Overview of the Czech Republic

Wade Danis
Assistant Professor
Institute of International Business
J. Mack Robinson College of Business
Georgia State University

May 2009
Agenda

- The Czech Republic at a glance (overview of demographic characteristics, geography, etc.)
- Historical and cultural overview
- Recent economic history & performance (i.e., transition to a market economy)
- Doing business in the Czech Republic
- Cultural adjustments
- Other? (Q&A)
Which is the Czech flag?

1. 
2. 
3. 
4. 
5. 
6. 
7. 
8. 
9. 
10. 
11. 
12.
Which is the Czech flag?

- Lithuanian flag
- Slovenian flag
- Polish flag
- Puerto Rican flag
- Chilean flag
- Georgian flag
- Hungarian flag
- Liechtensteiner flag
- Bulgarian flag
- Czech Republic flag
- Albanian flag
- Estonian flag
The Czech Republic
Overview of the Czech Republic

Area: 78,866 km² (30,450 sq. miles)
(~ same size as Ireland, S. Carolina)

Population: 10.47m (December 2008)

Population density: 130 inhabitants per km² (Georgia ~ 55)

Climate: continental; warm summers & cold winters

Official language: Czech (west Slavonic group)

Capital city: Prague (1,212,000 inhabitants)

Shares borders with Poland (716 km), Germany (810 km), Austria (466 km) and Slovakia (215).
Czech History I

- **5th century A.D.**: Celts and Pagans, Slavic tribes.
- **Middle 9th century A.D.**: The Great Moravian Empire, a loose confederation of Slavic tribes, became the leading component of an early feudal state.
- **907 A.D.**: Invasion of Nomadic Magyars (ancestors of Hungarians). Slovak region subject to Hungarian rule; Czechs develop the Bohemian Empire, centered in Prague.
- **14th century**: under the leadership of King Charles IV, Prague becomes a cultural & political capital rivaling Paris.
- **15th century**: Bohemia becomes a center of the Protestant Reformation; Jan Hus, leader of the Hussite movement, martyred in 1415.
- **16th century**: civil war in Bohemia, and events elsewhere in Europe, led Czechs to become part of the Habsburg (Austro-Hungarian) Empire in 1526.
- **October 1918**: collapse of the Austro-Hungarian Empire; the Republic of Czechoslovakia established.
- **1918 - 1938**: a stable democratic system flourished; Czechoslovakia is among the most prosperous countries in Europe and the world.
Czech History II

- **1938**: Hitler annexes the Sudetenland; by 1939 all Czech lands had fallen under German possession.
- **WW II**: 350,000 Czech citizens (250,000 Jews) perish
- **1945**: Liberation by Allied forces
- **1946**: Elections under Soviet guidance; by 1948 Communists had seized control of the government
- **1950s**: Soviet-style state promotes rapid industrialization.
- **1960s**: Liberalization of social and economic policies
- **1968**: Prague Spring – reform minded Slovak, Alexander Dubček, assumes leadership on January 5 and tries to implement “socialism with a human face”; Soviet Union and its Warsaw Pact allies invade the country on August 21; reforms abolished; Soviet occupation
- **1989**: “Velvet Revolution” – peaceful demonstrations by students, workers and dissidents; Communists relinquish power; Alexander Dubček elected leader of the parliament
- **1990**: Czechoslovakia holds its first democratic elections since 1946; dissident playwright Václav Havel becomes President
- **January 1, 1993**: Differences between Slovak and Czech leaders on issues such as resource distribution, infrastructure investment, and economic reform led the two governments to peacefully split into two sovereign states: the Czech Republic and Slovakia (the “Velvet divorce”)
- **1999**: The Czech Republic becomes a member of NATO
- **2004**: The Czech Republic joins the European Union (EU)
Overview of the Czech Republic

The Czech People
<table>
<thead>
<tr>
<th>Nationality</th>
<th>Population</th>
</tr>
</thead>
<tbody>
<tr>
<td>Others and not found</td>
<td>353,019</td>
</tr>
<tr>
<td>Romany</td>
<td>11,716</td>
</tr>
<tr>
<td>Polish</td>
<td>50,971</td>
</tr>
<tr>
<td>German</td>
<td>38,321</td>
</tr>
<tr>
<td>Slovak</td>
<td>183,749</td>
</tr>
<tr>
<td>Silesian</td>
<td>11,248</td>
</tr>
<tr>
<td>Moravian</td>
<td>373,294</td>
</tr>
<tr>
<td>Czech</td>
<td>9,270,615</td>
</tr>
<tr>
<td>Total</td>
<td>10,292,933</td>
</tr>
</tbody>
</table>

