

## Country fact sheet – Czech Republic

Official name	Czech Republic	
Geographical location	Central Europe (49 45 N, 15 30 E)	
Area	78,867 km <sup>2</sup>	
Population	10.5 million	
Capital	Prague	
Principal cities	Brno, Ostrava, Plzeň, Olomouc	
Neighbouring countries	Austria, Germany, Poland, Slovakia	
Ethnic groups	Czech, Moravian, Slovak	
Climate	Temperate climate with mild summers and winters. Average temperature during June-August varies between 23°C and 29°C, and average temperature during December-February is between -11°C and 0°C.	
Official language	Czech	
Major religions	Catholic and Protestant	
Time zone	GMT + 1 (behind Hong Kong by 7 hours) GMT + 2 (behind Hong Kong by 6 hours in summer)	
International dialling code	+420	
Currency	Czech koruna (CZK); US\$1= app. CZK 24.57 (30 Jan 2015)	
Visa requirement	Visa-free access for HKSAR passport holders	
Business hours	Private and government offices	9:00 am to 5:00 pm, Monday to Friday
	Banks	9:00 am to 5:00 pm, Monday to Friday
	Shops	8:00 or 9:00 am to 5:00 pm, Monday to Friday 8:00 or 9:00 am to 12:00 pm, Saturday

# 1. An overview of the Czech economy

## Major macroeconomic indicators

	2011	2012	2013	2014*
Population (millions of inhabitants)	10.5	10.5	10.5	10.5
Gross domestic product (US\$ billion)	227	207	209	203
Real GDP growth (%)	2.0	-0.8	-0.7	2.3
Consumer prices (year-on-year % change)	1.9	3.3	1.4	0.4
Exports of goods (US\$ billion)	163	157	162	154
Imports of goods (US\$ billion)	152	142	144	141
Average exchange rate (Czech koruna per US dollar)	17.7	19.6	19.6	20.8

\* estimates

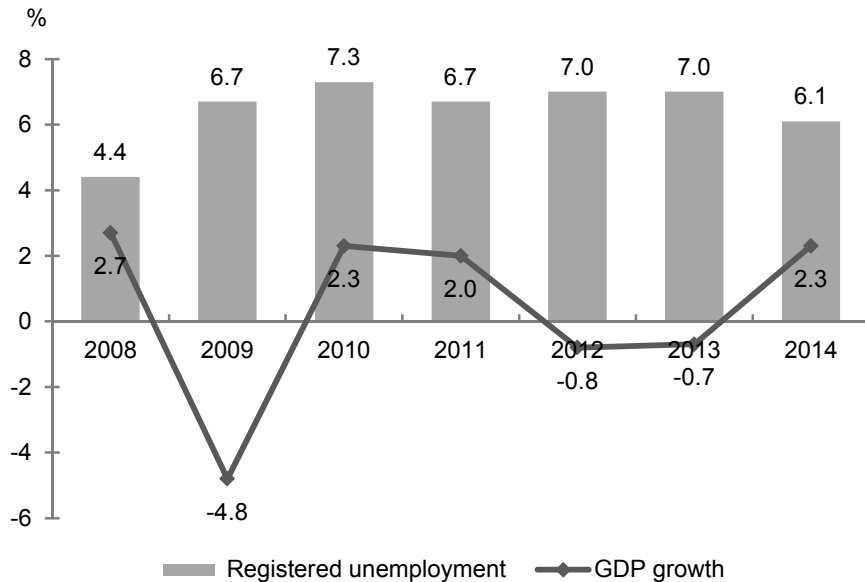
The Czech Republic became an EU member on 1 May 2004. Its integration into the EU is undoubtedly an important driving force behind the country's strong economic growth in recent years.

The Czech Republic's sound economic fundamentals such as healthy trade balances and fiscal balances have largely helped the country to weather the global financial crisis and stand out among peers such as Hungary and Ukraine. Besides, thanks to its abundance of skilled labour and relatively low cost of production, the Czech Republic is one of the most popular foreign direct investment (FDI) destinations in the Central and Eastern Europe (CEE) region. Outsourcing, both manufacturing and R&D, from Western and Nordic Europe, has been quickly gaining popularity in the post-EU accession era in the Czech Republic.

The Czech Republic has not only benefited from the ever-growing incoming foreign capital, technology and know-how, but also from enhanced export capacities, job creation and income growth. The country is now a major auto and electronics exporter in the region. Demand for automobiles and industrial machinery/equipment across Europe has a direct bearing on the Czech economy.

While both FDI and trade are still suffering from the economic slowdown in Europe, the Czech Republic, given its central location in Europe and the unstoppable tide of orders shortening the length and complexity of the supply chain, will remain attractive for European and international outsourcers.

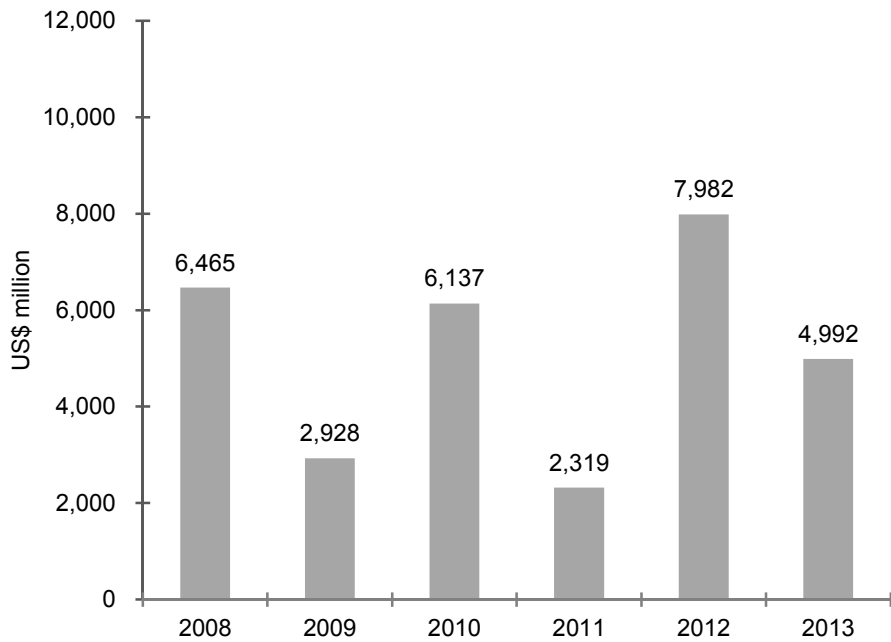
### Real GDP growth and unemployment



Source: Czech Statistical Office

Given a highly externally oriented economic structure, the Czech Republic's short to medium-term economic outlook will remain overcast by the haze of a new round of geopolitical tensions between the EU and Russia and financial turbulence beset by the Greek sovereign-debt spiral. New-to-the-market companies should therefore adopt a more long-sighted approach when developing the Czech market.

## FDI inflows in the Czech Republic



Source: Czech National Bank

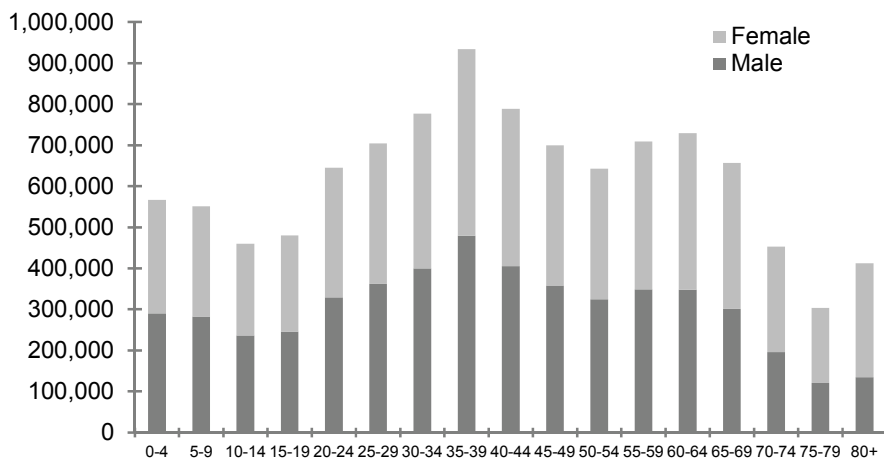
## 2. The Czech consumer profile

The Czech Republic has a population of 10.5 million, slightly more than the 10 million-strong Hungary, but far less than Poland which has a population of nearly 40 million. People aged between 20 and 59, who are largely considered to be the workforce, account for some 56% of the population. While children and teenagers aged below 20 account for 20% of the population, retired people aged 60 or above account for 24%.

The country is facing an ageing problem in view of a relatively low fertility rate, as today's Czech couples prefer to have fewer children. In fact, the average age has been increasing year after year, from 39.0 in 2001 to 40.9 in 2014.

Although the preference for fewer children may seem to hinder the growth of the children's product market, average Czech parents have become more willing and able to spend more on each child. Coupled with the fact that Czechs have a higher income in the region, Czech parents thus tend to buy relatively better-quality products at higher prices for their children, although the saleable children's products might still be considered lower-priced items when compared with their Western European counterparts.

**Czech Republic's population distribution, 2013**



Source: Czech Statistical Office

Although the Czech Republic is not Hong Kong's largest export market in the CEE, it enjoys the highest purchasing power among Hong Kong's major export markets in the region, as measured by GDP per head at purchasing power parity (PPP)<sup>1</sup>. This partly explains why the country, with a small population of 10.5 million inhabitants, can be top-listed in Hong Kong's export roster there.

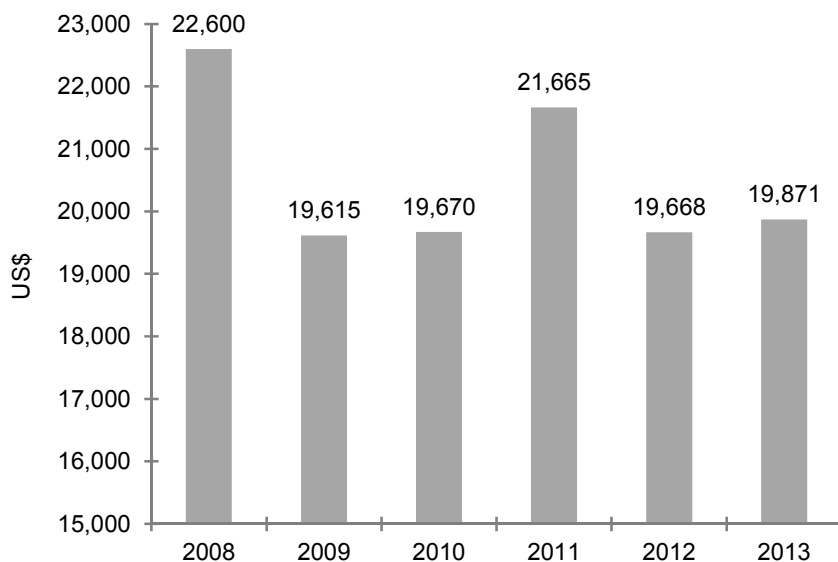
### Purchasing power of Hong Kong's major export markets in the CEE (2013)

Market	Export value (US\$ million)			GDP per capita (PPP) (in US dollars)
	Value	% Share	% Growth	
Russia	2,319	30.7	-6.3	24,300
Hungary	1,567	20.7	+19.7	23,480
Poland	1,035	13.7	+22.6	23,650
<b>Czech Republic</b>	<b>806</b>	<b>10.7</b>	<b>-8.1</b>	<b>28,770</b>
Romania	336	4.4	+34.7	18,990
Slovakia	279	3.7	+19.9	26,640
Ukraine	166	2.2	-27.5	8,790
Estonia	164	2.2	-5.5	25,460
Kazakhstan	106	1.4	+24.0	23,038
Latvia	101	1.3	-24.0	22,560
<b>Total</b>	<b>7,564</b>	<b>100.0</b>	<b>+4.9</b>	<b>(EU-28: 34,760)</b>

Source: Census and Statistics Department, HKSAR Government, World Bank, IMF

<sup>1</sup> GDP at PPP (purchasing power parity) eliminates differences in price levels between countries, and calculations on a per head basis allow for the comparison of economies significantly different in absolute size.

## Per-capita GDP in the Czech Republic



Source: Czech Statistical Office

With regard to spending patterns, the relatively higher income of Czechs has resulted in a lower share of income spent on basic necessities. In 2013, average household consumption expenditure amounted to CZK 120,827, or US\$6,200, per annum. The major expenditure of Czechs included food, beverages and tobacco, housing and utilities, as well as transport. Together this accounted for more than 55% of Czechs' household expenditure. For the remainder, the major expenditure items included recreation and culture, accounting for 9.3% of the total, followed by furnishings and household equipment (5.5%), restaurants and hotels (5.2%), and clothing and footwear (4.7%).

