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Corporate Readiness for Enlargement in Central Europe

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Corporate Readiness for Enlargement in Central Europe

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Abstract

Enlarging the Union is one of the most important challenges for Europe in this new millennium. Its impact stretches the simple extension of the Single Market, but calls for a revision of all European Union policies, procedures and beyond organisation. It is imperative therefore to involve governments, civil society and business community in this process, to ensure that enlargement is well understood and accepted by all.

The survey Corporate Readiness for Enlargement in Central Europe, organised with support of the EU Phare programme, is a vital instrument in this strategy. This survey organised by Eurochambres and SBRA in the 10 Candidate Countries of Central Europe plus Croatia (which applied for the candidate status in February 2003) is conducted among more than 2500 companies in the region.

The survey illustrates what enterprises in the Central European Candidate Countries really think about the enlargement, how they assess and anticipate its consequences, and how they prepare for it. The companies responded to 21 questions in the following 3 areas: 'information on and compliance with the Acquis', 'corporate strategies and attitude to Accession' and 'the Accession process and lobbying in Brussels'. Percentages of answers given by respondents to most questions were relatively high, which demonstrates a growing interest and awareness of the corporate sector in Candidate Countries in EU matters, and its commitment to early accession.

In this paper will be given an overview of survey and discuss main results which are revealing in many ways and call for action: action by governments and by the enterprises themselves.

Introduction

Enlarging the Union is one of the most important challenges for Europe in this new millennium. Its impact stretches beyond the simple extension of the Single Market, but calls for a revision of all European Union policies, procedures and organisation. It is imperative therefore to involve both governments and civil society in this process, to ensure that Enlargement is well understood and accepted by all.

The survey on corporate readiness for the EU Single Market in the 10 Candidate Countries of Central Europe is the systematic survey conducted among companies in the region. The objective of the survey is to analyse the state of preparations of the corporate sector in Central Europe to operate in the Single Market, and thus to ensure smooth Enlargement. Survey is organised by the Eurochambres and SBRA.

The survey illustrates what enterprises in the Central European Candidate Countries really think about the Enlargement, how they assess and anticipate its consequences, and how they prepare for it. The results are revealing in many ways and call for action; action by the Chamber network, by governments and by the enterprises themselves.

In June 1993, the Copenhagen European Council recognised the right of the countries of central and eastern Europe to join the European Union when they have fulfilled three criteria:

- political: stable institutions guaranteeing democracy, the rule of law, human rights and respect for minorities;
- economic: a functioning market economy;
- incorporation of the Community acquis: adherence to the various political, economic and monetary aims of the European Union.

These accession criteria were confirmed in December 1995 by the Madrid European Council, which also stressed the importance of adapting the applicant countries' administrative structures to create the conditions for a gradual, harmonious integration. However, the Union reserves the right to decide when it will be ready to accept new members.

The countries that have applied are: Turkey: application received on 14 April 1987; Cyprus: 3 July 1990; Malta: 16 July 1990; Hungary: 31 March 1994; Poland: 5 April 1994; Romania: 22 June 1995; Slovakia: 27 June 1995; Latvia: 13 October 1995; Estonia: 24 November 1995; Lithuania: 8 December 1995; Bulgaria: 14 December 1995; Czech Republic: 17 January 1996; Slovenia: 10 June 1996.

The applications of 10 Central and Eastern European countries were given a favourable reception at the Luxembourg European Council (December 1997). The official accession negotiations then proceeded in two phases. On 30 March 1998, negotiations began with six "first wave" countries (Cyprus, the Czech Republic, Estonia, Hungary, Poland, and Slovenia). The "second wave" candidate countries (Bulgaria, Latvia, Lithuania, Malta, Romania and Slovakia) began negotiations in February 2000, when it was felt that their reforms had made rapid enough progress.

Before negotiations opened, an evaluation of each applicant country's legislation was carried out to set up a work programme and define negotiating positions.

At the Copenhagen European Council (12 and 13 December 2002), the Commission concluded negotiations with 10 applicant countries - Cyprus, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Slovakia and Slovenia - thus enabling them to join the Union on 1 May 2004. As far as Bulgaria and Romania are concerned, the goal is to enable them to join by 2007. It may be possible to open negotiations with Turkey in December 2004 if it has fulfilled the Copenhagen criteria. For the record, Switzerland, Liechtenstein and Norway have also all applied for membership of the European Union at various times. However, Norway twice rejected accession following referenda in 1972 and 1994, while the applications by Switzerland and Liechtenstein were shelved after Switzerland decided by a referendum in 1992 not to join the European Economic Area.

Croatia officially applied for the EU membership in the beginning of 2003. Due to time gap between 10 candidate countries, which applied for the membership in the mid-'90ties, this paper is linked to survey that was organized between Croatian companies. Main task was analysis of readiness of Croatian companies for the EU accession and comparison of readiness between Croatia and 10 Candidate countries.

The sample of the 2002 survey covered 2,725 companies in 10 Candidate countries plus 152 companies from Croatia. The sample is considered representative for the corporate sector in Central European countries, even though the electronic survey might have produced a slightly biased picture. Especially SMEs in the region often do not use E-mail or Internet which might lead to overrepresentation of middle and larger companies.

1. Survey objectives, organisation and sample

1.1. The objectives

The survey was designed to provide the national Chambers and the entire corporate sector in the 10 Candidate Countries plus Croatia with a detailed insight into the level of awareness and actual readiness of their companies to effectively apply all relevant provisions of *Acquis Communautaire*, in order to be able to operate on the Single Market on an equal footing with enterprises from current member states.

