2.10. MOVING INTO THE EUROPEAN UNION

Economic reform in the Czech Republic is reviving buildings and business.

Workers are **scaffolding** the palaces and town houses of the Czech Republic these days, restoring once – elegant buildings to their former glory after years. The effort is a mark of the renaissance **sweeping** the Czech Republic – a revival that is reflected as well in the country's effort to reclaim its place at the **hub** of the European commerce and culture.

The communist vision of Eastern Europe was always ill in the Czech Republic, and today the country clearly has set its sights westward. It has applied to join NATO and the European Union, and nearly two thirds of Czech trade is now with the EU. The economy is expected to grow by 4.5% this year. Inflation has more than halved in 3 years to 8 %. In addition, mass privatization of state **assets** has re-created a nation of shareholders, and a private sector that accounts for almost 75% of GDP. **Ingenuity** and **flair** for business are in evidence: ZVU, a major manufacturer of brewery equipment, is selling "microbreweries" with annual capacities of around 3 000 hectoliters.

Business that left the country during the communist era is happily returning. The insurance group GENERALI, which had an office in Prague from 1832 to 1948, came back in 1993. Newcomers are finding a **vigorous** marketplace. When the furniture giant IKEA opened its first Czech store in 1991, it had 250 000 customers in the first 12 months. Last fall, when the company opened a **megastore** on the outskirts of Prague, it drew 100 000 customers in 4 days.

West European companies have invested heavily in the Czech Republic since the fall of the communist regime in 1989, **lured** by a well-educated labour force, relatively low wage rates and the opportunities offered by privatization. Soon to be privatized is SKODA PRAHA, the largest **engineering contractor** in the Czech Republic. The company **boasted** a turnover of $400 million in 1996.

Today the European firms are being followed by Asian companies, which are taking advantage of the Czech Republic's favoured status with the EU. A 1995 survey by JETRO, the Japanese external-trade organization, ranked the Czech Republic second only to Britain in Europe in terms of its investment-friendly climate. CZECHINVEST, the government investment agency under the umbrella of the ministry of industry and trade, plans to open a Tokyo office this year in response to wide-spread interest. The Japanese electronics maker MATSUSHITA invested $66 million last year in a TV assembly plant in Plzen. DAEWOO, a Korean company, is investing $321 million over 5 years in a light truck plant. In February, TORAY INDUSTRIES, a leading world producer of **linings and lining materials**, announced a $150 million investment in a new textile plant in Prosejov.

For the Czechs, these new developments will be built on historic strengths. A century ago, the region produced 70% of the industrial output of the Austro-Hungarian Empire, of which it was then a key part. Between the two world wars, as Czechoslovakia the country had one of the most developed economies in the world. Its **precision engineering**, arms and vehicles enjoyed the same prestige as the traditional **staples** beer, fine glass and shoes. It was the only democracy east of the Rhine. Its literate and urbanized people had a **per capita income on a par** with that of France, well ahead of Austria and Italy.

Though its people suffered in the Second World War, less physical damage was done to it than to its neighbours. After the war, the communists collectivized agriculture and did their best to **rout out** the private sector. It escaped the worst excesses of Soviet – style planning, however, sharing the highest living standards in the Soviet block with the East Germans. The economy, though it **stagnated** in the 1980s, was reasonably balanced. It maintained some consumer-oriented industry and it escaped the colossal foreign debts that **crippled** the communist nations. The **"velvet divorce"** from Slovakia at the end of 1992, in which Czechoslovakia split in two, enabled the Czechs to press ahead more rapidly with economic reform. The Soviets had concentrated their military-industrial plants in Slovakia. Demand for their products collapsed with the end of the cold war, and fear of high job losses made the market economy less attractive to Slovaks. Czechs had no such **inhibitions**.

Unemployment is around 4% nationally, and virtually nonexistent in Prague. Recovery has been bold. In 1991, many prices were liberalized and subsidies **slashed**. The exchange rate was **pegged** and the koruna was made convertible for trade purposes. Government spending as a share of GDP dropped by almost 15% in two years. Privatization was also swift, and far-reaching. Billions of dollars worth of real estate was returned to its real owners. Scores of small businesses, shops and restaurants were auctioned off, and others were sold directly. Today, privatization is four-fifth completed.

Price controls still affect housing, water, energy, some foods and transport. The aim of complete deregulation by the end of the decade involves some pain. It will, however, complete the Czech Republic's return to the European mainstream.

Task

Read, translate, discuss, make up dialogs and explain the emphasized words.