



World Eye Reports

Czech Republic

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Building a resilient Czech economy for the future of Europe

Interview with H.E. Tetsuo Yamakawa, Ambassador of Japan to the Czech Republic

In light of the Year of Friendship between Japan and the Visegrad Group, how would you characterize the relationship between the Czech Republic and Japan today?

Both countries have a long history of cultural links and similar traditions. Our broad-based and close relations are based on mutual exchange respecting both cultures.

As you know, Praha (Prague) and Kyoto are sister cities. Both have 1,200 years of history dating from the eighth century A.D.

From an economic standpoint, many Japanese investors have come to the Czech Republic in just the last decade and total investments from Japan amount to \$5 billion.

There are 240 Japanese companies that have created more than 46,000 jobs in the country. It means that Japanese industries are playing a considerable role in the development of the Czech Republic's economy.

What are your thoughts on the Czech market's competitiveness in the region?

Despite the fact that the Czech economy boasts great human resources and geographical advan-



“If a high-potential country such as the Czech Republic cooperates with Japan and utilizes Japan's experience, then its economy can develop into a 'resilient economy.'”

— TETSUO YAMAKAWA
Ambassador of Japan to the Czech Republic

tages, its dependence on exports makes it vulnerable because it can be easily influenced by the economic trends of other coun-

tries. Therefore, it is necessary to increase added-value in products as well as to improve the busi-

ness environment. Taking such steps would lead the Czech economy to a more resilient position.

Which sectors provide an opportunity for closer cooperation between Japan and the Czech Republic?

In my opinion, the sectors include high-tech areas such as “big data” frontier, in which we can expect developments in the future. Then there are areas that can contribute to the rise of efficiency in existing industries or investments, such as the improvement of infrastructures, the supply of electricity, communications, regulatory reforms, the establishment of e-government and so on.

What type of targets or ambitions have you set out for the embassy during your time in the Czech Republic?

It is necessary to prepare and proceed with a new stage of the partnership between the Czech Republic and Japan, which involves establishing a comprehensive cooperation framework and starting pilot projects.

The next stage would be to establish high-level comprehensive cooperation in the ICT fields,

cutting-edge technologies and research institute cooperation.

With the report's publication set for Jan. 23, what are some of the embassy's plans during this period to commemorate the Year of Friendship between Japan and the Visegrad Group?

Japan considers cooperation with the Visegrad countries to be of high importance. The concept of the Year of Exchange for V4 plus Japan is more oriented to cultural exchange. The Embassy of Japan would organize and support cultural events that would strengthen ties with the Czech Republic and the other Visegrad countries.

What message do you have to send to the members of the Japanese, Czech and international business communities who will be reading this report?

If a high-potential country such as the Czech Republic cooperates with Japan and utilizes Japan's experience, then its economy can develop into a “resilient economy” (or “resilient society”) and thus become a model for the region. ♦

Czech Republic is center for Japanese investment in Central Europe

In the early 1990s, the Visegrad Group of countries (the Czech Republic, Poland, Slovakia and Hungary) introduced reforms to attract foreign investment. Lower labor costs and ease of access to European markets led to a shift of the manufacturing industry from Western to Central and Eastern Europe.

The Czech Republic, with its added-value offerings, headed this investment drive. Of the four countries of the group, it has attracted the most foreign direct investment, enabling the country to position itself as a leading economy in the region.

The Czech Republic is located at the very heart of Europe. The country offers investors close proximity to the western consumer-driven economies while providing access to production-driven emerging economies in the east. Located at the crossroads of Europe, the country has excellent infrastructure and transportation networks.

The Czech Republic's highly skilled labor force has enabled it to position itself as a leader in the region. Czechs are known as great craftsmen and engineers; in fact, “Zlaté české ručičky (Czech golden hands)” is a phrase you will often hear in Central Europe. The Czech population's long tradition of education and technical expertise dates back to the Middle Ages, when the Holy Roman Empire had its seat in Prague.

Recognizing these benefits, Japanese investors have become the second-largest source of foreign direct investment into the Czech Republic. There are currently 231 Japanese-affiliated companies in the Czech Republic.



“We have traditionally been very good at attracting Japanese investment into the country,” says Ondrej Votruba, director of the Investment Division of CzechInvest, the country's investment and business development agency tasked with providing comprehensive services for investors, full information assistance, handling of investment incentives, business property identification, location of Czech suppliers and aftercare services.

“As a country, we rank very highly in having the necessary criteria for foreign investors in country comparison charts. We provide large and small investors with the necessary support they require



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Investment Division of CzechInvest

when considering the Czech Republic as an investment destination,” says Votruba.

Since its establishment in 1992, CzechInvest has assisted in the completion of 2,352 projects — generating 248,084 jobs and securing over \$30 billion of foreign investment. Its Japan office was established in Yokohama in 1997, only the agency's sixth foreign branch. The office was moved to the center of Tokyo in 2009 to join the Czech Republic's other representative offices in Japan.

In 2012, with Europe still reeling from the effects of the global financial crisis, the agency was responsible for 350 projects: the most projects initiated in one year since the agency was established.

“While Germany remains the largest investor in the country because of our proximity and shared history, it is remarkable how many Japanese companies have chosen our country as their base in the region,” says Votruba. “The Japanese represent 16.5 percent of total investment in the country. There are 95 Japanese manufacturers with facilities across the Czech Republic.”