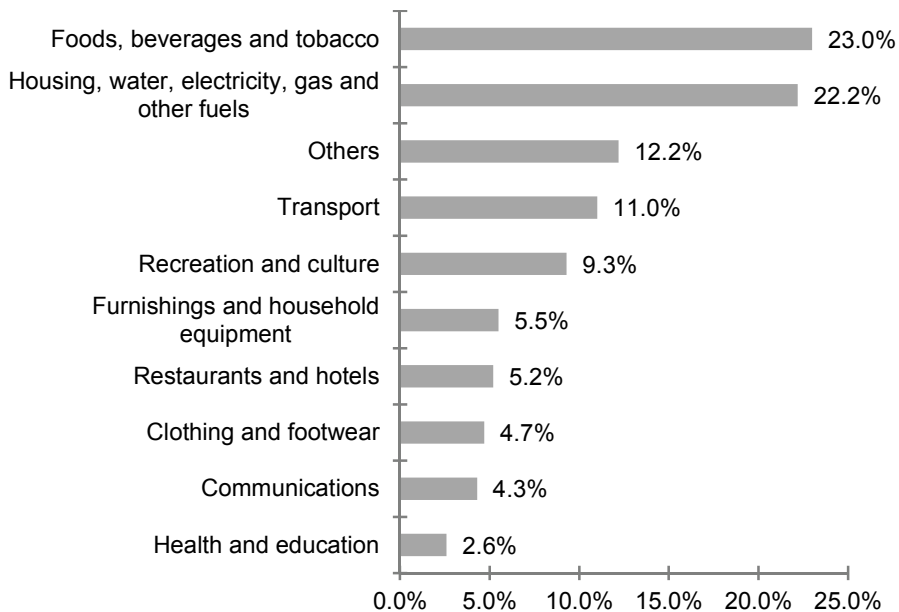
**Average retail prices of selected consumer goods  
in the Czech Republic (2013)**

Specification	Price (in CZK)
Men's suit – per piece	5,655
Men's trousers – per piece	1,184
Men's pullover – per piece	736
Ladies' winter coat – per piece	4,467
Ladies' blouse – per piece	638
Ladies' summer dress – per piece	983
Children's T-shirt, long sleeve – per piece	197
Men's shirt, standard – per piece	586
Men's cotton socks – per pair	56
Ladies' bathing suit – per piece	651
Ladies' tights – per piece	39
Men's all-year city leather footwear – per pair	1,460
Ladies' all-year city leather footwear – per pair	1,332
Children's all-year city leather footwear – per pair	641
Automatic drum-type washing machine (for 4.5-7 kg) – per piece	9,626
Electric refrigerator with freezer – per piece	11,775
Electric vacuum cleaner – per piece	2,909
Mountain bicycle – per piece	10,885
LCD TV set – per piece	8,794
Portable radio and cassette/CD player – per piece	2,083

*Source: Czech Statistical Office*



## Structure of household consumption expenditure, 2013



Source: Czech Statistical Office

While Czechs have become more cautious about spending since the outbreak of the global economic crisis and the European debt spiral, they have been more conscious overall about quality in addition to price. With improving living standards and a continued influx of foreign products and brands, consumers are more willing and able to afford better quality and branded items to replace the inferior products bought during Soviet times. Individuals are used to shopping for clothing, personal goods and other consumer items, both at home and abroad. The rising trend of consumerism in the Czech Republic, although interrupted somewhat by the economic slowdown, is unlikely to stop in years to come, as evidenced by the continued influx and expansion of foreign retailers and brands even during the current economic fallout. In tandem, Czechs are now better equipped with product knowledge and fashion sense; mere “imported goods” without attractive features, designs, quality or brands cannot succeed as they did in the past.

### 3. Distribution and import channels

#### A concentrated retail market with high foreign participation

The retail market in the Czech Republic is considered one of the most concentrated in the CEE. The five most popular retail chains, with a total of 3,800 stores, are the main shopping places for 70% of Czech households. As was the case in other CEE countries, the rise of modern retail formats such as hypermarkets and supermarkets, which deal with abundance, is responsible for the high concentration ratio, although cooperatives and independent grocery stores in rural areas and small towns maintain a key position in the Czech retail market.

Like many other emerging markets, the Czech Republic has seen increases in the participation of foreign players in its retail sector, with most, if not all, of the largest retail groups in the country being foreign-owned. In terms of market share, Germany is by far the largest foreign player in the Czech retail market.

#### Top retailers in the Czech Republic

Group / Firm	Website
<b>Schwarz (German)</b> <ul style="list-style-type: none"><li>- Kaufland</li><li>- Lidl CR</li></ul>	<a href="http://www.kaufland.cz">www.kaufland.cz</a> <a href="http://www.lidl.cz">www.lidl.cz</a>
<b>Tesco (UK)</b> <ul style="list-style-type: none"><li>- Tesco hypermarket</li><li>- Tesco obchodní dům</li><li>- Tesco supermarket</li><li>- Tesco Express</li></ul>	<a href="http://www.itesco.cz">www.itesco.cz</a>
<b>Ahold (Dutch)</b> <ul style="list-style-type: none"><li>- Hypernova</li><li>- Hyper Albert</li><li>- Albert</li></ul>	<a href="http://www.ialbert.cz">www.ialbert.cz</a>

<b>Group / Firm</b>	<b>Website</b>
<b>Rewe (German)</b> - Billa - Penny Market	<a href="http://www.billa.cz">www.billa.cz</a> <a href="http://www.penny.cz">www.penny.cz</a>
<b>Makro Cash &amp; Carry (German)</b>	<a href="http://www.makro.cz">www.makro.cz</a>
<b>Globus (German)</b> - Globus - Globus Baumarkt	<a href="http://www.globus.cz">www.globus.cz</a>
<b>GECO Tabak (Czech)</b>	<a href="http://www.geco.cz">www.geco.cz</a>
<b>Spar (Dutch)</b> - Interspar - Spar supermarket - Spar Šumava	<a href="http://www.spar.cz">www.spar.cz</a>
<b>Peal (Czech)</b> - Don Pealo	<a href="http://www.peal.cz">www.peal.cz</a>
<b>IKEA (Swedish)</b>	<a href="http://www.ikea.cz">www.ikea.cz</a>

Source: Incoma GfK

While the continued influx of foreign retailers has significantly improved the shopping experience and infrastructure in the country, it has also intensified competition and driven many small- to medium-sized retailers out of the market. Although most of the leading foreign retailers in the market are selling both imported and locally sourced products, the prices and variety of their products are usually inferior to those available in other CEE markets such as Poland. The higher price is due mainly to the small order quantity of Czech importers, despite the lower operational and labour costs in the Czech Republic.

## **Shopping mall boom and the rise of e-tailers**

Thanks to its high purchasing power and rising consumerism, the Czech Republic has seen a massive increase in the number of shopping malls in the past decade. It is estimated that the Czech Republic has the highest number of shopping malls per capita than any other country in the CEE. The number would be even higher if projects in the pipeline were taken into account.

## Examples of major shopping centres in Prague

Name	Website
Arkády Pankrác	<a href="http://www.arkady-pankrac.cz">www.arkady-pankrac.cz</a>
Černá růže	<a href="http://www.cernaruze.cz">www.cernaruze.cz</a>
Florentinum	<a href="http://www.florentinum.cz">www.florentinum.cz</a>
Metropole Zličín	<a href="http://www.metropole.cz">www.metropole.cz</a>
Myslбек	<a href="http://www.myslбек.com">www.myslбек.com</a>
Nový Smíchov	<a href="http://www.novysmichov.eu">www.novysmichov.eu</a>
OC Lužiny	<a href="http://www.ocluziny.cz">www.ocluziny.cz</a>
Palác Flóra	<a href="http://www.palac-flora.cz">www.palac-flora.cz</a>
PALLADIUM	<a href="http://www.palladiumpraha.cz">www.palladiumpraha.cz</a>
Quadrio	<a href="http://www.quadrio.cz">www.quadrio.cz</a>
Slovanský dům	<a href="http://www.slovanskydum.com">www.slovanskydum.com</a>
Vinohradský Pavilon	<a href="http://www.pavilon.cz">www.pavilon.cz</a>

While shopping malls have already been an essential part of the everyday lives of Czechs, quite a few existing retailers have planned or even started to turn away from shopping malls to make inroads into the e-tailing business. According to the Incoma FMCG eShopping study, a large number of Czech consumers have purchased fast-moving consumer goods (FMCG) online, such as food and beverages, cosmetics, health supplements and pet supplies, boasting a total estimated turnover of more than CZK 28 billion in 2013.

## Examples of popular e-tailers in the Czech Republic

Name	Website
Alza	<a href="http://www.alza.cz">www.alza.cz</a>
Internet Mall	<a href="https://www.mall.cz">https://www.mall.cz</a>
CZC	<a href="http://www.czc.cz">www.czc.cz</a>
Kasa	<a href="http://www.kasa.cz">www.kasa.cz</a>
TS Bohemia	<a href="http://www.tsbohemia.cz">www.tsbohemia.cz</a>
Mironet	<a href="https://www.mironet.cz">https://www.mironet.cz</a>

Name	Website
Tesco	<a href="http://www.itesco.cz">www.itesco.cz</a>
Datart	<a href="http://www.datart.cz">www.datart.cz</a>
Electro World	<a href="http://www.electroworld.cz">www.electroworld.cz</a>
Okay	<a href="http://www.okay.cz">www.okay.cz</a>
Alfa	<a href="https://www.alfa.cz">https://www.alfa.cz</a>
eProton	<a href="http://www.eproton.cz">www.eproton.cz</a>

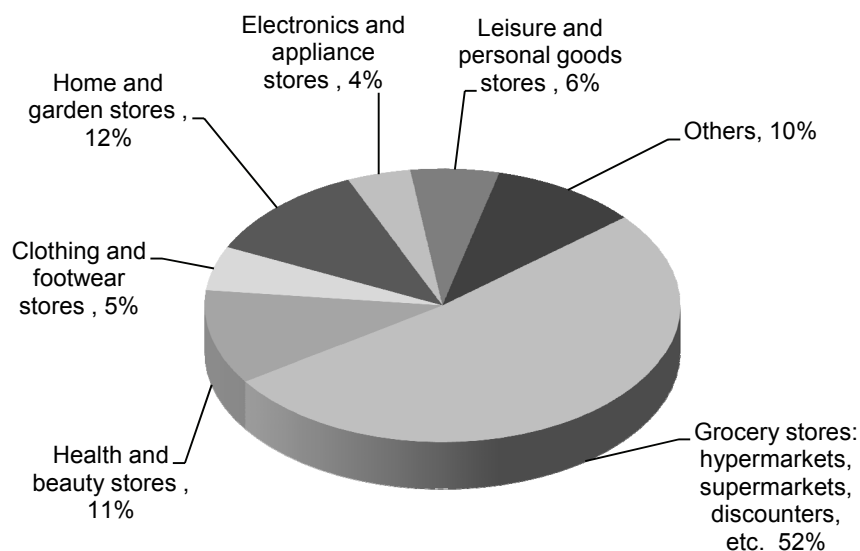
Source: Euromonitor

## Higher degree of organisation

Thanks to their competitive prices, increased diversity of offerings and generous instalment plans, hypermarkets/supermarkets and discount chains continue to proliferate in the Czech Republic, accounting for more than 50% of the total retail sales.

In face of the keenest-ever competition in the Czech Republic retail sector, many of the country's retail chains have not only expanded their product ranges – for example, to cover more non-grocery items such as own-brand clothing, footwear and electronics products – but have also undergone regular renovation to offer new shopping experiences to consumers. Also worth noting is the hypermarket/supermarket chains' march to tap the market in rural areas and small towns with, say, less than 50,000 inhabitants. This movement not only helps widen the scope of hypermarkets/supermarkets' business in the Czech Republic and eases the market saturation in big cities, but it also further increases the degree of organisation in the Czech market.

## Retail sales in the Czech Republic, 2013



*Remark: Percentages shown above are calculated according to retail sales.*

*Source: Euromonitor*

The vast and expanding distribution network throughout the whole country of these hypermarkets, supermarkets and discounters makes them good business partners with whom Hong Kong exporters should make contact when planning to tap into the Czech market. As a matter of fact, some of these retail chains, especially those from Western Europe, already have buying offices or appointed agents on the Chinese mainland or in Southeast Asian countries to carry out sourcing and quality control. To jump start, as an alternative to setting up a direct presence in the Czech Republic, Hong Kong exporters can approach the offices of these Czech buyers for business.

To use the Czech Republic's edge as a springboard for Hong Kong exporters to tap into other markets in the CEE, Hong Kong companies may find it useful to partner with local retailers that have extensive retail networks throughout the Czech Republic as well as other neighbouring countries, especially Slovakia.

**Selected examples of national importers/distributors and retailers  
in the Czech Republic**

<b>Consumer electronics</b>	Alza Datart Electro World Fast HP Tronic Kappenberger+Braun Expert Okay	<a href="http://www.alza.cz">www.alza.cz</a> <a href="http://www.datart.cz">www.datart.cz</a> <a href="http://www.electroworld.cz">www.electroworld.cz</a> <a href="http://www.fastcr.cz">www.fastcr.cz</a> <a href="http://www.hptronic.cz">www.hptronic.cz</a> <a href="http://www.kbexpert.cz">www.kbexpert.cz</a> <a href="http://www.okaycz.eu">www.okaycz.eu</a>
<b>Fashion (i.e., clothing and footwear)</b>	Adler Andrie Bata Uncle Sam	<a href="http://www.adler.info">www.adler.info</a> <a href="http://www.andrie.cz">www.andrie.cz</a> <a href="http://www.bata.cz">www.bata.cz</a> <a href="http://uncs.eu">http://uncs.eu</a>
<b>Jewellery and timepieces</b>	Alo Diamonds International Corporation Klenoty Aurum Spleen Vivantis	<a href="http://www.alo.cz">www.alo.cz</a> <a href="http://www.dic.as">www.dic.as</a> <a href="http://www.klenotyaurum.cz">www.klenotyaurum.cz</a> <a href="http://www.spleen.sk">www.spleen.sk</a> <a href="http://www.vivantis.cz">www.vivantis.cz</a>
<b>Toys and games</b>	Alltoys HM Studio Lamps Pompo Rappa Sparkys Wiky	<a href="http://www.alltoys.cz">www.alltoys.cz</a> <a href="http://hmstudio.cz">http://hmstudio.cz</a> <a href="http://hracky.lampshracky.cz">http://hracky.lampshracky.cz</a> <a href="http://www.pompo.cz">www.pompo.cz</a> <a href="http://www.rappa.cz">www.rappa.cz</a> <a href="http://www.sparkys.cz">www.sparkys.cz</a> <a href="http://www.wiky.cz">www.wiky.cz</a>
<b>Gifts and premiums</b>	IMI Partner Moravia Propag Reda Whiteberry	<a href="http://www.imi.cz">www.imi.cz</a> <a href="http://www.moraviapropag.cz">www.moraviapropag.cz</a> <a href="http://www.reda.cz">www.reda.cz</a> <a href="http://www.whiteberry.cz">www.whiteberry.cz</a>
<b>Home furnishings and building materials</b>	Siko Koupelny	<a href="http://www.siko-koupelny.cz">www.siko-koupelny.cz</a>
<b>Household products</b>	Tescoma TV Products UTC Velkoobchod Orion	<a href="http://www.tescoma.com">www.tescoma.com</a> <a href="http://www.tvproducts.cz">www.tvproducts.cz</a> <a href="http://www.utc.cz">www.utc.cz</a> <a href="http://www.oriongroup.cz">www.oriongroup.cz</a>

## 4. Trade regulations

### Overview

The Czech Republic is a member of the World Trade Organization. All enterprises and individuals can register for trade freely in the country. Since its accession to the EU on 1 May 2004, the Czech Republic has adopted the EU's common external trade policy and measures and has become a member of the Single European Market, in which physical barriers of trade and traffic flows among EU member states have been removed. Now, goods that have cleared customs in any EU member state can circulate freely in the Czech Republic, and vice versa.

