CZECH REPUBLIC BASIC FACTS

Geography
Area: 78,864 sq. kilometers; about the size of Virginia. Cities: Capital—Prague (pop. 1.21 million). Other cities—Brno (367,000), Ostrava (310,000), Plzen (163,000). Terrain: Low mountains to the north and south, hills in the west. Climate: Temperate continental. Weather in July: up to 95 F, July is the warmest month of the year, it can be rainy with storms, heat spells are possible, cooler nights, generally sunny, but most rain falls into July.

People
Nationality: Noun and adjective—Czech(s).
Population (2009 est.): 10.5 million.
Annual population growth rate: 0.1%.
Ethnic groups: Czech (94% or 9.6 million); Slovak (193,000); Roma (11,000); Polish (52,000); German (39,000); Ukrainian (22,000); and Vietnamese (40,000).
Religions: Roman Catholic, Protestant.
Language: Czech.
Education: Literacy—99.8%.
Health: Life expectancy—males 73.34 yrs., females 79.7 yrs.

Government
Type: Parliamentary republic.
Independence: The Czech Republic was established January 1, 1993 (former Czechoslovak state established 1918).

Economy
Nominal GDP (2009 est.): $194.8 billion.
GDP per capita: $18,557.
Annual GDP growth rate (2009): -4.3%.
Natural resources: Coal, coke, timber, lignite, uranium, magnesite.
Agriculture: Products—wheat, rye, oats, corn, barley, hops, potatoes, sugar beets, fruit, hogs, cattle, horses, poultry.
Industry: Types—motor vehicles, machinery and equipment, iron, steel, cement, sheet glass, armaments, chemicals, ceramics, wood, paper products, and footwear.
Trade (2009): Exports—$136.7 billion: motor vehicles, machinery, iron, steel, chemicals, raw materials, consumer goods. Imports—$141.6 billion (est.). Trading partners—Germany (32%), Slovakia, Poland, France, Austria, Italy, the Netherlands, Russia, U.K., China, United States.

PEOPLE
The majority of the 10.5 million inhabitants of the Czech Republic are ethnically and linguistically Czech (94%). Other ethnic groups include Germans, Roma, Russians and Poles. Laws establishing religious freedom were passed shortly after the revolution of 1989, lifting oppressive regulations enacted by the former communist regime. Major denominations and their estimated percentage populations are Roman Catholic (39%) and Protestant (3%). A large percentage of the Czech population claim to be atheists (40%), and 16% describe themselves as uncertain. The Jewish community numbers a few thousand
today; a synagogue in Prague memorializes the names of more than 80,000 Czechoslovak Jews who perished in World War II.

HISTORY
The Czech Republic was the western part of the Czech and Slovak Federal Republic. Formed into a common state after World War I (October 28, 1918), the Czechs, Moravians, and Slovaks remained united for almost 75 years. On January 1, 1993, the two republics split to form two separate states.

The Czechs lost their national independence to the Hapsburg Empire in 1620 at the Battle of White Mountain and for the next 300 years were ruled by the Austrian Monarchy. With the collapse of the monarchy at the end of World War I, the independent country of Czechoslovakia was formed, encouraged by, among others, U.S. President Woodrow Wilson.

Despite cultural differences, the Slovaks shared with the Czechs similar aspirations for independence from the Hapsburg state and voluntarily united with the Czechs. For historical reasons, Slovaks were not at the same level of economic and technological development as the Czechs, but the freedom and opportunity found in Czechoslovakia enabled them to make strides toward overcoming these inequalities. However, the gap never was fully bridged, and the discrepancy played a continuing role throughout the 75 years of the union.

Although Czechoslovakia was the only east European country to remain a parliamentary democracy from 1918 to 1938, it was plagued with minority problems, the most important of which concerned the country's large German population. Constituting more than 22% of the interwar state's population and largely concentrated in the Bohemian and Moravian border regions (the Sudetenland), members of this minority, including some who were sympathetic to Nazi Germany, undermined the new Czechoslovak state. Internal and external pressures culminated in September 1938, when France and the United Kingdom yielded to Nazi pressures at Munich and agreed to force Czechoslovakia to cede the Sudetenland to Germany.