**Population by nationality in the Czech Republic**

(Census March 1, 2001 - Czech Statistical Office)
Expected population (in millions) by major age groups up to 2050 (medium variant)

Source: Czech Statistical Office 2005
Development data: Czech Republic

- Human development index – 30 of 177 countries
- Real GDP per capita - $19,408
- Adult literacy rate – 99%
- Infant mortality rate – 4 per 1,000 births
- Life expectancy – 73 (male); 79 (female)
Life expectancy at birth: total population, number of years, 2001

http://titania.sourceoecd.org/vl=2856806/cl=29/nw=1/rpsv/factbook/10-01-01-g01.htm
Language skills by age group – Czech Republic

Source: Universitas, September 2002
Czech population by religion (CSO- Census March 1, 2001)

- Without religion: 58.3%
- Believers: 31.7%
- Roman Catholic: 26.3%
- Evangelical Church: 1.3%
- CZ-SK Hussite Church: 0.1%
- Others: 3%
Czech Cuisine
Czech Cuisine

- Traditional Czech food is heavy and often takes a lot of time to prepare.
- Lighter dishes have become more popular.
- Three meals a day and a mid-morning snack is typical (lunch is the main meal).
Czech Cuisine
- Pivo
## Per Capita Beer Consumption by Country (2004)

<table>
<thead>
<tr>
<th>Rank</th>
<th>Country</th>
<th>Consumption (L)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Czech Republic</td>
<td>156.9</td>
</tr>
<tr>
<td>2</td>
<td>Ireland</td>
<td>131.1</td>
</tr>
<tr>
<td>3</td>
<td>Germany</td>
<td>115.8</td>
</tr>
<tr>
<td>4</td>
<td>Australia</td>
<td>109.9</td>
</tr>
<tr>
<td>5</td>
<td>Austria</td>
<td>108.3</td>
</tr>
<tr>
<td>6</td>
<td>UK</td>
<td>99</td>
</tr>
<tr>
<td>7</td>
<td>Belgium</td>
<td>93</td>
</tr>
<tr>
<td>8</td>
<td>Denmark</td>
<td>89.9</td>
</tr>
<tr>
<td>9</td>
<td>Finland</td>
<td>85</td>
</tr>
<tr>
<td>10</td>
<td>Luxemburg</td>
<td>84.4</td>
</tr>
<tr>
<td>11</td>
<td>Slovakia</td>
<td>84.1</td>
</tr>
<tr>
<td>12</td>
<td>Spain</td>
<td>83.8</td>
</tr>
<tr>
<td>13</td>
<td>US</td>
<td>81.6</td>
</tr>
</tbody>
</table>

Historical & Contemporary Aspects of the Czech Republic

Society
Government

- Parliamentary democracy – 14 regions
- President is Head of State
  - elected to 5 year term by Parliament
  - Václav Havel from 1990 to January 2003
  - Václav Klaus since 2003 (re-elected in Feb 2008)
- Prime Minister is Head of Government:
  - Mirek Topolánek since 2006 (Civic Democratic Party)
  - Jan Fischer (independent) nominated to take power on May 9th; will lead non-partisan technocratic government until October 2009 elections
- Cabinet: Coalition government (ODS, KDU-ČSL, and the Green Party)
- Prime Minister: Mirek Topolánek - Civic Democratic Party
  - led a coalition dominated by the Civic Democratic Party (ODS), but joined by two small parties, the Christian Democratic Union-Czechoslovak People's Party (KDU-CSL) and the Green Party
  - lost a no-confidence vote on March 24th, 2009
- Parliament comprised of:
  - Chamber of Deputies (Lower House) - 200 members,
  - Senate (upper house) - 81 members
Participation of Czech citizens in elections from 1990 to 2002

Actual prediction of election participation for December 2003: 65 % (Source: CVVM)
for April 2006: 68 %
Education

- Compulsory education begins at 6
- Public education is mostly free (small fee at public universities)
- After 8 years of grade school, children begin four years of secondary school in one of several tracks (academic, technical, art or teaching)
- Several institutions of higher learning (Charles university is the oldest, founded in 1348)
Share of young people (18 - 24) having only elementary education
(Source LN, 5.11.2003)

Belgium

Denmark

Germany

Spain

France

Ireland

Italy

Portugal

Czech Rep.

