662.5	44 759.6	74 068.7	12.09%	9.17%	12.48%	24.65%	40.78%

Source: Eurostat

Note: In case of Switzerland data for 2010 were used and also partly in case of Netherlands (data for 2011 are unavailable).

## Number of employees according to size category of enterprises

	Absolutely						Relatively				
	Total	0 to 9	10 to 19	20 to 49	50 to 249	250 and more	0 to 9	10 to 19	20 to 49	50 to 249	250 and more
Belgium	2 714 438	904 365	227 894	324 906	419 841	837 505	33.32%	8.40%	11.97%	15.47%	30.85%
Bulgaria	1 902 513	568 383	191 269	263 507	410 849	468 505	29.88%	10.05%	13.85%	21.60%	24.63%
Czech Republic	3 511 808	1 116 246	277 595	368 855	673 745	1 075 366	31.79%	7.90%	10.50%	19.19%	30.62%
Denmark	1 598 991	na	na	206 916	na	na	na	na	12.94%	na	na
Germany	26 239 385	4 794 818	2 727 783	3 070 960	5 121 257	9 851 446	18.27%	10.40%	11.70%	19.52%	37.54%
Estonia	379 096	110 150	40 524	52 151	93 042	83 228	29.06%	10.69%	13.76%	24.54%	21.95%
Ireland	1 095 008	282 272	121 206	na	na	na	25.78%	11.07%	na	na	na
Spain	10 103 304	3 894 204	923 808	1 081 784	1 408 135	2 795 372	38.54%	9.14%	10.71%	13.94%	27.67%
France	15 312 854	4 541 823	na	na	2 299 786	5 610 036	29.66%	na	na	15.02%	36.64%
Croatia	1 033 145	310 638	90 563	107 262	197 210	327 472	30.07%	8.77%	10.38%	19.09%	31.70%
Italy	14 913 275	6 862 733	1 684 887	1 483 880	1 872 624	3 009 151	46.02%	11.30%	9.95%	12.56%	20.18%
Cyprus	239 594	88 965	25 299	31 136	48 957	43 935	37.13%	10.56%	13.00%	20.43%	18.34%
Latvia	535 388	140 874	61 792	79 727	128 607	124 388	26.31%	11.54%	14.89%	24.02%	23.23%
Lithuania	804 392	200 698	84 965	120 277	203 612	194 840	24.95%	10.56%	14.95%	25.31%	24.22%
Luxembourg	243 275	43 714	25 014	35 474	58 521	80 552	17.97%	10.28%	14.58%	24.06%	33.11%
Hungary	2 435 874	879 788	221 708	228 602	406 437	699 339	36.12%	9.10%	9.38%	16.69%	28.71%
Netherlands	5 369 878	1 517 527	na	617 035	1 011 416	na	28.26%	na	11.49%	18.83%	na
Austria	2 614 989	656 493	283 723	336 580	500 847	837 346	25.11%	10.85%	12.87%	19.15%	32.02%
Poland	8 384 116	3 085 471	429 750	693 845	1 578 642	2 596 408	36.80%	5.13%	8.28%	18.83%	30.97%
Portugal	3 148 617	1 316 745	310 444	363 999	502 234	655 195	41.82%	9.86%	11.56%	15.95%	20.81%
Romania	3 821 360	856 545	360 049	491 945	830 898	1 281 923	22.41%	9.42%	12.87%	21.74%	33.55%
Slovenia	585 208	192 211	49 308	61 034	120 736	161 923	32.84%	8.43%	10.43%	20.63%	27.67%
Slovakia	1 490 432	566 612	122 881	138 388	233 954	428 597	38.02%	8.24%	9.29%	15.70%	28.76%
Finland	1 450 137	357 702	134 928	170 779	248 786	537 942	24.67%	9.30%	11.78%	17.16%	37.10%
Sweden	3 031 912	778 164	282 364	369 111	553 843	1 048 430	25.67%	9.31%	12.17%	18.27%	34.58%
Great Britain	17 733 685	3 192 868	1 501 128	1 932 658	2 875 105	8 231 926	18.00%	8.46%	10.90%	16.21%	46.42%
Norway	1 480 082	370 715	167 756	194 301	276 928	470 382	25.05%	11.33%	13.13%	18.71%	31.78%
Switzerland	2 560 013	461 926	332 160	374 797	556 013	835 118	18.04%	12.97%	14.64%	21.72%	32.62%

Source: Eurostat

Note: In case of Switzerland and Germany data for 2010 were used and also partly in case of Cyprus and Denmark (data for 2011 are unavailable).