The direct objectives of the survey have been to evaluate the readiness in the following fields:

- a) Level of information on the *Acquis Communautaire*
- b) Implementation of the *Acquis*
- c) Corporate strategies and attitude towards Accession

1.2. The survey organisation

The survey has been organized by EUROCHAMBRES, as the overall coordinator of the CAPE programme, and SBRA. The National Chambers of 10 Candidate Countries of Central Europe have been involved in all stages of survey preparations. The questionnaire was sent to the selected companies by the respective national Chambers who made the selection taking into account the sectors, size of companies, their ownership structure, and regional distribution. Dissemination of the questionnaire was

made by E-mail in all 11 national languages. The part of survey that covered Croatian companies was organised by the Zagreb Chamber of Economy¹.

1.3. The survey sample

The sample for 11 countries was set at 4400 enterprises. Following substantial and sustained efforts from the national Chambers, the final result achieved was 2,725 (62% of the target). This can be considered as a good, satisfactory result guaranteeing representativity. Especially taking into account that electronic polling is still a novelty among many companies in Central and Eastern Europe.

Table 1.
Number of target sample and closing count by country

Country	Code	Target Sample*	Closing Count*	% of Target
Bulgaria	BG	310	326	105%
Czech Republic	CZ	380	267	70%
Estonia	EE	140	80	57%
Hungary	HU	400	389	97%
Latvia	LV	165	52	32%
Lithuania	LT	175	152	87%
Poland	PL	1300	337	26%
Romania	RO	750	517	69%
Slovakia	SK	230	253	110%
Slovenia	SI	250	202	81%
Croatia	HR	400	150	38%
TOTAL		4400	2725	62%

* Number of companies

In terms of size all the different categories of companies are well represented. Also in terms of turnover and export orientation the sample represents a well-balanced structure of companies.

Table 2.
Participating companies (%) by size in terms of employment (number of staff)

Country	10 Countries	Croatia
Company size	%	%
1-10	22.3	8.6
11-50	25.3	19.8
51-250	27.5	36.2
251-500	10.1	15.1
501-1000	7.1	11.2
Over 1000	7.7	9.2

¹ The author express thankfulness to Ms. Nancy Radulović and Ms. Jasna Pletikosić for their active participation and remarkable assistance in the survey covering Croatian companies

Table 3.
Participating companies (%) by size in terms of turnover (in million €)

Countries	Turnover in 2001 (mil €)						
	< 1.5	1.5–2.5	2.5–5.0	5.0–10.0	10.0–50.0	50.0-100.0	>100
10 Countries (%)	41.4	15.0	12.2	10.5	14.6	3.1	3.1
Croatia (%)	20.4	13.2	9.2	11.5	30.9	8.6	5.9

Table 4.
Participating companies (%) by export share in turnover

Countries	Export share in turnover in 2001			
	< 10 %	10 – 30 %	31 – 50 %	> 50 %
10 Countries (%)	51.8	15.6	9.1	23.6
Croatia (%)	33.5	22.4	15.8	19.8

From the point of view of sectors represented the overall sample the table below confirms that all sectors have been duly represented, though with some overemphasis on manufacturing. It is conclusion for the 10 Candidate countries and for Croatia, too (Table 5).

Table 5.
Participating companies by sector of activity (NACE code)

Sector of activity	10 Countries %	Croatia %
A. agriculture, hunting and forestry	2.8	3.9
B. fishing	0.1	2.0
C. mining and quarrying	1.1	2.6
D. manufacturing	46.4	44.7
E. electricity, gas and water supply	2.9	2.0
F. construction	11.0	10.5
G. wholesale and retail trade	17.3	19.1
H. hotels and restaurants	1.6	4.0
I. transport, storage and communication	6.3	6.6
J. financial intermediation	1.9	0.0
K. real estate, renting and business activities	8.5	4.6

2. Evaluation of the main survey results

In view of the above, the report will focus on the results for the entire sample of 2,725 companies from 11 countries; we shall draw our main conclusions from there. References to companies of individual countries, their comparisons and positioning will only be made to illustrate the nature and scope of issues discussed.

2.1. Information on the Acquis Communautaire

2.1.1. How well are companies informed on the Acquis Communautaire?

Close to 10% of the polled firms claim that they are fully informed, while more than half of the companies are familiar with only parts of EU legislation to be implemented. On the other hand almost a quarter of them state that they have practically no information and another 10% even consider that they are not concerned with the Acquis as they are only operating on the local market. Being one year further and closer to Accession, it is surprising to see little change in the level of information of enterprises compared to the 2001 survey.

Table 6.

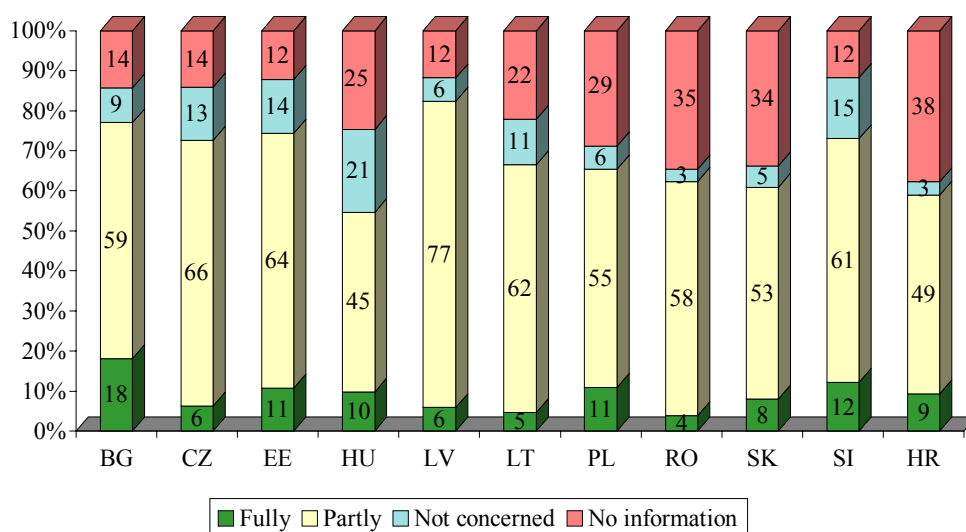
Level of information on the relevant provisions of EU legislation (%)

