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# Why Central Europe Matters for American Tech Companies

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## Summary

The paper "Why Central Europe Matters for American Tech Companies" highlights Central Europe's transformation from a low-cost outsourcing region into a dynamic innovation hub. It emphasizes the region's strong startup ecosystem, skilled STEM workforce, and expanding venture capital environment. The author argues that Central Europe offers strategic opportunities for U.S. tech firms seeking access to new markets, research talent, and transatlantic partnerships. Despite challenges such as regulatory hurdles and geopolitical risks, the region's innovation-driven policies and digital infrastructure create a favorable investment climate. The paper concludes with policy recommendations to deepen U.S.–Central Europe cooperation in technology and innovation.

## Key Takeaways

- Central Europe's tech ecosystem is rapidly expanding, with strong local retention of startup value and growing AI investment.
- The region provides U.S. companies with access to a highly skilled, cost-effective STEM workforce and a strategic geographic position.
- Strengthened transatlantic partnerships in R&D, infrastructure, and talent exchange can enhance innovation and mutual economic growth.

# Introduction

Central Europe has experienced rapid economic and technological growth in recent years. This has elevated Hungary, the Czech Republic, Poland, and Slovakia from cost-effective outsourcing destinations into innovation leaders within Europe. Notably, this region has a highly skilled workforce, with approximately 60% of Czechs possessing at least basic digital skills, which exceeds the EU average of 56%. Additionally, Poland and Hungary rank among the EU's top twenty-five countries for STEM education (European Commission, 2025).

Additionally, Central Europe is a hub for startups. Prague's ecosystem grew by nearly 20% in 2025, hosting over 450 startups with over $63 million in combined funding, reflecting its strength as a regional innovation hub (Prague Startup Ecosystem Growth Report 2025). Not only is there rapid economic and technological growth, but US multinational tech firms, including IBM, Microsoft, and Google, have already made investments in research and partnership initiatives across the region, signaling Central Europe's growing importance in the global digital economy. Given these developments, encouraging tech companies to consider Central Europe as a prime area for investment and growth represents a crucial strategic opportunity.

# Central Europe's Growing Tech Ecosystem

Central Europe's growing tech ecosystem is distinguished by its strong retention of startup value, sectoral diversity across fintech, AI, and hardware, and a robust support infrastructure that nurtures innovation and positions the region as a key player in the European technology landscape. When it comes to startups, Poland and the Czech Republic have strong ecosystems with both countries retaining approximately 90% of their combined startup enterprise value locally (Polish Venture Capital Association 2025).

Poland's startup ecosystem has increased in value by over 150% since 2020. In 2024, Polish startups raised €1.8 billion in VC funding, representing a 25% increase compared to 2023 (Polish Startup Report 2025). Not only does this signal that these countries are good places to start a company, but it also signals that these companies tend to be open to outside funding.

Central Europe is a region where startups are able to thrive, particularly in sectors such as artificial intelligence (AI) and green technology. In 2024, AI startups in the region attracted approximately €593 million in funding, underscoring a thriving innovation ecosystem focused on development, growth, and research (The Recursive 2024). Poland leads Central Europe in AI investment and is considered a potential location for OpenAI's European headquarters, though all Central European countries prioritize AI development (OpenAI 2025).

The ability of these startups to not only thrive but also choose to remain in Central Europe signals the region's growing importance as an innovation and investment hub. For US tech companies and policymakers, this presents a strategic opportunity to deepen engagement, foster transatlantic partnerships, and capitalize on the region's vibrant ecosystems for mutual growth and technological leadership.

Central Europe's growing startup scene is supported by a wide range of innovation resources, including hundreds of incubators and accelerators offering funding and mentorship, significant public investments in research facilities, and a rapidly expanding pool of venture capital fueling new technology ventures. Startups benefit from over 150 incubators and accelerators that operate throughout Central Europe, providing seed funding, mentoring, and market access for early-stage

startups (Central Europe Incubator and Accelerator Survey 2025). These organizations offer crucial resources that allow startups to thrive within the region.

