



Doing Business in the Czech Republic: A Country Commercial Guide for U.S. Companies

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Chapter 1: Doing Business In (Insert Country Name Here)

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Market Overview

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- Until the 1930s, Czechoslovakia was one of the economic powerhouses of Europe with the 9th largest economy in the world.
- The Czech Republic entered the European Union in May 2004.
- The Czech Republic is part of a region dubbed “The Detroit of Europe” because of the volume of auto manufacturing.
- Strong local currency (the crown) gives Czech manufacturers increasing purchasing power.
- The Czech Republic is one of the most popular tourist destinations in Europe.
- Economic growth strong at 6%; steady rates of 4-5 percent growth rates expected to continue through 2008.

Market Challenges

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- Lack of transparency in public tenders
- Intense competition from European companies with close historical and economic ties to the market
- Slow and sometimes arbitrary government decision-making
- Purchasing power still lags behind Western Europe and U.S.
- Government corruption, especially with regard to procurement

Market Opportunities

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- Power generation equipment (includes renewable energy)
- Automotive parts and equipment
- Electric and electronics sector
- Medical products and services
- Telecommunications and computer equipment
- Environmental equipment and services

Market Entry Strategy

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- We suggest a regional approach involving one or more Central and Eastern European countries.
- It is crucial to find a local partner.
- We suggest participating in a Gold Key or trade mission to meet local partners and possible clients.

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Chapter 2: Political and Economic Environment

For background information on the political and economic environment of the country, please click on the link below to the U.S. Department of State Background Notes.

<http://www.state.gov/r/pa/ei/bgn/3237.htm>

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Chapter 3: Selling U.S. Products and Services

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Using an Agent or Distributor

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The Czech Republic is geographically small, with 10 percent of the population and most decision-makers concentrated in the capital city of Prague. It is a market where good personal relationships are crucial, and everyone seems to know everyone else. Therefore, we recommend basing your approach on finding and supporting a Czech partner, agent, or distributor. An agent or distributor based in Prague can offer good coverage of the entire country. Though many will offer to represent your firm throughout Central Europe, we have found that a one-country, one-agent approach works best.

In general, agents and distributors will expect exclusivity. Be careful to negotiate an agreement that ties exclusivity to performance, either with a time limitation on the agent/distributor agreement, or a clause that allows termination for non-performance. Good support and management of the agent-distributor relationship is crucial. Many distributors are thinly capitalized and understaffed, yet represent a wide variety of foreign companies. They often focus efforts on the hottest-selling product of the moment, at the neglect of others.

Professional services firms, educational institutions, and engineering firms should use local partners as their entrée into the market. Using a local partner's facilities and staff will bring costs down to competitive levels, and your local partner's contacts will be crucial to developing business.

Many U.S. firms use the Commercial Service's Gold Key program and trade missions to meet and interview potential partners. For more information on these and other services, please view our website: <http://www.buyusa.gov/czechrepublic/en/>

Establishing an Office

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For most small or mid-sized firms, an office in the Czech Republic is not worth the time and expense. If you decide to do so, however, we recommend that you work with a local attorney who can take on the burden of corporate registration and other paperwork.

Prague has a well-educated, multilingual population, many of whom have years of experience in working for Western firms. Companies offering attractive salaries can normally secure a talented nucleus of local staff for a new office. Executive recruiting firms are active in Prague, though most executives use word-of-mouth to make hiring decisions.

Franchising

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Franchising is poised to see rapid growth in the Czech market in the next few years. There are approximately 90 franchised brands in the Czech Republic, compared to 330 in Austria and 170 in Belgium--this business model is still in its beginnings. However, the total number of licensee holders was increased 4 times in the last 5 years, from 143 to 752 holders. The number of franchising facilities was increased 9 times from 130 to 1450 units. There is still much room for growth.

McDonald's and KFC have founded their own outlets in the Czech Republic, although a slowly increasing number are now owner-operated franchises. Hotel franchising, one of the most successful concepts worldwide, is still waiting for its boom in the Czech Republic, though it is more widespread than other types of franchising. Most franchised hotels, however, are clustered in Prague, and the Czech Republic's second and third tier cities are hungry for internationally known hotel brands.

One challenge is that few Czechs have the capital or experience to invest in their own franchises; typical master franchise networks have yet to develop. Franchise holders are in most cases recruited from abroad. Komerční Banka does offer a financing program geared towards potential franchisees in the Czech Republic (<http://www.kb.cz/en/>) From a legal perspective, franchising takes the form of a contract between two entities that is regulated by the Commercial Code pertaining to commercial contracts and sales and licensing agreements.

Direct Marketing

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The top direct marketers in the Czech Republic are Amway, Avon, Just, Lux, Mary Kay, Oriflame, Tupperware, Vorwerk and WS International. Turnover in this market is about \$201.1 million per year, and the number of registered dealers is 200,686. 96% of these are women, and 85% work part-time. Direct marketers enable these firms to reach clients in small towns and villages, where retail outlets are limited. Both Amway's multi-level and Lux's one-level marketing approaches have worked here. Network marketing has also developed with a number of successful "membership" stores in Prague, Brno, Plzen, and Ostrava.

The Czech National Association of Direct Marketing organizes seminars and promotes international rules of direct marketing, such as the length of guarantees and the

consumer's right to return a product. More information on direct marketing in the Czech Republic can be found on www.cnspp.cz

Joint Ventures/Licensing

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The Czech Republic has become an attractive destination for foreign investors seeking manufacturing and assembly operations. Perhaps the most common approach is a greenfield investment, but foreign companies also acquire existing Czech firms. Joint ventures are less popular. Although the law allows 100 percent foreign ownership, foreign companies are sometimes reluctant to acquire a Czech firm outright because of environmental or other long-term liabilities. Prague has a small, but skilled, local investment banking community, which can assist U.S. firms in structuring acquisitions or joint ventures.

Selling to the Government

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The Czech government has a thin purse, but a long shopping list as it seeks to modernize its military to meet NATO commitments, and upgrade infrastructure to meet environmental and other European Union requirements. EU, U.S. Defense Department, and other international funds are available to help finance purchases. Both the Czech federal government and major municipal governments make increasing use of bond offerings to pay for infrastructure improvements, but this approach is still far less common than in the U.S.

As a member of the EU, the Czech Republic is subject to the rules of the GATT Agreement on Government Procurement. The Czech government's current procurement law requires public tenders for major government and government-financed procurements. Tenders are publicized in the local daily press, particularly *Hospodarske noviny* (Economic News) and *Mlada Fronta Dnes* newspaper, as well as in the *Obchodni vestnik* (Trade Gazette) published by the Czech government. Major manufacturers of a particular product are usually notified directly. The period between calling and closing tenders is 180 days for internationally financed procurements.

U.S. companies bidding on Czech government tenders must have their products approved for the EU market (see standards section below.) U. S. companies that find local Czech partners for joint bids can compete in tenders for environmental services, engineering services, and financial and management consulting services. Bid bonds from 1-5% may be required for large-scale contracts. An emphasis on total value (rather than low cost) has lessened the disadvantages U.S. companies once had against lower-cost domestic and European firms.

Lack of transparency throughout the procurement process remains a significant obstacle for U.S. companies. While the Czech government has publicly stated its commitment to fair, transparent tenders, rumors of corruption and preference for European suppliers are rife, particularly with regard to defense sector tenders. Government decision making is in addition notoriously slow, with tenders frequently delayed and cancelled.

Distribution and Sales Channels

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U.S. products are typically shipped to a major European port (often Antwerp), and then transported to Prague via truck or rail. (Smaller products often come by air to Prague's airport.) The area around Prague has many warehouses and distribution centers, and is the distribution hub of the country.

The Czech Republic has a developed, European-style distribution system and a strong and growing cadre of professional sales agents and distributors in most market segments. Representative offices or industrial sales agents usually handle industrial sales. The cadre of agents has expanded rapidly in recent years. U.S. firms will find agents to be very strong technically; however, many will need help developing marketing and customer service strategies. Margins for distributors are similar to those prevalent in Western European countries. Field sales representatives usually earn a base salary of about 30,000 crowns (\$1,230) per month plus commission (anywhere from 5 to 10 percent depending on the product), and travel benefits (company car, travel allowance).

Prague's winding cobblestone streets are lined with tiny shops -- groceries, pharmacies, music stores, clothing boutiques, and bookstores. These small shops face stiff competition from American-style supermarkets, European "hypermarkets," and shopping malls with a broader selection, lower prices and extended weekend and evening hours (increasingly, 24-hour operation). Swedish IKEA, British TESCO, and German OBI, Hornbach and Baumax, among others, operate multiple locations throughout Prague and have expanded throughout the nation. At this time, no large U.S. retailers are present in the market.

Selling Factors/Techniques

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Having a sales force that speaks the local language (Czech) is essential to success in the market. In order to also compete in the European market, this same sales force should have employees that can communicate in English – speaking the local language (French, German, Spanish, Italian, Russian, etc.) is of course an advantage.

Ideally, product literature should be in Czech, and it is advisable to also have some copies in English, as there are many international firms located in Prague with non-Czech speaking decision makers. A dual Czech/English brochure may be the most efficient way of handling this scenario. Any measurements used within the literature should be in metric. In addition, product labels must be in Czech. Your local partner/distributor can assist in this process.

As in most markets, companies doing business in the Czech Republic should have a website in Czech, English and possibly a third language (German). Having a website gives legitimacy to a company's presence in the market and plays an increasingly important role here in attracting potential customers.

Electronic Commerce

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While most Czech consumers still do not regularly shop online, interest in e-commerce is growing and increasing numbers of Czechs are surfing – and buying- on the Web. During 2006, e-commerce in the Czech Republic grew by more than 13%, reaching almost \$464.3 million in B2C sales and \$351.2 million in B2B. The number of Internet users with e-shopping experience currently exceeds 305,600240,000 and rose steadily in 2006. The gap between end-use procurement and process-use e-commerce narrowed significantly last year, and the former is now only slightly ahead.

A number of factors have supported this growth. Credit card use is on the rise, and lower telecommunication tariffs have prompted more Czech consumers to get online. In 2004, Ceska Sporitelna, a major Czech bank, began providing secure e-commerce transactions to online retailers. Finally, in 2005 the Ministry of Informatics introduced anti-Spam legislation (more information at <http://www.micr.cz>), which has been a benefit to legitimate online businesses. The most popular web trading sites are listed in the web resources section below.

Trade Promotion and Advertising

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Though choosing and supporting a suitable agent is the most important factor in achieving success in the market, companies can stimulate sales further by working with Czech partners on effective marketing campaigns. A good agent or distributor should be able to help you craft an appropriate strategy. The Czech market is small, and market entry is relatively low-cost. Expensive marketing campaigns are probably not necessary, unless promoting a consumer product. U.S. firms can spur sales through trade shows, in-country promotions, and advertising.

A U.S. firm can craft a targeted advertising campaign to introduce new products or support established ones for a fraction of the cost of advertising in the U.S. Retain a local public relations/advertising firm to provide an integrated program. Foreign firms most often pay for in-country advertising, while their local distributors provide facilities, warehousing, and equipment.

With a history dating back to the Middle Ages, trade shows are a European way of life. Both Prague and Brno host many international shows. A small booth is a good -- and comparatively low-cost way -- to meet customers in the Czech Republic and neighboring countries.

The Czech Republic is a small market, and each sector has a few key decision-makers and opinion leaders. One way to reach these leaders quickly is to hold an innovative in-country promotion. Examples of good programs include technical seminars or small receptions at industry trade shows in Brno and Prague, media events and press conferences related to events like launching new lines or opening new offices, or annual holiday receptions for key clients and potential clients. The U.S. Commercial Service in Prague can help to organize such an event and target key decision makers. On the retail side, in-store promotions are utilized extensively.

Pricing

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Czech consumers and firms are very price-sensitive. In the consumer market, however, increasing incomes and the wealth of products in the market have led to a shift toward prestigious name brands -- over low-cost competitors -- for certain high-end goods. U.S. firms are up against European competitors, who have lower transport costs and no import duties, as well as Czech firms that have home field advantage. A number of larger U.S. firms have lowered costs and improved sales prospects by doing some low-cost assembly or value-added production within the Czech Republic. With the weak dollar, Czech firms are giving American products a second look as they seek ways to reduce costs.

The Czech economy has traditionally been a cash economy, although credit card use has grown exponentially as bank regulations for the issuance of credit cards have been relaxed to near-Western standards. Five years ago, it was rare for a Czech consumer to use a credit card to make a purchase; today, virtually all professionals in major cities have at least one.

Sales Service/Customer Support

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Although not yet at the level of Western standards, customer service has come a long way since the market opened up. There is still room for improvement, and any firm able to implement a customer-friendly support system will have an edge in the market. This applies to both retail and industrial customers.

The retail market is less consistent when it comes to service/support. Many local firms still do not seem to have grasped the concept of employee customer service training in this post-Communist society, and this often leads to a mentality of "the customer is never right."

The industrial sector is somewhat more developed as the Czechs have made great strides to become part of the international marketplace. U.S. companies should take pains to demonstrate to potential end users their after-sale service capacities. Some industrial users have the impression that European suppliers offer superior after-sale support, and the presence of a well-trained, well-supported local agent who can service equipment is important in closing a sale.

Protecting Your Intellectual Property

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The Czech Republic is a signatory to the Bern, Paris, and Universal Copyright Conventions. In 2001, the government ratified the WIPO Copyright Treaty and the WIPO Treaty on Performances and Phonograms. Domestic legislation protects all intellectual property rights, including patents, copyrights, trademarks, and semiconductor chip layout design. Amendments to the trademark law and the copyright law have brought Czech law into compliance with relevant EU directives and WTO TRIPs requirements. The Czech Republic was taken off the 301 Intellectual Property Watch list in 2001.

Although U.S. companies should exercise due diligence in choosing partners, theft of intellectual property is not a major problem here. We encourage technology-based companies to work with legal specialists to develop a global intellectual property

protection strategy, using an appropriate mix of trade secret, copyright, or patent protection. U.S. companies will often find protection in the Czech Republic by gaining intellectual property protection within the European Union. Separate copyright and patent protection within the Czech Republic is possible, relatively low cost, and prudent.

Due Diligence

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Due diligence on potential partners (as well as on suppliers, major clients, and other contacts) is important. The U.S. Commercial Service offers an International Company Profile service that researches the bona fides of Czech firms. Dun & Bradstreet also offers profiles and financial information on Czech firms.

Local Professional Services

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Prague has a cadre of U.S. law firms, accountants, and consulting firms that specialize in helping with market entry. We also suggest that U.S. companies new to the Czech market join the American Chamber of Commerce in Prague and purchase a copy of the Amcham's list of U.S. firms operating in the Czech Republic.

Web Resources

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Ministry of Informatics
<http://www.micr.cz>

Major Web trading sites:

<http://www.b2bcentrum.cz> - major provider of services in the field of B2B in Central Europe

<http://www.abcb.cz/> - general business information, news, food products

<http://www.glob2b.cz/> - advertising banners on the internet

American Chamber of Commerce in Prague

Executive Director, Weston Stacey

tel.: (+420) 222 329 430,

e-mail: amcham@amcham.cz, web <http://www.amcham.cz>.