### Import tariffs

As a member of the EU, the Czech Republic follows the EU's common external trade policy and measures. As a result, its import tariffs have aligned with EU tariff rates. Besides, a value-added tax (VAT) of 20% applies to most imports as well as domestic products, while a lower VAT of 10% is charged for certain food products and services.

#### General import tariff rates of the Czech Republic\*

HS Code	Description	The EU MFN (%) as of 2015
01	Live animals	0-11.5
02	Meat and edible meat offal	0-15.4
03	Fish and crustaceans, molluscs and other aquatic invertebrates	0-26
04	Dairy produce; birds' eggs; natural honey; edible products of animal origin, not elsewhere specified or included	0-17.3
05	Products of animal origin, not elsewhere specified or included	0-5.1
06	Live trees and other plants; bulbs, roots and the like; cut flowers and ornamental foliage	0-10.9
07	Edible vegetables and certain roots and tubers	0-15.2



HS Code	Description	The EU MFN (%) as of 2015
08	Edible fruit and nuts; peel of citrus fruit or melons	0-20.8
09	Coffee, tea, mate and spices	0-12.5
10	Cereals	0-12.8
11	Products of the milling industry; malt; starches; inulin; wheat gluten	7.7-19.2
12	Oil seeds and oleaginous fruits; miscellaneous grains, seeds and fruits; industrial or medicinal plants; straw and fodder	0-8.3
13	Lac; gums, resins and other vegetable saps and extracts	0-19.2
14	Vegetable plaiting materials; vegetable products not elsewhere specified or included	0
15	Animal or vegetable fats and oils and their cleavage products; prepared edible fats; animal or vegetable waxes	0-16
16	Preparations of meat, of fish or of crustaceans, molluscs or other aquatic invertebrates	0-26
17	Sugars and sugar confectionery	8-12.8
18	Cocoa and cocoa preparations	0-9.6
19	Preparations of cereals, flour, starch or milk; bakers' wares	8.5-12.8
20	Preparations of vegetables, fruit, nuts or other parts of plants	0-33.6
21	Miscellaneous edible preparations	0-12.8
22	Beverages, spirits and vinegar	0-32
23	Residues and waste from the food industries; prepared animal feed	0-12
24	Tobacco and manufactured tobacco substitutes	10-74.9
25	Salt; sulphur; earths and stone; plastering materials, lime and cement	0-1.7
26	Ores, slag and ash	0
27	Mineral fuels, mineral oils and products of their distillation; bituminous substances; mineral waxes	0-8
28	Inorganic chemicals; organic or inorganic compounds of precious metals, of rare earth metals, of radioactive elements or of isotopes	0-5.5
29	Organic chemicals	0-6.5

HS Code	Description	The EU MFN (%) as of 2015
30	Pharmaceutical products	0-6.5
31	Fertilisers	0-6.5
32	Tanning or dyeing extracts; tannins and their derivatives; dyes, pigments and other colouring matter; paints and varnishes; putty and other mastics; inks	0-6.5
33	Essential oils and resinoids; perfumery, cosmetic or toilet preparations	0-12.8
34	Soap, organic surface-active agents, washing preparations, lubricating preparations, artificial waxes, prepared waxes, polishing or scouring preparations, candles and similar articles, modelling pastes, 'dental waxes' and dental preparations with a basis of plaster	0-6.5
35	Albuminoidal substances; modified starches; glues; enzymes	0-9
36	Explosives; pyrotechnic products; matches; pyrophoric alloys; certain combustible preparations	5.7-6.5
37	Photographic or cinematographic goods	0-6.5
38	Miscellaneous chemical products	0-6.5
39	Plastics and articles thereof	0-6.5
40	Rubber and articles thereof	0-6.5
41	Raw hides and skins (other than furskins) and leather	0-6.5
42	Articles of leather; saddlery and harness; travel goods, handbags and similar containers; articles of animal gut (other than silkworm gut)	1.7-9.7
43	Furskins and artificial fur; manufactures thereof	0-3.7
44	Wood and articles of wood; wood charcoal	0-10
45	Cork and articles of cork	0-4.7
46	Manufactures of straw, of esparto or of other plaiting materials; basketware and wickerwork	0-4.7
47	Pulp of wood or of other fibrous cellulosic material; waste and scrap of paper or paperboard	0
48	Paper and paperboard; articles of paper pulp, of paper or of paperboard	0
49	Printed books, newspapers, pictures and other products of the printing industry; manuscripts, typescripts and plans	0
50	Silk	0-7.5

<b>HS Code</b>	<b>Description</b>	<b>The EU MFN (%) as of 2015</b>
51	Wool, fine or coarse animal hair; horsehair yarn and woven fabric	0-8
52	Cotton	0-8
53	Other vegetable textile fibres; paper yarn and woven fabrics of paper yarn	0-8
54	Man-made filaments; strip and the like of man-made textile materials	3.8-8
55	Man-made staple fibres	4-8
56	Wadding, felt and nonwovens; special yarns, twine, cordage, ropes and cables and articles thereof	3.8-12
57	Carpets and other textile floor coverings	3-8
58	Special woven fabrics; tufted textile fabrics; lace, tapestries; trimmings; embroidery	5-8
59	Impregnated, coated, covered or laminated textile fabrics; textile articles of a kind suitable for industrial use	4-8
60	Knitted or crocheted fabrics	6.5-8
61	Articles of apparel and clothing accessories, knitted or crocheted	8-12
62	Articles of apparel and clothing accessories, not knitted or crocheted	6.3-12
63	Other made up textile articles; sets; worn clothing and worn textile articles; rags	0-12
64	Footwear, gaiters and the like; parts of such articles	3-17
65	Headgear and parts thereof	0-5.7
66	Umbrellas, sun umbrellas, walking sticks, seatsticks, whips, riding-crops and parts thereof	2.7-5.2
67	Prepared feathers and down and articles made of feathers or of down; artificial flowers; articles of human hair	1.7-4.7
68	Articles of stone, plaster, cement, asbestos, mica or similar materials	0-3.7
69	Ceramic products	0-12
70	Glass and glassware	0-11
71	Natural or cultured pearls, precious or semi-precious stones, precious metals, metals clad with precious metal and articles thereof; imitation jewellery; coin	0-4
72	Iron and steel	0-7

<b>HS Code</b>	<b>Description</b>	<b>The EU MFN (%) as of 2015</b>
73	Articles of iron or steel	0-3.7
74	Copper and articles thereof	0-5.2
75	Nickel and articles thereof	0-3.3
76	Aluminium and articles thereof	0-10
78	Lead and articles thereof	0-5
79	Zinc and articles thereof	0-5
80	Tin and articles thereof	0
81	Other base metals; cements; articles thereof	0-9
82	Tools, implements, cutlery, spoons and forks, of base metal; parts thereof of base metal	1.7-8.5
83	Miscellaneous articles of base metal	0-3.7
84	Nuclear reactors, boilers, machinery and mechanical appliances; parts thereof	0-9.7
85	Electrical machinery and equipment and parts thereof; sound recorders and reproducers, television image and sound recorders and reproducers, and parts and accessories of such articles	0-14
86	Railway or tramway locomotives, rolling-stock and parts thereof; railway or tramway track fixtures and fittings and parts thereof; mechanical (including electro-mechanical) traffic signalling equipment of all kinds	0-3.7
87	Vehicles other than railway or tramway rolling stock, and parts and accessories thereof	0-22
88	Aircraft, spacecraft, and parts thereof	1.7-7.7
89	Ships, boats and floating structures	0-2.7
90	Optical, photographic, cinematographic, measuring, checking, precision, medical or surgical instruments and apparatus; parts and accessories thereof	0-6.7
91	Clocks and watches and parts thereof	2.7-6
92	Instruments; parts and accessories of such articles	1.7-4
93	Arms and ammunition; parts and accessories thereof	0-3.2
94	Furniture; bedding, mattresses, mattress supports, cushions and similar stuffed furnishings; lamps and lighting fittings, not elsewhere specified or included; illuminated signs, illuminated nameplates and the like; prefabricated buildings	0-5.7

HS Code	Description	The EU MFN (%) as of 2015
95	Toys, games and sports requisites; parts and accessories thereof	0-4.7
96	Miscellaneous manufactured articles	0-7.7
97	Works of art, collectors' pieces and antiques	0

*\* Some tariff lines may involve more complex tariff calculations than a simple ad valorem duty. For detailed tariff information, please refer to <http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=OJ:L:2014:312:FULL>.*

*Source: Commission Implementing Regulation (EU) No 1101/2014 of 16 October 2014, Official Journal of the European Union L312, 31 October 2014*

## Non-tariff import restrictions

### Quantitative barriers

Hong Kong's textiles and clothing exports to the EU were previously subject to the World Trade Organization (WTO) Agreement on Textiles and Clothing (ATC), under which quantitative restrictions on textiles and clothing were eliminated completely on 1 January 2005. Likewise, the previous quotas imposed by the EU on textiles and clothing products originating from the Chinese mainland were removed on 1 January 2005. Notwithstanding that textile safeguard quotas were imposed by the EU on Chinese textile products in 2005, from 1 January 2009 textile and clothing products originating in China no longer require any import licence or surveillance document before entering the EU.

With regard to non-textile manufacturing products, previously the EU also imposed Union-wide quotas on three categories of non-textiles products originating from the Chinese mainland, including certain footwear, porcelain and ceramic tableware/kitchenware. But these quotas were liberalised on 1 January 2005.

## Trade remedies

### Anti-dumping measures

The EU has initiated anti-dumping (AD) proceedings against certain mainland-origin products. Currently, there are a number of mainland-origin items subject to the EU's anti-dumping measures, including bicycles, candles, ceramic tiles, fasteners, ironing boards, solar panels, and steel ropes and cables, which are among the affected products of interest to Hong Kong. As of January 2015, the EU did not apply any AD measures on imports from Hong Kong.

#### EU's anti-dumping measures against Chinese products (measures in force as of January 2015)

##### Definitive duties (51 cases)

Product	CN Code	Anti-dumping duty	Imposition date	Expiry date
Aluminium foils ("household foils")	ex 7607 11 19	6.4-30%	06.10.2009	Pending expiry review
Aluminium foils ("household foils" and consumer rolls)	ex 7607 11 11 ex 7607 19 10	14.2-35.6%	13.03.2013	13.03.2018
Aluminium radiators	ex 7607 11 10	12.6-61.4%	09.11.2012	10.11.2017
Aluminium road wheels	ex 8708 70 10 ex 8708 70 50	22.3%	28.10.2010	29.10.2015
Barium carbonate	2836 60 00	€6.3-56.4 / tonne	21.07.2005	20.08.2016
Bicycles	8712 00 30 8712 00 70	48.5%	09.09.1993	05.06.2018
Candles, tapers and the like	ex 3406 00 11 ex 3406 00 19 ex 3406 00 90	€0-549.33 / tonne of fuel	14.05.2009	Pending expiry review
Cargo scanning systems	ex 9022 19 00 ex 9022 29 00 ex 9027 80 17 ex 9030 10 00 ex 8705 90 90	34.0%	16.06.2010	17.06.2015

Product	CN Code	Anti-dumping duty	Imposition date	Expiry date
Ceramic tableware and kitchenware	6911 10 00 ex 6912 00 10 ex 6912 00 30 ex 6912 00 50 ex 6912 00 90	13.1-36.1%	15.05.2013	16.05.2018
Ceramic tiles	6907 10 00 6907 90 10 6907 90 91 6907 90 93 6907 90 99 6908 10 10 6908 10 90 6908 90 11 6908 90 21 6908 90 29 6908 90 31 6908 90 51 6908 90 91 6908 90 93 6908 90 99	26.3-69.7%	15.09.2011	16.09.2016
Chamois leather	4114 10 10 4114 10 90	58.9%	14.09.2006	07.12.2017
Citric acid	2918 14 00 2918 15 00	6.6-42.7%	03.12.2008	Pending expiry review
Citrus fruits	2008 30 55 2008 30 75 2008 30 90	€361.4-531.2 / tonne of net product weight	30.12.2008	12/12/2019
Coated fine paper	ex 4810 13 20 ex 4810 13 80 ex 4810 14 20 ex 4810 14 80 ex 4810 19 10 ex 4810 19 90 ex 4810 22 10 ex 4810 22 90 ex 4810 29 30 ex 4810 29 80 ex 4810 92 10 ex 4810 92 30 ex 4810 92 90 ex 4810 99 10 ex 4810 99 30 ex 4810 99 90	8.0-35.1%	14.05.2011	15.05.2016