	Fully informed	Know only parts to be implemented	Doing business only at domestic market—not concerned	Having practically no information	Don't know	Total
10 Countries (%)	8.8	55.7	9.6	23.4	2.5	100.0
Croatia (%)	9.2	49.3	3.3	36.8	0.7	100.0

The chart below illustrates the same situation per country. Important differences across the region seem to exist: The best informed seem to be companies from Latvia, Bulgaria, Slovenia and Czech Republic and the less informed from Hungary, Poland, Slovakia and Romania. Position of Croatian companies is not too bad: 9% are fully informed, 49% partly, but there is 38% of companies which do not have any information (what is the highest share between 11 countries).

Larger companies are generally better informed on the Acquis than medium and small companies. Similarly, companies operating mainly on the local market are less informed than export orientated companies.

Chart 1.
Level of information on EU legislation, by country (%)



Companies were asked whether they are fully exploiting the possibilities to obtain information on the Acquis. Almost twice as many companies admit not doing sufficiently, compared to those who believe they are doing enough (54% versus 32% respectively).

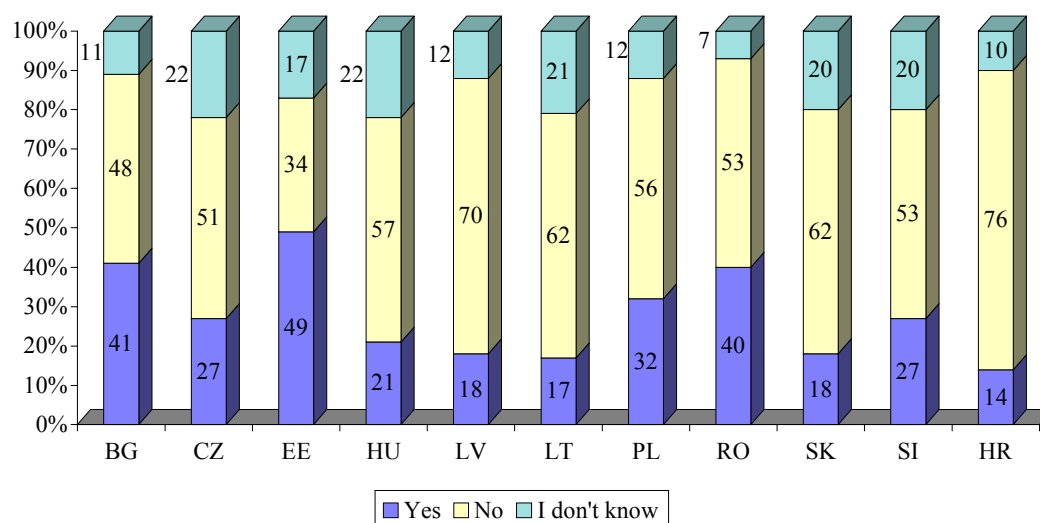
Table 7.
Degree of availability of Acquis information (%)

	Yes	No	I don't know	Total
10 Countries	32.4	54.2	13.4	100
Croatia	13.8	76.1	10.1	100

When looking at the relation between export share and the efforts companies undertake to obtain information, the analysis does not show the expected result. There seems to be no straightforward relation between the degree of exploiting the possibilities to obtain information and the export share, which means that larger exporters are not necessarily performing better regarding the use of information sources and obtaining information.

2.1.2. Firms sufficiently exploiting the possibilities to obtain information by export share of company

On the basis of the above, it becomes clear that companies will have to make a bigger effort to be properly, and timely informed, but also, that providers of EU information – be it at the national level, or in Brussels, should do a better job in promoting and disseminating information as well. Information – be it at the national level, or in Brussels, should do a better job in promoting and disseminating information as well.

Chart 2.**The situation for each of the countries individually (%)**

There are some noticeable differences between countries: only 20% or less of companies in Latvia, Lithuania, Slovakia and Croatia exploit sufficiently the possibilities to obtain information, while more than 40% in Bulgaria and Romania and up to 50% in Estonia.

2.1.3. Information: sources and needs of information

When evaluating the sources of information, companies primarily rely on the Chambers of Commerce and Industry, followed by Internet, and EU business partners. Consulting companies, universities and institutes, EU delegations in the countries, and European associations are less appreciated.

Table 8.**Quality and usefulness of Acquis information sources: 10 countries**

Information Source	No information	Poor quality	Relatively	Most useful
	A %	unreliable B %	good C %	& reliable D %
Chamber of Commerce	9,44	10,21	48,52	31,83
Internet	6,72	10,65	51,30	31,33
On-line EU sources (Internet)	14,05	6,61	53,96	25,38
EU business partners	20,42	13,20	39,13	27,25
EU publications	23,21	11,41	46,47	18,92
Government – ministries	18,67	24,99	44,10	12,25
Trade or business associations	25,83	20,02	39,44	14,71
Euro Info centre in your country	37,36	9,20	35,28	18,16
Local business partners	33,44	27,95	29,04	9,58
National negotiating team for Accession	40,35	17,01	31,56	11,07
European associations	42,88	12,49	32,01	12,63
EU diplomatic representatives in your country	45,52	13,93	30,75	9,80
Universities / institutes	40,45	20,72	29,59	9,24

Consulting companies – local	42,24	21,81	28,85	7,10
Consulting companies – foreign	49,31	12,79	27,85	10,04
Other	63,71	14,34	13,71	8,25