Fulfilling Hitler's aggressive designs on all of Czechoslovakia, Germany invaded what remained of Bohemia and Moravia in March 1939, establishing a German "protectorate." By this time, Slovakia had already declared independence and had become a puppet state of the Germans. Hitler's occupation of the Czech lands was a clear betrayal of the Munich Pact and still stirs passions in modern-day Czech society, but at the time it was met by muted resistance; the brunt of Nazi aggression was felt by Czech Jews and other minorities who were rounded up and deported to concentration camps in systematic waves. Over 100,000 Jews lived in the Czech lands in 1939. Only several thousand remained or returned after the Holocaust in 1945.

At the close of World War II, Soviet troops overran all of Slovakia, Moravia, and much of Bohemia, including Prague. In May 1945, U.S. forces liberated the city of Plzen and most of western Bohemia. A civilian uprising against the German garrison took place in Prague in May 1945. Following Germany's surrender, some 2.9 million ethnic Germans were expelled from Czechoslovakia with Allied approval under the Benes Decrees.

Reunited after the war, the Czechs and Slovaks set national elections for the spring of 1946. The democratic elements, led by President Eduard Benes, hoped the Soviet Union would allow Czechoslovakia the freedom to choose its own form of government and aspired to a Czechoslovakia that would act as a bridge between East and West. The Czechoslovak Communist Party, which won 38% of the vote, held most of the key positions in the government and gradually managed to neutralize or silence the anti-communist forces. Although the communist-led government initially intended to participate in the Marshall Plan, it was forced by Moscow to back out. Under the cover of superficial legality, the Communist Party seized power in February 1948.

After extensive purges modeled on the Stalinist pattern in other east European states, the Communist
Party tried 14 of its former leaders in November 1952 and sentenced 11 to death. For more than a decade thereafter, the Czechoslovak communist political structure was characterized by the orthodoxy of the leadership of party chief Antonin Novotny.

The 1968 Soviet Invasion
The communist leadership allowed token reforms in the early 1960s, but discontent arose within the ranks of the Communist Party central committee, stemming from dissatisfaction with the slow pace of the economic reforms, resistance to cultural liberalization, and the desire of the Slovaks within the leadership for greater autonomy for their republic. This discontent expressed itself with the removal of Novotny from party leadership in January 1968 and from the presidency in March. He was replaced as party leader by a Slovak, Alexander Dubcek.

After January 1968, the Dubcek leadership took practical steps toward political, social, and economic reforms. In addition, it called for politico-military changes in the Soviet-dominated Warsaw Pact and Council for Mutual Economic Assistance. The leadership affirmed its loyalty to socialism and the Warsaw Pact but also expressed the desire to improve relations with all countries of the world regardless of their social systems.

A program adopted in April 1968 set guidelines for a modern, humanistic socialist democracy that would guarantee, among other things, freedom of religion, press, assembly, speech, and travel; a program that, in Dubcek's words, would give socialism "a human face." After 20 years of little public participation, the population gradually started to take interest in the government, and Dubcek became a truly popular national figure.

The internal reforms and foreign policy statements of the Dubcek leadership created great concern among some other Warsaw Pact governments. On the night of August 20, 1968, Soviet, Hungarian, Bulgarian, East German, and Polish troops invaded and occupied Czechoslovakia. The Czechoslovak Government immediately declared that the troops had not been invited into the country and that their invasion was a violation of socialist principles, international law, and the UN Charter.

The principal Czechoslovak reformers were forcibly and secretly taken to the Soviet Union. Under obvious Soviet duress, they were compelled to sign a treaty that provided for the "temporary stationing" of an unspecified number of Soviet troops in Czechoslovakia. Dubcek was removed as party First Secretary on April 17, 1969, and replaced by another Slovak, Gustav Husak. Later, Dubcek and many of his allies within the party were stripped of their party positions in a purge that lasted until 1971 and reduced party membership by almost one-third.