Dun & Bradstreet

tel.: (+420) 226 538 600, fax: (+420) 226 538 700

e-mail: custserv@dnbczech.cz, web <http://www.dnbczech.cz>

Czech National Association of Direct Marketing

www.cnspp.cz

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Chapter 4: Leading Sectors for U.S. Export and Investment

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Commercial Sectors

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- [Medical Equipment \(MED\)](#)
- [IT & Telecommunications \(ICT/TEL\)](#)
- [Pollution Control Equipment \(POL\)](#)
- [Financial Services \(FNS\)](#)
- [Safety/Security Equipment \(SEC\)](#)
- [Additional Sectors](#)

Electrical Power Systems

Overview

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<i>In million USD</i>	2005	2006	2007*
Total Market Size	2,500	2,750	2,950
Total Local Production	2,800	2,900	3,050
Total Exports	950	950	1,000
Total Imports	650	800	900
Imports from the U.S.	150	250	400

*predicted

Sources: Czech National Bank, Ministry of Industry and Trade, Czech Energy Works (CEZ), General Inspectorate of Customs

The Czech Republic remains a net exporter of energy, due to its central location in the heart of the European manufacturing belt, low production costs, and EU membership. However, the Czech energy sector is poised for dramatic changes, which mean good export opportunities for U.S. companies. The current electricity generation system still relies on the country's rapidly diminishing reserves of brown coal, though nuclear energy also plays a key role. In late 2005, the dominant Czech power generator Czech Energy Works (CEZ) announced several major retrofit projects for these coal plants.

Another major shift in the energy sector is the increased focus on renewable energy, spurred by EU accession. According to EU regulations, renewable sources should supply 8% of the Czech energy supply by 2010; currently, these sources supply only 4.8%. Biomass is the most promising source of renewable energy while wind and solar sources are limited given natural conditions. Hydroelectric generation is used, but potential for growth is limited.

In terms of natural gas, the Czech Republic is fully dependent on imports, of which approximately 90% come from Russia.

CEZ also owns nuclear power capacity of 3.8 GW, which accounts for 31.1 percent of its total capacity. Temelin is the largest at 2,000 MW. (Westinghouse is the fuel supplier for Temelin until 2010, when Russian Tvel will begin supplying fuel.)

Installed output in the Czech Republic is 17,434 MW. In 2005, the country produced 86.331 TWh, of which 24.78 TWh of electric power was exported, mainly to Germany, Austria and Slovakia. The country's transmission grid provides transmission of 400 kV, 220 kV and 110 kV electricity and also includes control systems. It consists of approximately 1,750 miles of 400 kV lines, approximately 975 miles of 220 kV lines and 80 miles of 110 kV lines that supply electricity to a well-developed 110 kV network. The total installed capacity connected to the transmission grid is 8,118 MW. The transmission grid is fully compatible with European standards. It is linked to the European transmission grid by ten 400 kV transmission lines and eight 220 kV. The transmission grid is integrated into the European UCPTE system.

Best Products/Services

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- Equipment for the retrofit of coal plants, including boilers and pumps
- Control systems and SW services for power distribution networks
- Software services
- Clean-coal technologies
- Renewable energy equipment (mainly for waste-to-energy projects and partly for wind power units)

Opportunities

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Opportunities in the Czech energy sector in the upcoming year will originate from projects introduced by the dominant Czech power generator – the Czech Energy Works (CEZ) in November 2005. CEZ owns coal-fired power plants accounting for 56 percent of energy generation that will reach the end of their expected working life within five years. Retrofit, modernization and construction of several power plants controlled by CEZ represent promising export potential for U.S. companies. CEZ will publish tenders at www.cez.cz and www.centralniadresa.cz

Key power plant modernizations are below. All of these plants burn local brown coal.

Date	Power Plant	Project Description
2007-2009	Tusimice	complete retrofit of 4 x 200 MW blocs
2008 – 2011	Ledvice	construction of a 1 x 656 new bloc
2010 – 2013	Prunerov	complete retrofit of 5 x 200 MW blocs
2010 – 2015	Pocerady	construction of a 1 x 660 MW new bloc

Resources:

Pragotherm

February 1-4, 2007, Prague, Czech Republic

34th international fair of energy, heating technique, energy savings, insulation and ecology

Heating Days & Renewable Energy Sources

April 24 – 26, 2007, Hradec Kralove, Czech Republic

www.parexpo.cz/td

International conference and trade event organized by the Association of Heating Companies and the Ministry of the Environment.

49th International Machinery Fair

October 1-5, 2007, Brno Czech Republic

www.bvv.cz/msv

A prestigious international trade fair attracting exhibitors and visitors from both Central and Eastern Europe, and European Union countries.

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Automotive Parts & Equipment (APS)

Overview

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	in billion USD	2004	2005	2006
Total market size (Import +Local Consumption)		11.2	14.4	15.0
Total local production (Export +Local Consumption)		15.4	20.1.0	22.0
Total export of transport equipment		12.2	15.0	16.5
Total import of transport equipment		8.0	11.0	12.5
Import from the U.S.		0.060	0.058	0.065

Source: CS Prague unofficial estimates, Automotive Industry Association of the Czech Republic
www.autosap.cz

Central Europe – the Czech and Slovak Republics, southern Poland and Hungary – is now Europe’s automotive manufacturing hub. Current estimates predict that the three major car manufacturers in the Czech Republic—Skoda Auto, PSA Peugeot Citroen/Toyota Motor Corporation, and Hyundai– will produce 1.1 million cars by 2009. This would make the Czech Republic one of the European Union’s two leading auto producers in the number of cars produced per capita, second only to the Slovak Republic. In 2006 Czech automaker Skoda produced a record 556,443 autos – an increase of 12.5% over 2005 totals. A new Hyundai plant expects to produce 200,000 cars and 600,000 transmissions in 2008.

The Czech automotive industry accounts for 19.7% of the total exports of the Czech Republic, and the share is rising. Total automotive exports jumped 24.4 % in 2003/2004 and an additional 17.4% in 2004/2005. In the same years, automotive imports increased by 43% and 36% respectively. The majority of imports in this sector are assembling parts, which are purchased by manufacturers and then re-exported.

Best Products/Services

- General manufacturing equipment and supplies
- Equipment for large-scale automotive parts manufacturing
- Special manufacturing equipment and materials
- In-car entertainment
- Auto security equipment
- Car care products
- Service suppliers for global manufacturers

Opportunities

- The weak dollar makes U.S. suppliers highly competitive in the Czech auto sector.
- Excellent opportunities exist for U.S. automotive suppliers interested in establishing a joint-venture with Czech partners or setting up facilities in the Czech Republic to service automotive manufacturers in the region.

Resources

AUTOSALON BRNO - INTERNATIONAL MOTOR SHOW

June 9-14, 2007, Brno

www.bvv.cz/autosalon_ E-mail: autosalon@bvv.cz

The most prestigious international fair in the automotive industry, this show is listed by O.I.C.A, the International Organization of Car Producers in the top calendar of world exhibitions.

MOTORCYCLE 2007 – 9th International Motorcycle and Accessories Exhibition

March 8 - 11, 2007, Prague Exhibition Grounds

www.incheba.cz, E-mail: e.nogolova@incheba.cz

Autoshow Praha 2007

October 18-21, 2007, Prague

Web: <http://www.incheba.cz>,

E-mail: v.janous@incheba.cz

International fair of passenger cars, light commercial motor vehicles, and automobile styling, as well as an exhibition of trucks, water, rail, and air transport, logistics, and warehousing.

INTERNATIONAL ENGINEERING FAIR

October 1-5, 2007, Brno

Web: <http://www.bvv.cz/msv-gb>

E-mail: msv@bvv.cz

The 49th International Engineering Fair is the most important engineering exhibition in Central and Eastern Europe. While the Fair does not focus specifically on automotive industry products, these are also exhibited.

Association of Automotive Industry of the Czech Republic

Opletalova 55, 110 00 Praha 1, Czech Republic

web: <http://www.autosap.cz/default-e.asp>

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Electric and Electronics Sector (EES)

	in million USD	2004	2005	2006
Total market size (Local Consumption + Import - Export)		13,385	15.39	16.10
Total local production (Export + Local Consumption)		12,115	16.33	17.14
Total Import		12,769	14.40	15.12
Total Export		11,500	15.34	16.08
Total Import from the U.S.		690	725	800

Source: CS Prague unofficial estimates, Electrical and Electronic Association www.electroindustry.cz

Due to strong foreign investments in the period of 1997-2005, electronics is one of the fastest-growing manufacturing sectors in the Czech Republic. Key importers are manufacturers not only in the electronics sector, but also in the automotive, power, transportation, and consumer goods industries.

Outsourced electronics manufacturing (contract manufacturing) has been a dominant trend; however, the Czech Republic's new R&D facilities are becoming an increasingly significant driver of economic activity. In 2005, the electrical and electronic industry places third after the metallurgy industry and transport machine engineering industry in overall revenues and represents 14.3% of GDP. The Czech and Moravian Electrical and Electronic Association (EIA) predicts growth of 5-10% in 2007.

The largest share (37%) of Czech electrical industry exports consists of heavy-current technology exported to EU countries, primarily into Germany. The biggest growth of exports, of about 16%, is seen in computer engineering. On the other hand, due to reduction in the demand for television sets, the biggest decline in exports, of about 9%, occurred in the AV engineering and electronic components field.

Computer technologies were the only area with a growth in imports recorded. Nevertheless, AV engineering and electronic components still represents the largest volume of imports. The Czech electrical industry enjoys a favorable foreign trade balance.

Best Products/Services

- Electronic components
- Heavy current technology
- Computer technologies

Opportunities

- The weak dollar makes U.S. suppliers more economical against European competitors.
- Excellent opportunities exist for U.S. suppliers interested in establishing a joint venture with Czech partner or setting up facilities to serve customers in Western or Central Europe.

Resources

Amper 2007 – International Trade Fair of Electrotechnics and Electronics

Prague

Web: <http://www.amper.cz/en/>

AMPER is an international trade fair of electronics and one of the largest and most important electronics sector shows in the Czech Republic.

Pragoregula / Elektro 2007

February 1–4, 2007, Prague

Web: <http://www.pragotherm.cz>

International trade fair of energy sector, heating, energy saving, sanitary technology, technical equipment of buildings, insulation and ecology, measuring, control technology, electronics and electronic equipment

DIGITEX 2007 - International Fair of Consumer Electronics and Digital Entertainment

October 22-26, 2007, Brno

Web: <http://www.bvv.cz/digitex-gb>

Focused on products and services in the field of consumer electronics and digital entertainment. It is held at the same place and on the same date as the major show INVEX.

INVEX 2007 - International Fair of Information and Communication Technologies

October 22-26, 2007, Brno

Web: <http://www.bvv.cz/invex-gb>

Designed for professionals in the field of information and communication technologies. Invex is the largest ICT show in the new EU member states and the fourth largest in the world in terms of the number of visitors, averaging 130,000.

ELEKTRO 2007 - Electrical Equipment and Lighting Technology

April 17-21, 2007, Brno

Web: <http://www.bvv.cz/stavebniveletrhy-gb>

Elektro, part of Building Fairs Brno 2006, focuses on electronic technology in the construction sector such as conductors and cables, wiring technology and materials, lighting technology, electric power sources, television and telecommunication equipment, signaling and information devices for buildings, security system technology, and regulation, sensing, and measuring devices.

Czech And Moravian Electrical And Electronic Association

Web: www.electroindustry.cz

Trade association that promotes the interests of communications and electronics companies operating in the Czech Republic; provides legal, market and other expertise.

U.S. Commercial Service

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Medical Equipment (MED)

Overview

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<i>in million USD</i>	2004	2005	2006
Total Market Size	2,343	2,483	2,599
Total Local Production	1,850	1,962	2,122
Total Exports	1,050	1,113	1,210
Total Imports	1,543	1,635	1,723
Imports from the U.S.	216	245	260

Source: Unofficial estimates, Czech Statistical Office

Although domestic manufacturers are increasingly competitive, over 65% of all medical devices used in the Czech Republic are imported. Germany dominates the market, with 25 percent of total medical device imports; the U.S. ranks second, and U.S. products, particularly high-tech equipment, have a good reputation for quality. The Czech medical market is very active and competitive. While most new products, equipment and technologies are imported, furnishings -- such as storage trays, cabinets and hospital beds -- are primarily of domestic origin.

Market trends include an increasing life expectancy (72 years for men and 78.5 years for women). Devices used to monitor symptoms and manage disease are in increasing demand. The most common cause of death is circulatory system problems. (Czechs continue to be heavy smokers, and air in many industrial cities is somewhat polluted.)

The combination of an aging population, rising incomes, and systemic inefficiencies is making health care reform a key issue in the Czech Republic. Current issues in the Czech healthcare sector include the following:

- Excess number of acute hospital beds,
- The need to increase patient control over health care decisions,
- The need to better integrate and analyze health care data in order to guide decisions,
- The need for improved promotional competition and emergence of new media channels,
- Promoting research in medical/diagnostic technology.

Growing interest in joint Czech-U.S. projects in the health care field could generate new opportunities for U.S. medical equipment providers. The most significant project to date is the planned International Clinical Research Center (ICRC) at St. Ann's hospital in Brno, a project of the Czech Republic and the U.S. Mayo Clinic. A memorandum of understanding is in place; the research facility will focus on cardiovascular and neurovascular diseases, internal medicine, neurology and oncology. Other Czech regions are eager to develop similar projects, and U.S. partners are in demand. Projects like these should raise the profile of the health care/biotechnology sector in the Czech Republic and feed demand for high-quality technology and equipment.

Best Products/Services

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- Sterilizing equipment
- Dental equipment
- Bone implants
- Infusion and transfusion sets
- Catheters
- Cobalt irradiators
- Computer processed visual systems
- Medicine infusion pumps
- X-ray and mammography systems
- Balneotherapy equipment
- Endoscopes
- Laparoscopes.

Opportunities

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- Growth of medical tourism in the Karlovy Vary region promises long-term growth prospects for regional hospitals, spas and medical clinics.
- Czech institutions demonstrate strong interest in partnering with U.S. companies, hospitals and universities to create medical research facilities.

Resources

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OPTA

February 23 – 25, 2007, Brno

www.bvv.cz

International Fair of Eye Optics, Optometry and Ophthalmology

PRAGOMEDICA

April 17 - 20, 2007, Prague, Fairground Holesovice

www.incheba.cz

Pragomedica covers medical technology for diagnostics and therapy, laboratory devices and equipment, pharmaceutical and OTC products, and optical devices and equipment.

HOSPIMEDICA

October 16 - 19, 2007, Brno BVV Exhibition Grounds

web: www.bvv.cz

This fair, intended for an audience of the professional public, is one of the EU's most important exhibitions of medical technology, hospital equipment, general practice and rehabilitation (including prosthetics).

Ministry of Health

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Information Technologies / Telecommunications (ICT/TEL)

Overview

<i>in billion USD</i>	2004	2005	2006
Total Market Size	2,79	2,98	3,92
Total Local production Local Consumption + Export	2,60	2,96	3,71
Total Exports	2,92	2,97	3,01
Total Imports	2,51	2,99	3,65
Imports from the U.S.	0.74	0.87	0.98

Source: Czech Statistical Office, CS Prague unofficial estimates

The Czech IT and telecom market is vibrant and competitive. Penetration ratios are approaching those of Western Europe, government and private investment in the sector continues, and growth of over eight percent is expected this year. U.S. companies with niche products and services will continue to find good opportunities by working with a local partner, either agent or OEM.

