

New Approach of the Czech Republic to FDI

海外直接投資におけるチェコの新戦略

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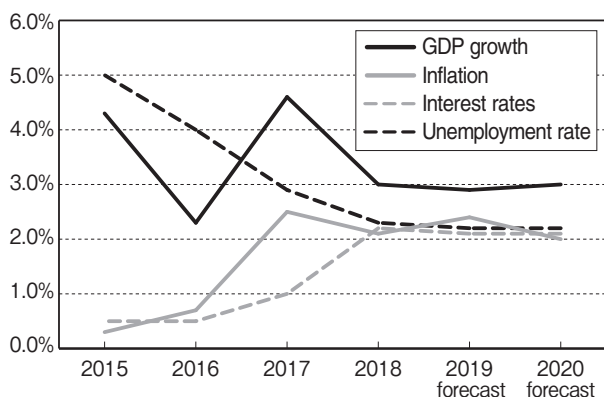


The Czech Republic is a well-developed country in the heart of Europe. It is only as big as the island of Hokkaido and has the population of the metropolitan city Tokyo but it is an important export-oriented economy and member of the European Union. Because of its long industrial tradition, favorable location, considerable pool of skilled workforce and good infrastructure, the Czech Republic has been one the most popular European destinations for the foreign direct investment for the last 20 years. In fact, Japanese companies have been the second biggest foreign investors in the Czech Republic right after Germany. Today, there are 260 Japanese companies having an operation there. 109 of them are manufacturing companies, the biggest investors among them are Panasonic, Toyota Motor Corporation, AGC, Denso and many other. The Japanese investors have invested more than 430 bn. yen and created more than 50,000 new job positions.

Outstanding economic results

In 2019, the Czech Republic shows rather impressive economic indicators. The GDP growth stays at 2.8%,

図表1 安定した経済



both inflation rate and interest rates are stable at the target of 2%, and the unemployment rate is the lowest in the entire Europe – 3.2%. Indeed, these economical results are a great advantage that makes people satisfied with their living and working conditions in the Czech Republic. On the other hand, it brings a headache to the employers who sometimes struggle to find the workers, especially for the blue color's positions. It is exactly the time of stable economic situation that creates the right conditions for the new initiatives and strategies to be introduced by the Czech government.

Japanese investors play important role for the Czech economy

30 years ago, in 1989 the communist regime in then Czechoslovakia fell and the transition of the economy started. The main goal of the new government was to liberalize the trade, to create an environment for private ownership, and to switch from the planned economy to the market economy. Comparing to other Eastern European countries, the Czech transition story was by far one of the most successful. There was a low portion of companies that went bankrupt, the unemployment didn't rise extremely and the Czech currency stayed still as well. One part of this successful transitions was the privatization of the state-owned companies. Mainly German, French, British, Italian, Austrian and American companies were the first ones to come and to get the most attractive companies that were competitive enough to export to the Western markets. The most outstanding example is the original Czech car producer Škoda Auto which was founded in 1895 and acquired by Volkswagen Group in 2000.

Nowadays, Škoda Auto manufactures more than 1 million units in Europe, Russia, India, and China every year.

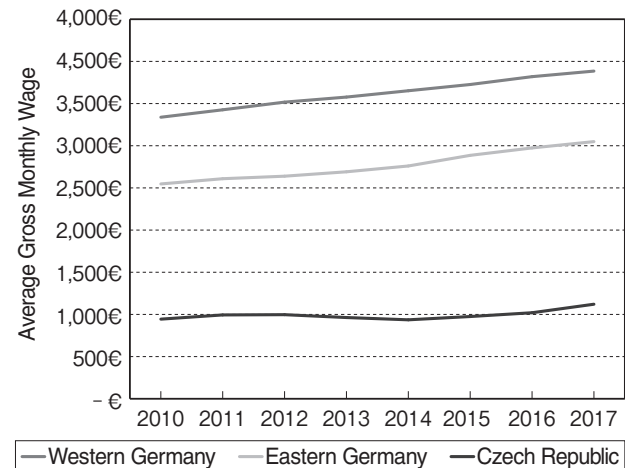
The Japanese investors came a little bit later but with even bigger eager. The Investment and Development Agency CzechInvest was founded by the Ministry of Industry and Trade in late 1992, a couple of months before the Czechoslovakia peacefully split into to two countries – the Czech Republic and Slovakia. First greenfield investment was made by Panasonic in 1996 and this was essentially the beginning of investment incentives scheme in the Czech Republic. Since that time, over 100 Japanese companies decided to establish their manufacturing facility in the country. The investment boom came before the Czech Republic joined the European Union in May 2004 which enabled the exporters to freely enter the internal market of the EU.

Czech Republic to become an innovation leader by 2030

For the last three decades, the ultimate goal of the Czech government was to reach the level of wealth of the neighboring Germany. Unfortunately, for the last ten years the wages remained at the one third of the German. Although the productivity grew faster than in the Western European economies, the wages rose at the same speed thus not closing the wage gap. As mentioned before, the Czech government decided to enhance the development of the country by investing more into the innovations. The innovation strategy called “Czech Republic – Country for the Future” was adopted earlier this deal to gather the initiatives under the same roof. Its goal is to make the Czech Republic one of the top 7 most innovative countries in the European Union by the year 2030. It was inspired by similar innovation strategies conducted by Finland, Denmark, Sweden or Switzerland – countries of about the same size of population yet far more innovative and productive. Nowadays, the Czech Republic stands somewhere in the middle in the ranking of European innovation leaders. There are several instruments that aims to create a better environment for technical

studies, research institutions, private companies, start-ups and the foreign investors as well. It targets the introduction and development of the key technologies and smart solutions like robotization, digitalization, smart mobility, alternative fuels, autonomous vehicles or smart energy.