Quality and usefulness of Acquis information sources: Croatia

Information Source	No information	Poor quality unreliable	Relatively good	Most useful & reliable
	A %	B %	C %	D %
Chamber of Commerce	12,34	33,12	36,36	18,18
Internet	23,53	10,78	52,94	12,75
EU business partners	32,00	7,00	37,00	24,00
On-line EU sources (Internet)	28,89	6,67	46,67	17,78
Government – ministries	36,54	10,58	42,31	10,58
Trade or business associations	36,46	14,58	39,58	9,38
EU publications	43,02	5,81	47,67	3,49
Local business partners	38,10	25,71	28,57	7,62
European associations	60,56	8,45	28,17	2,82
Consulting companies – local	57,32	15,85	23,17	3,66
Consulting companies – foreign	63,01	8,22	27,40	1,37
EU diplomatic representatives in your country	69,51	7,32	21,95	1,22
National negotiating team for Accession	60,87	11,59	20,29	7,25
Universities / institutes	64,86	13,51	17,57	4,05
European Commission	79,27	3,66	15,85	1,22
Euro Info centre in your country	82,56	2,33	15,12	0,00
Other	75,61	4,88	12,20	7,32

When asked about the kind of information and services companies in Candidate Countries needed most to be able to comply with the Acquis, information on EU legislation scored the highest (Table 9).

Table 9.

Most important information services needed by the companies to comply (number of votes, rank) 2001/2002

Information and services needed	10 Countries		Croatia	
	Frequency	Rank	Frequency	Rank
Information on EU legislation and its actual implementation (magazines, newspapers, sector specific periodicals/ literature, expert reports)	1292	1	94	1
Information on doing business in EU Single Market	1063	2	27	6
Information on Community programmes open to companies from Candidate Countries	1029	3	66	2
Access to EU information sources	962	4	42	5
Briefing of executives / technical personnel (seminars, workshops, conferences)	922	5	52	3
Internet services	874	6	49	4
Professional consulting services - local consultants	502	7	22	8
Technical assistance from EU and member states	419	8	25	7
Professional consulting services - foreign consultants	200	9	8	9

2.2. Implementation of the Acquis

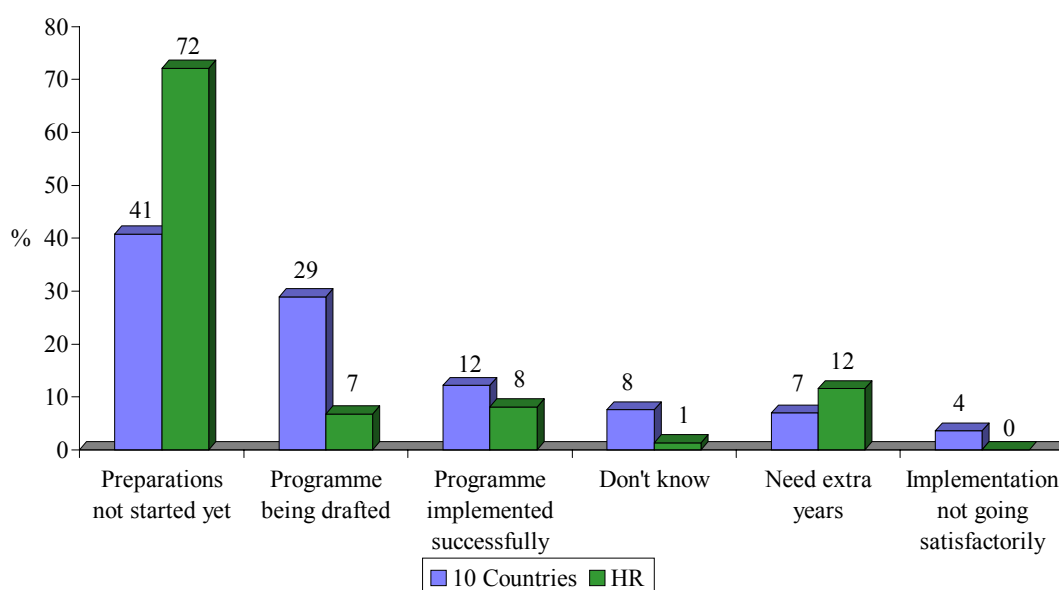
2.2.1. Current state of preparations

Given the fact that more than half of the respondents readily admitted that they are not sufficiently exploiting information on the Acquis, it is hardly surprising that in every second enterprise the organised preparations have not started yet. As mentioned earlier, a plausible explanation could be an apparent use of stricter criteria for self-evaluation by the respondents this year compared to last year. In Croatian companies, 72% of them didn't start preparations, what is expected result, due to fact that Croatia will be confirmed as candidate country in 2004.

As one can expect, larger companies are more advanced in preparations than smaller ones: Less than 30% of the very large companies (> 1000 employees) declare that the organised preparations have not started yet, while in the category 'up to 10 employees' this percentage is almost 60%. It is however interesting to see that among those companies that started preparations for the Acquis compliance there is a relatively high share of very large companies (12,7%) that expects not to be ready before 2004.

Chart 3.