Major players include SWS, Oracle, Auto Cont, Microsoft, Hewlett-Packard, IBM, Sun Microsystems, eD'T-Systems, Unysis, CompuSource/MacSource and Unicorn. Primary technology providers include Microsoft, IBM, Sun Systems, Oracle, Lotus, Novell, Compaq, Symantec, Spectrum and Citrix.

Best Products/Services

- Electronic components
- Network equipment
- Wireless equipment
- Data service equipment
- Voice service equipment
- Video conferencing equipment

Opportunities

- Telefonica increased its investment in the country and is committed to further modernization of the Czech telecom sector.
- E-commerce in the Czech Republic continues to grow. Thirty-four percent of households and 90 percent of business have Internet access. Progress is slow but steady.
- Computer and office equipment hardware still accounts for a very large share (45 percent) of the IT market, but the market is gradually shifting to software and services (currently 19 and 36 percent respectively).

- Mobile phone usage outstrips the EU average – this country of 10.3 million people boasts 12 million mobile phones, and increasing numbers of Czech consumers are canceling their fixed lines. Overall spending on telecommunication equipment and services is steeply increasing.
- U.S. suppliers are price competitive in the Czech Republic, due to the continuously fluctuating dollar.

Resources

INVEX, International Fair of Information and Communication Technologies

October 22-26, 2007, Brno

www.invex.cz, e-mail: invex@bvv

The largest telecom event in Central / Eastern Europe, and ranked as one of the top four IT fairs worldwide. Over 600 exhibitors from 18 countries regularly take part.

DIGITEX, International Fair of Consumer Electronics and Digital Entertainment

October 22-26, 2007 Brno

invex@bvv.cz

INTEC, International IT Fair

April 13-15, 2007, Prague, Letnany Exhibition Hall

International information technology show

www.terinvest.com/intec

e-mail: intec@terinvest.com

Ministry of Informatics

Havelkova 1, 130 00 Praha 3

web: www.micr.cz, e-mail: posta@micr.cz

Czech Telecommunication Office (Regulatory body appointed by government)

Sokolovska 219 Prague 9

web: www.ctu.cz, e-mail: info@ctu.cz

Association for Information Society

www.spis.cz

Association for e-Commerce

www.apek.cz

Center for e-Commerce

www.e-commerce.cz

U.S. Commercial Service

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Pollution Control Equipment (POL)

Overview

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<i>in million USD</i>	2004	2005	2006
Total Market Size	160	167	174
Total Local Production	150	156	161
Total Exports	23	24	24
Total Imports	33	35	39
Imports from the U.S.	23	23	24

Sources: Unofficial estimates, Industry sources, Czech statistical office.

U.S. environmental technologies are highly competitive in the Czech Republic. The country's 2004 accession to EU was one of the main drivers for the introduction of new environmental laws. It is expected that by 2010, environmental investments in the Czech Republic will reach \$10 billion (CZK250 million).

The Czech Republic has negotiated several transitional periods with the EU in which to fully comply with its requirements. Treatment of urban wastewater was negotiated until 2010, and air pollution from large combustion plants until 2007. Products and technologies helping the Czech Republic to comply with these requirements are in demand.

The EU's focus on recycling and re-use has also been introduced to the country in recent years, following an EU trend of creating in Europe a 'recycling society'. But while the level of recycling and composting has improved significantly in the Czech Republic in recent years, there is still a long way to go to achieve the levels typical in Western Europe. Recycling technologies should find an increasingly receptive market; however, competition from European companies will be fierce.

Best Products/Services

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- Biodegradable waste treatment
- Recycling technologies
- Waste water treatment technologies
- Brownfield remediation

Opportunities

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- \$700 million allocated for the implementation of the Integrated Prevention & Pollution Control (IPPC) system by the year 2007. Over 1,000 enterprises need an Integrated Operating Permit.
- Czech Republic has committed to Kyoto Accord to reduce green house gas emissions (GHG) to 8% by the end of 2012. (Today, the Czech Republic is producing 25% GHG.)

- Prague Waste Water Treatment Plant upgrade.
- Project financing comes from various sources including the state budget, local government budgets, environmental funds, EU structural funds and from individual investors and entrepreneurs. With a Czech partner, U.S. firms can compete for EU funds.

Resources

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VODOVODY & KANALIZACE + ENVI BRNO

May 29-31, 2007, Brno

web: www.bvv.cz

This complex of trade fairs--the "Brno Environmental Fairs"--specialize in water management, but cover the entire spectrum of environment technologies.

Ministry of Environment

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Financial Services

Overview

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<i>In billion USD</i>	2004	2005	2006
Pension Funds	2,741	3,205	3,983 – 4,202
Insurance Market	1,154	1,513	2,021
Investment Funds	1,296	2,971	3,283

Source: Czech Insurance and Pension Funds, CS Prague unofficial estimates

There are more than 35 banks operating in the Czech Republic, but the market is dominated by a small number of foreign (primarily European) banks, including Citibank, GE Money Bank, CSOB (KSB, Belgium), Ceska Sporitelna (Erste Bank, Austria), Komerčni banka (Société Générale, France), and Zivnostenska banka (Unicredit, Italy). The market is fairly open and barriers continue to fall; as the sector develops, it looks increasingly like that in other EU countries.

International venture capital funds and investment banks are mostly absent from the market, and a persistent lack of financing is considered by many to be a barrier to Czech economic growth. Czech consumers are increasingly comfortable with credit cards, but many small businesses still do not accept them.

Best Products/Services

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- Investment funds
- Venture capital
- Private pension funds
- Credit card payment services for SMEs

Opportunities

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- The Czech Republic experienced Europe's second fastest rate of growth of investment funds, and the market is poised for further growth. This sector is far less developed than in Western Europe; Czechs invest just over 11.6 percent of their savings in the investment funds, compared to the Western European average of around 30 percent.
- During the past three years, Czech insurance market was marked by further growth, financial stability and the innovation of insurance products. In 2006, the Czech insurance market grew by 3.9 percent; in non-life insurance, written premiums increased by 5.9 percent.
- The private pension market in the Czech Republic is booming. The country has one of the highest levels of private pension participation in the world, with 3.9 million clients (41.4 percent of the productive adult population). The average

client is 42-49 years old. New regulations emphasize marketing pension funds to firms rather than individual employees.

- The market is dominated by debt securities (especially bonds). On the public markets, the vast majority of transactions with bonds are realized on the stock exchange market. Since 2003, stock exchange transactions with bonds amounted to 99.7 percent. The rest was performed on the off - exchange market. In terms of volume, state and bank bonds dominate the bond market. The commercial bond market in the Czech Republic is not yet fully developed

Resources

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Czech Insurance Association
<http://www.cap.cz/english>

Export Guarantee and Insurance Corporation
http://www.egap.cz/index_en.php.

Ceskoslovenska Obchodni Banka (CSOB)
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Zivnostenska Banka
Mr Petr Merezko, Structured Finance
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European Bank for Reconstruction and Development (EBRD)

London: U.S. Delegation to the EBRD
Sanford Owens, Senior Commercial Officer
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Security/Safety Equipment (SEC)

Overview

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<i>in million USD</i>	2005	2006	2007*
Total Market Size	159	172	181
Total Local Production	122	132	138.5
Total Exports	54	57	60
Total Imports	82	88.5	94
Imports from the U.S.	31	34.2	37.5

*Predicted

Sources: Unofficial estimates, Czech Association of Safety and Security Companies; company annual reports. Expected inflation rate is 3% per year.

The Czech Republic's commitments to NATO and the European Union, combined with the demands of an increasingly prosperous society, contribute to heightened demand for safety and security equipment. Needs in the Czech market fall primarily into three categories: military/police, civilian, and EU accession.

- **Civilian:** The Czech Republic has long been considered a comparatively low-threat area for terrorist attack and ordinary crime, with the exception of car theft and pickpocketing. Czech companies historically have not invested heavily in security. In fact, EU specialists found that only one-fifth of Czech companies provide efficient protection of their property. However, following the past year's terrorist bombings in Madrid, Czech companies are quickly rethinking their security needs.
- **EU membership:** The EU encourages Czech government officials to invest more in security, particularly building protection. A number of Czech government agencies have invested in security equipment, accelerating in the wake of the terrorist bombings. This trend is anticipated to continue.
- **Military/police:** NATO integration will require continuing efforts. Several large tenders for special equipment, such as light firearms, are expected.

Best Products/Services

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- Personal access checking systems
- Alarm equipment for building safety
- Alarm equipment for cars and motor vehicles
- Surveillance systems
- Fire prevention and control equipment

Best prospects for building security are expected to be:

- Metal detectors
- Monitoring systems
- Training and service for security equipment

Opportunities

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- U.S. exporters should take advantage of the dollar's weakness in the Czech Republic – in fact, the exchange rate is the best in modern history for U.S. exporters. Many local distributors will prefer to import from countries where they can pay in dollars.
- The global security situation continues to be challenging, driving an ongoing demand for security products and devices.

Resources

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IDET

May 2-4 2007 in Brno, Czech Republic.

www.bvv.cz/idet

One of the two largest international trade shows in Europe for military, security and safety equipment, drawing a high-level audience. This year, IDET is a Commerce Department Certified Trade Show, and exhibitors can take advantage of a Gold Key Plus program organized by the U.S. Commercial Service in Prague.

Association of Technical Security Services

Phone: (+420) 296 642 790

E-mail: info@gremiumalarm.cz

Web: www.gremiumalarm.cz

Association of Private Security Services of the Czech Republic

Phone: (+420) 222 711 661

E-mail: sekretariat@asbs.cz

Web: www.asbs.cz

Association of the Defense Industry of the Czech Republic

Phone: (+420) 224235320

E-mail: aop@mbox.vol.cz

Web: www.czech-aop.cz

Ministry of Interior, Czech Republic

Phone: (+420) 974 811 111

E-mail: dotazy@mvcz.cz

Web: www.mvcz.cz

Ministry of Industry and Trade, Czech Republic

Phone: (+420) 224 851111

Email: mpo@mpo.cz

Web: www.mpo.cz

Ministry of Defense, Czech Republic

Phone: +420 973 201 111

E-mail: posta@army.cz

Web: www.army.cz

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Additional Publications:

Internal security issues (crime, developments in individual kinds of crime and security risks) are covered in the report “**Security Situation in the Czech Republic**” written by Czech Ministry of the Interior.

A comprehensive overview of all external security issues is covered in the report “**Security Strategy of the Czech Republic**” which was produced by the Ministry of Foreign Affairs and adopted by the Czech Government on February 10, 2004.

As the Czech Republic is an EU accession country, it must consult on all external security issues with the European Union and comply with the “**Common European Security and Defense Policy**” that defines external action through the development of a military crisis management capability as well as a civilian one.

Additional Sectors

- **Franchising (FRA)**
- **Aircraft/Aircraft Parts (AIR)**
- **Defense Industry Equipment (DFN)**
- **Architecture, Construction and Engineering Services (ACE) & Construction Material/Equipment (CON)**
- **Education/Training Services (EDS)**
- **Sporting Goods / Recreational equipment (SPT)**

Franchising (FRA)

The Czech retail sector is undergoing a transformation as rising incomes and changing preferences create new consumer habits. Czech entrepreneurs looking to take advantage of these trends are increasingly turning to franchising. One challenge is that few Czechs have the capital or experience to invest in their own franchises; typical master franchise networks have yet to develop.

There are currently about 90 franchising systems on the Czech market now, and more than 1500 individual premises of franchises. This is an increase of nine times over the 1999 total. Most of these businesses operate in the hospitality, hotel, and retail markets. There is room for growth in the service sector, including fast food. Czechs spend about \$1.2 billion (25 billion CZK) annually on fast food. This totals approximately 30 percent of restaurant revenues. The two biggest players on the local fast food market are McDonalds with 72 restaurants and KFC with 44 restaurants; these two chains account for 14 percent of the total of fast food market. Czechs eat fast food 3 times more frequently than Hungarians and 4 times more than Polish consumers.

Hotel franchising, though it is more widespread than other types of franchising, is still waiting for its boom in the Czech Republic. Most franchised hotels are clustered in Prague, and the Czech Republic's second and third tier cities are hungry for internationally known hotel brands.

Another key point for U.S. franchisers is that their licenses are comparatively cheaper given the weakness of the dollar. For that reason, Czech investors may find investment in this sector especially profitable at the moment.

Aircraft/Aircraft Parts (AIR)

With a well-managed, rapidly expanding Prague airport, a soon to be privatized Czech national airline, and the surviving remnants of a once proud aviation industry, the Czech Republic promises to be a continuing consumer of aircraft parts and services. While the recent decision of Czech Airlines to choose Airbus for its next major purchase put a major dent in a once overwhelming U.S. market share, Czechs retain a respect for U.S. aircraft, and U.S. companies should continue to pay close attention to this market.

In 2001, CSA entered into the Sky team alliance, which includes air carriers such as Delta, Air France, Korean Air, Aero Mexico, United Airlines, NWA, Alitalia, and KLM. Prague-Ruzyně Airport has become a main hub for Sky Team members flying to Central and Eastern Europe and the Middle East. Plus, as the result of a surge in tourism, carriers are looking to expand their fleets. For this reason we anticipate that the demand for aircraft parts and maintenance will increase. At the same time, though, competition is already intense, and getting tougher.

Military aircraft also offers opportunities. As a member of NATO, the Czech Republic will need to meet its NATO commitments by modernizing the Czech Air Force with compatible equipment from well-regarded suppliers. Several governmental tenders are underway and others are expected in order to redress the current situation of air defense. For example, in a hotly contested 2004 tender, the Czech Government selected the Saab Gripen jet fighter to replace aging MIGs. The 15-year lease contract is worth \$750 million. Gripen International, the winning consortium, committed to a 100% offset program.

Best Prospects

- Large passenger aircraft, esp. VIP aircraft
- Regional and business aircrafts
- Helicopters for medical emergencies and police work
- Utility cargo aircraft for Czech Air Force (a tender will be announced in 2007)
- Supersonic fighters
- Upgraded and sophisticated avionics.
- Supply of technologies and aircraft components for domestic production
- Training and consulting services

Defense Industry Equipment (DFN)

Due to ongoing Czech government plans to dramatically modernize the country's military, the defense sector continues to be a lucrative one for U.S. companies. However, the challenges of selling to the Czech Government, including a lingering lack of transparency in the tendering process, mean that quick wins are unlikely. Only by proceeding with a longer-term view and building a solid network can a US company expect to succeed in the Czech defense market.

In order to remake the Czech armed forces into a small, mobile, and sophisticated professional army, the Czech Government has adopted the following three-phase plan:

First phase of modernization (2006-2008):

- Wheeled APC (armored personnel carrier), to be supplied by Vienna-based Steyr-Daimler-Puch Spezialfahrzeug GmbH, part of U.S. General Dynamics. The company was selected in a tender for 199 APC issued in 2005. The government will purchase the APCs between 2007 and 2012, with an option for 35 additional vehicles. The contract's value is approximately \$1.1 billion.
- Mid-sized trucks
- NBC equipment
- Night vision equipment

Second phase (2008-2009):

- Anti-tank resources
- Artillery
- Tanks

Third phase (after 2009):

- Supersonic aircraft
- Long-range air defense systems

Funding is now the major obstacle facing U.S. firms as the current defense spending is at 1.44% of GDP, which is \$1.1 billion annually. An additional challenge is ongoing military reorganizations and personnel turnover. These factors, combined with lack of experience, have made it difficult to implement a Western-style procurement system at the Ministry of Defense and Armed Forces staff.