Product	CN Code	Anti-dumping duty	Imposition date	Expiry date
Fasteners, iron or steel	7318 12 90 7318 14 91 7318 14 99 7318 15 59 7318 15 69 7318 15 81 7318 15 89 7318 15 90 7318 21 00 7318 22 00	0-74.1%	31.01.2009	Pending expiry review
Ferro-silicon	7202 21 00 7202 29 10 7202 29 90	15.6-31.2%	10.04.2014	10.04.2019
Filament glass fibre products	7019 11 00 7019 12 00 7019 19 10 ex 7019 31 00	7.3-13.8%	15.03.2011	16.03.2016
Hand pallet trucks and their essential parts	8427 90 00 8431 20 00	70.8%	21.07.2005	14.10.2016
Ironing boards	ex 3924 90 90 ex 4421 90 98 ex 7323 99 91 ex 7323 99 99 ex 8516 79 70 ex 8516 90 00	0-42.3%	26.04.2007	24.07.2018
Lever arch mechanisms	ex 8305 10 00	27.1-47.4%	27.07.2006	05.09.2017
Melamine	2933 61 00	Minimum import price (MIP) of €1,153 per tonne net product weight or a fixed duty of €415 per tonne net product weight	13.05.2011	14.05.2016
Molybdenum wires	ex 8102 96 00	64.3%	16.06.2010	17.06.2015
Monosodium glutamate	ex 2922 42 00	33.8-39.7%	02.12.2008	Pending expiry review
Okoumé plywood	4412 13 10 00	6.5-66.7%	12.11.2004	03.02.2016
Open mesh fabrics of glass fibres	ex 7019 40 00 ex 7019 51 00 ex 7019 59 00 ex 7019 90 91 ex 7019 90 99	48.4-62.9%	09.08.2011	10.08.2016



Product	CN Code	Anti-dumping duty	Imposition date	Expiry date
Open mesh fabrics of glass fibres	ex 7019 40 00 ex 7019 51 00 ex 7019 59 00 ex 7019 90 91 ex 7019 90 99	48.4-62.9%	16.01.2013	10.08.2016
Organic coated steel products	ex 7210 70 80 ex 7212 40 80 ex 7225 99 00 ex 7226 99 70	0-16.2%	15.03.2013	15.03.2018
Oxalic acid	ex 2917 11 00	14.6-52.2%	18.04.2012	18.04.2017
Peroxosulphates (persulphates)	2833 40 00 2842 90 90	0-71.8%	11.10.2007	17.12.2018
Polyester high tenacity filament yarn	5404 20 00	0-9.8%	01.12.2010	02.12.2015
Polyethylene terephthalate (PET)	3907 60 20 00	€0-184 / tonne	19.08.2004	18.11.2015
PSC wires and strands	ex 7217 10 90 ex 7217 20 90 ex 7312 10 61 ex 7312 10 65 ex 7312 10 69	0-46.2%	13.05.2009	Pending expiry review
Ring binder mechanisms	8305 10 00 10 8305 10 00 20	Minimum import price of €325 per 1,000 pieces or an ad valorem duty of 51.2-78.8%	24.01.1997	27.02.2015
Seamless pipes and tubes of stainless steel	7304 11 00 7304 22 00 7304 24 00 ex 7304 41 00 7304 49 10 ex 7304 49 93 ex 7304 49 95 ex 7304 49 99 ex 7304 90 00	48.3-71.9%	20.12.2011	21.12.2016

Product	CN Code	Anti-dumping duty	Imposition date	Expiry date
Seamless pipes and tubes, of iron or steel	ex 7304 11 00 ex 7304 19 10 ex 7304 19 30 ex 7304 22 00 ex 7304 23 00 ex 7304 24 00 ex 7304 29 10 ex 7304 29 30 ex 7304 31 80 ex 7304 39 58 ex 7304 39 92 ex 7304 39 93 ex 7304 51 89 ex 7304 59 92 ex 7304 59 93	17.7-39.2%	06.10.2009	Pending expiry review
Silicon metal (silicon)	2804 69 00 00	16.3-19.0%	28.07.1990	30.05.2015
Sodium cyclamate	2929 90 00 10	€0-0.26 / kg	11.03.2004	09.06.2015
Sodium gluconate	ex 2918 16 00	5.6-53.2%	28.10.2010	29.10.2015
Solar glass	ex 7007 19 80	0.4-36.1%	14.05.2014	14.05.2019
Solar panels (crystalline silicon photovoltaic modules and key components)	ex 3818 00 10 ex 8501 31 00 ex 8501 32 00 ex 8501 33 00 ex 8501 34 00 ex 8501 61 20 ex 8501 61 80 ex 8501 62 00 ex 8501 63 00 ex 8501 64 00 ex 8541 40 90	27.3-53.4%	05.12.2013	07.12.2015
Stainless steel fasteners and parts thereof	7318 12 10 7318 14 10 7318 15 30 7318 15 51 7318 15 61 7318 15 70 7318 16 30	11.4-27.4%	19.11.2005	08.01.2017

Product	CN Code	Anti-dumping duty	Imposition date	Expiry date
Steel ropes and cables	7312 10 82 11 7312 10 82 19 7312 10 84 11 7312 10 84 19 7312 10 86 11 7312 10 86 19 7312 10 88 11 7312 10 88 19 7312 10 99 11 7312 10 99 19	60.4%	17.08.1999	10.02.2017
Sulphanilic acid	2921 42 10 60	33.7%	18.12.2014	18.12.2019
Tartaric acid	2918 12 00	8.3-34.9%	27.01.2006	25.04.2017
Threaded tube or pipe cast fittings, of malleable cast iron (MTF)	ex 7307 19 10	24.6-57.8%	14.05.2013	15.05.2018
Trichloroisocyanuric acid (TCCA)	2933 69 80 3808 40 20	3.2-42.6%	07.10.2005	31.12.2016
Tube and pipe fittings, of iron or steel	7307 93 11 99 7307 93 19 99 7307 99 30 98 7307 99 90 98	58.6%	03.04.1996	Pending expiry review
Tungsten carbide and fused tungsten carbide	2849 90 30 00	33.0%	27.09.1990	25.03.2016
Tungsten electrodes	8101 95 00 8515 90 90	17.0-63.5%	13.03.2007	05.06.2018
Welded tubes and pipes of iron or non-alloy steel	ex 7306 30 41 ex 7306 30 49 ex 7306 30 72 ex 7306 30 77	90.6%	19.12.2008	Pending expiry review
Wire rod	7213 10 00 7213 20 00 7213 91 10 7213 91 20 7213 91 41 7213 91 49 7213 91 70 7213 91 90 7213 99 10 7213 99 90 7227 10 00 7227 20 00 7227 90 10 7227 90 50 7227 90 95	7.9-24.0%	05.08.2009	Pending expiry review

*Remark: Anti-dumping duty is levied on the basis of CIF price before duty.*

*Source: Official Journal of the European Union, Trade and Industry Department, Hong Kong SAR Government*

### Investigations under way (3 cases)

Date of initiation of investigation	Product
1. 26.06.2014	Stainless steel cold-rolled flat products
2. 14.08.2014	Grain-oriented flat-rolled products of silicon-electrical steel
3. 04.09.2014	Acesulfame potassium

*Source: Official Journal of the European Union, Trade and Industry Department, Hong Kong SAR Government*

## **Scheme of generalised tariff preferences**

The EU's new scheme on generalised system of preferences ("GSP") entered into effect on 1 January 2014. Under the new scheme, beneficiaries will lose preferences on any product groups in which their share of EU imports from GSP beneficiaries exceeds 17.5% (or 14.5% in the case of textiles or clothing). While the number of GSP beneficiary countries is being drastically reduced from 176 to less than 90, the Chinese mainland remains a preferential beneficiary.

Other than products such as toys, textiles and clothing, footwear, furniture, lamps, jewellery or imitation jewellery, electrical equipment, and clocks and watches, six new sectors graduated as of 1 January 2014, namely: Section 1a – live animals and animal products excluding fish; Section 1b – fish, crustaceans, molluscs and aquatic invertebrates; Section 2b – vegetables, fruits and nuts; Section 2c – coffee, tea, mate and spices; Section 2d – cereals, flour, seeds and resins; and Section 4b – prepared foodstuffs (excluding meat and fish), beverages, spirits and vinegar. The total number of graduated sectors thereafter amounts to 27. Regarding Hong Kong, the territory has been fully excluded from the EU's GSP scheme since 1 May 1998.

**List of Chinese origin product “sections” in the new GSP Regulation  
which will not benefit from GSP preferences, applicable from  
1 Jan 2014 to 31 Dec 2016**

Section 1a	Live animals and animal products excluding fish
Section 1b	Fish, crustaceans, molluscs and other aquatic invertebrates
Section 2b	Vegetables, fruit and nuts
Section 2c	Coffee, tea, mate and spices
Section 2d	Cereals, flour, seeds and resins
Section 4b	Prepared foodstuffs (excl. meat and fish), beverages, spirits and vinegar
Section 6a	Inorganic and organic chemicals
Section 6b	Chemicals, other than organic and inorganic chemicals
Section 7a	Plastics
Section 7b	Rubber
Section 8a	Raw hides and skins and leather
Section 8b	Articles of leather and furskins
Section 9a	Wood and wood charcoal
Section 9b	Cork manufactures of straw and other plaiting materials
Section 11a	Textiles
Section 11b	Articles of apparel and clothing accessories
Section 12a	Footwear
Section 12b	Headgear, umbrellas, sun umbrellas, sticks, whips and prepared feathers and down
Section 13	Articles of stone, ceramic products and glass
Section 14	Pearls and precious metals
Section 15a	Ferro-alloys and articles of iron and steel
Section 15b	Base metals (excl. iron and steel), articles of base metals (excluding articles of iron and steel)
Section 16	Machinery and equipment
Section 17a	Railway and tramway vehicles and products
Section 17b	Motor vehicles, bicycles, aircraft and spacecraft, ships and boats
Section 18	Optical instruments, clocks and watches, musical instruments
Section 20	Miscellaneous

*Source: Commission Implementing Regulation (EU), No 1213/2012 of 17 December 2012*

## **Environmental protection requirements**

There are an increasing number of regulatory requirements in the EU with respect to environmental protection. In fact, Europe is among the most environmentally conscious societies in the world, and is one of the world's leading regions where green consumerism is active.

The EU's environmental laws and policies aim to provide a high level of protection to the environment and human health. The laws cover every aspect of the environment, namely air, water, land use, flora and fauna, noise, soil and waste. In this respect, they also impact on merchandise that is sold in the EU, attempting to achieve ever more environmentally friendly products, without at the same time excessively burdening producers and importers placing such products on the EU's markets.

The laws are intended to provide a broadly equivalent level of protection throughout the EU, and are regularly reviewed and, where necessary, updated. The overall environmental policy is based on the "polluter pays" principle. So-called "polluters" (normally the economic players comprising industry) are required to pay through the investment needed to meet higher standards or by creating adequate systems to take back, recycle or dispose of, in a sound fashion, products at their end-of-life.

## **RoHS**

Since 2 January 2013, a revised (i.e., recast) version of the RoHS Directive ("RoHS 2") applies throughout the Union. The provisions of the RoHS 2 Directive, as implemented in the Member States, ban the placing on the market of new electrical and electronic equipment (EEE), including cables and spare parts, containing more than the allowed levels of lead, cadmium, mercury, hexavalent chromium, polybrominated biphenyl (PBB) and polybrominated diphenyl ether (PBDE) flame retardants.

Annex II lists the maximum-accepted thresholds per substance. Accordingly, the maximum concentration amounts of the hazardous substances that may continue to be allowed in electrical and electronic goods are, by weight in homogenous materials, the following percentages:

**Heavy metal**

- lead 0.1%
- mercury 0.1%
- hexavalent chromium 0.1%
- cadmium 0.01%

**Flame retardants**

- PBB 0.1%
- PBDE 0.1%

“Homogenous material” means a unit that cannot be mechanically disjointed into different materials.

Virtually all electrical and electronic equipment (including laptops and IT equipment, mobile phones, home and audio-visual appliances, office equipment, light bulbs and luminaries) falls within the RoHS scope. The RoHS 2 Directive gradually extends the scope of the RoHS requirements, compared to the RoHS 1 Directive. It aims for full coverage by 22 July 2019. By that time, RoHS 2 will apply to all EEE, cables and spare parts, except for some exclusions that are explicitly listed in Article 2(4) of the RoHS 2 Directive. A complete list of the covered product categories can be found in Annex I of the RoHS 2 Directive.

Article 2(4) of the RoHS 2 Directive expressly excludes military equipment which is essential for security, equipment intended for outer-space, large-scale stationary industrial tools and fixed installations, means of transport for persons or goods except electric two-wheel vehicles which are not type-approved, non-road mobile machinery for professional use, active implantable medical devices, photovoltaic panels, and EEE designed solely for R&D which is made available on a B-2-B basis.

EEE that was outside the scope of the old RoHS Directive, but is in non-compliance with the recast Directive, may continue to be made available on the market until 22 July 2019. However, for medical devices and monitoring-control instruments, the Directive will apply to any devices placed on the market from 22 July 2014; for in-vitro diagnostic medical devices, from 22 July 2016; and for industrial monitoring and control instruments, from 22 July 2017.

The RoHS 2 Directive adds new express obligations on economic operators (i.e., manufacturers, authorised representatives, importers and distributors) compared to the RoHS 1 Directive, so as to reduce the number of non-compliant products and strengthen and harmonise market surveillance by the competent authorities.

On 23 November 2012, the reference and title of an important European harmonised standard was published in the Official Journal of the EU. It has a central importance when it comes to proving compliance with the RoHS 2 Directive.

European Standard EN 50581 was adopted by CENELEC, one of the EU's key European standards bodies. The Standard notes that manufacturers of final products have to be able to demonstrate that their products meet the applicable substance restrictions. It also recognises that – especially for complex products – it is impractical and prohibitively expensive for manufacturers to undertake their own testing of all homogenous materials contained in the final assembled product.

Instead, manufacturers are expected to work with their suppliers to manage compliance. This would include obtaining documentation from their suppliers showing that any materials supplied to them already comply with the substance restrictions. The aim of the European Standard is to specify the technical documentation that the manufacturer needs to compile in order to be able to declare compliance himself.



European Standard EN 50581 is available from CENELEC national members for a small fee. Hong Kong producers selling EEE to European customers should therefore obtain a copy for themselves, as compliance with the Standard will be recognised by national surveillance authorities, and as such can be relied upon throughout the EU. Details of CENELEC's national members and how to contact them can be found at: [www.cenelec.eu](http://www.cenelec.eu).