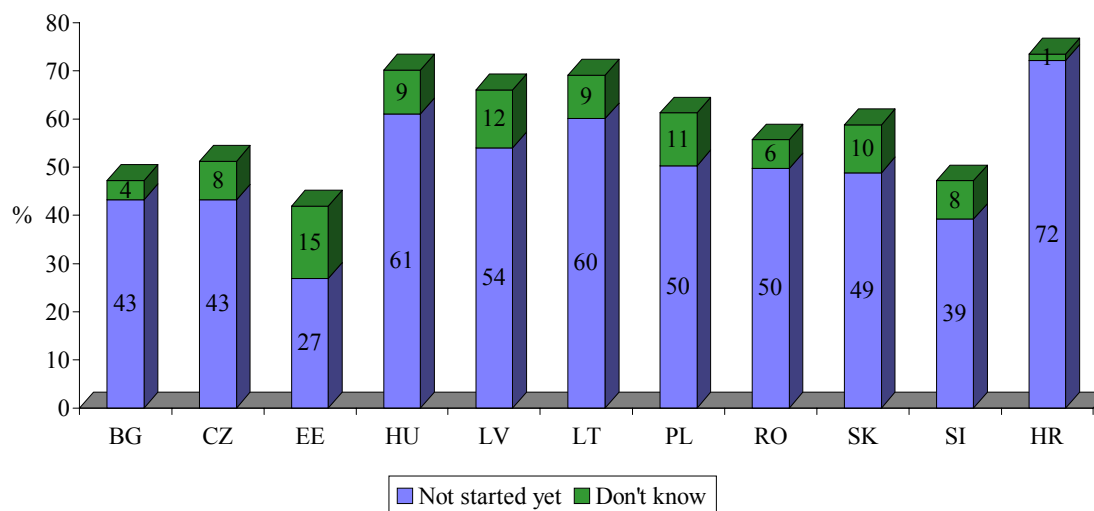
Phase of preparations for implementation of the Acquis



From the polled enterprises in the Candidate countries the least advanced in terms of preparation seem to be Hungarian, Latvian, Lithuanian, Polish and Slovak companies, with more than 60% or more of "not started yet" and "don't know" answers. The best-placed are Estonian companies with only 42% of such answers. In Croatia this figure is 72%. The Chart 4. illustrates the differences among polled companies from the 10 Candidate Countries, plus Croatia.

Chart 4.

Phase of preparations for implementation of the Acquis by country



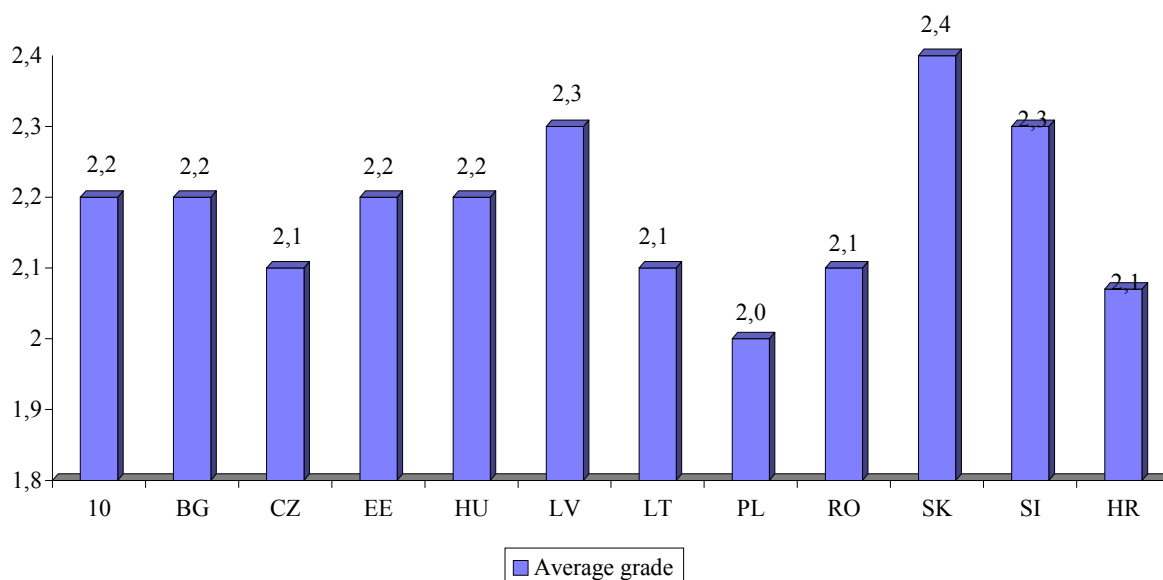
2.2.2. Current level of compliance

It would be logical to expect that the level of general compliance with the Acquis would match or reflect the state of preparation as described in the previous paragraph. On a scale of 1 to 4 ('very low' to 'full compliance'), the average of general compliance score at 2.2 is just above moderate level. Moreover it is surprising that the average score is even lower than in the previous years that showed an average level of 2.3. This could again illustrate the more strict criteria used by the respondents during the self-assessment and their growing awareness that still a lot more needs to be achieved in the coming years.

The Chart 5. displays the national average scores for general Acquis compliance for the 10 Candidate Country plus Croatian companies, showing very similar figures across the region.

Chart 5.**National average scores for general Acquis compliance**

General company compliance with the Acquis by 10 countries and Croatia
 (grading: 1-very low, 2-moderate, 3-high, 4-full)



The next table provides more details on the level of compliance for 7 major areas of the Acquis. Several observations should be made. Firstly, when reading these figures it shows that differences in average grades between the different areas are relatively small – only 0.2 between the highest score (2.7) and the lowest score (2.5). Secondly, the only area in which some progress seems to be achieved compared to 2001 is ‘work safety’, which reached the same level of compliance (2.7) as the two other best areas, ‘product certification’ and ‘consumer protection’. On the other side, ‘environmental protection’ and ‘rules of competition’ are rated less favourably than one year ago. In Croatia consumer protection and producer liability have the highest ranking; environmental protection has the second rank (comparing with 5th or 6th rank in 10 Candidate countries).

Table 10.