Estonia

Hungary

Poland

Slovenia

Slovakia

Men

Women
Economy

- Initial transition from planned to market economy was quite successful
- Rapid reforms and voucher privatization
- Low labor costs, exports and strong fiscal policies led to balanced budgets ahead of joining the EU in 2004
- Major industries include metallurgy, machinery & equipment, motor vehicles, glass and armaments
- Although only 5% of the labor force is employed in agriculture the country is nearly self sufficient in food
- Currency is the Czech Koruna (CZK); 1 US Dollar ~ 20.5 CZK (was 16 CZK in April 2008)
Economy
- basic data

- 3.2% GDP growth in 2008
  - GDP is expected to contract by 3% in 2009; a modest recovery is expected in 2010.

- 6.3% consumer price inflation in 2008
  - Projected to drop to 1.8 in 2009 and remain in the 2% range from 2010-2013

- Unemployment rate 6% in 2008; expected to increase to ~8% in 2009-2010

- Average monthly wage = 25,381 CKZ
  - (~ $15,000 annually)

Source: Economist Intelligence Unit
## Foreign Trade

<table>
<thead>
<tr>
<th>Major exports 2007</th>
<th>% of total</th>
<th>Major imports 2007</th>
<th>% of total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Machinery &amp; transport equipment</td>
<td>56.5</td>
<td>Machinery &amp; transport equipment</td>
<td>45.0</td>
</tr>
<tr>
<td>Intermediate manufactured goods</td>
<td>18.2</td>
<td>Intermediate manufactured goods</td>
<td>17.7</td>
</tr>
<tr>
<td>Raw materials &amp; fuels</td>
<td>5.8</td>
<td>Raw materials &amp; fuels</td>
<td>12.1</td>
</tr>
<tr>
<td>Chemicals</td>
<td>5.5</td>
<td>Chemicals</td>
<td>9.7</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Leading markets 2006</th>
<th>% of total</th>
<th>Leading suppliers 2006</th>
<th>% of total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Germany</td>
<td>31.7</td>
<td>Germany</td>
<td>31.8</td>
</tr>
<tr>
<td>Slovakia</td>
<td>8.4</td>
<td>Slovakia</td>
<td>6.1</td>
</tr>
<tr>
<td>CIS</td>
<td>3.5</td>
<td>CIS</td>
<td>8.3</td>
</tr>
<tr>
<td>Russia</td>
<td>2.0</td>
<td>Russia</td>
<td>6.0</td>
</tr>
<tr>
<td>China</td>
<td>0.4</td>
<td>China</td>
<td>6.1</td>
</tr>
<tr>
<td>EU25</td>
<td>83.9</td>
<td>EU25</td>
<td>70.0</td>
</tr>
</tbody>
</table>
Exports 2006

- Developed market economies: 85.71%
- Commonwealth of Independent States: 5.80%
- Other: 3.34%
- European transition economies: 0.67%
- Developing economies: 4.40%
- Unspecified: 0.08%

Source: Czech Statistic Office (www.czso.cz)
Annual trends charts

Real GDP growth (% change)

- Czech Republic
- East-central Europe
- World

Source: Economist Intelligence Unit.

Consumer price inflation (av: %)

- Czech Republic
- East-central Europe
- World

Source: Economist Intelligence Unit.

Budget balance (% of GDP)

- Czech Republic
- East-central Europe

Source: Economist Intelligence Unit.

Public debt (% of GDP)

- Czech Republic
- East-central Europe
- World

Source: Economist Intelligence Unit.

Major exports, 2008 (% of total)

- Other 14.8%
- Chemicals 5.9%
- Raw materials & fuels 6.1%
- Intermediate manufactured goods 15.7%
- Machinery & transport equipment 53.5%

Source: Economist Intelligence Unit.

Major imports, 2008 (% of total)

- Other 15.7%
- Chemicals 10.3%
- Raw materials & fuels 13.0%
- Intermediate manufactured goods 19.8%
- Machinery & transport equipment 41.2%

Source: Economist Intelligence Unit.
Gradual reduction in the corporate tax rate, to 21% in 2008, 20% in 2009 and 19% in 2010.

Flat tax on personal income of 15%, to be reduced to 12.5% in 2009 (this will replace the current progressive tax regime).