The implementing Czech law is Act 7/2005 Coll., which amends Act 185/2001 Coll. The Act 185/2001 Coll. is the general waste-management law of the Czech Republic. The amending Act 7/2005 Coll. inserts a new chapter 8 on electrical and electronic equipment into Act 185/2001 Coll. It also transposes the RoHS Directive (Section 37j(3)). The amending Act 7/2005 Coll. was published on 6 January 2006. It provides for the possibility to enact more detailed implementing legislation. On that basis, Decree 352/2005 was published on 15 September 2005. Annex 5 of the Decree, which relates to Section 37j(3) of Act 7/2005 Coll., contains the list of substances and conditions with exemptions, commensurate with the Annex to the RoHS Directive. The ministry responsible for promulgating the implementing Decree 352/2005 is as follows:

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The actual monitoring of RoHS compliance is done by the Czech Trade Inspection (operating under the umbrella of the Czech Ministry of Trade and Industry) and the Czech Inspection of Environment (operating under the Ministry of Environment). According to the waste electrical and electronic equipment (WEEE) and RoHS expert in the Czech Ministry of Environment, there is no prescribed method to demonstrate compliance. The principle in the Czech Republic is self-declaration or self-certification. In other words, one

possibility for producers is to demonstrate compliance by presenting declarations of conformity on the basis of information and data from third persons, i.e., suppliers of components. In that case the producer, on the basis of a bill of materials, would request from his suppliers a written declaration confirming the RoHS compliance of the components in question. It is prudent to verify these declarations/data as to their plausibility and keep them.

## **WEEE**

The WEEE 2 Directive entered into force on 13 August 2012. The deadline for its transposition by Member States was 14 February 2014, at which time the WEEE 1 Directive was to be repealed. The WEEE Directive is part of the regulation of the EU's waste-management laws. It aims to both reduce the amount of WEEE being produced and to encourage its reuse, recycling and recovery. The WEEE 2 Directive also aims to improve the environmental performance of businesses that manufacture, supply, use, recycle and recover EEE.

Under the WEEE Directive, virtually all end-of-life EEE is covered, including all household appliances, audio-visual equipment, IT equipment including PCs, equipment commonly used in offices, mobile phones, toys and watches that run on electric power, and most types of lighting. The period between 13 August 2012 and 14 August 2018 is a transitional period. During this period the scope of the WEEE 2 Directive remains the same as the scope of the WEEE 1 Directive (with the exception of photovoltaic panels which have been added to the scope of the WEEE 2 Directive with immediate effect). Thus, during the transitional period, the WEEE 2 Directive will apply to EEE falling within one of the 10 categories set out in Annex I. Annex II of the WEEE 2 Directive contains an indicative (more descriptive) list of EEE which fall within the categories of Annex I.

Certain kinds of products are expressly excluded from the Directive's scope (Article 2(3) of the WEEE 2 Directive):

- military equipment that is essential for security
- equipment that is specifically designed and installed as part of another type of equipment that is excluded from, or does not fall within, the scope of the Directive, which can fulfil its function only if it is part of that equipment
- filament bulbs

From 15 August 2018 onwards the scope of the Directive is widened to include all EEE (open scope). All EEE shall be classified within six categories (listed in Annex III) instead of the 10 categories of the original WEEE Directive. Annex IV of the WEEE 2 Directive contains an indicative list of EEE that fall within the categories set out in Annex III.

From 15 August 2018 onwards, the WEEE 2 Directive not only excludes from its scope the products listed in Article 2(3) of the WEEE 2 Directive, but also the products listed in Article 2(4). These are: equipment intended for outer-space, large-scale stationary industrial tools and fixed installations, means of transport for persons or goods except electric two-wheel vehicles which are not type-approved, non-road mobile machinery for professional use, active implantable medical devices, and EEE designed solely for R&D which is made available on a B-2-B basis. Businesses wishing to verify whether the WEEE 2 Directive applies to their product can follow the flowchart in the Annex to the Commission's draft FAQs on the new WEEE Directive ([http://ec.europa.eu/environment/waste/weee/pdf/faq\\_weee2.pdf](http://ec.europa.eu/environment/waste/weee/pdf/faq_weee2.pdf)).

Article 3(1)(e) of the WEEE 2 Directive defines WEEE as electrical and electronic equipment which is waste, including all components, sub-assemblies and consumables which are part of the product at the time of discarding. Each Member State has to ensure the implementation of the producer-responsibility principle and, on that basis, a minimum collection rate is to be achieved annually (Article 7 of the WEEE 2 Directive).

Until December 2015, this minimum collection rate is either 4kg per inhabitant per year for WEEE from private households or the same amount of weight of

WEEE as was collected by the Member State at issue in the three preceding years, whichever is greater. From 2016, the minimum collection rate is 45% of the average weight of EEE placed on the market in the three preceding years. This percentage is to evolve gradually during the period from 2016 to 2019, unless the collection rate for 2019 is already achieved. From 2019 the minimum annual collection rate is 65% of the average weight of EEE placed on the market in the three preceding years in the Member State concerned or, alternatively, 85% of WEEE generated on the territory of that Member State.

The Czech Republic, because of its lack of the necessary infrastructure and low level of EEE consumption, decides on lower targets. Thus, it might have in place a lower interim target (between 40% and 45% instead of 45% by 2016) of the average weight of EEE placed on the market in the three preceding years, and postpone the achievement of the final collection rate mentioned above until a date of their own choice which shall not be later than 2021.

The implementing laws for WEEE in the Czech Republic are Act 7/2005 Coll., which amends Act 185/2001 Coll., and the implementing Decree 352/2005. The Act 185/2001 Coll. is the general waste management law of the Czech Republic. The amending Act 7/2005 Coll. inserts a new chapter 8 on electrical and electronic equipment into Act 185/2001 Coll. The amending Act 7/2005 Coll. was published on 6 January 2006. It provides for the possibility to enact more detailed implementing legislation.

Act 7/2005 Coll. entered into force on the date of its promulgation. However, the provisions on the list and registration of producers (section 37i), taking-back and separate collection obligations (section 37k) and financing obligations for household WEEE (section 37n) as well as for non-household WEEE (section 37o) entered into force on 13 August 2005. In addition, Decree 352/2005 entered into force on the date of promulgation but set the deadline for producer registration for 12 October 2005. The ministry responsible for promulgating the implementing Decree 352/2005 is as follows:

## **Ministry of Environment of the Czech Republic**

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Under Czech WEEE legislation, producers are obliged to join a collective scheme for household WEEE. Five collective systems have been established so far:

- **Retela** ([www.retela.cz](http://www.retela.cz)) is a collective scheme set up by the Czech and Moravian electrical and electronic association, the Czech and Moravian Commodity Exchange Kladno and Safina, a company active, among others, in the purchase and recycling of waste materials containing precious metals. Retela was registered to provide services for all 10 WEEE categories.
- **Asekol** ([www.asekol.cz](http://www.asekol.cz)) is a collective scheme founded by several consumer-electronics and IT producers, among them companies such as LG Electronics CZ, Panasonic Czech Republic, Philips Česká republika, Samsung Electronics, Sony Czech and Thomson multimedia Czech. Asekol collects WEEE from categories 3, 4, 7, 8 and 10.
- **Ekolamp** ([www.ekolamp.cz](http://www.ekolamp.cz)) is a collective scheme founded by four members of the European Lamp Companies Federation (ELC, [www.elcfd.org](http://www.elcfd.org)), including GE Lighting, Philips, Narva and Osram. It collects lighting equipment (category 5).
- **Elektrowin** ([www.elektrowin.cz](http://www.elektrowin.cz)) was founded by members of the Czech CECED among others companies such as BSH (Bosch, Siemens), Electrolux (AEG, Zanussi, Electrolux), Whirlpool (Whirlpool, Bauknecht, Ignis), Groupe SEB CR (Tefal, Moulinex, Rowenta, Krups), Miele, and Philips Česká republika. It collects WEEE from categories 1 and 2 (large and small household appliances) as well as 6.

- **Rema** ([www.remasystem.cz](http://www.remasystem.cz)) was founded by manufacturers and importers of IT technologies and consumer AV equipment. Rema is backed by companies such as Actebis Computer, AT Computers, Canon CZ, eD` system Czech, Konica Minolta Business Solutions Czech, and Xerox Czech Republic. It collects WEEE from all 10 categories.

## **Ecodesign requirements for energy-related products**

The EU's Directive 2009/125/EC establishing a framework for the setting of eco-design requirements for energy-related products ("ErPs") was published in the Official Journal on 31 October 2009 and has been implemented since November 2010.

An ErP is defined as "any good that has an impact on energy consumption during use which is placed on the market and/or put into service, and includes parts intended to be incorporated into energy-related products covered by this Directive which are placed on the market and/or put into service as individual parts for end-users and of which the environmental performance can be assessed independently".

Components and sub-assemblies are defined, on the other hand, as parts that are intended to be incorporated into ErPs but which are not placed on the market or put into service as individual parts for end-users, or the environmental performance of which cannot be assessed independently. Nonetheless, even for such parts, implementing measures may require that the manufacturer of the ErP is provided with relevant information on their composition, consumption of energy, materials and/or resources.

Due to the definition, all energy-related products are potentially covered within the Directive's scope. Such products would continue to include energy-using products (e.g., different types of electrical appliances) but may, potentially, also cover shower heads and other bathroom fittings, insulation materials, double-glazing and other products that are related to the using of energy, which, in effect, have a significant potential for saving it, if designed in an eco-friendly manner.

The ErP Directive requires that the Commission shall, not later than 21 October 2011, establish a working plan, to be made publicly available. The working plan will have to set out for the following three years an indicative list of product groups which are considered as priorities for the adoption of implementing measures. As regards ErPs to be covered by implementing measures, the Directive requires that Member States may allow only such ErPs to be placed on the market and/or put into service if they comply with those measures and bear the CE marking in that regard.

Of relevance to Hong Kong traders, the Directive's Article 4 lays out the responsibilities of the EU importer: thus, where the manufacturer is not established (himself or through a mandated representative) in the EU, the obligation is to ensure the ErP concerned is in compliance with the Directive and the future implementing measures rest with the importer. It is also his responsibility to keep the declaration of conformity and the technical documentation available.

It should be noted that ErPs intended only for fairs, exhibitions and demonstrations need not be in conformity of applicable implementing measures, as long as there is a visible indication that they are not being placed on the market.

So far (until 31 January 2015) the Commission has adopted implementing measures under the Directive on eco-design for more than 20 types of product. These are all products that directly use energy (thus, energy-using products), including household dishwashers, household washing machines, circulators, electric motors, refrigerators and freezers, televisions, external power supplies, lighting products in the domestic sector, lighting products in the tertiary sectors (office and street lightening), simple set-top boxes, standby and off-mode electric power consumption household and office equipment, domestic ovens, hobs and range hoods, heaters and water heaters, vacuum cleaners, computers, household tumble driers, water pumps, air conditioners and comfort fans, industrial fans, complex set-top boxes and imaging equipment.

## REACH

REACH, an EU Regulation, which stands for Registration, Evaluation, Authorisation and Restriction of Chemicals, entered into force on 1 June 2007. Among other issues, it requires EU manufacturers and importers of chemical substances (whether on their own, in preparations or in certain articles) to gather comprehensive information on properties of their substances produced or imported in volumes of one tonne or more per year, and to register such substances with the European Chemicals Agency (“Agency”) in Helsinki prior to manufacturing in, or importing into, the EU. The obligations concerning EU manufacturers and importers of “phase-in” substances began on 1 June 2008 (starting with a period of pre-registration). The pre-registration period closed on 1 December 2008. Phase-in substances are, essentially, chemical substances that are already listed in the European Inventory of Existing Commercial Chemical Substances (EINECS), and number more than 100,000.

While the REACH Regulation allows EU manufacturers and importers to be registrants, and thereby fulfil all their REACH-related obligations so as to continue their trade in the EU without disruption, the same right is not extended to non-EU manufacturers (e.g., those located in Hong Kong or the Chinese mainland). However, if these persons do not wish to depend on importers’ registrations, they are permitted to nominate an only representative to register their substances imported into the EU (either on their own, in preparations or in articles). The only representative then takes over all the importers’ REACH obligations in respect of those imports.

With regard to articles, substances therein have to be registered with a Technical Dossier where (a) the substance present in those articles totals one tonne or more per year per producer or importer AND (b) the substance is intended to be released under normal or reasonably foreseeable conditions of use. A Chemical Safety Report will also need to be submitted where the substance totals 10 tonnes or more in those articles, per year, per producer or importer.



As a general rule (although exemptions apply), the Agency has to be notified by the importer or producer of articles where a substance therein is a substance of very high concern (SVHC), e.g., it is deemed to be carcinogenic, mutagenic or toxic for reproduction, and is identified as such for eventual inclusion in Annex XIV (a list of substances subject to authorisation), if (a) the substance present in those articles totals one tonne or more per year per producer or importer AND the substance is present in those articles above a concentration of 0.1% weight by weight (w/w). The Agency can then require registration of the substance (if it does not already have to be registered).

The registration of substances (primarily “existing chemicals”, i.e., those already listed in EINECS and referred to in REACH as phase-in substances) benefit from grace periods (it should be noted that EINECS contains 100,196 entries, comprising substances introduced between 1 January 1971 and 18 September 1981). Registration with the Agency is not required until 1 June 2018 for quantities reaching one tonne or more per year, per manufacturer or importer. However, if the substance is classified as carcinogenic or very toxic to aquatic organisms and imports of these substances reach one tonne or more per year, or in cases of a substance that is being imported in quantities of 1,000 or more tonnes per year, the registration deadline has now passed: it was 1 December 2010.

The registration deadline has also passed for phase-in substances manufactured in the EU or imported, in quantities reaching 100 tonnes or more per year per manufacturer or per importer: it was 1 June 2013. The aforementioned grace periods and tonnage bands also apply to registration of the substances in preparations or in articles.