Assessment of company compliance with the Acquis – in general and by areas
 (1-very low, 2-moderate, 3-high, 4-full) 2001/2002

	10 Countries		Croatia	
Area	Average grade	Rank	Average grade	Rank
In general	2.2 (2.3)		2.1	
Consumer protection and producer liability	2.7 (2.7)	1 (2)	2.7	1
Product certification, technical regulations, standards	2.7 (2.7)	2 (1)	2.6	3
Work safety	2.7 (2.6)	3 (4)	2.6	4
Food quality and safety	2.6 (2.6)	4 (5)	2.4	7
Environmental protection	2.5 (2.6)	5 (6)	2.6	2
Labels, trademarks, patents	2.5 (2.5)	6 (7)	2.5	6
Rules of competition	2.5 (2.7)	7 (3)	2.5	5

The same issue has been approached from a different angle by the next question, i.e. on the expected difficulties accompanying the implementation of individual areas of the Acquis. As last year, the area of ‘product certification, technical regulations, and standards’ scored highest which is contradictory with the results of the previous question only at first sight. This is namely regarded by the companies as such a crucial area of the Acquis, that - although most companies feel that they have made progress already - they feel much more efforts will be necessary to achieve full compliance.

Table 11.

Problem areas in Acquis implementation
(grading: 1 – least important, 4 –most important) 2001/2002

Area	10 Countries		Croatia	
	Average grade		Average grade	
	2002 (2001)	Rank 2002/(2001)	2001	Rank 2001
Product certification, technical regulations, standards	2.8 (2.7)	1 (1)	2.8	2
Rules of competition	2.6 (2.6)	2 (2)	2.9	1
Environmental protection	2.3 (2.4)	6 (3)	2.5	6
Consumer protection and producer liability	2.5 (2.4)	3 (4)	2.7	3
Labels, trademarks, patents	2.4 (2.4)	5 (5)	2.6	4
Work safety	2.4 (2.3)	4 (6)	2.5	5
Food quality and safety	1.9 (1.9)	7 (7)	2.3	7

2.2.3. Costs of Compliance

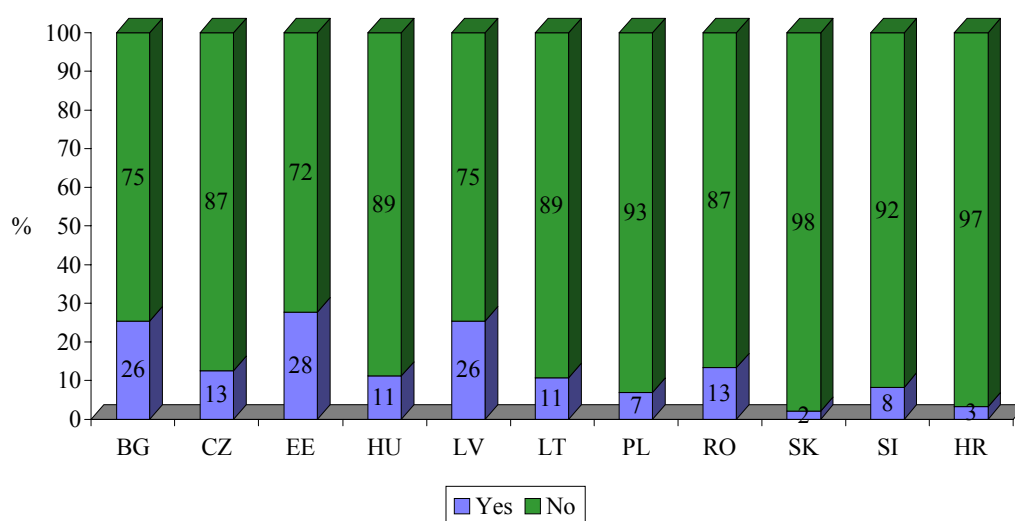
Another important aspect of preparations of companies for the Single Market is whether they have prepared a cost estimate. It is rather surprising to realise that only 12% of respondents declared having done such an estimate.

Table 12.

Has the company an assessment of the costs of entering into the Single Market (%)?

	Yes	No	I don't know	Total
10 Countries	12.2	82.6	5.2	100
Croatia	3.3	96.7	0.00	100

This situation differs among the 10 countries. Only in three countries – Estonia, Bulgaria, and Latvia – more than 20% of companies declared having an estimate, while in Slovenia, Poland, Croatia and Slovakia less than 10 % (see the Chart 6).

Chart 6.**Has the company made an Acquis implementation cost estimate?**

2.3. Corporate strategy for the single market and attitude toward accession

Looking more into the companies' strategic developments - as against pure Acquis compliance - they were asked to assess their business prospects and the effects of an enlarged Single Market and to specify the company's strategy.

2.3.1. Effects of EU Accession

Most companies participating in the survey have pretty clear ideas what Accession has in store for them, and most of them expect positive changes.

Table 13.

Expected effects for the company of its country's entry into EU (number of votes, ranking) 2001/2002

Expected effects	10 Countries	Croatia
	Rank	Rank
Easier access to EU markets	1 (1)	1
Tougher competition at home market by European companies	2 (3)	4
More transparent business practices on the home market (competition rules, state aids, public procurement)	3 (2)	2
Bigger inflow of foreign direct investment	4 (6)	5
Access to more competitive conditions for acquiring new capital equipment and IT	5 (5)	7
Long term strengthening of competitiveness	6 (4)	3
Better access to European capital markets	7 (9)	6
Stronger bargaining position vis-à-vis partners in third countries	8 (8)	5
Increased unemployment due to bankruptcies	9 (10)	9
Shortage of qualified workforce due to migration	10 (-)	8
Other	11 (7)	8

As shown in the Table 13. ‘easier access to EU markets’, as well as ‘tougher competition on home market by European companies’ and ‘more transparent business practices on the home market’ scored highest. It is also important to underline that ‘inflow of foreign direct investments’ and ‘better access to European capital markets’ gained importance – showing that companies are increasingly aware of the financial benefits of the Single Market. At the same time, it seems that companies in the Candidate Countries are not very concerned with the Accession’s impact on their respective labour markets.

2.3.2. Business prospects and company strategy

Asked about their business prospects, it is remarkable that more than two thirds of the respondents are optimistic or very optimistic and only 12% are pessimistic or very pessimistic. 13% of them do not expect any impact.