The 1970s and 1980s became known as the period of "normalization," in which the apologists for the 1968 Soviet invasion prevented, as best they could, any opposition to their conservative regime. Political, social, and economic life stagnated. The population, cowed by the "normalization," was quiet.

The Velvet Revolution
The roots of the 1989 Civic Forum movement that came to power during the "Velvet Revolution" lie in human rights activism. On January 1, 1977, more than 250 human rights activists signed a manifesto called the Charter 77, which criticized the government for failing to implement human rights provisions of documents it had signed, including the state's own constitution; international covenants on political, civil, economic, social, and cultural rights; and the Final Act of the Conference for Security and Cooperation in Europe. Although not organized in any real sense, the signatories of Charter 77 constituted a citizens' initiative aimed at inducing the Czechoslovak Government to observe formal obligations to respect the human rights of its citizens.

On November 17, 1989, the communist police violently broke up a peaceful pro-democracy demonstration and brutally beat many student participants. In the days that followed, Charter 77 and other groups united to become the Civic Forum, an umbrella group championing bureaucratic reform and
civil liberties. Its leader was the dissident playwright Vaclav Havel. Intentionally eschewing the label "party," a word given a negative connotation during the previous regime, Civic Forum quickly gained the support of millions of Czechs, as did its Slovak counterpart, Public Against Violence.

Faced with an overwhelming popular repudiation, the Communist Party all but collapsed. Its leaders, Husak and party chief Milos Jakes, resigned in December 1989, and Havel was elected President of Czechoslovakia on December 29. The astonishing quickness of these events was in part due to the unpopularity of the communist regime and changes in the policies of its Soviet guarantor as well as to the rapid, effective organization of these public initiatives into a viable opposition.

A coalition government, in which the Communist Party had a minority of ministerial positions, was formed in December 1989. The first free elections in Czechoslovakia since 1946 took place in June 1990 without incident and with more than 95% of the population voting. As anticipated, Civic Forum and Public Against Violence won landslide victories in their respective republics and gained a comfortable majority in the federal parliament. The parliament undertook substantial steps toward securing the democratic evolution of Czechoslovakia. It successfully moved toward fair local elections in November 1990, ensuring fundamental change at the county and town level.

Civic Forum found, however, that although it had successfully completed its primary objective—the overthrow of the communist regime—it was ineffectual as a governing party. The demise of Civic Forum was viewed by most as necessary and inevitable.

By the end of 1990, unofficial parliamentary "clubs" had evolved with distinct political agendas. Most influential was the Civic Democratic Party, headed by Vaclav Klaus, who later became Prime Minister. Other notable parties that came to the fore after the split were the Czech Social Democratic Party, Civic Movement, and Civic Democratic Alliance.

By 1992, Slovak calls for greater autonomy effectively blocked the daily functioning of the federal government. In the election of June 1992, Klaus's Civic Democratic Party won handily in the Czech lands on a platform of economic reform. Vladimir Meciar's Movement for a Democratic Slovakia emerged as the leading party in Slovakia, basing its appeal on fairness to Slovak demands for autonomy. Federalists, like Havel, were unable to contain the trend toward the split. In July 1992, President Havel resigned. In the latter half of 1992, Klaus and Meciar hammered out an agreement that the two republics would go their separate ways by the end of the year.

Members of the federal parliament, divided along national lines, barely cooperated enough to pass the law officially separating the two nations. The law was passed on December 27, 1992. On January 1, 1993, the Czech Republic and the Republic of Slovakia were simultaneously and peacefully founded.

Relationships between the two states, despite occasional disputes about the division of federal property and governing of the border, have been peaceful. Both states attained immediate recognition from the U.S. and their European neighbors.

GOVERNMENT AND POLITICAL CONDITIONS
The President of the Czech Republic is Vaclav Klaus. He was re-elected on February 15, 2008 and sworn into office on March 7, 2008. As formal head of state, the president is granted specific powers such as the right to nominate Constitutional Court judges, dissolve parliament under certain conditions, and enact a veto on legislation. Presidents are elected by the parliament for 5-year terms.