The Czech government is required by law to hold tenders for major procurements. Tenders are publicized on the webpage: www.army.cz. A public tender must be carried out whenever a procurement is ordered by a state/municipal organization or when the source of financing is from state or municipal budgets or a grant or loan from an international organization. A technical committee and/or a multi-ministerial committee decides on larger procurements. No rules exist to govern the selection or conduct of this committee and the current public procurement law does not have accompanying regulations. The result is wide variances in executing procurements.

Domestic content weighs heavily in purchasing decisions. Ideally, the MoD would like to see foreign suppliers transfer technology and manufacturing capability to local joint ventures. Offsets or other compensation to Czech industry can balance the lack of domestic content. In the past, firms have agreed to purchase Czech products and services so that the total value of these would be equal to that of the Ministry's purchase. The MoD prefers modern, NATO-compatible equipment from stable suppliers.

Architecture, Construction and Engineering Services (ACE) & Construction Material/Equipment (CON)

The Czech construction market is experiencing high growth, driven largely by the following factors:

- intense continuation of work on the transport infrastructure;
- expansion of new developer projects for business and administrative centers;
- increased housing construction
- construction of manufacturing plants and other facilities for foreign investors.

The growth in housing construction has been fueled by the growth of interest rates on mortgages resulting in considerable increase in mortgage loans granted, increased volume of credits granted and expected increase in the value of investment funds and new low-rate governmental loans for families. Additionally, with the value-added tax (VAT) for construction works anticipated to rise from 5 to 19 percent as of 2008, the residential market is seeing clients rushing to buy their own homes before prices go up. At this moment, the turnover from the sales of apartments and houses is absolutely unprecedented on the market and is constantly growing.

Although the Czech Republic already has an array of international and local construction firms, U.S. companies can still find good opportunities by participating as investors in existing or new projects, providing management and financial expertise, and offering construction technologies that are new to the market. We recommend that U.S. companies partner with existing real estate, architecture, and/or construction firms as the most efficient way to enter this complex market.

The Czech Republic's low-cost, highly skilled labor force located in the center of Europe has attracted substantial manufacturing investment from European, Japanese, and U.S. firms. In most cases, foreign companies seek green-field locations, typically in existing industrial parks. However a number of firms, especially U.S. companies, have entered the manufacturing arena by acquiring and upgrading existing Czech factories. Manufacturing development has been the greatest within two hours driving distance of Prague, with considerable development in and around Brno and Plzen. With expected improvements in highway and airport connections, the Ostrava/Olomouc region is should become a manufacturing power by the end of this decade.

Warehouse space demand has paralleled industrial building demand. Users come from sectors including logistics, food distribution, electronics and automotive supply, supermarket chains, and IT companies.

Best Prospects in the Industrial Sector:

- Environmental remediation of brown-field industrial sites
- Redesign of existing Czech factories following major investment
- Turnkey factory construction on green-field sites
- Highway, road and bridge information and technology systems
- Hotel/resort development, especially outside of Prague in key regional cities

The market for new housing in the Czech Republic has been reporting a permanent year-on-year increase in the last five consecutive years, as tenants from state-regulated housing are looking for improved accommodation. The Czech Republic also has an aging population, which means that specialized retirement communities (still unknown here) may become a growing market segment in the future. The market for large, luxury homes is well-saturated and today in surplus. The population continues a migration toward Prague, making the capital city the area with highest potential for growth.

Best Prospects in the Residential Sector:

- Repair of prefabricated panel apartment buildings
- Restoration of historical structures for high-end market
- Construction of large apartments
- Retirement communities for middle class consumers
- Environmentally friendly building technologies

Education/Training Services (EDS)

Czech students are very enthusiastic about studying in the United States as well as in U.S. higher education programs located in the Czech Republic. The education market is

made up of two distinct parts: student exchange programs and locally-based programs. U.S. schools seeking to promote student exchange programs should visit the market and discuss programs with their Czech counterparts. Recent experience has shown that Czech educational institutions are very open to learning about U.S. exchange programs and even partnering with a U.S. university to facilitate joint exchanges. Price is a key factor for student exchange programs. Czech income is still relatively low compared to the U.S., and exchange programs must be priced at a reasonable fee to be attractive to Czech students.

U.S. schools looking to start a Czech-based program should visit the market as an initial step. During this visit, the school should seek to evaluate what is already on offer and determine how their program can operate competitively and distinguish themselves from existing programs. While Prague already has a number of U.S.-sponsored or U.S.-style programs on offer, major towns elsewhere in the Czech Republic are hungry for this type of offering. Most U.S. schools choose to partner with a Czech educational institution to offer local programs.

Sporting Goods / Recreational equipment (SPT)

The Czech Republic has a long tradition of sporting and the sporting goods market is growing every year. The most popular sports are ice hockey, soccer, tennis, cross-country and downhill skiing, shooting, and scuba diving. With one of the highest densities of fitness centers in Europe, gym equipment such as weight machines, treadmills, spinning bikes, etc. can find a market here.

Many Czech consumers prefer U.S. products because of their wide range and good price. Drapa Sport, Giga Sport, and JB Sport are the largest retail stores in the market and U.S. products are quite common in these outlets. Czechs expect quality products, and this is where U.S. companies can gain a strategic advantage over other competitors. Advertising has become an important part of the Czech consumer culture, and U.S. companies must be aware of this when developing their product positioning strategy. Finding an experienced Czech distributor is key to market access.

Agricultural Sectors

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Country Commercial Guide - AGRICULTURE

B. Best Prospects for Agricultural Products

Note: Many U.S. products enter via Germany or Netherlands and are counted under these countries, so real U.S. share is higher.

Dried fruits and nuts (almonds, pistachios, pecans, prunes, and other dried fruits and nuts) (HTS Number: 0802 + 0813)

In mill. USD	2004	2005	2006
Total market size	28	35	34
Total local production	3	3	3
Total exports	6	10	8
Total imports	31	42	39
Imports from the U.S.	12	14	12

Source: Czech Statistical Office <http://dw.czso.cz/pls/stazo/stazo.stazo>

Almonds are mostly imported from California. Almonds sell well in retail, especially in the hypermarkets. The processing sector (primarily bakers and confectioners) are searching for cheaper substitutes for costly almonds, but as purchasing power grows consumers seek higher-quality products. The Almond Board of California promotes almonds in the Czech Republic by holding seminars and participating at Snack Food shows.

Wine and spirits (HTS Number: 2204 + 2208)

In millions USD	2004	2005	2006
Total market size	1,091	1,114	1,147
Total local production	956	980	990
Total exports	35	47	45
Total imports	170	181	202
Imports from the U.S.	8	8	8

Source: Czech Statistical Office <http://dw.czso.cz/pls/stazo/stazo.stazo>

Consumption of spirits is declining in the Czech Republic, while consumption of wine is on the rise. The U.S. is holding its share of the bourbon market, and its share of wine imports is growing rapidly due to the increased popularity of "New World" wines. Even though the number for U.S. imports seems to be stagnating, due to transshipments through European countries like Germany and Netherlands, real imports are much larger.

Fish and crustaceans (HTS Number: 03)

In millions USD	2004	2005	2006
Total market size	57	72	78
Total local production	48	49	50
Total exports	49	54	61
Total imports	58	77	89
Imports from the U.S.	3	5	5

Source: Czech Statistical Office <http://dw.czso.cz/pls/stazo/stazo.stazo>

The Czech Republic is a land-locked country and thus produces only fresh water fish, especially carp and trout (carp is a traditional Christmas dish). Sea fish and seafood is imported. Total imports are growing as Czechs move toward a healthier diet and consume more fish.

The following U.S. fish and seafood products have a good opportunity on the local market: Alaskan salmon, Alaskan Pollock, scallops, shrimps, lobster, mackerel, herring etc.

Soybean meal (HTS Number: 2304)

In millions USD	2004	2005	2006
Total market size	165	149	150
Total local production	0	0	0
Total exports	0.3	0.8	0.8
Total imports	165	149	150
Imports from the U.S.	65	70	75

Source: Czech Statistical Office <http://dw.czso.cz/pls/stazo/stazo.stazo>

Due to unfavorable growing conditions, the Czech Republic produces very little soybean meal and must import it. Most meal imports come through either Germany or Holland via barge or rail. Major competitors are Argentina and Brazil. Imports of soybeans from the U.S. are currently lower due to GMO labeling requirements.

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Chapter 5: Trade Regulations and Standards

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Import Tariffs

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Tariff rates on U.S.-origin goods are contained in the EU's Common External Tariff schedule. Details are available through the EU or through the Czech Directorate of Customs/Ministry of Finance web page: www.mfcr.cz.

VAT and excise taxes are payable by the recipient of goods on the basis of Czech regulations. The value-added tax (VAT) applies to all goods, both domestic and foreign, sold within the Czech Republic. The VAT rate is generally 19%, although a lower VAT of 5% is charged for selected goods, such as food and services. As part of its fiscal reforms, and in order to meet EU requirements, the government has recently moved some services up to the 19% VAT rate. VAT on imports is calculated on the declared customs value plus applicable duty and excise tax.

Excise taxes are imposed on the following goods produced or imported into the Czech Republic: fuels and lubricants, tobacco products, beer, wine and liquor. The rate is determined by the type and quantity of the product and must be paid within ten days after being notified by the Customs Office of the tax amount due.

Trade Barriers

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The Czech Republic is committed to a free market and maintains a generally open economy, with few barriers to trade and investment. Membership in the European Union means that tariffs and standards, as well as most procedures, must conform to EU norms. This includes adoption of EU technical barriers to some imports of agricultural and food products. The importer usually handles customs formalities.

Goods transported to the Czech Republic under the Community Transit regime must be declared at a customs office in the Czech Republic. Applicable European Union legislation is available at: http://europa.eu.int/eur-lex/en/search/search_lif.html .

For general information on existing trade barriers worldwide, please see the National Trade Estimate Report on Foreign Trade Barriers, published by USTR and available through the following website: <http://www.ustr.gov/> or <http://www.useu.be/> or <http://useu.mission.gov>. Information on agricultural trade barriers can be found at the following website: <http://www.useu.be/agri/usda.html>. To report existing or new trade barriers and get assistance in removing them, contact either the Trade Compliance Center at <http://www.trade.gov/tcc> or the U.S. Mission to the European Union at <http://www.buyusa.gov/europeanunion>

Import Requirements and Documentation

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U.S. companies exporting into the Republic from outside the European Union are required to present:

- A commercial invoice
- A bill of lading
- A shipper's export declaration for items requiring an export license or valued above \$2,500) and a declaration of conformity (issued by importer)

The Czech Ministry of Industry and Trade issues import licenses to those seeking to import selected goods into the Czech Republic. While most products and services are exempt from the licensing process, oil, natural gas, pyrotechnical products, sporting guns, ammunition and military equipment require a license. Under EU rules, imports of clothing, shoes, porcelain, and steel from certain Asian and Eastern European countries may require licenses. Electrical and electronic equipment may be subject to additional requirements under the EU WEEE & RoHS regulations. For more detailed information on these regulations and EU import documentation, including import licenses and agricultural documentation, please refer to the Commercial Service European Union's Country Commercial Guide, available at www.buyusa.gov/eu.

U.S. Export Controls

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The Czech Republic adheres to international export controls and works in close cooperation with the United States and other Western countries in implementing export controls on certain sensitive technologies. U.S. export controls on items exported from the United States to the Czech Republic are generally similar to those in effect on items exported to other Western European destinations. The U.S. Department of Commerce, Bureau of Industry and Security website (www.bxa.doc.gov) has details on U.S. export controls.

Temporary Entry

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Temporary exemptions from duty are allowed for certain items, such as merchandise samples and items for display at trade shows or exhibitions. The Czech Republic also accepts ATA carnets as a way of facilitating temporary admission through customs. For more information about obtaining a carnet for clearance of goods, samples or equipment

intended for temporary entry only, contact your local U.S. Department of Commerce Export Assistance Center.

Companies exporting goods to the Czech Republic for the purpose of temporary use may do so as long as the period does not exceed 24 months (in some cases it is possible to extend this). The exact time period must be agreed upon with Czech Customs. When the goods are re-exported, three percent of the duty value per month that the goods resided in the Czech Republic must be paid if the goods were used (maximum will not exceed full duty amount). The potential customs debt must be secured by a guarantee.

Exports to the Czech Republic of raw materials and certain semi-finished products that are processed and then re-exported from the European Union enter duty-free. This is contingent upon the approval by Czech Customs of the conditions of processing and the handling of any waste caused through transformation of the goods.

Labeling and Marking Requirements

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Czech importers and distributors are responsible for the correct labeling of products that are put on the Czech market and can typically advise the U.S. exporter of specific requirements regarding labeling and marking.

Czech labeling and marking requirements for products depend on the type of product and the intended use. In general, however, labels must be in the Czech language and can be affixed to the product or on a leaflet attached to the product. Information must include the name of the product, name of producer, country of origin, and in some cases, instructions for use. Labels for some products, such as foods, beverages, food supplements, and textiles, must also provide content/composition. Special labeling rules for products with biotech content have recently been introduced. In addition, international norms for warning labels on consumer products apply.

Czech labeling requirements were harmonized with EU norms in 2002. EU regulations require that all labels use metric units. (Dual labeling is acceptable until the end of December 2009.) A Commission Communication encourages multilingual labels, while preserving the freedom of Member States to require the use of language of the country of consumption.

The EU has mandated that certain products be sold in standardized quantities. Council Directive 80/232/EC provides permissible ranges of nominal quantities, container capacities and volumes of a variety of products. Consult: http://europa.eu.int/eur-lex/en/consleg/main/1980/en_1980L0232_index.html

An overview of EU mandatory and voluntary labeling and marking requirements has been compiled in a market research report that is available on <http://www.export.gov/mrktresearch/index.asp>

The subject has been also been covered in the section about standards (see below)

Prohibited and Restricted Imports

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The list of prohibited imports includes certain veterinary and plant materials, freon, non-registered pharmaceuticals and chemical, biological, and nuclear weapons. For information on EU restrictions on imports, consult the Integrated Tariff of the Community, referred to as TARIC (acronym for "Tarif Intégré de la Communauté"). The TARIC can be searched by country of origin, Harmonized System (HS) Code, and product description on the interactive website of the Directorate-General for Taxation and the Customs Union

(http://ec.europa.eu/taxation_customs/common/databases/taric/index_en.htm.) It is updated annually. For more detailed information, please refer to the Commercial Service European Union's Country Commercial Guide, available at www.buyusa.gov/eu.

Customs Regulations and Contact Information

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After accession to the European Union on May 1, 2004, customs controls at the land borders of the Czech Republic were abolished. Immigration controls will continue until the Czech Republic becomes part of the Schengen Agreement. International airports, of which the largest is Prague Ruzyně airport, are the only external borders controlled by Czech customs authorities.