Table 14.

Assessment of company's business prospects for Single Market

Business prospects	10 Countries (%)	Croatia (%)
Very optimistic	3.8	11.5
Optimistic	64.7	66.0
No impact	12.6	10.3
Pessimistic	11.6	4.5
Very pessimistic	0.6	0.0
Don't know and no answer	6.6	7.7

It seems logical to expect that the less export oriented the company, the less optimistic it is and vice versa. This rule is clearly confirmed in the Table 15. and applies across all 11 countries.

2.3.3. Business prospects of companies and their export share

When looking at differences between the countries regarding business expectations, the Table 15. clearly shows that the optimism prevails in all 11 countries. The only three countries with almost 20% of pessimists are Hungary, Estonia and Poland. On the other hand, only 5% of pessimists are found among the polled Slovak companies and 4% among Croatian companies (explanation for the Croatian companies could be fact that most of them are on the very beginning phase of the Single Market activities and they don't know the real difficulties on the Single Market).

Table 15.
Assessment of company's business prospects for Single Market (%)

	10	BG	CZ	EE	HU	LV	LT	PL	RO	SK	SI	HR
Very optimistic	69	71	65	71	63	65	74	60	78	64	70	78
Optimistic												
No impact	13	12	20	1	12	19	8	15	3	25	16	10
Pessimistic -	12	13	8	19	20	10	11	18	9	5	10	4
Very pessimistic												
Don't know	6	4	7	9	5	6	7	7	10	6	4	8

The survey further investigated how companies evaluate the problems expected when implementing the Acquis in essential fields of their business operations: the financial, technical, human resource management field and the commercial field.

Also in this respect, the above expressed optimism has been confirmed. Only 13% of respondents expect serious difficulties in the financial area, 9% in the technical area, 12% in the commercial area, and 7,5% in the area of human resources. In all these areas the majority of respondents expect to face minor difficulties, while approximately one third of the respondents do not expect any difficulty at all. The percentage of respondents foreseeing serious problems is, for all mentioned areas, a relatively smaller minority.

Table 16.
Expected difficulties in implementing Acquis by areas (%)

Area	Magnitude of difficulties					
	No problems		Minor difficulties		Serious difficulties	
	10 Countries	Croatia	10 Countries	Croatia	10 Countries	Croatia
Financial	27.6	45.4	59.5	45.4	12.9	9.2
Technical	31.6	42.9	59.1	43.7	9.3	13.5
Human resources	40.8	38.6	51.7	50.4	7.5	11.0
Commercial	27.0	34.4	61.1	47.7	11.9	18.0
Other	41.4	23.4	52.4	72.3	6.2	4.3

When asked how to describe the companies strategy for the Single Market, more than 40% of respondents stated that they will adapt to and prepare for the Single Market by themselves using no external means. Somewhat more than 20% are looking for strategic partnership, while one fourth of the respondents do not see any need to change the company's strategy.

Table 17.
Company's strategy for the Single Market (%)

Country Strategy	10 Countries	Croatia
No change	24.3	21.3
Restructuring with own means	42.9	43.3
Seeking strategic Partner	22.6	26.7
Other	2.4	3.3
Don't know	7.8	5.3
Total	100	100

In the Table 18. we can see the differences between the 10 countries. Bulgarian, Romanian, Estonian, Croatian and Lithuanian companies are most favourable to an alliance with a strategic partner, while in Hungary, Slovenia, Poland and Czech Republic more than 30% of the respondents will not change their strategy.

Table 18.
Company strategies for the Single Market by country (in %)

Country Strategy	10	BG	CZ	EE	HU	LV	LT	PL	RO	SK	SI	HR
No change	24	11	31	9	39	19	23	36	13	20	36	22
Restructuring with own means	43	52	41	57	32	52	42	31	52	46	37	43
Seeking strategic Partner	23	31	17	27	16	21	30	19	28	22	17	27
Other	2	0	3	1	4	0	1	4	1	3	4	3
Don't know	8	6	8	6	9	8	4	10	7	10	6	5
Total	100	100	100	100	100	100	100	100	100	100	100	100

2.3.4. Attitude towards Accession

In spite of the fact that many companies are not yet prepared to join the Single Market and that certain difficulties are expected, an overwhelming majority of 93% is in favour of joining the EU and only 3% against. This support is shared by all countries with at least 90% of favourable votes, except in Latvia where “only” 75% companies declare to be in favour of joining the EU.

Table 19.
Companies in favour of joining EU (in %)

	Yes	No	I don't know	Total
10 Countries	93.3	2.9	3.8	100
Croatia	92.0	3.3	4.7	100

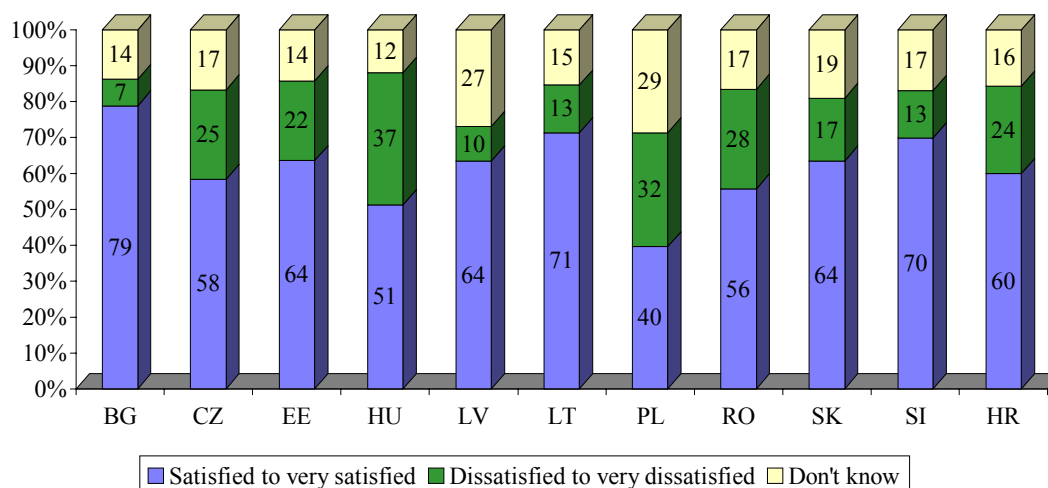
The companies were also asked about their opinion on the results of Accession negotiations. Almost 60% of them were satisfied to very satisfied with the results so far, which seems to be a relatively high share. At the same time however, almost a quarter of the polled companies is dissatisfied to very dissatisfied and another 17, 4 % has not made up its mind yet.