Value-added tax (VAT) of 19%
## Doing business in the Czech Republic

### - business environment rankings

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Overall position</td>
<td>7.03</td>
<td>7.55</td>
<td>28</td>
<td>26</td>
<td>2</td>
<td>2</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Political environment</td>
<td>7.1</td>
<td>7.2</td>
<td>25</td>
<td>26</td>
<td>3</td>
<td>3</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Political stability</td>
<td>8.1</td>
<td>8.1</td>
<td>19</td>
<td>16</td>
<td>1</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Political effectiveness</td>
<td>6.1</td>
<td>6.5</td>
<td>31</td>
<td>31</td>
<td>3</td>
<td>3</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Macroeconomic environment</td>
<td>7.8</td>
<td>8.0</td>
<td>33</td>
<td>25</td>
<td>5</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Market opportunities</td>
<td>6.3</td>
<td>6.8</td>
<td>35</td>
<td>25</td>
<td>4</td>
<td>3</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Policy towards private enterprise &amp; competition</td>
<td>6.5</td>
<td>7.3</td>
<td>29</td>
<td>27</td>
<td>3</td>
<td>3</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Policy towards foreign investment</td>
<td>8.2</td>
<td>8.2</td>
<td>17</td>
<td>20</td>
<td>2</td>
<td>3</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Foreign trade &amp; exchange controls</td>
<td>8.7</td>
<td>9.1</td>
<td>15</td>
<td>14</td>
<td>2</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Taxes</td>
<td>4.7</td>
<td>6.2</td>
<td>69</td>
<td>48</td>
<td>13</td>
<td>10</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Financing</td>
<td>6.6</td>
<td>7.4</td>
<td>31</td>
<td>33</td>
<td>3</td>
<td>4</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>The labour market</td>
<td>7.2</td>
<td>7.3</td>
<td>18</td>
<td>25</td>
<td>3</td>
<td>4</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Infrastructure</td>
<td>7.3</td>
<td>8.0</td>
<td>25</td>
<td>25</td>
<td>2</td>
<td>2</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Czech Republic ranks 34th out of 111 countries in the worldwide quality-of-life index and has second best result amongst the Central and Eastern European Countries.

### WORLDWIDE QUALITY-OF-LIFE INDEX, 2005 (Score on a scale from 1 to 10)

<table>
<thead>
<tr>
<th>RANK</th>
<th>COUNTRY</th>
<th>SCORE</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Ireland</td>
<td>8.333</td>
</tr>
<tr>
<td>2</td>
<td>Switzerland</td>
<td>8.068</td>
</tr>
<tr>
<td>3</td>
<td>Norway</td>
<td>8.051</td>
</tr>
<tr>
<td>27</td>
<td>Slovenia</td>
<td>6.986</td>
</tr>
<tr>
<td>34</td>
<td><strong>Czech Republic</strong></td>
<td><strong>6.629</strong></td>
</tr>
<tr>
<td>37</td>
<td>Hungary</td>
<td>6.534</td>
</tr>
<tr>
<td>45</td>
<td>Slovakia</td>
<td>6.381</td>
</tr>
<tr>
<td>48</td>
<td>Poland</td>
<td>6.309</td>
</tr>
<tr>
<td>63</td>
<td>Lithuania</td>
<td>6.033</td>
</tr>
<tr>
<td>66</td>
<td>Latvia</td>
<td>6.008</td>
</tr>
<tr>
<td>68</td>
<td>Estonia</td>
<td>5.905</td>
</tr>
</tbody>
</table>

*Source: The Economist Intelligence Unit, 2004*
Cultural adjustments

Czech values:

- Individualism
- Creativity
- Work ethic
- Love of learning
- Tolerance, tidiness, thrift
- Love of music and theatre
- Morality
- Lasting friendships

- Sense of humor
- Flexibility
- Pragmatism, egalitarianism
- Rationality
- Discipline, steadiness, loyalty
- Lack of self-confidence
- Passive resistance
Cultural adjustments

- Leadership and Status
- Space & time
- Manners & taboos
The Czech Language
- Some basic phrases

- Yes      Ano
- No       Ne
- Please   Prosim
- Hello    Dobry den!
- Goodbye  Na shledanou (Na-skleda-nu)
- Thank you Děkuji (Djek-wi)
- Beer     Pivo

Check out this site for more: (http://www.locallingo.com)
Additional Sources of Information

**English language newspapers:**

**Other sources of information:**
  (operated by the Ministry of Foreign Affairs)