図表2 平均賃金はドイツの3分の1



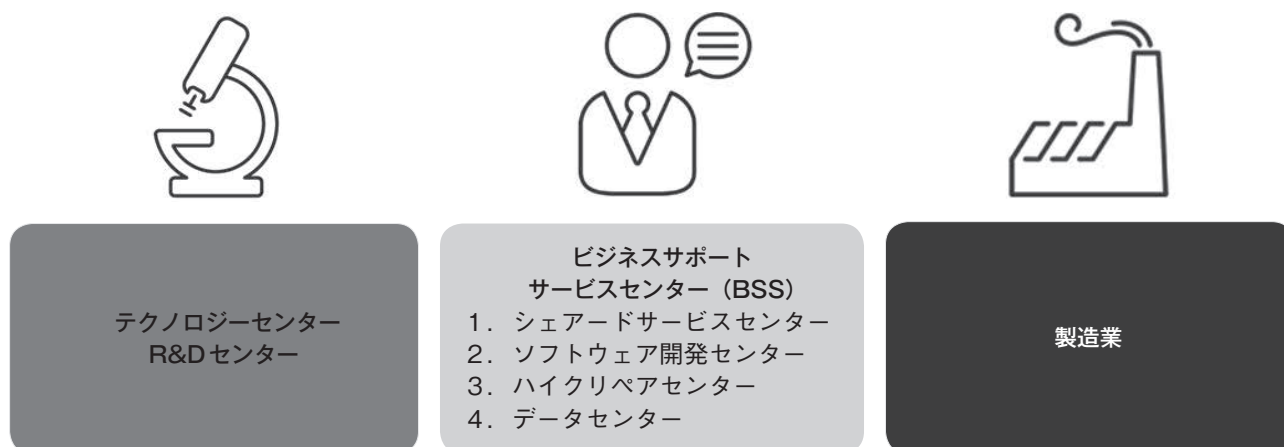
図表3 イノベーション戦略 — 数値目標

Index	Now	Goal by 2025	Goal by 2030
European Innovation Index	Moderate innovator	Strong innovator	Innovation leader
Global Innovation Index	No. 14 among EU countries	Top 10 among EU countries	Top 7 among EU countries
Innovation Output Indicator	No. 13 among EU countries	Top 10 among EU countries	Top 7 among EU countries

More favorable conditions for high-tech investment

One of the ways how to reach the goal of being the innovation leader is to attract high-tech investment and make the existing manufacturing companies to invest more into the implementation of principles of so-called “Industry 4.0”. The concept of Industry 4.0 or as being referred to the fourth industrial revolution is to create a smart factory. It a name given to the trend of automation and data exchange in manufacturing through introducing the robotization, digitalization, internet of things, cloud computing and other cyber-physical systems. This concept is becoming increasingly important in the situation of the shortage

図表 4 投資優遇措置の改正 — 支援対象プロジェクトの種類



of labor force which is common in most of the industrialized regions of the European Union.

The CzechInvest's vision is to make the Czech Republic open, economically advanced and competitive economy based on innovation and well-developed modern digital infrastructure, using highly qualified human potential. The goal is to reach at 50% share of the high added value investment. CzechInvest considers projects that either employs with high skilled and/or invest in research and development or highly sophisticated manufacturing, as high added value investment. These kind of investment projects will receive considerably higher financial support from the Czech government. Mid-tech and low-tech will be supported only in the selected less developed regions.

The Czech Republic has introduced the Act on Investment Incentives in 2000. This law secures fair rules and conditions for all the investors. It is one of the main advantages of the investment climate in the Czech Republic because it brings high level of certainty to the foreign investors. Basically, once a foreign investor fulfills all the conditions, it can be 100% sure of receiving the financial support in the form of investment incentives. The investment incentives are available for all the companies who invest in manufacturing, technology center, R&D activities, business shared service centers, software development companies, data centers or repair centers. They come in form of income tax relief, and in selected regions with higher unemployment rate also in the form of discount on land price, cash grants on newly created jobs and training, and property tax reliefs.

Amendment of the Act on Investment Incentives

The Act on Investment Incentives is about to be amended. The proposal brings more favorable conditions to the above-mentioned higher added value projects. R&D, technology centers and business support services projects will be supported by cash grants for each newly created job all over the country, not only in the selected regions. On the other hand, the manufacturing projects applying for the investment incentives must prove the value-added condition and calculate the benefits of the investment for the region.

製造業に最も重要な改正内容 高付加価値の条件の追加

最低賃金が投資先地域の平均賃金以上であること
+

- A) 全雇用者の10%以上が大学卒業資格を保持および研究開発期間(R&D)とのアクティブな連携 OR
- B) 全雇用者の2%がR&Dに従事 OR
- C) 対象経費の最低10%がR&Dへの投資

- ・10年間の法人税免除
- ・補助限度率：対象経費の25%

ご質問・お問い合わせは下記にお願いいたします。☎

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