CHOSEN EU REGULATIONS AND THEIR IMPACT

The Czech Republic and Slovakia in 2014

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March 2014

Note: The text is a result of international research cooperation between The Centre for Economic and Market Analyses (Prague, the Czech Republic) and F. A. Hayek Foundation (Bratislava, Slovakia).

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Executive summary – English

- *Practically, the only option bureaucrats and elected officials (politicians) paid from public funds have to realize their intention is to regulate markets through legislative restrictions.*

- *Over the past few years, the volume of the EU regulation has been steadily increasing; not only the real consequences of the adopted regulations, significantly differing from those intended, also quite commonly being in direct contradiction with each other. As a result, we can observe ineffective allocation as well as tremendous waste of resources.*

- *The preceding regulatory trend can be expected to continue also during 2014 and the following years, while creating a potential ground for discussions on the form and degree of some existing and intended regulations. We consider banking, payment services, energy, issues of personal data protection and agriculture to be those with a large potential for such discussions.*

- ***Bank tax (levy)** is one of the tools the European Commission proposed to use to tackle the recent financial crisis and the impact it had on several member states. The main goal of this tax was to decrease the level of riskiness in the European banking sector and thus ensure the sector's stability. Moreover, the intention was to transfer the financial responsibility for future crises onto banks themselves.*

- *While some areas have seen some improvement, the use of bank levy is not without potential risk due to its relatively broad settings from which the particular member states can draw. Negative impact of bank levy can be illustrated by looking at Slovakia, where the wrong choice of its parameters caused significant decrease in banks´ income. Moreover, the funds that the Slovakian government gained are not restricted in their use only to the mitigation of future crises´ negative effects on banks.*

- *The European Commission proposes to limit the maximum ceiling of the **multilateral interchange fee**, which is charged by banks issuing payment cards to merchants. The ceiling should be fixed at 0.3% of the transaction value for the use of credit cards and at 0.2 % for the use of debit cards. In order to justify this regulation, the European Commission stated that such ceilings should help with the development of fully* *integrated payments, with easier orientation of consumers in bank fees and with the decrease of retail prices for consumers.*

- *Nevertheless, the current experiences imply that the regulation of the interchange fee has crucial negative effects. For example, in Spain, the fixed ceiling of interchange fee led to an increase in various bank fees that cost consumers about 2.35 billion EUR over 5 years. Furthermore, the existing benefits of bank customers were cut and the retail prices did not decrease as intended. The costs that European consumers are to incur due to this regulation (via increase in various bank fees) are estimated to amount to17.5 billion EUR.*

- ***European energy policy** is formed by two basic goals – to decrease greenhouse gases emissions and to decrease energy dependency of European Union as a whole. By enacting the so-called 20-20-20 targets, the EU has committed member states to reducing emissions of greenhouse gases by 20 %, to increase usage of renewable sources in energy consumption to 20 % (specifically the Czech Republic agreed to 13 % and Slovakia to 14 %) and to increase energy efficiency by 20 % all by 2020 with the base state as of 1990. In order to fulfill these targets, each member state chose from a number of tools, one of which is the government guarantee of prices for electricity produced from renewables.*

- *During 2008-2010 the costs of photovoltaic technologies decreased significantly (especially due to availability of Chinese PV panels). The lower costs in combination with the government guarantee of prices (for a period of 15 years) for electricity produced from renewables led to a photovoltaic boom and significant increase in renewables in the final electricity consumption in the Czech Republic. That led to significant increase in electricity prices for households and retail businesses. The Czech Republic paid for renewables in electricity prices 55.2 billion CZK in total between 2005 and 2011. However, it reached 38.4 billion CZK and 44.4 billion CZK in 2012 and 2013 respectively. From those amounts, 11.7 billion CZK was paid from the government budget in 2012 and 2013; the costs are expected to be 14.7 billion CZK in 2014.*

- *The pressure to improve* ***personal digital data protection*** *is increasing as the world's economy is more and more dependent on digital data. However, the exponential* *increase in digital data volume also leads to more frequent breaches in its security. In 2012, the European Commission has proposed a new regulatory reform, which should provide harmonized rules across the whole EU. The harmonization shall increase the security of personal data and boost economic growth and employment as well. Among the most important articles in the proposed regulation, we can highlight those covering right to consent, right to be forgotten, right to data transferability, obligation to appoint data protection officer and introduction of the approach called "one-stop-shop".*

- *Nevertheless, economic analyses of the proposed regulation indicate that the final outcome could be a decrease in employment and competition, a disruption of international trade services and data transactions, an increase in import prices, a decrease in foreign investment and an increase in final prices of goods and services for European consumers. The ill-conceived regulation does not take into serious consideration dynamic development of new information technology and could thus choke growth of internet economy in central Europe.*
- ***Common agricultural policy** (CAP) is a significant recipient of funds from the EU budget. Despite the recent reforms, which decreased the share of CAP in EU budget from 39 % to 37.8 %, the sector of agriculture should still receive enormous sum of 362.79 billion EUR between 2014 and 2020. Even though the reform has brought a number of positive innovations, the negative aspects prevail, especially the ineffective allocation of resources.*