Additionally, the Czech Republic has invested over €45 million in R&D infrastructure through EU cohesion funds since 2020, bolstering emerging tech sectors. Venture capital in the region is also expanding rapidly, with tech-focused funds increasing by 35% in 2024 to a total of €2.8 billion in active investments, reflecting growing confidence in Central Europe's innovation potential (Czech Republic Startup Ecosystem 2025). This comprehensive support ecosystem, combining public funding and private investment, is central to positioning Central Europe as a competitive and attractive hub for technology entrepreneurship and innovation.

English-language resources are widely available across Central Europe's startup ecosystems, facilitating international investment and collaboration. Many incubators, accelerators, coworking spaces, and events operate primarily in English, and many leading universities offer STEM programs in English, producing a workforce equipped for global engagement. This wide-ranging English language infrastructure enhances the region's integration with global markets and bolsters its competitiveness as an innovation hub.

Prague exemplifies this ecosystem's strengths. It ranks #85 globally, with over 450 startups and €56 million in funding (StartupBlink 2025). Supported by numerous English-speaking incubators, accelerators, and coworking spaces, Prague draws on a strong STEM talent pool from local universities. This accessible English-friendly environment makes the city a vital gateway for international entrepreneurs and investors, reinforcing Central Europe's position in the global innovation landscape.

## Why it Matters to U.S. Companies

Growing middle-class demand and rapid digital adoption make Central Europe a promising market on top of its booming startup ecosystem. The rising middle class in the region drives increasing demand for digital goods and services across the tech industry. As a result, multinational companies expanding in Central Europe benefit from a digitally engaged consumer base open to new technologies, creating an environment for tech startups and scale-ups to thrive.

Central Europe also produces approximately 70,000 STEM graduates annually, with the Czech Republic and Poland among the top five EU countries for engineering and computer science graduates (European Education Area, 2025). This growing pool of STEM graduates and expanding high-tech workforce provides US tech firms with access to highly skilled, cost-competitive labor essential for innovation, product development, and regional expansion, making Central Europe a strategic investment for operations.

Beyond its skilled workforce, Central Europe offers US tech firms a strategic base to serve not only local demand but also to expand operations across the EU and into neighboring regions. Central Europe has the ability to serve as a strategic gateway between Western Europe, Eastern Europe, and Asia, enhancing supply-chain integration and market access. The region provides critical transit corridors for goods, energy, and data connecting Europe with Asia, including key rail, road, and digital infrastructure links (CETPartnership,2025). This position enables US tech companies to operate regional hubs in Central Europe that connect Western innovation with growth opportunities across Eurasia.

Central Europe combines a strong engineering heritage with growing emphasis on digital transformation and green innovation, supported by targeted EU and regional policies that foster collaboration between industry, academia, and startups. The region's innovation culture values

inclusivity and social impact, embedding sustainability and entrepreneurship into its growth model, supported by significant funding from programs like Horizon Europe and Creative Europe.

## Transatlantic Links Already in Place

Central Europe and various US companies have established collaborative links that span academia and industry. For example, IBM's partnership with the Czech Technical University includes access to IBM's innovative quantum computing network, enabling joint research and workforce development in quantum technologies (IBM, 2025). Similarly, the American Chamber of Commerce's SlovakAI initiative promotes artificial intelligence development and adoption in Slovakia by facilitating cooperation between US and local stakeholders (AmCham Slovakia, 2025). These partnerships exemplify growing transatlantic cooperation that drives technological innovation and strengthens Central Europe's position as a hub for advanced tech research and commercialization.

## Challenges and Risks

Central Europe has many appeals when it comes to startups and the tech ecosystem, but it does not come without challenges and risks. These challenges include regulatory navigation, geopolitical risks, and competition from Western European and Asian tech hubs.