The Agency has various powers under REACH for the evaluation of substances. It can take decisions on the testing procedures submitted by registrants, and ask registrants to furnish additional information if deemed necessary. The registration of substances is subject to two types of evaluation:

- i) Dossier Evaluation, including compliance checks of registrations can be performed by the Agency on a random basis (the dossier evaluation

is subject to the priority criteria set out in the REACH Regulation), in order to examine testing proposals and to ensure that unnecessary animal tests and costs are avoided and that test results are relevant for the chemical safety process; and to check the compliance of a registration dossier with all the requirements of the REACH Regulation.

- ii) Substance Evaluation, performed by the Agency in cooperation with the Member States' authorities. The Agency will prioritise the substances on a risk-based approach and coordinate the substance evaluation processes carried out in the Member States. Each Member State will be entrusted with the evaluation of one or more substances.

The evaluation work is to be carried out in certain time intervals, with priority being given to registrations of SVHC or substances classified as dangerous according to the CLP regulation. Information obtained in the registration dossier and under the substance evaluation will also be considered when justifying the identification of a substance of very high concern, to initiate the restriction of the manufacture, placing on the market or use of a substance within the Community, and/or to propose a harmonised classification and labelling.

On the other hand, the aim of an authorisation is to establish that the risks from substances of very high concern are properly controlled or that these substances are replaced by suitable alternative substances or technologies.

Initially, the Agency was supposed to include a first list of such substances by 1 June 2009, i.e., in Annex XIV: the list of substances subject to authorisation. Substances that may be included in Annex XIV are CMR category 1 and 2 substances, PBT and vPvB substances, as well as any other substances for which there is scientific evidence of probable serious effects to humans or the environment which give rise to equivalent concerns as CMR category 1 and 2, PBT or vPvB substances. An application for an authorisation will have to be lodged with the Agency for use of substances of very high concern. Authorisation for specific uses can be granted if the manufacturer or importer is able to demonstrate that risks can be adequately controlled or if the

socio-economic advantages of the specific use are predominant. Authorisation decisions may need to be amended or withdrawn as a result of a review which can be carried out at any time when there is a change of circumstances. Importantly, the authorisation only applies to the manufacturing, placing on the market and use of substances in the EU. It does not restrict companies in third countries from using such substances in preparations and articles that are imported into the EU.

Substances on the Candidate List may subsequently become subject to authorisation by decision of the European Commission. In such case, they are inserted into Annex XIV of the REACH Regulation. Substances are added to the Candidate List by the Agency. The inclusion of a substance in the List may entail legal obligations – information and notification – for SVHCs in articles on companies.

The content of dangerous substances in articles can be restricted or banned under the restrictions procedure. Articles producers and importers have to follow the conditions outlined in Annex XVII of REACH which began applying on 1 June 2009. Those entries listed in Annex XVII which are likely to be of particular interest to Hong Kong businesses exporting their products to the EU include phthalates in toys and childcare articles, azocolourants in textiles and leather goods and cadmium in a number of applications.

Meanwhile, the REACH Regulation contains some exemptions regarding the registration requirements for substances, and Annexes IV and V of the REACH Regulation lays out lists of substances which are not covered by the registration requirement.

## **Toy Safety Directive**

A new Directive 2009/48/EC on the safety of toys (the "Toy Safety Directive") was published in the EU's Official Journal in 2009. All EU Member States were required to bring into force the laws, regulations and administrative provisions necessary to comply with the Directive by 20 January 2011 and to apply those measures from 20 July 2011.

Directive 2009/48/EC updates measures to take account of technological developments and – following a number of high-profile product withdrawals of dangerous goods (including toys) in the summer of 2007 – new safety concerns. Firstly, Directive 2009/48/EC provides for an updated definition of toys. Thus, according to the new Directive, a toy is “a product designed or intended, whether or not exclusively, for use in play by children under 14 years of age”.

Moreover, the new Directive sets out a list of products which are toys but which are excluded from its scope in its Article 2. These include, for instance, playground equipment intended for public use, automatic playing machines, whether coin-operated or not, intended for public use, toy vehicles equipped with combustion engines, toy steam engines and slings and catapults.

Furthermore, Annex I sets out a non-exhaustive list of products that do not fulfil the definition of toys but could be confused with them. The list is only indicative and the Directive states that it should be added to, to clearly show which items will not be considered to be toys for the purposes of the legislation, e.g., to include certain new products, such as videogames and peripherals. New products included in the list in Annex I include swimming learning devices for children, such as swim seats and swimming aids; skateboards intended for children with a body mass of more than 20kg; and child-appealing luminaries. Additional information is given on other product ranges which will not be included in the scope of the Directive, such as certain collectors’ items, with Annex I providing that the packaging of such items should bear a visible and legible indication that these are intended for collectors of 14 years of age and above.

Other definitions are expanded upon in Article 3 of the new Directive, including the term “placing on the market”, which is stated to mean “the first making available of a toy on the Community market”. The definitions of different economic operators are also set out, including manufacturers, authorised representatives, importers and distributors. Among others, aquatic toys, chemical toys, olfactory board games, cosmetic kits, gustative games and design speed are also defined.

Furthermore, Directive 2009/48/EC contains tougher safety requirements when compared to its predecessor. Hence, toys that are placed on the market in the EU will be required to comply with expanded essential safety requirements when compared to the old Directive. Among other matters, these new requirements provide that the ability of users, and where appropriate their supervisors, shall be taken into account (especially in the case of toys intended for use by children aged under 36 months). Further “particular safety requirements” are set out in Annex II to the new Directive. These set out requirements for toys including their physical and mechanical properties, flammability, chemical properties and electrical properties.

The safety requirements have been updated to ensure high levels of protection and to take technical progress into account. Thus, in the field of electrical properties, technical progress has made it possible to allow the limit of 24 volts set in old Directive 88/378/EEC to be exceeded.

Stricter rules now apply in relation to hazards caused by certain chemical substances and fragrances used in toys, as well as noise from toys. Safety requirements have been adopted to protect children against the risk of chemical substances in toys, in particular substances classified as being carcinogenic, mutagenic or toxic for reproduction (CMRs), allergenic substances and certain metals. Directive 2009/48/EC states that chemical substances in toys should also comply with Regulation 1907/2006 concerning the Registration, Evaluation, Authorisation and Restriction of Chemicals (REACH). The new Directive also provides that limit values for the use of certain substances (e.g., lead, arsenic and organic tin) should be reduced.

New essential safety requirements are set out regarding noise from sound-emitting toys and specific safety requirements are imposed to cover potential hazards from toys in food. The Directive also sets out appropriate conformity assessment procedures to be followed by the manufacturer and obligatory requirements for conformity assessment bodies and notifying authorities.

Economic operators placing toys on the EU market will carry the responsibility for ensuring that their products comply with the toy safety Directive. For example, importers now have the express obligation to only place compliant toys on the EU market and to ensure that the appropriate conformity assessment procedure has been carried out by the manufacturer. When placing a toy on the market, importers should indicate on the toy their name and the address at which they can be contacted. Exceptions may be provided for in cases where the size or nature of the toy does not allow for such an indicator. This includes cases where importers would have to open the packaging to put their name and address on the product.

The new toy safety Directive also complements and adds to provisions regarding warnings on toys found in the previous toy safety Directive. General requirements provide that warnings placed on packaging and on toys themselves must be clearly visible and preceded by the word “Warning”. In addition, warnings must be provided in a language that is understandable to consumers and must be visible on the packaging or at the point of sale, where their content might influence a decision whether or not to purchase a toy (the warning must also be made visible prior to an internet sale). Warnings must be marked clearly, legibly and in a manner that is understandable to consumers. The warnings must be marked on the toy, on an affixed label or on the packaging and, if appropriate, on instructions for use. Where the toy is sold without packaging due to its size, the warnings should be affixed to the toy itself.

Specific warnings are set out in the Directive’s Annex V. These include a general requirement to display the minimum or maximum age of the user of the toy and, where appropriate, the abilities of the user, the maximum or minimum weight of the user and the need to ensure that the toy is used only under adult supervision. Further specific warnings are set out for: toys not intended for use by children under 36 months; activity toys; functional toys; chemical toys; aquatic toys; packaging for fragrances in olfactory board games, cosmetic kits; and toys in food.

## **Harmonisation of product standards**

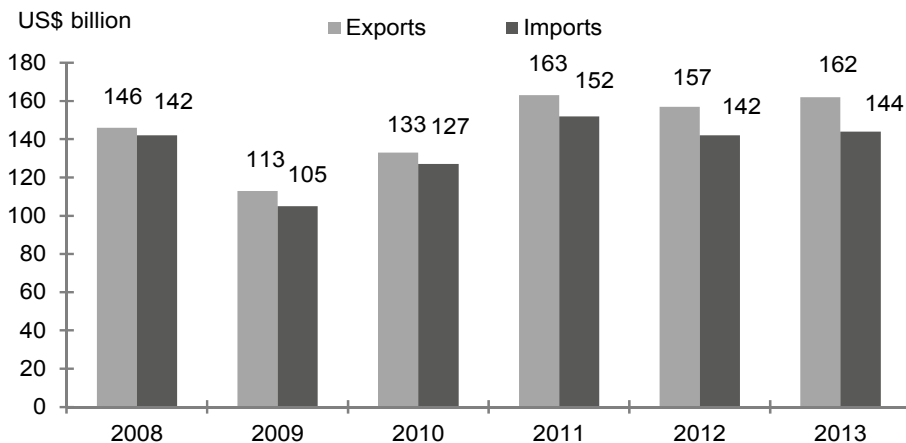
The Czech Republic has adopted the EU's technical standards, as well as regulations related to health and safety. For years, the country has been in the process of adapting to the EU's harmonised European product legislation, which covers conformity assessment bodies, accreditation bodies, standardisation and market surveillance. Products certified in accordance with EU standards are now recognised by the Czech Republic. As many Hong Kong exporters have already had their products certified to meet and/or be conformable with the EU's standards, they will be able to market the same products in the Czech Republic without additional approval.

# 5. Potential trade opportunities

## Overview

Integration of the Czech Republic into the EU (since May 2004) has played a significant part in the fast expansion of the Czech Republic's external trade. The Czech Republic managed to realise a 40% growth in trade between the recession year 2009 and 2013. This not only indicates the Czech Republic's potential of serving as a trade gateway for Hong Kong companies to explore other markets in Central and Eastern Europe, but also helps prune away scruples in relation to the country's small domestic market.

### Foreign trade turnover in the Czech Republic



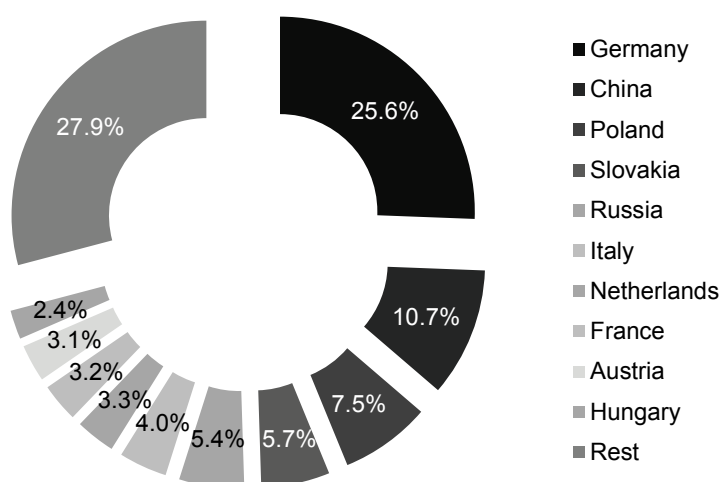
Source: Czech National Bank

Given its centric location in Europe, Czech's major trading partners are always European countries like Germany, Slovakia and Poland. This pattern existed long before the Czech Republic joined the EU in May 2004, but the country's EU membership has further streamlined and strengthened its trade ties with other EU countries. Nowadays, nearly three-quarters of Czech trade is conducted within the EU, and eight out of the country's top-10 trading partners are EU members.



Among the Czech Republic's most important trading partners, Germany is the number one by far. In 2013, it accounted for 31% and 26% of Czech exports and imports, respectively. Evidently, it is unlikely that Asian suppliers can challenge the dominant role of European countries in the Czech Republic's external trade in the near term. However, it is worth noting that the country's growing interest in sourcing from Asia, especially the Chinese mainland, made China its fourth-largest trading partner and second-largest import source in 2013.

### Czech imports by country, 2013 (Total: US\$144 billion)



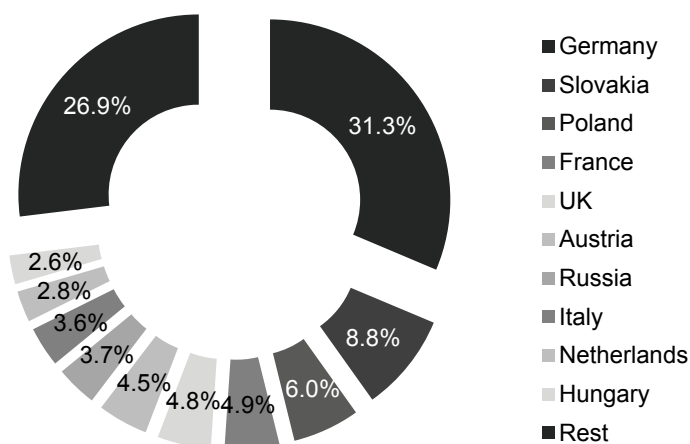
### Total imports by countries, 2013

		US\$ million	% Growth 12/13	% Share in 2013
1.	Germany	36,995	+3.4	25.6
2.	China	15,498	-1.2	10.7
3.	Poland	10,840	+7.9	7.5
4.	Slovakia	8,220	-3.8	5.7
5.	Russia	7,774	-2.0	5.4
6.	Italy	5,749	+5.2	4.0

		US\$ million	% Growth 12/13	% Share in 2013
7.	Netherlands	4,709	-4.2	3.3
8.	France	4,625	+4.8	3.2
9.	Austria	4,449	-1.7	3.1
10.	Hungary	3,457	+4.2	2.4

Source: Czech Statistical Office

### Czech exports by country, 2013 (Total: US\$162 billion)



### Total exports by countries, 2013

		US\$ million	% Growth 12/13	% Share in 2013
1.	Germany	50,807	+2.8	31.3
2.	Slovakia	14,318	+0.9	8.8
3.	Poland	9,737	+1.7	6.0
4.	France	8,016	+0.9	4.9
5.	UK	7,848	+4.3	4.8
6.	Austria	7,364	+1.6	4.5
7.	Russia	5,943	-1.5	3.7

		US\$ million	% Growth 12/13	% Share in 2013
8.	Italy	5,864	+3.8	3.6
9.	Netherlands	4,536	-10.8	2.8
10.	Hungary	4,223	+16.9	2.6

*Source: Czech Statistical Office*

Apart from being a landlocked country, Czech importers, limited by the small market size and hence small order quantity, used to turn to Western European distributors, especially German, for imports from Asia. In so doing, thanks to the provisions on free movements of goods within the EU, the goods, after customs clearance and breaking bulk in Germany or other EU countries, will be counted as Czech imports from the EU instead of Asia. This logistical dependence on German ports such as Hamburg in receiving sea cargo from Asia also partly explains why Germany has the lion's share of the Czech import mix.