With huge investments by Toyota and Denso, the automotive industry remains the traditional dominant sector for Japanese investment. The majority of “greenfield” projects have been established by the larger Japanese companies and today new areas of investment are being studied.

“There has been a shift from manufacturing to research and development (R&D) in recent years,

and there are numerous other opportunities for Japanese companies,” explains Votruba. “To encourage investment in R&D, technology centers and high-value-added products, the government is offering incentives and implementing strategies to attract further investment.”

“Hot” sectors include engineering, medical devices, plastics and robotics (interestingly enough, the word “robot” was first introduced by Karel Čapek, the early 20th-century Czech science-fiction writer). “While a Czech invented the word, the Japanese realized the concept's potential and became leaders in the field of robotics,” says Votruba.

Today, the country remains the first choice for foreign investors in Europe, while its economy continues to grow. The opportunity to live in the beautiful, historic capital of Prague is icing on the cake for many Japanese executives and employees establishing a presence in the country.

“Our Japanese investors are pleased with their investments here and have remained despite the problems being experienced in the rest of Europe,” concludes Votruba. “We feel there are numerous opportunities for other Japanese companies to invest in the Czech Republic. We are committed to sharing our vision for the future with our Japanese friends and are ready to guide them free of charge through the entire process of entering the growing Czech economy.” ♦

www.czechinvest.org

Outsourcing document processing is key to increased competitiveness

The Czech Republic positioned itself as a foreign direct investment destination in the early 1990s. Japanese investors quickly recognized the advantages of establishing operations in the Central European country. Today, they continue to lead investment initiatives across it.

While the manufacturing sector remains the most important industry for continued Japanese investment, new industries are being identified that take advantage of the country's location, language proficiency, technical expertise and cost competitiveness in comparison with other European countries.

“We have seen a shift of specialized document Business Process Outsourcing (BPO) services from India to Central and Eastern Europe over the past few years, due to the region's proficiency in multiple languages and the high quality of education in countries such as the Czech Republic,” says Renata Telinova, president of the Czech niche provider scanservice.

“With our expertise in BPO of document digitization and processing, we encourage Japanese companies to explore the possibility of outsourcing their Euro-

pean business to us,” she explains. “We are able to provide a dedicated and professional document processing solutions service.”

The advantages of outsourcing the handling and transformation of large volumes of paper documents into digital format are numerous. Digitization involves organization, technical expertise, committed personnel and financial management skills. The process is cost-efficient



and enables clients to focus on their core competencies.

As the largest Czech company in document digitization, scanservice is the BPO partner of Johnson & Johnson's global offices, the Czech branch of Citibank and AXA Group, among others.

“Over the last 16 years we have delivered customized document processing solutions to state administrations, local governments and other leading companies,” says Milan Zajicek, the company's vice president. “Employing the most ad-

vanced technology, professional personnel and latest know-how is essential for our business, and enables us to offer the best possible software, products and solutions to our clients.”

The company develops software in-house, and also delivers and services sophisticated software and hardware products, e.g., from Kodak (today Kodak Alaris) and Top Image Systems for scanning original documents, identifying the document type (for example, for mail-room operations) and subsequent data capture (for example, from forms or invoices, verification and export).

Today, the company actively supports local athletes and the country's film industry, and is a partner of choice for international and Japanese companies looking to partner with the country's leader in document management.

“We have seen the industry evolve, and today we educate customers on the advantages of document management and digitization,” says Telinova. “Our strong reputation within the industry has enabled us to work closely with government departments and large multinational companies. Japanese investors should consider the Czech Republic as a strate-



Renata Telinova, president, Milan Zajicek, vice president

gic BPO location in Europe, and scanservice is committed to providing essential document processing solutions today and in the future.” ♦

www.scanservice.cz

Japan serves Europe through the Czech Republic

Among Central and Eastern European countries, the Czech Republic has succeeded the most in attracting Japanese foreign direct investment over the last two decades.

Due to the country's centrally located position in Europe, stable economy and highly skilled workforce, Japanese companies are seeing significant growth in their Czech business, and are expanding their investments as a result of favorable market conditions prevalent in the local economy.

T.RAD Czech, a subsidiary of Japan's T.RAD, and a leader in the production of heat exchangers mainly used in the automotive, air conditioning and construction industries, was es-



Jan Lepeška, managing director of T.RAD Czech

established in 2004 to meet European demand for air conditioners and for its robust auto industry. The company recently expanded its manufacturing facility to increase production.

“We finished construction of our new production hall last year, which is twice the size of our existing one, and we will commence our new production this year on the 10th anniversary of

our establishment as a company,” says Jan Lepeška, managing director of T.RAD Czech.

“We expect to operate at maximum capacity for the next four years,” he continues. “We are also diversifying our product range to include radiators and a variety of stainless products. In line with our increased production capabilities, we intend to diversify our production range in the future.”

Early on, the company recognized the potential in diversifying its client base to include all types of manufacturers.

“In the next three years, we intend to be more visible and active in the market,” says Lepeška. “While we remain committed to supplying Japanese manufactur-

ers, we also plan to work in partnership with regional and international companies.”

Lepeška, who has been with T.RAD Czech since the company was established, is committed to ensuring the continued growth of the company.

“It has been my goal to strengthen our business and increase our production capabilities,” he explains. “Our headquarters in Japan made the decision to increase the capacity of our production facility and we intend to achieve great things in the future. Cooperation and communication between Czechs and Japanese continue to facilitate our business growth. We are ready to drive our business forward.” ♦

www.trad.cz



T.RAD Czech production facility