For US companies interested in Central Europe, GDPR and the evolving EU AI Act remain key challenges in meeting compliance requirements, operational complexity, and cost. US firms are required to implement tailored governance structures and technical safeguards to lawfully deploy AI systems and process personal data within EU jurisdiction through strict obligations around transparency, data protection, risk assessments, and user rights (European Commission, 2025; KPMG 2025). This can slow down innovation cycles and complicate market entry strategies while necessitating ongoing legal and technical investments for compliance.

Geopolitical tensions in Central Europe pose yet another risk for US companies. With the tensions between Russia, China, and NATO, security concerns create operational risks that include potential supply chain disruptions, regulatory uncertainty, and cybersecurity risks. Additionally, Central Europe's proximity to the war between Russia and Ukraine (especially in the case of Poland) poses a threat to local governments with Russian drone incursions and destabilizing activities that could further impact regional stability and business operations (CSIS, 2025; CEPA, 2025; NATO, 2025).

US tech companies also face competition from Western European and Asian tech hubs such as Germany and Taiwan. Germany works with the Czech Republic as a "strategic partner for R&D" on cell and gene therapies as part of its longstanding scientific and economic links with the country (Germany Ministry of Economic Affairs, 2025). Additionally, Germany is the largest investor in the tech ecosystem, with the US coming in second with 450 wholly owned companies. Taiwan, on the other hand, recently expanded its partnerships in semiconductors with the Czech Republic and Poland while also expanding research and development partnerships with academic institutions, promoting technological advancements and innovation (Taiwan Ministry of Economic Affairs, 2025). While challenges remain, Central Europe's growing startup ecosystem, supported by growing investment and integrated regional efforts, offers significant opportunities for US tech companies willing to navigate its complexities.

## Why Now?

The rapid acceleration of digital transformation in Central Europe following the COVID-19 pandemic has been fueled by significant investments from both EU and national governments, driving innovation and positioning the region as a hub for advanced technology development. EU cohesion and recovery funds support ambitious initiatives like the Czech "Country for the Future," Slovak 100% R&D tax deductions, and Poland's €90 million Fund of Funds for venture capital, which support startup financing and technological advancement (European Commission, 2025; Czech Ministry of Industry, 2025; Polish Ministry of Investment, 2025). Central European governments have demonstrated strong political will to attract foreign investment by reforming business environments and aligning with EU digital sovereignty goals, creating a strategic window for US tech firms to engage regionally (European Commission Digital Strategy, 2025).

## Policy Recommendations

US policymakers and industry leaders should consider capitalizing on the opportunities offered in Central Europe by:

- Strengthening US-Central Europe innovation partnerships through joint R&D programs, academia-industry exchanges, and startup collaborations
- Expanding talent exchanges and internship programs to build future tech leaders with firsthand regional experience
- Increasing strategic investment incentives, encouraging US tech companies to establish innovation hubs, accelerators, and R&D centers in Central Europe
- Supporting transatlantic digital infrastructure projects such as advanced data centers, 5G networks, and green technology deployments
- Promoting Central Europe as a destination for innovation beyond cost advantages, highlighting its vibrant talent pool, startup scene, and market access

These actions will deepen US engagement, foster mutual growth, and position both regions as leaders in a rapidly evolving global tech landscape.

## Conclusion

The Central Europe is no longer just a low-cost outsourcing destination anymore; instead, it has evolved into an innovation hub that is increasingly recognized for its dynamic startup ecosystems, advanced research infrastructure, and growing transatlantic connections. US companies stand to significantly benefit from access to highly skilled STEM talent, expanding regional markets, and collaboration frameworks fostered by both EU and national investments.

As an American student and intern in Prague, I have firsthand experience with the innovation culture here. I have noticed the engineering heritage and push towards emerging technologies like AI, quantum computing, and green tech. On top of that, it seems as though there is always a section in Expats.cz that covers the latest updates on technology in the Czech Republic. Being in Prague and experiencing this makes me feel deeply connected to a community that's actively shaping the future.

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