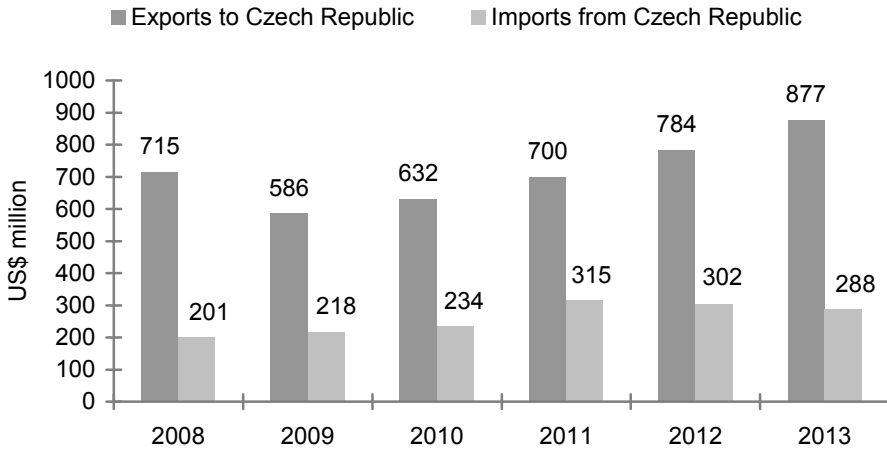
Although small Czech importers – given their small order quantities – continue to source from German traders, medium- and large-sized companies, especially retail chains, have started to import directly from manufacturers in Asia and the Chinese mainland in particular. This trend has been reflected by the ever-growing share of China's goods in total Czech imports, which increased from 5.2% to 10.7% between 2004 and 2013.

Looking forward, more and more Asian suppliers, including Hong Kong and mainland companies, are willing to reduce their minimum order quantities to make their debuts in new markets, while Czech importers are able to place larger orders with overseas suppliers on the back of strengthening import demand and their deeper pockets. Therefore, the scope of direct sourcing is poised to expand further to encompass a wider variety of products, painting a rosy picture for Hong Kong's exports in the post-crisis era.

Hong Kong's trade with the Czech Republic, despite the 2009 recession, has fared well in recent years thanks to the limited production of, but rising appetite for, consumer goods in the country. During 2008-2013, Hong Kong's

total exports to the Czech Republic expanded by 23%, or a compound annual growth rate (CAGR) of 4%.

### Hong Kong's trade with the Czech Republic



Source: Census & Statistics Department, HKSAR Government

Owing to its small market size and hence small orders, the Czech Republic is still very much uncharted territory to most Hong Kong suppliers. However, while exports to the region remain scanty, sales growth, before the outbreak of the global financial crisis, has been impressive. As Czech consumers' purchasing power increases following a gradual recovery of the global economy, they are becoming more willing to spend to improve their living standards. As Czech importers grow larger, many – including regional distributors – will be big enough to become direct customers for Hong Kong exporters. In particular, Hong Kong companies look set to have the strongest competitive edge in electronics (both consumer electronics and parts and components), toys and games, fashion and giftware, while other products such as timepieces and jewellery are also quite well received in the Czech market.

## Hong Kong's exports of selected products to the Czech Republic

(US\$ million)	2010		2011		2012		2013	
	Value	% Growth	Value	% Growth	Value	% Growth	Value	% Growth
<b>Total exports</b>	<b>632</b>	<b>+7.9</b>	<b>700</b>	<b>+10.8</b>	<b>784</b>	<b>+11.9</b>	<b>877</b>	<b>+11.9</b>
Electronics <sup>^</sup>	469	+6.4	529	+12.7	598	+13.1	702	+17.3
<i>Telecom equipment</i>	104	+133.1	179	+72.9	215	+19.7	254	+18.2
<i>AV equipment</i>	74	+31.5	68	-8.3	60	-12.3	82	+37.6
<i>IT equipment</i>	94	+33.6	124	+31.6	149	+20.0	183	+22.5
Toys and games	36	-21.2	28	-24.2	47	+69.2	47	+1.2
Fashion products	35	-10.7	33	-6.1	31	-3.4	25	-22.0
<i>Clothing and accessories</i>	19	-16.7	16	-14.7	18	+15.1	13	-31.7
<i>Footwear</i>	9	+7.8	10	+10.2	5	-48.3	5	-12.4
<i>Travel goods</i>	7	-14.1	6	-5.1	8	+23.7	7	-5.1
Gifts and premiums*	53	+46.5	56	+5.0	74	+33.4	73	-1.3
Watches and clocks	6	-19.3	8	+35.3	6	-18.2	6	+1.5
Jewellery	10	+130.3	10	+0.7	11	+1.5	7	-29.5

<sup>^</sup> Includes finished electronic products and parts and components of electronic products

\* Includes items covered in other categories

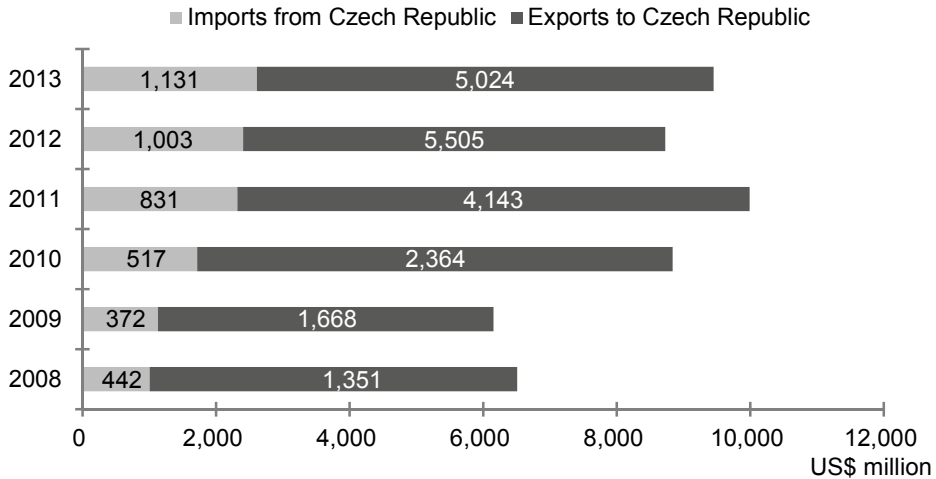
Source: Census & Statistics Department, HKSAR Government

## Hong Kong as a platform for Sino-Czech trade

On the back of the aspiration to export diversification and a global trade shift towards Asia, there is a growing trend for Czech brands and products wanting to launch on the China market. For instance, since the launch of the second-generation Octavia in China in 2007, Škoda Auto – the Czech Republic's largest exporter – has been gaining a foothold in the Chinese market (the world's largest auto market), while the world-famous Bohemian glass and lighting products have successfully built a following among consumers and interior designers in Hong Kong, the Chinese mainland and other parts of Asia Pacific. Against this backdrop, Czech exports to the

Chinese mainland increased by a CAGR of 21% between 2008 and 2013, while the country's imports from China boded even better at a CAGR of 30%.

### Bilateral trade between the Czech Republic and China



Source: China Customs

Given the lack of in-depth and first-hand market information on the Chinese mainland and other Asian countries, Czech companies have been seeking cooperation with Hong Kong companies in order to leverage on the latter's knowledge and network in the Asian region. As such, apart from selling to the Czech market, Hong Kong companies can explore the opportunities to partner with Czech companies that are interested in expanding their business coverage to Asia, especially the Chinese mainland.

On the other hand, a slew of Chinese enterprises is interested in using the Czech Republic as a platform to enter the EU market. So far there are a number of ventures between Czech and Chinese enterprises producing TVs, foodstuffs, operator systems, bicycles and canned meat in the Czech Republic. Hong Kong companies, which have years of experience in trading with different markets across Europe, can certainly assist new-to-Europe Chinese enterprises to tap into the borderless market of 500 million people by providing a wide range of services including business, financial and legal consultancy and support.

## **6. Business practices**

### **Business hours**

The opening hours of retail shops in the Czech Republic are normally Monday to Friday, 8am or 9am to 5pm, and Saturday mornings. Most close during Sundays and public holidays. Some smaller shops may close for a lunch break, which is usually 12pm to 1pm. However, large retail stores such as Tesco and shopping centres are open from about 8am to 10pm every day. Some of them open 24 hours a day.

Banks and government offices are largely open Monday to Friday, 9am to 5pm. Post offices are also open on Saturday mornings.

Most restaurants and coffee shops are open daily from 9am till late evening, e.g., 11pm, or even later. In smaller towns, however, restaurants and coffee shops often do not open before lunchtime, e.g., before 11am. They may also stay open for a shorter period of time than those in large cities, and may close well before 11pm.

### **Religion and holidays**

Catholics and Protestants together add up to be the largest religious group in the country. Indeed, most Czech people follow Christian traditions. As a result, festivals like Christmas and Easter are important in the country.

National holidays also include the anniversary of the restoration of independence of the state in 1918 (National Day), celebrated on 28 October, as well as the Day of the Czech Statehood (St. Wenceslas Day), celebrated on 28 September. Other public holidays include Labour Day (1 May) and Liberation Day (8 May), as well as some other religious holidays such as St. Cyril & St. Methodius Day (5 July).

While most offices close during public holidays, it is noteworthy that many also close for a longer period than the official holidays during the Christmas

and New Year period. In addition, some also close during the summer, especially during July and August, as many staff and workers like to take their annual leave during that period.

### Public holidays in the Czech Republic

Date for 2015	Date for 2016	Event
1 January	1 January	New Year's Day / Restoration day of the Independent Czech State
6 April	28 March	Easter Monday
1 May	1 May	Labour Day
8 May	8 May	Liberation Day
5 July	5 July	St. Cyril & St. Methodius Day
6 July	6 July	Jan Hus Day
28 September	28 September	St. Wenceslas Day
28 October	28 October	National Day
17 November	17 November	Struggle for Freedom and Democracy Day
24-26 December	24-26 December	Christmas

The majority of authorities and banks are closed on Saturdays, Sundays and public holidays, while shops are often closed on Sundays and public holidays. However, most restaurants, bars and tourist attractions usually stay open on these days, but public transportation services are significantly limited and the frequencies are much lower than on working days.

### Business greetings

Among the Czech business community, English and German are the most common languages for communication with foreign companies. In particular, it is more likely for younger Czech businessmen to speak English.

For business meetings and visits, the standard dress code is formal. Long business lunches are normal for conducting business negotiations as well as



cultivating business relationships. Although most Czech businessmen can speak English, it is still better to ask the Czech counterparts whether an English interpreter is necessary prior to the meeting.

## **Working with Czech companies**

One of the inherent features of Czech culture is that Czech people are mostly polite and humble. While Czech businessmen are relatively formal in conducting business, they prefer an indirect approach in communication. For example, Czech people prefer saying “difficult”, when they actually mean “no”, in order to avoid confrontation with their counterparts.

Punctuality is important when meeting with the Czech business community. Many Czech companies have a clear hierarchy of management. Managers usually have a distinguishable power over their subordinates, and the decision-making power is vested in the top management. Therefore, companies intending to do business with their Czech counterparts should observe such hierarchy and pay respect to their Czech counterparts according to their power.

## **Business and lifestyle**

Czech people mostly put an emphasis on quality of life. In particular, holidays are important to staff and workers. Therefore, it is difficult to set up business meetings with Czech companies during weekends and holidays. Moreover, Czech people are relatively reluctant to continue meeting after official office hours, as the staff may take it as a disturbance to their private lives and family time. It is also difficult to set up business meetings with Czechs during Friday afternoons.

In order to have more leisure time, many Czech companies tend to start and finish work earlier than most Western countries. Notably, some may close for weeks during the summer time, when the weather is good for travel and outdoor activities.

Czech people also emphasise individual privacy and prefer to separate business from their personal lives. When talking about business, they also avoid talking about their private lives, especially with those just having ordinary relations. Czechs are also relatively slow in making personal friendships with their foreign counterparts. Therefore, foreign companies should be patient when networking with Czech companies.

## **7. Challenges facing exporters**

### **Heavy reliance on the European economy**

With a majority of trade being conducted within the EU and inward FDI originating from Europe, the Czech economy is heavily reliant on the European market. This explains why the Czech economy has suffered in the fallout from the world economic crisis even without incurring any excessive debt or credit-financing itself. New-to-the-market Hong Kong companies should take heed of the economic risk stemming from such high economic dependence, despite recent nascent signs of recovery in Europe. In particular, while foreign investment flows are resuming and there are early signs of a recovery in the Czech economy, the global recession will continue to take its toll in the near term. The need to further patch up bank-balance sheets and the rise in corporate defaults, and thus continued pressure on the European banking system, all indicate that downside financial and economic risks will linger for a while, not to mention the threat of a much-feared contagion of the sovereign debt crisis originating from Southern European countries.