General Directorate of Customs

Budejovicka 7, 140 96 Praha 4

tel: (+420) 261 331 111, fax: (+420) 261 332 000

e-mail: podatelna.grc@cs.mfcr.cz, web: www.cs.mfcr.cz

For more information on EU customs regulations, please refer to the Commercial Service European Union's Country Commercial Guide, available at www.buyusa.gov/eu, or visit the EU Web site at: http://ec.europa.eu/taxation_customs/customs/index_en.htm

Standards

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Overview

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The Czech Republic has harmonized its standards with European norms. Products certified in the Czech Republic or another EU member state can be marketed in the

Czech Republic. In addition, products certified to meet EU standards (identified by the "CE" mark) by authorized U.S. testing laboratories are acceptable. ISO 9000 standards are being used increasingly in the Czech Republic as evidence of high product quality.

Domestically, the "Czech Made" mark is an award given to products that are judged to be of outstanding quality, environmentally friendly, and favorable to energy consumption. This award is given to Czech products that are produced by a company or entrepreneur registered in the Czech Republic, with at least 60 percent Czech content measured by the cost of the final product.

For more detailed information on Standards than that provided here, please refer to the Commercial Service European Union's Country Commercial Guide, available at www.buyusa.gov/eu,

Standards Organizations

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The organization that develops and maintains standards within the Czech Republic is the Czech Office for Standards, Metrology and Testing. Their website (www.unmz.cz/index_en.html) outlines standards legislation, and offers international contract documents as well as harmonized standards in accordance to particular government orders. The annual plan for the Czech Office for Standards, Metrology and Testing is the harmonization of current standards in the Czech Republic with those of the EU, and maintaining the standards in relation to new government policies.

EU standards setting is a process based on consensus initiated by industry or mandated by the European Commission and carried out by independent standards bodies, acting at the national, European or international level. There is strong encouragement for non-governmental organizations, such as environmental and consumer groups, to actively participate in European standardization.

Many standards in the EU are adopted from international standards bodies such as the International Standards Organization (ISO). The drafting of specific EU standards is handled by three European standards organizations:

- CENELEC, European Committee for Electrotechnical Standardization (<http://www.cenelec.org/Cenelec/Homepage.htm>)
- ETSI, European Telecommunications Standards Institute (<http://www.etsi.org/>)
- CEN, European Committee for Standardization, handling all other standards (<http://www.cen.eu/cenorm/index.htm>)

NIST Notify U.S. Service

Member countries of the World Trade Organization (WTO) are required under the Agreement on Technical Barriers to Trade (TBT Agreement) to report to the WTO all proposed technical regulations that could affect trade with other Member countries. **Notify U.S.** is a free, web-based e-mail subscription service that offers an opportunity to review and comment on proposed foreign technical regulations that can affect your access to international markets. Register online at Internet URL: <http://www.nist.gov/notifyus/>

Conformity Assessment

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Conformity Assessment is a mandatory step for the manufacturer in the process of complying with specific EU legislation. The purpose of conformity assessment is to ensure consistency of compliance during all stages of the production process to facilitate acceptance of the final product. EU product legislation gives manufacturers some choice with regard to conformity assessment, depending on the level of risk involved in the use of their product. These range from self-certification, type examination and production quality control system, to full quality assurance system. You can find conformity assessment bodies in individual Member State country in this list by the European Commission.

Key Link: <http://ec.europa.eu/enterprise/newapproach/nando/>

To promote market acceptance of the final product, there are a number of voluntary conformity assessment programs. CEN's certification systems are the Keymark, the CENCER mark, and the European Standard Agreement Group. CENELEC has its own initiative. ETSI does not offer conformity assessment services.

Product Certification

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To sell products on the EU market of 25 Member States, including to the Czech Republic, U.S. exporters are required to apply CE marking whenever their product is covered by specific product legislation. CE marking product legislation offers manufacturers a number of choices and requires decisions to determine which safety/health concerns need to be addressed, which conformity assessment module is best suited to the manufacturing process, and whether or not to use EU-wide harmonized standards. There is no easy way for U.S. exporters to understand and go through the process of CE marking, but hopefully this section provides some background and clarification.

Products manufactured to standards adopted by CEN, CENELEC and ETSI, and published in the Official Journal as harmonized standards, are presumed to conform to the requirements of EU Directives. The manufacturer then applies the CE marking and issues a declaration of conformity. With these, the product will be allowed to circulate freely within the EU. A manufacturer can choose not to use the harmonized EU standards, but then must demonstrate that the product meets the essential safety and performance requirements. Trade barriers occur when design, rather than performance, standards are developed by the relevant European standardization organization, and when U.S. companies do not have access to the standardization process through a European presence.

The CE marking addresses itself primarily to the national control authorities of the Member States, and its use simplifies the task of essential market surveillance of regulated products. Although CE marking is intended primarily for inspection purposes by Member State inspectors, the consumer may well perceive it as a quality mark.

The CE marking is not intended to include detailed technical information on the product, but there must be enough information to enable the inspector to trace the product back

to the manufacturer or the authorized representative established in the EU. This detailed information should not appear next to the CE marking, but rather on the declaration of conformity, the certificate of conformity (which the manufacturer or authorized agent must be able to provide at any time, together with the product's technical file), or the documents accompanying the product.

Accreditation

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Independent certification bodies, known as notified bodies, have been officially accredited by competent authorities to test and certify to EU requirements. However, under U.S.-EU Mutual Recognition Agreements (MRAs), notified bodies based in the United States and referred to as conformity assessment bodies, are allowed to test in the United States to EU specifications, and vice versa. The costs are significantly lower. At this time, the U.S.-EU MRAs cover the following sectors: EMC (in force), RTTE (in force), medical devices (in transition), pharmaceutical (on hold), recreational craft (in force) and marine equipment (in force). The U.S. Department of Commerce, National Institute of Standards and Technology (NIST), has a link on its website to American and European Conformity Assessment bodies operating under a mutual recognition agreement.

Key Link: <http://ts.nist.gov/Standards/Global/mra.cfm>

The Czech Accreditation Institute is the formal accreditation body for the Czech Republic and is recognized as a member by the International Laboratory Accreditation Cooperation (ILAC: www.ilac.org), the International Accreditation Forum (IAF: www.iaf.nu) and the European Accreditation Organization (EA: www.european-accreditation.org) Further information about the testing can be located on <http://www.cai.cz>.

Publication of Technical Regulations

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The Czech Office for Standards, Metrology and Testing (<http://www.unmz.cz>) publishes proposed and final technical regulations. U.S. firms may comment on proposed standards regulations through the website.

Published daily, the Official Journal of the European Union is the official gazette of the European Union and consists of two series covering draft and adopted legislation as well as case law, questions from the European Parliament, studies by committees, and more (<http://europa.eu.int/eur-lex/lex/JOIndex.do?ihmlang=en>). It lists the standards reference numbers linked to legislation (<http://www.newapproach.org/Directives/DirectiveList.asp>). National technical Regulations are published on the Commission's website <http://ec.europa.eu/comm/enterprise/tris/> to allow other countries and interested parties to comment.

Member countries of the World Trade Organization (WTO) are required under the Agreement on Technical Barriers to Trade (TBT Agreement) to report to the WTO all proposed technical Regulations that could affect trade with other member countries. **Notify Us** is a free, web-based e-mail subscription service that offers an opportunity to review and comment on proposed foreign technical regulations that can affect your

access to international markets. Register online at Internet URL:
<http://tsapps.nist.gov/notifyus/data/index/index.cfm>

Labeling and Marking

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The EU has mandated that certain products be sold in standardized quantities. Council Directive 80/232/EC provides permissible ranges of nominal quantities, container capacities and volumes of a variety of products. For additional information on EU labeling requirements, including Eco-labels, consult http://europa.eu.int/eur-lex/en/consleg/main/1980/en_1980L0232_index.html or refer to the Commercial Service European Union's Country Commercial Guide, available at www.buyusa.gov/eu,

Contacts

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U.S. Government Contacts:

U.S. Embassy Prague, U.S. Commercial Service

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E-mail: Greg.O'Connor@mail.doc.gov, zdenek.svoboda@mail.doc.gov

Bureau of Industry and Security/U.S. Department of Commerce

Export Counseling Division
tel: (202) 482 4811, fax: (202) 482 3617
web: www.bxa.doc.gov

Czech Contacts:

Czech General Directorate of Customs

tel: (++420) 261 331 111, fax: (++420) 261 332 000
e-mail: podatelna.grc@cs.mfcr.cz, web: www.cs.mfcr.cz

Licensing Office Department, Ministry of Industry and Trade

Na Frantisku 32, 110 15 Praha 1, tel: (++420) 224 221 828, fax: (++420) 224 212 133
e-mail: mpo@mpo.cz, web: www.mpo.cz

Czech Office for Standards, Metrology and Testing

Gorazdova 24, 128 01 Praha 2, tel: (++420) 224 907 111, fax: (++420) 224 915 064
e-mail: unmz@unmz.cz, web: www.unmz.cz

Czech Accreditation Institute

Opletalova 41, Nove Mesto, 110 00 Praha 1
tel: (++420) 221 004 501, fax: (++420) 221 004 408
e-mail: mail@cai.cz, web: www.cai.cz

EU Contacts

United States Mission to European Union, U.S. Commercial Service

Foreign Commercial Service, European Union
Gwen Lyle, Standards Attaché
Sylvia Mohr, Standards Specialist
rue Zinner 13, 1000 Brussels, Belgium,
tel: (32) 2 508 2222, fax: (32) 2 513 1228
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Trade Agreements

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As a member of the European Union, the Czech Republic participates in all free trade arrangements entered into by the EU. The Czech Republic is a signatory to GATT and member of the WTO. The Czech Republic also maintains a Bilateral Trade Agreement and Bilateral Investment Agreement with the United States.

Web Resources

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Bureau of Industry and Security/U.S. Department of Commerce

Export Counseling Division
tel: (202) 482 4811, fax: (202) 482 3617
web: www.bxa.doc.gov

Czech General Directorate of Customs

tel: (+420) 261 331 111, fax: (+420) 261 332 000
e-mail: podatelna.grc@cs.mfcr.cz, web: www.cs.mfcr.cz

Czech Office for Standards, Metrology and Testing

Gorazdova 24, 128 01 Praha 2, tel: (+420) 224 907 111, fax: (+420) 224 915 064
e-mail: unmz@unmz.cz, web: www.unmz.cz

Licensing Office Department, Ministry of Industry and Trade

Na Frantisku 32, 110 15 Praha 1, tel: (+420) 224 221 828, fax: (+420) 224 212 133
e-mail: mpo@mpo.cz, web: www.mpo.cz

Czech Accreditation Institute

Opletalova 41, Nove Mesto, 110 00 Praha 1
tel: (+420) 221 004 501, fax: (+420) 221 004 408
e-mail: mail@cai.cz, web: www.cai.cz

CEN – European Committee for Standardization

Rue de Stassart 36, B – 1050 Brussels, Belgium
fax: (32) 2 550 08 19, tel: (32) 2 550 08 25 / 550 08 11
web: www.cenorm.be

CENELEC – European Committee for Electrotechnical Standardization

Rue de Stassart 35, B – 1050 Brussels, Belgium
tel: (32) 2 519 68 71, fax: (32) 2 519 69 19
web: www.cenelec.org

Council Directive 80/232/EC

http://europa.eu.int/eur-lex/en/consleg/main/1980/en_1980L0232_index.html

Office of the U.S. Trade Representative

<http://www.ustr.gov/>

U.S. Mission to the EU (USEU) website

<http://www.useu.be> or <http://useu.usmission.gov/>

Foreign Agricultural Service website, USEU

<http://www.useu.be/agri/usda.html>

Trade Compliance Center

<http://www.trade.gov/tcc>

U.S. Mission to the European Union

<http://www.buyusa.gov/europeanunion>

USDA Audit, Review & Compliance

<http://www.ams.usda.gov/lsg/arc/audit.htm>

EC's TARIC – online customs tariff database

http://ec.europa.eu/comm/taxation_customs/common/databases/taric/index_en.htm

Batteries

http://www.buyusainfo.net/docs/x_8086174.pdf

WEEE & RoHS

<http://www.buyusa.gov/europeanunion/weee.html>

Harmonized import requirements

<http://www.useu.be/agri/certification.html>

For additional Web resources, please refer to the Commercial Service European Union's Country Commercial Guide, available at www.buyusa.gov/eu.

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Chapter 6: Investment Climate

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Openness to Foreign Investment

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The Czech Republic has been a recipient of large amounts of foreign direct investment (FDI), which, together with strong export growth, has helped fuel economic growth. Gross Domestic Product (GDP) growth was 4.2% in 2004, 6.1% in 2005, and forecasted to reach 6.0% in 2006, according to the Czech Ministry of Finance. Foreign investment is boosting productivity and exports, creating new jobs and raising wages and domestic consumption. It is also contributing to a trend of appreciation in the value of the Czech currency, the crown against both the euro and the dollar. This phenomenon is helping to keep inflation low (one of the lowest in the EU), averaging just over 2.5% through most of 2006 and just below the central bank's target rate of 3.0%, but expected to rise slightly in 2007, according to the IMF. Some unfinished elements in the economic transition, such as the slow pace of legislative reforms and the uneven enforcement of contracts by the Czech courts, have adversely affected investment, competitiveness, and company restructuring.

The Czech government has harmonized its laws with EU legislation and the so-called "acquis communautaire." This effort has involved positive reforms of the judicial system, civil administration, financial markets regulation, intellectual property rights protection, and many other areas important to investors. While there have been many success stories involving American and other foreign investors, a handful have experienced problems, mainly in heavily regulated sectors of the economy, such as the media and energy where the state is a partner. Investors also complain about difficulties in enforcing contractual rights, including security interests. The slow pace of the court system is often compounded by judges' lack of familiarity with commercial or intellectual property cases. Needed reforms of the system for registering companies have been slow

in coming, but a new bankruptcy law, scheduled to enter into force July 1, 2007, addresses some of these issues. Concerns about corruption have been voiced by foreign and domestic businesses alike. The World Bank's 2006 Anti-Corruption in Transition report ranked the Czech Republic the most corrupt country in Central Europe. According to the report, the Czech Republic is the only country among the eight new Central European EU member states where the situation has worsened in the last three years.

Parliamentary elections were held in June 2006 and the right-of-center, pro-business Civic Democrats (ODS) won the greatest number of votes but did not get enough votes to rule on its own without a coalition. As of January 2007, the government formation process is on-going. All mainstream political parties welcome foreign investment.

Conversion and Transfer Policies

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The Czech crown is fully convertible. Imports or exports of more than 350,000 Czech crowns (approximately USD 16,000) in cash, travelers' checks or money orders must be declared at the border.

According to CzechInvest, since 1 May 2004, foreign individuals who are holders of a residency permit for citizens of an EU member state can acquire Czech real estate with some exceptions relating to agricultural land and forests. Foreign legal entities without a registered Czech branch office and foreign individuals without Czech nationality or who are not holders of the residency permit for a citizen of an EU member state (or permanent residency permit) generally cannot acquire Czech real estate, unless a bilateral or multilateral treaty concluded by the Czech Republic stipulates otherwise. Certain exceptions apply, including for inherited properties or transfer from close relatives. However, based on international treaties (including the Treaty on Mutual Support and Protection of Investments concluded between the U.S. and the Czechoslovak Federal Republic in 1991) U.S. citizens can acquire real estate under similar conditions for citizens of EU member states; they must only obtain a residency permit or visa for stay longer than 90 days.