Table 20.
Satisfaction with the results of Accession negotiations (in %)

Accession negotiations	10 Countries	Croatia
Very satisfied	0.9	4.1
Satisfied	58.5	55.8
Dissatisfied	19.9	19.0
Very dissatisfied	3.3	5.4
Don't know	17.4	15.7
Total	100	100

The Chart 7. shows the differences in the appreciation of the results of Accession negotiations among companies in the 10 Candidate Countries.

Chart 7.
Satisfaction with results of Accession negotiations by country



2.3.5. Lobbying in Brussels

Finally the survey raised the question of representation and lobbying in Brussels. The companies were asked whether they perceive the need to be represented in Brussels, directly by their own office, or through a different type of representation office. In fact 3/4 of polled companies supported the idea of being represented through a Brussels office of their Chamber of Commerce and Industry or branch association. Compared to last year's results, the share of those who believe that it is important to be represented in Brussels by a Chamber of Commerce and Industry or a branch association increased from 68% to 74%. The number of companies not feeling the need to be represented in Brussels decreased from 17% to 13%. Also the companies who think that their company should open its own office in Brussels decreased (from 2.3% to 1.6%). There is no significance difference between 10 Candidate countries and Croatia.

Table 21.
Perceived need to be represented in Brussels (%)

Country	No need to be present	Branch Association	CCI Representation Office	Own office	Don't know	Other
10 Countries	13.4	24.1	50.3	1.6	9.0	2.2
Croatia	6.1	31.3	50.3	1.2	10.4	0.6

The Table 22. shows how these views differ among the polled companies from the 10 Candidate Countries plus Croatia.

Table 22.
Perceived need to be represented in Brussels by country (in %)

Country	No need/ Don't know	CCI/Branch association	Own office	Other
BG	24	74	1	1
CZ	40	52	3	5
EE	40	54	0	6
HU	23	73	2	1
LV	33	64	0	4
LT	13	81	2	3
PL	22	75	1	2
RO	15	82	2	1
SK	18	78	1	3
SI	20	78	1	2
HR	17	82	1	1
10 countries	22	74	2	2

The survey concludes with the question of the importance of lobbying in one's own country and at European level. A very large majority of the polled companies is convinced of the importance of lobbying both at the national and European level.

Meanwhile the share of those who believe that lobbying is more important in the country than in Brussels still remains large (88.3%).

There are some clear differences in views on lobbying with EU among companies in the 10 Candidate Countries (see table below). For instance, the majority (61%) of the polled Romanian companies, 33% of the Slovak companies and only 9% of Estonian respondents consider lobbying in Brussels as very important. Answers from the Croatian companies are in the middle value of other companies from 10 Candidate countries,

Table 23.

Importance of EU lobbying in the country and in Brussels (in %)*

A - not important at all B - rather important C - very important

Country	Lobbying importance levels					
	In the country			In Brussels		
	A	B	C	A	B	C
10	9	44	45	15	38	42
BG	6	52	40	10	41	43
CZ	13	40	44	23	38	35
EE	5	38	58	43	44	9
HU	7	45	46	15	40	42
LV	12	38	48	25	42	31
LT	12	53	33	26	46	26
PL	5	35	58	8	37	47
RO	8	36	51	8	28	61
SK	10	57	31	16	45	36
SI	17	50	29	24	40	33
HR	26	39	35	26	38	36

*“No answer” option excluded, therefore sums not equal to 100

3. Main conclusions

Companies are overwhelmingly in favour of joining the EU (93%) – making the corporate sector in the Candidate Countries by far the strongest supporter of integration.

Two thirds of the companies are generally optimistic about their prospects in the Single Market, 4% are even very optimistic. Generally speaking companies expect more open and competitive markets as a result of joining the Single Market and are confident about their future.

Central European Companies show an increasing interest for the European Union. Furthermore, with the Accession coming closer, they are becoming better aware of the complexity of the Acquis and tend to be more critical about their own state of readiness.

In particular, the level of information on the Acquis is still insufficient, with less than 10 % of companies claiming to be fully informed and still one third claiming not being informed at all. More than half of the respondents admit they don not sufficiently exploit the available sources of information. Companies primarily look for information on EU legislation and consider the Chambers of Commerce as their first source of information.

Every second company has not started organised preparations for the Single Market yet. The current level of compliance is rated quite low (2.2 on a scale of 1-4), although most of them are quite optimistic about their future compliance with EU legislation.

Small companies and companies mainly operating on the domestic market are generally less prepared for EU Enlargement: they are less informed on the Acquis, their current level of compliance is lower and they are less advanced in their preparation to achieve compliance.

A majority of companies (60%) declared being satisfied with the current Accession negotiations and most of them feel the need to be represented in Brussels.

Croatian companies were answered very similar like companies from 10 Candidate countries. It is encouraging, having in mind, that Croatia applied for the full EU membership in the beginning of the year 2003, and it is expected that will become candidate country in 2004. This is the year when all 10 Candidate countries will join EU.

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