### **A small domestic market with increasing quality requirements**

Success in the Czech market can be complicated by the lack of a sizable domestic market. Czechs, in general, have deeper pockets when compared to their neighbours such as the Poles, but be that as it may, the 10.5-million-strong Czech consumer base could effectively pose a significant risk to business survival. Given a small population, Czech retailers usually have in their stores a wide spectrum of products, ranging from mostly mid-ranged to several high-end ones. Against this backdrop, their orders for each single item are usually small. In other words, their order quantity may not be on a full-container-load basis and shipment consolidation is usually required. This may affect the competitiveness of Hong Kong exports when economies of scale (i.e., cost advantage) cannot be so realised. This challenge of small order quantity could become acute when increasing quality requirements following the EU's view to toughen up the existing environmental regulations is taken into account.

## **Growing trend of direct trade with China**

The Czech Republic has traditionally close ties, both economic and cultural, with the Chinese mainland, thanks to their common political background. Goods bearing a label “Made in China” are generally accepted and have no problem selling in the Czech market. Although occasional Chinese export recalls might have shaken consumer confidence in Chinese-made products, Czechs still find them a best buy given their enticing price-quality ratios amid the global crisis. This situation may pose a threat to Hong Kong companies, especially when the Czech retail industry continues to consolidate in the midst of the current crisis. The outcome of a more concentrated retail market could mean greater power to place larger orders and further inclination towards direct sourcing from mainland manufacturers, thus bypassing traders.

## **8. Practical recommendations**

### **Adopt a more far-sighted approach**

Given the high economic dependence and fading out of growth at the European level, the Czech economy is set to be enveloped in the vacillating fortunes of the European economy over the near term. Hong Kong companies interested in tapping into Czechs' deeper pockets are advised to adopt a more far-sighted approach. Instead of earning quick profits, Hong Kong companies should see making inroads into the Czech market as a medium- to long-term commitment that will bring benefits over a long period of time, especially when the country's potential as a regional distribution hub can be sufficiently explored.

While ODM suppliers are still much sought after among Czech and Slovak companies, OBM opportunities also represent decent potential in the Czech market. On top of various important trade fairs in Germany and Poland, there are a handful of local trade shows, such as Styl and Kabo (fashion and leatherware) and Amper Expo (electronics), providing good occasions for Hong Kong suppliers to make contact with potential clients in the Czech Republic. In order to mitigate the annoyance caused by long flights and exorbitant travel costs, local companies can consider the alternative of using trade fairs and exhibitions in Hong Kong as a platform to meet Czech businesspeople.

### **Target the Czech Republic as both a market and springboard**

Despite deeper pockets, Hong Kong companies should not only focus on the Czech domestic market, but also exploit the country's potential as a regional distribution centre in Central and Eastern Europe. Thanks to its historical links and geographical proximity, Czechs are used to doing business with Europeans, especially Germans and Slovaks, and are very knowledgeable about the differences between Eastern and Western Europe. Given its centric location and well-developed transport connections, many foreign companies,

such as Becker Acroma (paints), Denso (automotive supplies), DHL (IT services), H&M (fashion), IKEA (furniture), LEGO (toys), Omnipack (packaging) and Schneider (logistics) have chosen the Czech Republic as a manufacturing/services/support centre to oversee and expand their business operations in the region. Riding on its relatively advanced infrastructure, both logistically and technologically, the Czech Republic is often used as a springboard for overseas firms entering the 500 million-strong EU market and nearby emerging economies such as Slovakia and Poland in particular.

## **Strike a good balance between price and quality**

The global economic crisis has clearly manifested itself in the Czech Republic, where consumers are looking and waiting for bargains. The once-buoyant sales of goods such as electronics, readymade clothes, shoes and cosmetics, have suffered particularly hard from falling incomes and the credit pinch. But this temporary act of trading down, despite being extensive, should not be considered a permanent trend. Hong Kong exporters should never regard the Czech market as a dumping place for their unsold stock, as quality in general remains a decisive factor for most Czech consumers. In any case, while Hong Kong companies may choose to offer products with reduced features and product content, they should never economise on quality. By striking a good balance between price and quality, Hong Kong companies can turn the negative into a positive by establishing images and/or brands that promise quality to consumers at reasonable prices.

## **Win business through value-added services**

While there is a growing trend of direct trade with China, quite a few Czech traders, especially those that are small or medium in size, still find it more reliable and convenient to make use of Hong Kong as a trading platform. On the one hand, Czech importers appreciate the professional services such as design, branding, legal, banking and finance services that they can easily obtain in Hong Kong, although they can buy at lower prices if they do their own sourcing directly on the Chinese mainland.

Czech exporters, on the other hand, are particularly interested in the banking, design and branding services that Hong Kong companies can offer to facilitate penetration in the mainland as well as Asian markets. As a matter of fact, most Czech traders realise that Hong Kong is one of the most, if not the most, convenient bridgeheads to the China market. Hong Kong companies should therefore leverage on their design and branding capabilities as well as market intelligence in relation to Chinese and Asian consumer preferences, to help Czech companies introduce their products into the lucrative Chinese and Asian markets. For instance, some glass and lighting companies such as LASVIT have been using their regional headquarters in Hong Kong to take care of orders from the mainland and other Asia Pacific markets.

# Appendix 1

## Map of the Czech Republic





## Appendix 2

### Population of major cities in the Czech Republic

City	'000 People
Prague (capital)	1,243
Brno	378
Ostrava	296
Plzen	168
Liberec	102
Olomouc	99
Usti nad Labem	94
Ceske Budejovice	93
Hradec Kralove	93
Pardubice	89

*Source: Czech Statistical Office, as at 1 Jan 2014*

# Appendix 3

## Useful contacts and resources

### Hong Kong

#### **Consulate General of the Czech Republic**

Room 1204-5, Great Eagle Centre,  
23 Harbour Road, Wan Chai, Hong Kong  
Tel: +852 2802 2212  
Fax: +852 2802 2911  
E-mail: [hongkong@embassy.mzv.cz](mailto:hongkong@embassy.mzv.cz)  
Website: [www.mfa.cz/hongkong](http://www.mfa.cz/hongkong)

#### **CzechInvest**

Room 2207-9, Tower II, Lippo Centre,  
89 Queensway, Admiralty, Hong Kong  
Tel: +852 2530 8806  
Fax: +852 2530 8136  
E-mail: [southeast-asia@czechinvest.org](mailto:southeast-asia@czechinvest.org)  
Website: [www.czechinvest.org](http://www.czechinvest.org)

### Czech Republic

#### **Hong Kong Trade Development Council, Prague Office**

Na Beránce 2, 1600 00 Praha 6  
Tel: +420 233 323 514  
Fax: +420 222 812 283  
E-mail: [prague.consultant@tdc.org.hk](mailto:prague.consultant@tdc.org.hk)

## **Embassy of the People's Republic of China in the Czech Republic**

Pelleova 18, 16000 Praha A 6-Bubenec

Tel: +420 224 311 323

Fax: +420 224 319 888

E-mail: [chinaemb\\_cz@mfa.gov.cn](mailto:chinaemb_cz@mfa.gov.cn)

Website: [www.chinaembassy.cz](http://www.chinaembassy.cz)

### **(Economic and Commercial Counsellor's Office)**

Tel: +420 233 028 872

Fax: +420 233 028 876

E-mail: [cz@mofcom.gov.cn](mailto:cz@mofcom.gov.cn)

Website: <http://tr2.mofcom.gov.cn>

## **Selected government departments and agencies**

### **Czech National Bank**

Na Prikope 28, 115 03 Praha 1

Tel: +420 224 411 111

Fax: +420 224 412 404

E-mail: [info@cnb.cz](mailto:info@cnb.cz)

Website: [www.cnb.cz](http://www.cnb.cz)

### **Czech Office for Standards, Metrology and Testing**

Gorazdova 24, P.O.Box 49, 128 01 Praha 2

Tel: +420 224 915 299

Fax: +420 224 915 064

E-mail: [posta@unmz.cz](mailto:posta@unmz.cz)

Website: [www.unmz.cz](http://www.unmz.cz)

### **Czech Statistical Office**

Na Padesatem 81, 100 82 Praha 10

Tel: +420 274 051 111

Fax: +420 274 054 177

E-mail: [infoservis@czso.cz](mailto:infoservis@czso.cz)

Website: [www.czso.cz](http://www.czso.cz)

**CzechTrade**

Dittrichova 21, 128 01 Praha 1

Tel: +420 224 907 523

Fax: +420 224 913 440

E-mail: [info@czechtrade.cz](mailto:info@czechtrade.cz)

Website: [www.czechtrade.cz](http://www.czechtrade.cz)

**Customs Administration**

Budejovicka 7, 140 96 Praha 4

Tel: +420 261 331 111

Fax: +420 261 332 000

E-mail: [podatelna@cs.mfcr.cz](mailto:podatelna@cs.mfcr.cz)

Website: <http://www.cs.mfcr.cz>

**Ministry of Finance**

Letenska 15, 118 10 Praha 1

Tel: +420 257 041 111

Fax: +420 257 042 889

E-mail: [podatelna@mfcr.cz](mailto:podatelna@mfcr.cz)

Website: [www.mfcr.cz](http://www.mfcr.cz)

**Ministry of Foreign Affairs**

Loretanske namesti 5, 118 00 Praha 1

Tel: +420 224 181 111

Fax: +420 224 182 068

E-mail: [podatelna@mzv.cz](mailto:podatelna@mzv.cz)

Website: [www.mzv.cz](http://www.mzv.cz)

**Ministry of Industry and Trade**

Na Frantisku 32, 100 15 Praha 1

Tel: +420 224 851 111

Fax: +420 224 811 089

E-mail: [posta@mpo.cz](mailto:posta@mpo.cz)

Website: [www.mpo.cz](http://www.mpo.cz)

## **Office of the Government of the Czech Republic**

Nabrezi Eduarda Benese 4, 118 01 Praha 1

Tel: +420 224 002 111

Fax: +420 257 531 283

E-mail: [posta@vlada.cz](mailto:posta@vlada.cz)

Website: [www.vlada.cz](http://www.vlada.cz)

## **Other useful contacts in the Czech Republic**

### **Association of Czech Entrepreneurs**

Na Strzi 1837/9, 140 00 Praha 4

Tel: +420 733 669 180

E-mail: [spzcr@volny.cz](mailto:spzcr@volny.cz)

Website: [www.spzcr.cz/](http://www.spzcr.cz/)

### **Association for Foreign Investment**

Stepanska 11, 120 00 Praha 2

Tel: +420 224 911 751

Fax: +420 224 911 779

E-mail: [martin.michalov@afi.cz](mailto:martin.michalov@afi.cz)

Website: [www.afi.cz](http://www.afi.cz)

### **Association of the Glass and Ceramic Industry**

Sámova 1, 101 00 Praha 10

Tel: +420 271 745 888

Fax: +420 271 745 888

E-mail: [info@askpcr.cz](mailto:info@askpcr.cz)

Website: [www.askpcr.cz](http://www.askpcr.cz)

### **Association of Innovative Entrepreneurship**

Novotneho lavka 5, 116 68 Praha1

Tel: +420 221 082 275

Fax: +420 221 082 276

E-mail: [svejda@aipcr.cz](mailto:svejda@aipcr.cz)

Website: [www.aipcr.cz](http://www.aipcr.cz)

### **Association of Small and Medium-Sized Enterprises and Crafts**

Těšnov 5, Praha 1, PSČ 110 00

Tel: +420 222 246 404

Fax: +420 222 241 553

E-mail: [amsp@amsp.cz](mailto:amsp@amsp.cz)

Website: [www.amsp.cz](http://www.amsp.cz)

### **Association of Textile, Clothing and Leather Industry**

Těšnov 5, 110 00, Praha 1

Tel: +420 222 361 880

Fax: +420 224 805 339

E-mail: [atok@atok.cz](mailto:atok@atok.cz)

Website: [www.atok.cz](http://www.atok.cz)

### **Confederation of Industry of the Czech Republic**

Freyova 948/11, 190 05, Praha 9

Tel: +420 225 279 111

E-mail: [spcr@spcr.cz](mailto:spcr@spcr.cz)

Website: [www.spcr.cz](http://www.spcr.cz)

### **Czech Association of Telecommunications**

Dalimilova 4, 130 00 Praha 3

Tel: +420 222 111 210

Fax: +420 222 111 215

E-mail: [info@catel.cz](mailto:info@catel.cz)

Website: [www.catel.cz](http://www.catel.cz)

### **Czech Confederation of Commerce and Tourism**

Těšnov 5, 110 00 Praha 1

Tel: +420 224 805 158(159)

Fax: +420 224 230 606

E-mail: [socr@socr.cz](mailto:socr@socr.cz)

Website: [www.socr.cz](http://www.socr.cz)

### **Czech and Moravian Electrical and Electronic Association**

Polygon House, Doudlebska 5, 140 00 Praha 4

Tel: +420 261 213 623

Fax: +420 261 213 624

E-mail: [ela@electroindustry.cz](mailto:ela@electroindustry.cz)

Website: [www.electroindustry.cz](http://www.electroindustry.cz)

### **Czech Venture Capital Association**

Filmařská 19, 150 00 Praha 5

Tel: +420 724 342 395

E-mail: [info@cvca.cz](mailto:info@cvca.cz)

Website: [www.cvca.cz](http://www.cvca.cz)

### **Economic Chamber of the Czech Republic**

Freyova 27, 190 00 Praha 9

Tel: +420 266 721 300

Fax: +420 266 721 690

E-mail: [office@komora.cz](mailto:office@komora.cz)

Website: [www.komora.cz](http://www.komora.cz)

### **Federation of the Food and Drink Industries**

Počernická 96/272, 108 03 Praha 10

Tel: +420 296 411 184-93

Fax: +420 296 411 187

E-mail: [foodnet@foodnet.cz](mailto:foodnet@foodnet.cz)

Website: [www.foodnet.cz](http://www.foodnet.cz)