The U.S.-Czech Bilateral Investment Treaty guarantees repatriation of earnings from U.S. investments. A 15% withholding tax is charged on repatriation of profits from the Czech Republic. This tax is reduced under the terms of applicable double taxation treaties. For instance, under the U.S. treaty, the rate is 5% if the U.S. qualifying shareholder is a company controlling more than 10% of the Czech entity, and 15% otherwise. There are no administrative obstacles for removing capital. The law permits convertibility into any currency. The average delay for remitting investment returns meets the international standard of three working days.

Expropriation and Compensation

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The Embassy is unaware of any expropriation of foreign investment since 1989. Government acquisition of property is done only for public purposes (similar to property condemnation in the United States for public works projects) in a non-discriminatory manner, and in full compliance with international law. It is unlikely that any investor losing property due to a governmental taking would not receive full compensation.

Another issue of concern to foreign investors in the Czech Republic is restitution. In 1990 and 1991, the federal government of Czechoslovakia enacted various laws aimed at compensating those people whose property was confiscated by the communist regime during the period of 1948-1989. Under the restitution laws, persons have the right to claim compensation for property taken from them by the communist government. Most claims for restitution of non-agricultural property had to be filed by October 31, 1991, and agricultural property by December 1992. There were additional open seasons for claims in 1994 and 1998 respectively but all deadlines for these claims expired on July 8, 1999. In 2000, however, a new law to alleviate some of the property damages during the Holocaust entered into force. It amends the restitution laws allowing the state, subject to certain conditions, to return communal Jewish property, works of art and land illegally seized by the Nazis to entitled Jewish communities and individuals.

Although deadlines for submitting restitution claims are now officially past (note: Czech court decisions have struck down the deadline as it applies to direct restitutees and their heirs), it is nevertheless important that foreigners seeking to invest in the Czech Republic first ensure that they have clear title to all land and property associated with potential projects. The process of tracing the history of property and land acquisition can be complex and time-consuming, but it is necessary to ensure clear title. Title insurance is not yet offered in the Czech Republic. Investors participating in privatization of state-owned companies are protected from restitution claims through a binding contract signed with the government.

Dispute Settlement

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The Czech commercial code and civil code are largely based on the German legal system. The commercial code details rules pertaining to legal entities and is analogous to corporate law in the United States. The civil code deals primarily with contractual relationships among parties. When the Czech Republic was formed in 1993, the new Czech government maintained the previous commercial and civil codes. The laws have been extensively amended since then, but gray areas still remain. The judiciary is independent, but decisions may vary from court to court. Commercial disputes, particularly those related to bankruptcy proceedings, can drag on for years, though new bankruptcy legislation passed on July 1, 2006 and due to go into effect July 1, 2007 should speed up the process. A new, streamlined Commercial Registry process took effect on July 1, 2005. While the new legislation is an improvement over the previous system, which placed the registry process entirely in the hands of the courts, companies report that in practice the process is still quite time-consuming.

The new bankruptcy law is designed to address important structural impediment such as the slow and uneven performance of the courts, weakness of creditors' legal standing, and the lack of provisions for corporate restructuring. According to local legal experts, the new law shortens court proceedings and makes them much more transparent, gives

a stronger position to creditors and renders the entire process more efficient. To this end, the new law has been given a more extensive and more accurate structure, the terms it uses have been made more exact, deadlines have been implemented and a number of crucial decisions have been passed directly to creditors.

The Czech Republic ratified the Convention on the Settlement of Investment Disputes between States and Nationals of Other States in 1993. The U.S.-Czech Bilateral Investment Treaty provides for international arbitration of investment disputes with the state. The Czech Republic has ratified the New York Convention on the Recognition and Enforcement of Arbitral Awards. As a signatory of the latter convention, it is required to uphold binding arbitration awards in disputes between Czech and foreign parties. However, arbitration of disputes between two Czech corporations outside the Czech Republic is not permitted, even if the owners are foreign. Applications for enforcement of foreign judgments can be made to the Czech courts and will be determined in accordance with a bilateral recognition treaty, if any, or otherwise pursuant to the requirements of Czech law. Judgments rendered in other EU countries are enforceable in accordance with applicable EU regulations.

Performance Requirements and Incentives

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In 2004 the Czech government revised and approved a new package of incentives to attract investment, with additional changes currently under consideration by the government. According to CzechInvest, the incentives are offered to foreign and domestic firms that make investment projects in manufacturing, business support services, and technology centers. The package for manufacturing projects includes relief from corporate taxes for up to ten years, job-creation grants, re-training grants and opportunities to obtain low-cost land. A tax incentive is also available for expansion of an existing manufacturing investment. Tax deductions for new machinery, job creation grants, and re-training grants are also available under certain conditions to qualified companies. Business activity and training subsidies are offered for research and development technology centers and business service centers in software development, customer service and repairs. In December 2006, CzechInvest proposed amendments to the FDI incentives legislation that would raise the required percentage of manufacturing investments in machinery from 40% to 60%. The amendments, if approved by Parliament, would enter into force in 2007. These incentives were developed in accordance with EU regulations to ensure their compatibility with EU rules on industrial subsidies and are funded through the Czech national budget.

The Czech Republic is in compliance with WTO Trade Related Investment Measures. There are currently no general performance requirements imposed on foreign firms for establishing, maintaining, or expanding their investments, except in connection with the incentives described above. These performance requirements generally relate to the amount of investment or hiring of employees if special job-creation grants are received with the incentive package. For more information contact CzechInvest, Director Mr. Tomas Hrudka, phone: 420-296 342 500, fax: 420-296 342 502, address: Stepanska 15, 120 00 Praha 2, Czech Republic, info@czechinvest.org, www.czechinvest.cz. Special performance requirements are negotiable.

Foreign workers in the Czech Republic must obtain permits and visas in advance of their taking up employment and residence. The process of obtaining the required permits can be time-consuming.

Right to Private Ownership and Establishment

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The right of foreign and domestic private entities to establish and own business enterprises is guaranteed by law in the Czech Republic. Enterprises are permitted to engage in any legal activity with the previously noted limitations in some sensitive sectors. Personal ownership of real estate by non-resident foreign individuals is not permitted, but since January 1, 2002, foreign companies registered to do business in the Czech Republic and Czech branches of foreign entities may own real estate, other than agricultural and forest land. Since May 1, 2004, EU nationals can acquire Czech real estate with some exceptions relating to agriculture land and forests. U.S. and some other nationals can purchase real property if they comply with temporary residence requirements. Czech legal entities, including 100% foreign-owned subsidiaries, may own real estate without any limitations.

Protection of Property Rights

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Existing legislation guarantees protection of all forms of property rights, both intellectual and physical. Secured interests in land (mortgages) and in personal property are permitted. Government subsidy programs are making mortgage financing more accessible, and consumers are becoming more used to using both secured and unsecured forms of credit. According to American lawyers in the Czech Republic, enforcing judgments and foreclosing security interests in land and personal property can still be difficult in practice.

Major amendments to the Commercial Code came into force in 2001 that strengthen protection of creditors and minority shareholders. The law includes detailed provisions for mergers and places time limits on decisions by the authorities on registering of companies. New laws on auditing and on accounting were also enacted. These laws include the use of international accounting standards (IAS) for consolidated corporate groups.

The Czech Republic is a signatory to the Bern, Paris, and Universal Copyright Conventions. In 2001, the government ratified the World Intellectual Property Organization (WIPO) Copyright Treaty and the WIPO Treaty on Performances and Phonograms. Domestic legislation protects all intellectual property rights, including patents, copyrights, trademarks, and semiconductor chip layout design. Amendments to the trademark law and the copyright law have brought Czech law into compliance with relevant EU directives and WTO Trade-Related aspects of Intellectual Property rights (TRIPS) requirements. Changes to the civil procedure code, effective January 1, 2001, provide for ex parte search and seizure in enforcement actions. The Czech Republic increased copyright protection for literary works from 50 to 70 years, effective December 1, 2000, and boosted the powers of the customs service and the Czech Commercial

Inspection to seize counterfeit goods. A 2006 amendment to the Law on Civil Procedure made ex-parte search more accurate, clearer and easier to apply and enforce. The amendment also makes it easier to define and get back losses caused to owners by piracy. The Embassy continues to work with U.S. industry and Czech government officials to further improve enforcement of intellectual property rights.

Transparency of Regulatory System

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Tax, labor, environment, health and safety, and other laws generally do not distort or impede investment. Policy frameworks are consistent with a market economy. All laws and regulations are published before they enter into force. Opportunities for prior consultation on pending regulations exist, and all interested parties, including foreign entities, can participate. A biannual governmental plan of legislative and non-legislative work is available on the Internet, along with information on draft laws and regulations (often only in Czech language). Comments can be and are made by business associations, consumer groups and other non-governmental organizations, including the American Chamber of Commerce.

However, bureaucracy and unnecessary red tape remain a source of complaints by both domestic and foreign investors. Delays and allegations of corruption are common, especially in the process of registering companies and changes to corporate structure, and are of particular concern to foreign companies operating in the Czech Republic.

In content and principle, Czech competition policy meets OECD standards. An Act on the Protection of Economic Competition entered into force in 2001, adopting rules consistent with EU competition policy as regards restrictive agreements, abuse of dominant position and merger control.

Efficient Capital Markets and Portfolio Investment

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According to the CNB, in 2001 the last state financial institution (non-joint stock companies established prior to 1989) was privatized. The government has more than a 50% share of the equity capital or is a controlling shareholder in two banks: The Czech Export Bank and the Czech-Moravian Guarantee and Development Bank. The banking sector has recovered from the 1998-99 recession, the poor payment discipline of many of the banks' clients, and non-competitive loans offered in the early 1990s. Stricter oversight by the central bank has been imposed. Commercial banks have returned to profitability after posting losses in 1999. As of September 30, 2006, the total assets of commercial banks stood at CZK 3.1 trillion (USD 158.7 billion), according to the CNB. As of the same date, non-performing loans amounted to 12.8% of total credit volume, compared to 28.8% in 2000. This figure does not include non-performing loans (with a face value of \$2.4 billion as of Nov. 30, 2005) transferred to the Czech Consolidation Agency, which is charged with liquidating them. Foreign investors have access to bank credit on the local market, and credit is generally allocated on market terms. In 2002, the banks for the first time established a mechanism for sharing credit histories of borrowers.

The Czech securities market has been handicapped by a poor reputation generated by several years of lax regulation, fraud and scandals. However, when the economy thrives the market follows suit, and although the Prague Stock Exchange (PSE) is small (with

only 32 companies listed for stocks), the overall trade volume of stocks in 2006 was CZK 849.0 billion, the second highest value in its history, 18.5% behind the maximum value in 2005 (CZK 1,041.2 billion).. The first successful initial public offering of a company's shares since the stock market opened in 1992 took place in 2004. In 1998 the government created a Securities and Exchange Commission to function as capital market watchdog. The Commission has made important strides in establishing a regulatory framework for Czech capital markets and enforcing new rules. It has employed a large number of new staff. A new securities law was adopted in 2001 to improve regulation of brokers and dealers. Legislation adopted in 2002 gives the SEC more flexibility in issuing guidelines and requiring reporting of information. In 2006, the SEC moved into the Czech National Bank as part of a plan to bring all of the financial regulators under one roof.

Political Violence

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The risk of political violence in the Czech Republic is extremely low. The Czech lands have never had a history of political violence or terrorism in modern times. Two recent historic political changes -- the "Velvet Revolution" which ended the Communist era in 1989 and the division of Czechoslovakia into the Czech Republic and Slovakia in 1993 -- occurred without loss of life or significant violence.

Corruption

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Current law makes both giving and receiving bribes criminal acts, regardless of the actor's nationality. Jail sentences have been increased to up to eight years for officials, with stiffer penalties for bribery previously enacted by Parliament. Bribes cannot be deducted from taxes. Law enforcement authorities are responsible for combating corruption. These laws are applied equally to Czech and foreign investors. The Czech Republic ratified the OECD anti-bribery convention in January 2000. A November 2006 OECD peer-review of the Czech Republic's implementation of the anti-bribery convention found that the Czech government needs to take additional steps, including criminalizing individual bribery and putting in place sanctions for non-compliance.

While there has been no lack of public accusations and suspicions of bribery, only a few cases have reached the prosecution and conviction stage. Allegations of corruption are most pervasive in connection with the court-controlled system of company registration and the police. Such allegations have also been raised in the course of recent privatizations and government procurements. A 2004 government procurement law, required for EU accession, sought to curb illegal activities in this sphere by ensuring that public tenders were not tailor-made for specific businesses, but according to the Transparency International (TI) chapter in the Czech Republic, has failed to do so. Their research has shown that more than half of public contracts in the Czech Republic are not awarded in keeping with the 2004 Public Procurement Act. TI actively conducts public information campaigns through distribution of posters and has given numerous broadcast and print media interviews on corruption and bribery cases.

Bilateral Investment Agreements

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The former government of Czechoslovakia signed a bilateral investment treaty (BIT) with the United States, which came into effect in 1992. The Czech Republic adopted this treaty in 1993, after the split with Slovakia. Amendments to the treaty were approved in 2003 following negotiations involving both the Czechs and the European Commission designed to meet EU concerns about perceived conflicts with the EU *acquis communautaire*. The Czech government subsequently requested the United States consider further amendments that would affect the BIT's coverage and dispute settlement provisions; bilateral discussions are continuing.

To date, 77 countries have signed and ratified similar agreements with the Czech Republic. They include: Australia, Austria, Belgium-Luxembourg, Bulgaria, Canada, China, Denmark, Finland, France, Germany, Greece, Hungary, Israel, Indonesia, Italy, Jordan, Kazakhstan, Lebanon, North and South Korea, Mongolia, Norway, Paraguay, Poland, Russia, Slovakia, South Africa, Spain, Sweden, Switzerland, Thailand and the United Kingdom. Agreements with other countries are in the process of ratification.

A bilateral U.S.-Czech Convention on Avoidance of Double Taxation has been in force since 1993. In 2006 negotiations on a bilateral Totalization Agreement that would exempt Americans working in the CR from paying into both the Czech and U.S. social security systems were concluded. The agreement awaits final approval from both capitals before entering into force, expected in 2008.

OPIC and Other Investment Insurance Programs

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Finance programs of the Overseas Private Investment Corporation (OPIC), including investment insurance, have been available in the Czech Republic since 1991. Investors are urged to contact OPIC's offices in Washington directly for up-to-date information regarding availability of services and eligibility. The OPIC InfoLine (202) 336-8799 offers general information 24 hours a day. Application forms and detailed information may be obtained from OPIC, 1100 New York Avenue, NW, Washington D.C. 20527. The Czech Republic is a member of the Multilateral Investment Guarantee Agency (MIGA).

Labor

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The wide availability of educated, low-cost labor on the doorstep of the more expensive Western European labor market is a major attraction for foreign investors, particularly those looking to invest in manufacturing industries. Wages and benefits are on the rise, but the Czech Republic will still have far lower labor costs in the years ahead than those in Western Europe (although labor costs further to the East will remain even lower, including in new EU countries Romania and Bulgaria). There are currently no significant shortages of specialized labor skills, though foreign investors still cite weaknesses in middle-management levels, especially those with Western language skills, IT specialists, and engineers. Various factors, including rigidities in the labor code on overtime and the housing market, reduce the mobility of Czech workers within the country.