The legislature is bicameral, with a Chamber of Deputies (200 seats) and a Senate (81 seats). With the split of the former Czechoslovakia, the powers and responsibilities of the now-defunct federal parliament were transferred to the Czech National Council, which renamed itself the Chamber of Deputies. Chamber delegates are elected from 14 regions— including the capital, Prague— for 4-year terms, on the basis of proportional representation. The Czech Senate is patterned after the U.S. Senate and was first elected in
1996; its members serve for 6-year terms with one-third being elected every 2 years.

The country's highest court of appeal is the Supreme Court. The Constitutional Court, which rules on constitutional issues, is appointed by the president. Its members serve 10-year terms.

The June 2-3, 2006 general election resulted in the Chamber of Deputies' 200 seats being evenly divided 100-100 between three center-right parties and two parties on the left, with neither side able to form a majority government. The impasse led to months of protracted negotiations during which Prime Minister Mirek Topolanek formed a three-party coalition of the Civic Democratic Party (ODS), the Christian Democrats (KDU-CSL), and the Greens (SZ). The coalition lost its first vote of confidence 96-99 on October 4, 2006. But some 7 months after the election, on January 19, 2007, the coalition succeeded in its second attempt when two renegade parliamentarians from the opposition Social Democrats (CSSD) abstained. On March 24, 2009, the coalition government lost a vote of no-confidence, and resigned 2 days later, although it stayed in power until May 8 when a new interim, technocratic government was sworn in. Jan Fischer, who had been serving as the head of the Czech Statistical Office, was named Prime Minister.

Parliamentary elections were held in May 2010. Although the CSSD lost 18 seats, the election results made it the largest party in the Parliament. However, a center-right coalition was formed of the established ODS, the formerly local Prague party Public Affairs (VV), and the newly formed TOP 09. Petr Necas of ODS was named Prime Minister.

The Czech Republic joined the European Union in 2004, and held the Presidency of the Council of the European Union from January 1 to June 30, 2009.

ECONOMY

Of the former communist countries in Central and Eastern Europe, the Czech Republic has one of the most developed and industrialized economies. Its strong industrial tradition dates to the 19th century, when Bohemia and Moravia were the industrial heartland of the Austro-Hungarian Empire. The Czech Republic has a well-educated population and a well-developed infrastructure. The country’s strategic location in Europe, low-cost structure, and skilled work force have attracted strong inflows of foreign direct investment (FDI). This investment is rapidly modernizing its industrial base and increasing productivity.

The principal industries are motor vehicles, machine-building, iron and steel production, metalworking, chemicals, electronics, transportation equipment, textiles, glass, brewing, china, ceramics, and pharmaceuticals. The main agricultural products are sugar beets, fodder roots, potatoes, wheat, and hops. As a small, open economy in the heart of Europe, economic growth is strongly influenced by demand for Czech exports and flows of foreign direct investment.

At the time of the 1948 communist takeover, Czechoslovakia had a balanced economy and one of the higher levels of industrialization on the continent. In 1948, however, the government began to stress heavy industry over agricultural and consumer goods and services. Many basic industries and foreign trade, as well as domestic wholesale trade, had been nationalized before the communists took power. Nationalization of most of the retail trade was completed in 1950-51.

Heavy industry received major economic support during the 1950s, but central planning resulted in waste and inefficient use of industrial resources. Although the labor force was traditionally skilled and efficient, inadequate incentives for labor and management contributed to high labor turnover, low productivity, and poor product quality. Economic failures reached a critical stage in the 1960s, after which various reform measures were sought with no satisfactory results.

Hope for wide-ranging economic reform came with Alexander Dubcek's rise in January 1968. Despite renewed efforts, however, Czechoslovakia could not come to grips with inflationary forces, much less begin the immense task of correcting the economy's basic problems.
The economy saw growth during the 1970s but then stagnated between 1978-82. Attempts at revitalizing it in the 1980s with management and worker incentive programs were largely unsuccessful. The economy grew after 1982, achieving an annual average output growth of more than 3% between 1983-85. Imports from the West were curtailed, exports boosted, and hard currency debt reduced substantially. New investment was made in the electronic, chemical, and pharmaceutical sectors, which were industry leaders in Eastern Europe in the mid-1980s.

