Czech Republic presents historically formed state in the Central Europe with the area of 78,864 km and 10.4 million population.

The Czech Republic is relatively developed post-communist country. In comparison with economically developed countries European Union is not developed. Gross national product (GNP) per capital in The Czech Republic 1997 represents only 67% of medium high 15 countries European Union (in comparison Slovenia 68%, Hungary and Slovakia 47%, Poland 40% - (Statistics in Focus 28, 1998, Eurstat).

The Czech Republic is a member of “the prestige club” economically developed countries – OECD (21.12.1993) and a member of the NATO (13.3.1999).

The strategic aim the society and economic development of the Czech Republic is membership in the European Union by the year 2004.

The Czech Republic strategic aim is to enter the process of integrating into the European Union

The Czech Republic membership in the European Union represents not only to be politically integrated and to increase the high level of national defence, but the membership in the union will create also better conditions for qualitative economic development and high quality of life of the Czech population.

Czech national economy will also have an opportunity to operate in the large market of the EU and will receive the aid from European founds, new foreign investments will come and the Czech Republic will have the opportunity to receive new technologies and know how.
The Czech Republic is making preparations to be a member of the EU – organising the economic strategy and the economic reforms to be politically and economically stabilised county with perfect legislative, good and stable economy, good competitive companies – for the good results in the European markets in the future.

The realisation of these assumptions will create in the Czech Republic the basis for activisation of their development opportunities to receive a high level of economic development.

The Czech Republic membership in the EU represents the condition for stabile economic development and the strategic aim is the high quality of life of the Czech population.

**The Czech activities in the Central European Free Trade Agreement – CEFTA**

The Czech Republic is the founder of the CEFTA. The members are (the Czech Republic, Hungary, Poland and Slovakia (1994), Slovenia (1995), Romania (1997) and Bulgaria (1998). Lithuania and Croatia are also interested in membership.

During the period of six years of existence of this integration the main result is the development of region co-operation and the benefit from common trade.

The CEFTA’s aim is to create the zone of free trade for industrial products in the period to 2001 and to eliminate the nontariffs obstacles in mutual trade. The problem is in the liberalisation trade with agricultural products.

Up to this time the CEFTA result is the 90% liberalisation trade with industrial products. CEFTA integration presents 65 mil. population.

In 1998 the Czech Republic exported to the countries CEFTA goods worth 157.4 bil. Czech crowns (CZK), imported CZK 121bil., the balance of trade CZK 36.4 bil. Especially good results were in agricultural export – CZK 14 bil., import CZK 11 bil. and trade balance CZK 3 bil.

The Czech activities in developing CEFTA can be evaluated positively. These activities also serve as preparations for the membership the Czech Republic in EU.

The problem for the future development CEFTA is that the five members of CEFTA prepare their activities for the EU: Czech Republic, Hungary, Poland, Slovenia and Slovakia and therefor they have less interest to develop activities in CEFTA.

**The Czech Republic preparations for membership in European union**

The Czech Republic presents relatively small transformation economy. The strategic aim is to be the member of the EU.

The preparation period involved the transformation from central planned economy (1948 – 1989) to social market economy, especially through the way of privatisation since 1990. The economy went through the transformation recession (1990 – 1995 – 2000) and created the basic conditions for market economy with relatively good results.
The preparation period for membership in the EU the Czech Republic these necessary steps have been taken:

- The Czech Republic signed 4.10.1993 the European Agreement, which represents:
  a) free trade the associate country with the EU / with some specifications;
  b) industrial, technological a scientific so-operation;
  c) the programme for aid;
  d) creation of the mechanism for political dialogue.