By law, all workers have the right to strike once mediation efforts have been exhausted, with the exception of workers in sensitive positions (nuclear power plant operators, military, police, etc.) Significant labor unrest remains rare, particularly in the private sector. Public sector unions, notably the rail workers and health workers, have staged strikes when the government tried to limit public sector wage increases. Workers in the Czech Republic have the legal right to form and join unions of their own choosing without prior authorization. Currently, about 20% of the total labor force is a member of some labor organization. The overall number of union members has fallen sharply since 1991, reflecting the fact that union membership is no longer compulsory. Although union membership has been dropping at a rate of 8% per year, the former Social Democrat (CSSD) led government was responsive to labor concerns and passed a new labor code in parliament that is considered by observers to be 'labor-friendly.' The new labor code entered into force January 1, 2007.

The Ministry of Labor and Social Affairs sets minimum wage standards. The standard workweek is 40 hours. Caps exist for overtime. Workers are assured 30 minutes of paid rest per work day and annual leave of at least four weeks per year.

Foreign-Trade Zones/Free Ports

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Czech law permits foreign investors involved in joint ventures to take advantage of commercial or industrial customs-free zones into which goods may be imported and later exported without depositing customs duty. Duties need be paid only in the event that the goods brought into the free zone are introduced into the local economy. The investment incentive package also permits duty-free import of high tech goods and creation of additional foreign-trade zones. Due to EU accession and the investment incentives offered by the government, the advantages of using these free-trade zone are limited and they have waned in popularity.

Foreign Direct Investment Statistics

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According to the preliminary data compiled by the Czech National Bank and CzechInvest, the stock of foreign investment in the Czech Republic at the end of 2005 (including reinvestment of profits) totaled \$54 billion in 1993-2005 (49% of 2005 GDP). Germany and the Netherlands are officially the leading foreign investors. Their investments totaled \$13.2 billion (24.4%) and \$9.2 billion (17.0%) respectively, followed by Austria with \$4.9 billion (9.0%), France with \$3.4 billion (6.3%), the United States \$3.3 billion (6.1%) and UK with \$2 billion (3.7%). Other major investors included Belgium, Switzerland and Slovakia. In 2005, massive investment in the local telephone company by a Spanish company brought in \$4.8 billion of the total Spanish FDI of \$9.5 (17.5% of estimated 2005 GDP) in 2005. Czech Republic ranked first in Central and Eastern Europe in both FDI stock and inflow per capita in 2005. The upswing in investment since 1998 is generally attributed to the introduction of investment incentives, as well as the Czech Republic's natural advantages.

By sector, from 1993-2004 foreign direct investment stock was divided into manufacturing (\$21.1 billion or 42.4%), financial services (\$8.1 billion or 16.3%); trade,

hotels and restaurants (\$6.7 billion or 13.5%); transportation and telecommunications (\$2.7 billion or 5.5%); real estate and business activities (\$4.6 billion or 9.3%); and electricity, gas and water supply (\$3.5 billion or 7.1%). Other sectors attracting foreign investment included mining and construction. Government officials anticipate the steady inflow of investment to continue.

The stock of Czech direct investment abroad totaled \$2.8 billion as of December 2004. The flow of Czech investment abroad was \$546.2 million in 2004 alone, with principal destinations of Bulgaria (67%), followed by Slovakia (17.1%), Portugal (3.3%), and U.K. (3.2%). 1.4% of 2004 FDI outflows went to the United States.

Significant foreign investors include:

U.S.

CME/NOVA	\$650 million
ConocoPhillips	\$665 mil
Philip Morris	\$420 mil
Pepsi-Cola International	\$291 mil
Coca Cola	\$200 mil
Proctor and Gamble	\$109 mil
Johnson & Johnson	n/a
Ingersoll Rand	n/a
Honeywell	n/a

Other Countries

Telefonica	Spain	\$4.8 bil
RWE Gas AG	Germany	\$3.6 bil
Toyota/PSA	Japan/France	\$1.3 bil
Hyundai Motor	Korea	\$1.2 bil
KBC Bank NV	Belgium	\$1.2 bil
Volkswagen AG	Germany	\$1.2 bil
Societe Generale	France	\$1.0 bil
ING Holdings	Netherlands	\$936 mil
Philips	Netherlands	\$733 mil
South African Breweries	South Africa	\$619 mil
Siemens	Germany	\$373 mil
DHL	Germany	\$230 mil

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CzechInvest

www.czechinvest.org

Czech National Bank

<http://www.cnb.cz/en/index.html>

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Chapter 7: Trade and Project Financing

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How Do I Get Paid (Methods of Payment)

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Most Czech firms use prepayment or partial prepayment with the balance due upon delivery or net 30-day terms. On shipments under US\$2,000, consider asking the buyer to pay by credit card. Czech firms are familiar with letters of credit, documentary collections, and wire transfer/cash in advance. Most would prefer not to use a letter of credit due to its high cost.

Although smaller sales of U.S. goods up to about US\$50,000 are common, above this threshold many small Czech businesses cannot afford or secure financing. An U.S. firm's ability to provide or arrange financing is often key to building significant market share.

The most attractive solution for exporters of consumer goods and industrial components may be to offer your distributor a container of product on consignment, and to enable your distributor to use proceeds from the first container to finance additional containers. For higher-value items, financing is tricky, yet crucial. Lease finance is an increasingly popular approach for equipment, vehicles, and other large capital items. Exporters should contact the U.S. Eximbank and Small Business Administration for information about their trade financing programs. In addition, a number of U.S. states and port authorities may offer financing assistance.

How Does the Banking System Operate

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U.S. firms will be able to choose between a number of foreign banks and large local banks offering highly professional service. Foreign and large domestic banks (such as Komerční and CSOB) offer corporate checking accounts and debit cards. Internal bank transfers take one day; domestic transfers take three days; transfers between major U.S. and Czech banks usually take less than a week. The top Czech commercial banks offer brokerage, investment advisory and underwriting services.

Foreign-Exchange Controls

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The Czech crown is fully convertible and there are no foreign exchange controls affecting trade in goods.

U.S. Banks and Local Correspondent Banks

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Ceskoslovenska obchodni banka (CSOB)

Ing Miroslav Klima, International Financing,
tel.: (+420) 224 118 034, fax: (+420) 224 113 367
e-mail: mklima@csob.cz, web: <http://www.csob.cz>

Komerční banka

Ing Jana Svabenská, International Financing,
tel.: (+420) 222 432 018, fax: (+420) 224 229 330
e-mail: Jana_Svabenska@kb.cz, web: <http://www.koba.cz>

Zivnostenská banka

Mr. Petr Merezko, Structured Finance,
tel.: (+420) 224 127 204, fax: (+420) 224 127 273
e-mail: merezko@zivnobanka.cz, web: <http://www.ziba.cz>

Citibank

Mr. Miroslav Lukac, Corporate Finance,
tel.: (+420) 233 061 837, fax: (+420) 233 061 614
e-mail: miroslav.lukac@citicorp.com, web: <http://www.citibank.cz>

GE Capital Bank a.s.

Ms. Sona Slavceva, Financial Director,
tel.: (+420) 224 441 111, fax: (+420) 224 441 500
e-mail: sona.slavceva@gecapital.com, web: <http://www.gecb.cz>

Project Financing

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Because most Czech firms and government agencies lack expertise in assembling financing packages for major projects or acquisitions, your ability to aid them in this process will be a critical part of the sales process. In some cases, your willingness to help assemble financing will put you ahead of competitors; in still more cases, your ability to put together a financing package will create a market that otherwise would not exist.

When looking beyond the first stage into project development, your firm will need to work with Czech counterparts to assemble a complex package from several sources. Besides private financing from banks or other sources, possible sources of funding include:

- U.S. Eximbank (to finance U.S. equipment purchases)
- Local bond offerings (for municipal and government projects)

- International Finance Institutions (such as the European Investment Bank and the European Bank for Reconstruction and Development), or
- The European Union's structural and cohesion funds.

Competing in EU Tenders:

The U.S. Mission to the European Union in Brussels has developed a tool to help U.S.-based companies bid on public procurement supplies contracts in particular. All contracts for supplies that are procured by European public authorities (national government departments, regional agencies and public institutions, city authorities) above established thresholds are open to U.S.-based companies by virtue of the Government Procurement Agreement, of which the U.S. and the EU are parties. All the tenders in this database are based on a selection of tenders published in the EU Official Journal, that are open to GPA member countries. The database contains on average 6,000 to 10,000 tenders and is updated twice per week.

http://www.buyusa.gov/europeanunion/eu_tenders.html

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Export-Import Bank of the United States: <http://www.exim.gov>

Country Limitation Schedule: http://www.exim.gov/tools/country/country_limits.html

OPIC: <http://www.opic.gov>

Trade and Development Agency: <http://www.tda.gov/>

SBA's Office of International Trade: <http://www.sba.gov/oit/>

USDA Commodity Credit Corporation: <http://www.fsa.usda.gov/cc/default.htm>

U.S. Agency for International Development: <http://www.usaid.gov>

European Commission

EU funding is used to build infrastructure, strengthen public administration, adopt EU legislation, and promote democratic institutions.

In Brussels:

U.S. Mission to the EU.

EU Funding Advisor

e-mail: brussels.ed.office.box@mail.doc.gov, web:

<http://www.buyusa.gov/europeanunion>

U.S. Commercial Service EU

John Bensky, Senior Commercial Officer

tel.: (+32) 2 508 2425, fax: (+32) 2 512 6653

e-mail: jonathan.bensky@mail.doc.gov, <http://www.buyusa.gov/europeanunion>

In Prague:

European Union

Stephen Collins, Head of Investment Section,
tel.: (+420) 2 2431-2835, fax (+420) 2 2431-2850
e-mail: archiv@delcze.cec.eu.int, web <http://europa.eu.int>.

CzechInvest

Mr. Radim Konecny, EU Grants Department
tel.: (+420) 296 342 492, fax: (+420) 296 342 502
e-mail: programy@czechinvest.org, web: <http://www.czechinvest.org>

European Bank for Reconstruction and Development (EBRD)

Like the IFC, EBRD can either work independently, or arrange co-financing packages in conjunction with other multilateral government and private institutions.

In London:

U.S. Delegation to the EBRD

Alice Davenport, Senior Commercial Officer
tel.: (+44 171) 588-4027/28, fax: (+44 171) 588-4026
e-mail: alice.davenport@mail.doc.gov, web: <http://www.ebrd.org>

EBRD

Alain Pilloux, Director, PCSB Team London HQ,
tel.: (+44 171) 338-6561, fax: (+44 171) 338-7199.

In Prague:

EBRD

Arthur Schankler
tel.: (+420) 222 814 551, fax: (+420) 224 814 522
e-mail: e-schankla@ebrd.com.

European Investment Bank (EIB)

EIB is the EU's long term financing institution; its goal is to contribute towards the integration, balanced development and economic and social cohesion of the Member countries.

Mr. Paul Gerd Löser
tel.: (+35 2) 43 79 31 39, fax: (+35 2) 43 79 3189
e-mail: p.loeser@eib.org, web: <http://www.eib.org>.

Sources of information on EU Funding

The American Chamber of Commerce to the European Union in Brussels, Belgium offers a number of publications with up-to-date information on the most important EU proposals and how they impact business. These publications can be found on the Web at: <http://www.amchameu.be>

The American Chamber of Commerce in the Czech Republic developed a practical *Guide on How to Apply for and Receive Structural Funding in the Czech Republic*. This very practical document will help you navigate the structural funding labyrinth, and help you develop projects that will successfully be granted EU funding.

e-mail: amcham@amcham.cz; web: <http://www.amcham.cz>

The US Mission to the European Union developed an International Market Insight report:
EU Structural & Cohesion Funds: Opportunities in the Member States.

For more information please visit:

http://europa.eu.int/comm/environment/funding/intro_en.htm

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Business Customs

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Because Prague is a small, tightly knit city, word-of-mouth reputation is extremely important, and news about you -- good or bad -- will spread quickly. Czechs are more reserved than Americans, and will be nervous about a typical American "let's get down to business" approach. Start slowly by building a few good relationships. Let your new Czech friends introduce you to their contacts, and soon you will have a good business network. An attempt to take the city by storm with a flurry of quick meetings and barrage of e-mails is more likely to arouse suspicion than business. Czechs prefer to get to know you -- to learn about your background and your company, and then, if they are comfortable with you, get down to deal-making around the dessert course, or even at a follow-up meeting. Most Czechs want to build long-term, two-way business relationships, and will be put off by too much emphasis on an immediate sale.

Czechs do not smile as a social signal of greeting, as Americans, Britons, and many other Westerners do, but only when they are amused or pleased. This can create a false impression that Czechs are cold or unfriendly. Czechs are a more formal people than are Americans, and a serious demeanor is regarded as a sign of respect for the visitor and the business being transacted.

The business custom is to be punctual - even early - for appointments and engagements. It is best to start arranging meetings several weeks before you visit, as Czechs are reluctant to arrange impromptu meetings at the last minute.

Czechs dress more formally than their American counterparts preferring dark business suits and ties, and often vests. While a blazer or sports jacket is sometimes acceptable, Czechs find "American casual" a turn-off.

Business partners do not usually call each other by their first names, and Czechs may be offended if their foreign visitors address them by their first names without first being invited to do so. It may take several meetings to establish a sense of rapport and a more relaxed attitude.

Czechs are very gracious and will open a meeting with the offer of coffee, tea, water, juice, and cookies when they host business visitors. It is polite to accept at least a glass of water. Coffee and tea will be served in real china cups and juice or water in glass or crystal - never plastic or Styrofoam. Business luncheons normally are more formal and leisurely than in the United States. Even if dining alone with one business contact, expect to order multiple courses and do not expect the lunch to be finished in less than two hours. Rushing through lunch because of the press of business is considered ill mannered. Working breakfasts are not common in the Czech Republic. Although the Czechs regard the custom as an amusing American oddity, they are also very amenable to attending, as an offer of food is considered gracious and the typical Czech working day starts early.

Travel Advisory

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The Department of State has issued multiple public announcements since September 11, 2001 cautioning Americans worldwide to maintain a level of vigilance against potential terrorist incidents. All Americans are advised to be continually aware of their surroundings and be alert to suspicious activities or individuals. There are no outstanding travel advisories warning against travel to the Czech Republic.

Prague and other Czech cities are very safe by U.S. standards, but visitors are encouraged to exercise common sense precautions and be particularly wary of Prague's famously efficient pickpockets and occasional mugging/violent street crime. Be careful in and around train stations and when boarding and exiting trams. Taxi drivers, particularly those at train stations and those hailed on the street, are notorious for overcharging; occasionally becoming abusive if exorbitant fares are not paid. We suggest you phone for a taxi (your hotel can advise on honest drivers) or have the hotel arrange transport. If you must hail a taxi on the street, agree on an estimated fare with the driver in advance.

Consult the State Department's Consular Information Sheet on the Czech Republic at http://www.travel.state.gov/travel/cis_pa_tw/cis/cis_1099.html Before traveling abroad visit <http://www.travel.state.gov/index.html> for up-to-date travel advisories and warnings.

Visa Requirements

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U.S. passport holders (not U.S. resident aliens or refugee document holders) may visit the Czech Republic for tourism or business without a visa for 90 days. For this purpose, "business" is defined as consultations, negotiations, etc., but not employment reimbursed from an employer located in the Czech Republic. For stays of longer than 90 days or for purposes other than tourism/business, a new law requires any foreigner to obtain a visa in advance from a Czech Embassy or Consulate. Foreigners are no longer allowed to change their status from tourist to student or worker, or to extend their stay while still in the Czech Republic. Instead, a visa must be obtained from outside the country. The Czech Government expects that visa processing may take two or more months.