The “Velvet Revolution” in 1989 offered a chance for profound and sustained economic reform. Signs of economic resurgence began to appear in the wake of the shock therapy that the International Monetary Fund (IMF) labeled the "big bang" of January 1991. Since then, astute economic management has led to the elimination of 95% of all price controls, large inflows of foreign investment, increasing domestic consumption and industrial production, and a stable exchange rate. Exports to former communist economic bloc markets have shifted to Western Europe. Thanks to foreign investment, the country enjoys a positive balance-of-payments position. Despite a general trend over the last 10 years toward rising budget deficits, the Czech Government's domestic and foreign indebtedness remains relatively low.

The Czech koruna (crown) became fully convertible for most business purposes in late 1995. Following a currency crisis and recession in 1998-99, the crown exchange rate was allowed to float. Recently, strong capital inflows have resulted in a steady increase in the value of the crown against the euro and the dollar. The strong crown has helped to keep inflation low. In 2004, inflation was about 2.8%, mainly due to increases in value added tax rates and higher fuel costs, and dropped to 1.9% in 2005. It hovered around 2.5% in 2006. The Ministry of Finance reported an inflation rate of 2.8% for 2007 and 6.3% for all of 2008, due to one-off tax changes and an increase in energy and food prices; however, this trend reversed in 2009, resulting in an inflation rate of 1.0%.

The Czech Republic is gradually reducing its dependence on highly polluting low-grade brown coal as a source of energy, in part because of European Union (EU) environmental requirements. The government has offered investment incentives in order to enhance the Czech Republic's natural advantages, thereby attracting foreign partners and stimulating the economy. Shifting emphasis from the East to the West has required an adjustment of commercial laws and accounting practices to fit Western standards. Formerly state-owned banks have all been privatized into the hands of west European banks and oversight by the central bank has improved. The telecommunications infrastructure has been upgraded and the sector is privatized. The Czech Republic has made significant progress toward creating a stable and attractive climate for investment, although continuing reports of corruption are troubling to investors.

Its success allowed the Czech Republic to become the first post-communist country to receive an investment-grade credit rating by international credit institutions. Successive Czech governments have welcomed U.S. investment in addition to the strong economic influence of Western Europe and increasing investment from Asian auto manufacturers. Inflows of foreign direct investment in 2008 were roughly $10.73 billion. By U.S. Embassy estimates, the United States is among the top five investors in the Czech Republic since the revolution.

The Czech Republic boasts a flourishing consumer production sector. In the early 1990s most state-owned industries were privatized through a voucher privatization system. Every citizen was given the opportunity to buy, for a moderate price, a book of vouchers that he or she could exchange for shares in state-owned companies. State ownership of businesses was estimated to be about 97% under communism. The non-private sector is less than 20% today.

Unemployment declined to 5.0% in May 2008, but increased to 8% by the end of June 2009, according to the International Labor Organization’s methodology (6.1% when measured using Eurostat’s methodology). Rates of unemployment are higher in the coal and steel producing regions of Northern Moravia and Northern Bohemia, and among less-skilled and older workers.
The economy grew 3.2% in 2008 after growing 6.0% in 2007, 6.8% in 2006, and 6.3% in 2005. Although the Czech financial system has remained relatively healthy—the Czech Republic is one of only four Organization for Economic Cooperation and Development (OECD) countries not to have had to recapitalize its banks—the small, open, export-oriented Czech economy has been struggling with a significant drop in external demand for Czech exports starting in the fourth quarter of 2008. As a result, industrial output fell 21% in the first quarter of 2009 and real GDP fell 3.4%, as compared to the first quarter of 2008. As a whole, Czech GDP contracted by 4.3% for 2009. The Czech Government had brought its budget deficit well within the 3% Maastricht criteria for euro adoption, reaching 0.6% of GDP in 2007 and 1.4% in 2008. Due to the current economic slowdown, however, and the resulting significant drop in tax revenues, the budget deficit is now expected to exceed 4% of GDP in 2010. The Czech Government has yet to set a target date for euro adoption. The earliest the Czechs could begin using the euro is 2013.