- the creation of The Governmental committee for the European integration in the head the vice-ministry of Foreign Affairs with other 23 specialised sections;
- the government’s project for harmonisation of the Czech law system with the EU (1995);
- the government’s project for realisation of the “The white Book” the EU;
- the EU in “Agenda 2000” presents that the Czech Republic will be one of the candidate for membership in the EU;
- the EU declared (2000) that the Czech Republic may be one the first candidates in the EU;

The Czech Republic presents effort to realize conditions for the membership in the EU, especially:

- strengthening of the market economy;
- strengthening of the competitive activities;
- realisation the Acquis communautaire especially in connection with inland market.

**The examination of the process of integrating the Czech Republic into the European Union.**

The economic theory formulates for the examinations of integrating economy onto the international one in the following terms:

- growth of Gross National Product
- lowering unemployment
- lowering inflation
- balance aspects – balance of trade, balance of payments, households´ budget

These term are also very important for the process of integrating the Czech Republic into the European Union.

**Gross National Product**

Gross National Product per capita in the Czech Republic 1997 represents only 67% of medium high 15 countries EU. Our country is approximately on the level of Greece and Portugal (counted PPP). It is necessary to accelerate this figure.

It is important that the Czech Republic in the nineties carried out the transformation of the economy with the negative results in creation the Gross National Product. The situation is now already relatively better and the desirable growth is coming.

For the future is very important for the Czech Republic to create 5% growth of Gross National Product in the next years. Only this condition will eliminate the existing disproportion in Gross national Product among the Czech Republic and EU.
Employment

The Czech Republic has the same problems in the labour market as the EU. The rate of unemployment in the EU is on average 10%. The rate of unemployment in the Czech Republic is similar 10%.

Characteristic problems of unemployment in the EU and in the Czech Republic are also the same:
- the developed areas have lower unemployment;
- relatively high share of long time unemployment; people;
- discrimination of women on labour market.

The solution to reduce the high rate of unemployment is the same in the Czech Republic as in the European Union:
- acceleration of the Gross National Product;
- active state policy on the labour market;
- reform the educational system in our country – not only high schools, also secondary and professional education;
- new legislation on the labour market (against discrimination the women).

Inflation

The inflation in the Czech Republic shows a positive trend (in 1991 – 1995 was the rate of inflation relatively high – approx. 10-15%). Now (1999) the rate of inflation is less than 3%. It is the same in the EU.

The strategy for the future: strengthen the contemporary trend in the rate of inflation and to improve it in the future.

Balance aspects – Balance of payments, Balance of Trade, Households’ budget

The evaluation of these balances is very important in quality aspects in the economy. The figures in The Czech Republic are not positive.

The figures of these balances in the Czech Republic are negative. 1998: The balance of Payments is negative – CZK 83,246 bil. and the Households’ Budget is negative - CZK 35 (2000).

For elimination of this negative figures the Czech Republic has to accelerate the growth of Gross National Product, to create the proexport policy, to carry one the progressive changes in the structure of national economy, using foreign investment in the economy, to reduce the share of state budget in Gross National Product and realise other effective activities in the national economy.

Agriculture as a problem in Czech economy

Agricultural policy is very important in the process of integration of the Czech Republic into the EU. In the Czech Republic his problem is not very important.
Czech agriculture: agricultural production on GNP 2.9 (EU 1.7), employment in agriculture 4.1 (EU 3.1), agriculture products in export 5.7 (EU 7.4).

For the future it is very important in the Czech Republic agriculture to see to qualitative aspects of further development, especially in efficiency and ecology.

The important activities of the Czech Republic into the EU is base on fulfilment of following strategic development priorities:

- accelerating of the economic growth (growth Gross national Product 5% yearly);
- carrying one of the policy of employment (unemployment reduction to 5%);
- strengthening of the policy of low inflation (fiscal and monetary policy);
- creating of the poexport policy and strengthening the competition factors in the economy;
- taking the necessary steps for equilibrium of the households’ budget (the government policy);
- realisation of the policy in common opinion that our membership in the EU has positive effects in our society and economic definitely development.

The development of our society and the high quality of our life in the Czech Republic for the next millenium is based only on our integration into the European Union and therefore every effort for reaching this big aim is necessary.