Details on how to apply for a visa are available from:

- Czech Embassy in Washington (<http://www.mzv.cz/washington>)
- The Czech Ministry of Foreign Affairs (<http://www.mzv.cz>).

U.S. Companies that require travel of foreign businesspersons to the United States should allow sufficient time for visa issuance if required and should be advised that security options are handled via an interagency process. Visa applicants should go to the following links:

- State Department Visa Website: <http://travel.state.gov/visa/index.html>
- United States Visas.gov: <http://www.unitedstatesvisas.gov/>
- Consular Section of US Embassy in Prague:
<http://www.usembassy.cz/consular/consular.htm>

Telecommunications

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The Czech telecommunications infrastructure was updated to meet EU requirements before accession, and now is comparable with Western Europe. The Czech Republic leads Central Europe in levels of Web usage in the home and in the workplace, but the low proportion of students with web access at school means the overall internet penetration is lower than in some neighboring countries, such as Hungary. Internet access in Prague and other major cities and towns is easily available.

Most Czechs have cell phones, and many have more than one, considering that there are just over 12 million cell phones in the Czech Republic and only 10.2 million people. There is excellent coverage all over the country.

Local telephone and mail services are good, reliable and inexpensive. U.S. long distance operators serve Prague through direct access numbers.

Country code 420 + number

To U.S. from Czech Republic: 001 + number

Transportation

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Visitors will find traveling in the Czech Republic to be much like traveling in Western Europe, except that costs are lower for food and transport, particularly in the off-season (November through April). Basic English is widely spoken in most hotels and restaurants. International hotels and restaurants catering to foreigners accept major credit cards, although smaller hotels and restaurants may not. Currency exchange is widely available, as are local currency (Koruna)-dispensing ATM's, that accept most U.S. bankcards. Please note that the Euro has not yet been adopted in the Czech Republic.

Major cities have Western-style hotels, though you may consider reducing costs (and getting more local flavor) by staying in smaller, non-business hotels. Many restaurants offer a wide variety of international cuisines. Prague menus are usually in Czech and

English. Tap water is safe. Bottled water is widely available; infants up to one year old should be given special "infant water."

In central Prague, visitors will often find walking faster (and more relaxing) than auto travel. The city also has fine, usually quick, public transit to most points. For trips outside Prague, we recommend hiring a car for the day. The domestic train network is extensive but can be slow.

Language

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The official language of the Czech Republic is Czech. Czechs have very strong linguistic abilities. Many older Czechs speak Russian, German, or English as second and third languages. Younger Czechs are more likely to speak English. About half of your likely business partners will speak good (or at least basic) English. Older Czechs (especially those living outside Prague) are less likely to have good English language skills.

Czech is an extremely difficult language to learn. It is helpful to learn a few basic phrases to get around restaurants, hotels, and airports. For complex business negotiations, English-speaking interpreters are readily available.

Health

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Prague has good Western-style medical clinics and English-speaking doctors and dentists. For major operations and complicated illnesses, most Westerners return to the USA or go to nearby Germany or the U.K. We recommend travel insurance sufficient to cover costs of medical evacuation out of the country. Prague and most major outlying cities have pharmacies that stock many Western medicines or that can order specialized prescriptions in 24 hours. U.S. prescription drugs often have different names in Europe. Travelers should carry prescriptions noting generic names. Keep all prescription drugs in original containers to avoid problems with Customs officials. In winter, Prague air pollution can pose problems for those with respiratory conditions.

Local Time, Business Hours, and Holidays

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Local time is Eastern Standard Time plus 6 hours. A typical Czech working day is 8:00 am to 4:30 pm, with a break for lunch. The workweek is 40 hours (Monday through Friday).

When scheduling meetings or events to which Czech business guests are invited, it is best to avoid Friday afternoon (and Friday morning, if possible), as many Czechs have country houses to which they travel as early as possible on Friday. Czechs regard weekends and holidays as near-sacrosanct family time, and they avoid allowing business to intrude on this time. As is the case in much of Europe, it is harder to make

business appointments and contacts in the Czech Republic during August and close to major holidays, such as Christmas or Easter week.

Czech Holidays

January 1 (Varies)	New Year's Day
May 1	Easter Monday
May 8	Labor Day
May 8	Liberation Day
July 5	Cyril & Methodius Day
July 6	Jan Hus Day
September 28	Statehood Day
October 28	Czech Founding Day
November 17	Struggle for Freedom Day
December 24	Christmas Eve
December 25	Christmas Day
December 26	St. Stephen's Day

Temporary Entry of Materials and Personal Belongings

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We are not aware of any difficulties bringing computers, software, exhibition materials or personal belongings into the country.

Web Resources

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State Department's Consular Information Sheet on the Czech Republic:

http://www.travel.state.gov/travel/cis_pa_tw/cis/cis_1099.html

State Department International Travel Site: <http://www.travel.state.gov/index.html>

Czech Embassy in Washington (<http://www.mzv.cz/washington>)

The Czech Ministry of Foreign Affairs (<http://www.mzv.cz>).

State Department Visa Website: <http://travel.state.gov/visa/index.html>

United States Visas.gov: <http://www.unitedstatesvisas.gov/>

Consular Section of US Embassy in Prague:

http://www.usembassy.cz/general_consular_information.html

Emergency numbers

U.S Embassy

(+420) 257 022 000

web: <http://www.usembassy.cz>

Czech Emergency Number: 112

Medical Centers

Canadian Medical Center

(+420) 235 360 133

Motol Hospital

- adults (+420) 224 433 681, (+420) 224 433 682
- children (+420) 224 433 690

Hospital Na Homolce

- adults (+420) 257 272 174
- after hours (+420) 257 272 191
- children (+420) 257 272 025
- after hours (+420) 257 272 043
- dental (+420) 257 272 601

web: <http://www.homolka.cz>

Transportation

Airport Information (+420) 220 113 314

Taxi Services:

AAA Cabs (+420) 14014
Profi (+420) 844 700 800

<http://www.aaa.radiotaxi.cz>
www.profitaxi.cz

Express mail and couriers:

Federal Express (+420) 800 133 339
DHL 1-800-103-000
UPS 1-800-181-111

<http://www.fedex.com/cz>
<http://www.dhl.cz>
www.ups.com/cz

Selected Hotels

Hilton Prague (+420) 224 841 111
Holiday Inn (+420) 296 895 000
Inter-Continental (+420) 224 881 100
Marriott (+420) 222 888 888
Radisson SAS (+420) 222 820 000
Renaissance (+420) 221 821 111
Ramada (+420) 221 454 111
Best Western Kampa (+420) 271 090 832

<http://www.hilton.com>
<http://www.holidayinn.cz>
<http://www.interconti.com>
<http://www.marriotthotels.com>
<http://www.radisson.com/praguecs>
<http://www.renaissancehotels.com/PRGRN>
<http://www.ramadaprague.com>
<http://www.euroagentur.cz>

Financial Services

Citibank (+420) 233 061 111
GE Capital Bank (+420) 224 441 111
American Express (+420) 222 800 111
- Credit cards: (+420) 222 800 300

<http://www.citibank.cz>
<http://www.gecapital.cz>
<http://www.americanexpress.com>

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Chapter 9: Contacts, Market Research, and Trade Events

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- [Market Research](#)
- [Trade Events](#)

Contacts

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American Embassy Prague

H.E. Richard W. Graber, Ambassador

Trziste 15, 118 01 Praha 1

tel.: (+420) 257 022 000, fax: (+420) 257 022 809

web: <http://www.usembassy.cz>

Ms. Victoria Silverman, Press Attaché

tel.: (+420) 257 022 005, fax: (+420) 257 022 814

Mr. Stuart Hatcher, Consul General

tel.: (+420) 257 022 000, fax: (+420) 257 022 809

Ms. Karen Reider, Economic Officer

tel.: (+420) 257 022 000, fax: (+420) 257 022 808

U.S. Department of Commerce/U.S. Commercial Service

tel.: (+420) 257 022 434; fax: (+420) 257 022 810

web: <http://www.buyusa.gov/czechrepublic/en>

Mr. Greg O'Connor, Commercial Counselor

e-mail: Greg.O'Connor@mail.doc.gov

Ms. Erin Butler-Mueller, Commercial Attaché

e-mail: Erin.Butler-Mueller@mail.doc.gov

Dr. Hana Obrusnikova - Sectors: energy, aerospace, engineering/construction, real estate

e-mail: Hana.Obrusnikova@mail.doc.gov

Mr. Zdenek Svoboda - Sectors: auto parts/accessories, industrial parts/services, microelectronics

e-mail: Zdenek.Svoboda@mail.doc.gov

Mrs. Lud'a Taylor - Sectors: telecommunications, e-commerce, IT, financial and business services, e-mail: Luda.Taylor@mail.doc.gov

Mrs. Irena Michlickova - Sectors: film, consumer goods, food processing

e-mail: Irena.Michlickova@mail.doc.gov

Mr. Ivo Hofman - Sectors: security equipment, sporting goods, education/training
e-mail: Ivo.Hofman@mail.doc.gov

Mrs. Veronika Novakova – Sectors: environmental Products/Services,
medical/dental/pharmaceutical.
e-mail: Veronika.Novakova@mail.doc.gov

U.S. Department of Agriculture/Foreign Agricultural Service

Ms. Petra Hrdlickova, Agricultural Specialist
tel.: (+420) 257 022 393, fax: (+420) 257 022 803
e-mail: petra.hrdlickova@usda.gov, web: <http://www.fas.usda.gov>

U.S. Department of Commerce Washington, DC

Advocacy Center

Ms. Pat Nugent
tel.: (202) 482-3392,
e-mail: patricia.nugent@mail.doc.gov, web: <http://www.ita.doc.gov/td/advocacy>

Market Access and Compliance

Central and Eastern Europe Division (CEED)
Mr. Michael Rogers
tel. (202) 482-4915, fax (202) 482-4505
e-mail: Michael_Rogers@ita.doc.gov

American Chamber of Commerce

Mr. Weston Stacey, Executive Director
Dusni 10, 110 00 Prague 1
tel.: (+420) 222 329 430; fax: (+420) 222 329 433
e-mail: amcham@amcham.cz, web: <http://www.amcham.cz>

American Center Plzen

Ms. Adela Benesova, Director
Dominikanska 9, 301 12 Plzen, Czech Republic
tel. (+420) 377 237 722, fax (+420) 377 237 725
e-mail: info@americancenter.cz, web: <http://www.americancenter.cz>

CzechTrade

Main office

Mr. Ivan Jukl, General Director
Dittrichova 21, P.O. Box 76, 128 01 Praha 2
tel: (+420) 224 907 500, fax: (+420) 224 907 503
e-mail: infoc@czechtrade.cz, web: <http://www.czechtrade.cz>

CzechTrade Chicago

Ms. Ivana Ingram
Suite 938 The Merchandise Mart, Chicago, IL 60654
tel: (312) 644-1790, fax: (312) 527-5544
e-mail: chicago@czechtrade.cz, web: <http://www.czechtrade.cz/en/>

CzechInvest

Main Office

Mr. Tomas Hruda, CEO
Stepanska 15, 120 00 Prague 2
tel: (++420) 296 342 500, fax: (++420) 296 342 502
e-mail: marketing@czechinvest.org, web: <http://www.czechinvest.org>

Mr. Radim Konecny, EU Grants Department
tel: (++420) 296 342 492, fax: (++420) 296 342 502
e-mail: programy@czechinvest.org, web: <http://www.czechinvest.org>

CzechInvest Chicago

Mr. Bohuslav Frelich
Suite 938, The Merchandise Mart, 200 World Trade Center, Chicago, IL 60654
tel: (312) 245-0180; fax: (312) 245-0183
e-mail: chicago@czechinvest.org, web: www.czechinvest.org

CzechInvest Silicon Valley

Mr. Radomil Novak
Suite 107-F, 51 East Campbell Avenue, Campbell, CA 95008
tel: (408) 376 45 55, fax (408) 376 45 57
e-mail: california@czechinvest.org, web: <http://www.czechinvest.org>

Czech Office for Standards, Metrology and Testing

Mr. Alexander Safarik-Pstrosz, President
Gorazdova 24, 128 01 Prague 2
tel: (+420) 224 915 489, fax: (+420) 224 915 064
e-mail: safarik@unmz.cz, web: <http://www.unmz.cz>

General Directorate of Customs

Mr. Zdenek Richtr, General Director
Budejovicka 7, 140 96 Praha 4
tel: (+420) 261 331 111, fax: (+420) 261 332 900
e-mail: podatelna@cs.mfcr.cz, web: <http://www.mfcr.cz>

Czech Confederation of Industry

Mr. Jaroslav Mil, President
Lighthouse Waterfronts Towers
Jankovcova 1569/2c
170 00 Praha 7
tel: (+420) 234 379 500, fax: (+420)234 379 463
e-mail: spcr@spcr.cz, web: <http://www.spcr.cz>

Economic Chamber of the Czech Republic

Mr. Jaromir Drabek, President
Freyova 27, 190 00 Prague 9
tel: (++420) 296 641 112, fax: (++420) 296 646 221
e-mail: prezident@komora.cz, web: <http://www.hkcr.cz>

To view market research reports produced by the U.S. Commercial Service please go to the following website: <http://www.export.gov/marketresearch.html> and click on Country and Industry Market Reports.

Please note that these reports are only available to U.S. citizens and U.S. companies. Registration to the site is required, but free of charge.

Other sources

Czech Ministry of Finance

For economic and trade statistics

<http://www.mfcr.cz> /celni sprava/zahranicni obchod

Dun & Bradstreet

Krizikova 159/56, 186 00 Praha 8

tel.: (+420) 226 538 600, fax: (+420)226 538 700

e-mail: custserv@dnbczech.cz, web: www.dnbczech.cz

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The Fleet Sheet

A daily English language digest of Czech news

tel. (+420) 296 580 160, fax: (+420) 224 221 580

web: <http://www.fleet.cz>, e-mail: info@fleet.cz

Trade Events

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Please click on the link below for information on upcoming trade events.

<http://www.export.gov/tradeevents.html>

Local Trade Events can be found on: <http://www.buyusa.gov/czechrepublic/en/47.html>

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Chapter 10: Guide to Our Services

The U.S. Commercial Service offers customized solutions to help your business enter and succeed in markets worldwide. Our global network of trade specialists will work one-on-one with you through every step of the exporting process, helping you to:

- Target the best markets with our world-class research
- Promote your products and services to qualified buyers
- Meet the best distributors and agents for your products and services
- Overcome potential challenges or trade barriers

For more information on the services the U.S. Commercial Service offers U.S. businesses, please click on the link below.

<http://www.buyusa.gov/czechrepublic/en/40.html>

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U.S. exporters seeking general export information/assistance or country-specific commercial information should consult with their nearest **Export Assistance Center** or the **U.S. Department of Commerce's Trade Information Center** at **(800) USA-TRADE**, or go to the following website: <http://www.export.gov>

To the best of our knowledge, the information contained in this report is accurate as of the date published. However, **The Department of Commerce** does not take responsibility for actions readers may take based on the information contained herein. Readers should always conduct their own due diligence before entering into business ventures or other commercial arrangements. **The Department of Commerce** can assist companies in these endeavors.