The Czech Republic became a European Union member on May 1, 2004. Most barriers to trade in industrial goods with the EU fell in the course of the accession process. The process of accession had a positive impact on reform in the Czech Republic, and new EU directives and regulations continue to shape the business environment. Free trade in services and agricultural goods, as well as stronger regulation and rising labor costs, will mean tougher competition for Czech producers. Future levels of EU structural funding and agricultural supports were key issues in the accession negotiations. Even before accession, policy set in Brussels had a strong influence on Czech domestic and foreign policy, particularly in the area of trade.

The Czech Republic's economic transformation is not yet complete. The government still faces serious challenges in completing industrial restructuring, increasing transparency in capital market transactions, transforming the housing sector, reforming the pension and health care systems, and solving serious environmental problems.

U.S.-CZECH RELATIONS

Millions of Americans have their roots in Bohemia and Moravia, and a large community in the United States has strong cultural and familial ties with the Czech Republic. President Woodrow Wilson and the United States played a major role in the establishment of the original Czechoslovak state on October 28, 1918. President Wilson's 14 Points, including the right of ethnic groups to form their own states, were the basis for the union of the Czechs and Slovaks. Tomas Masaryk, the father of the state and its first President, visited the United States during World War I and worked with U.S. officials in developing the basis of the new country. Masaryk used the U.S. Constitution as a model for the first Czechoslovak constitution.

After World War II, and the return of the Czechoslovak government-in-exile, normal relations continued until 1948, when the communists seized power. Relations cooled rapidly. The Soviet invasion of Czechoslovakia in August 1968 further complicated U.S.-Czechoslovak relations. The United States referred the matter to the UN Security Council as a violation of the UN Charter, but no action was taken against the Soviets.

Since the "Velvet Revolution" of 1989, bilateral relations have improved immensely. Dissidents once sustained by U.S. encouragement and human rights policies reached high levels in the government. President Havel, in his first official visit as head of Czechoslovakia, addressed the U.S. Congress and was interrupted 21 times by standing ovations. In 1990, on the first anniversary of the revolution, President George H.W. Bush, in front of an enthusiastic crowd on Prague's Wenceslas Square, pledged U.S. support in building a democratic Czechoslovakia. Toward this end, the U.S. Government has actively encouraged political and economic transformation.

The U.S. Government was originally opposed to the idea of Czechoslovakia forming two separate states, due to concerns that a split might aggravate existing regional political tensions. However, the U.S.
recognized both the Czech Republic and Slovakia on January 1, 1993. Since then, U.S.-Czech relations have remained strong economically, politically, and culturally.

Relations between the U.S. and the Czech Republic are excellent and reflect the common approach both have to the many challenges facing the world at present. The U.S. looks to the Czech Republic as a partner in issues ranging from Afghanistan to the Balkans, and seeks opportunities to continue to deepen this relationship.

Principal U.S. Embassy Officials
Ambassador-designate--Norman Eisen
Charge d’Affaires ad interim--John Ordway
Political-Economic Officer--Charles Blaha
Consul General--David Beam
Management Officer--Rich Heaton
Regional Security Officer--Richard Wade
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Travelers can check the latest health information with the U.S. Centers for Disease Control and Prevention in Atlanta, Georgia. A hotline at 800-CDC-INFO 800-CDC-INFO (800-232-4636 800-232-4636 ) and a web site at http://wwwn.cdc.gov/travel/default.aspx give the most recent health advisories, immunization recommendations or requirements, and advice on food and drinking water safety for regions and countries. The CDC publication "Health Information for International Travel" can be found at http://wwwn.cdc.gov/travel/contentYellowBook.aspx.