



## Doing Business in the Czech Republic:

# 2011 Country Commercial Guide for U.S. Companies

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- [Chapter 1: Doing Business in the Czech Republic](#)
- Chapter 2: Political and Economic Environment
- Chapter 3: Selling U.S. Products and Services
- Chapter 4: Leading Sectors for U.S. Export and Investment
- Chapter 5: Trade Regulations, Customs and Standards
- Chapter 6: Investment Climate
- Chapter 7: Trade and Project Financing
- Chapter 8: Business Travel
- Chapter 9: Contacts, Market Research and Trade Events
- Chapter 10: Guide to Our Services

[Return to table of contents](#)

## Chapter 1: Doing Business in the Czech Republic

- [Market Overview](#)
- [Market Challenges](#)
- [Market Opportunities](#)
- [Market Entry Strategy](#)

### Market Overview

[Return to top](#)

**“The United States will never turn its back on the people of this nation. We are bound by shared values, shared history, and the enduring promise of our alliance.”**

President Barack Obama  
April 5, 2009, Prague, Czech Republic

The United States and the Czech Republic forged a close relationship during the beginning of the last century, when America pledged its support for Czech independence. Though this friendship stalled during the period of Soviet influence, it reemerged as the Czech Republic again claimed its political independence and joined the economic ranks of the European Union at the close of the 20<sup>th</sup> century. Today, this nation that sits at the heart of Europe has emerged as one of the region’s most prosperous and industrialized economies. The Czech Republic’s strategic location, well-developed infrastructure, and skilled labor force has allowed this small nation of 10.5 million citizens to “punch above its weight” and become an important regional and international manufacturing hub and consumer market.

Economic growth is largely based on inflows of FDI and growth in exports. With about 80% of GDP linked to export orders, particularly to Germany, the economic health of the Czech Republic relies heavily on the strength of its neighbors. After experiencing robust growth of 6% from 2005-7, the Czech Republic felt the impact of the global economic slowdown in 2009 as growth dropped to -4.2%. Though unemployment figures still hover around 9%, 2010 has seen an economic rebound for the country as export orders of industrial goods to Western Europe increased, and GDP growth was reported as 2.5% in 2010 (Ministry of Finance). Estimates for 2011 range from 1.2% to 2.8%, depending on the source (the Ministry of Finance estimates 2.2%).

Over the first twenty years of Czech independence, foreign investment has played an important role in boosting Czech productivity, creating new jobs and raising wages and domestic consumption. The result is the Czech Republic has become a major hub for automotive and electronics manufacturing in Central Europe. The U.S. has played an important role in this regard, and is the largest non-European investor in the country. In addition to new manufacturing facilities, a growing number of American companies are establishing R&D and shared-services support centers. This trend would support the current government’s goal of transforming the country from a manufacturing base to one of research and development, with more firms tapping into the Czech knowledge base and designing and developing technologies here.

The dynamics mentioned above have also made the country a competitive force in the region. The Czech Republic is ranked 36<sup>th</sup> in the 2010-2011 World Economic Forum's [Global Competitiveness Report](#), positioning it above its neighbors in Eastern and Central Europe (though lower than last year's ranking of 31<sup>st</sup>). Notable is the country's ranking of 27<sup>th</sup> in "innovation." The report goes on to highlight that "despite the fallout of the economic crisis, Estonia and the Czech Republic remain the best performers within Eastern Europe. As in previous years, the countries' competitive strengths are based on a number of common features. They rely on excellent education and highly efficient and well-developed markets for goods, labor, and financial services, as well as a strong commitment to advancing technological readiness."

Though the U.S. is only the 15<sup>th</sup> largest exporter of products to the Czech Republic (ranked behind many European countries, as well as Russia, China, and Japan), trade is growing steadily and there is considerable demand for U.S. products and services, which maintain a reputation for quality and advanced technology. Early figures for 2010 show that U.S. exports to the Czech Republic have rebounded by nearly 50% from the prior year, and are set to meet or surpass the previous benchmark set in 2008. Best prospect sectors for U.S. exports are: power generation equipment (includes renewable energy); automotive parts and equipment; electronics; medical products; environmental technologies; and telecommunications and IT equipment.

As President Obama noted during his 2009 visit to Prague, the United States and the Czech Republic "are bound by shared values," and nowhere is this more evident than in our commercial relationship. With the launch of the U.S. – Czech Economic and Commercial Dialogue in December 2010, the two governments are seeking to expand their bilateral trade relationship, with the goal of intensifying economic, industrial, and technological cooperation. As the two countries continue to develop trade ties, U.S. firms should find a receptive market for their goods and services.

## Market Challenges

[Return to top](#)

The Czech Republic's economic transformation is not yet complete. Ranked a dismal 63<sup>rd</sup> on the World Bank's 2011 [Ease of Doing Business](#) index, the Czech Republic finds itself positioned below most of its Central and East European neighbors, as well as many of the Southeast European nations that have yet to accede to the EU. Though the 2011 report represents a large improvement from 2010, when the country was ranked 82<sup>nd</sup>, this change was largely due to improvements in the "ability to close a business" factor. The "[trading across borders](#)" factor, which is more important to firms exporting to this market, worsened for the Czech Republic, with the time to import a container reported as 20 days, nearly twice the OECD average. Readers may find the [complete report](#) for the Czech Republic and analyze other factors at the Doing Business website.

The major factor limiting the country's ranking in the World Economic Forum's [Global Competitiveness Report](#) was its "institutions" rating, which ranked the country outside the top 100 in such areas as "diversion of public funds, public trust of politicians, favoritism in decisions of government officials, burden of government regulation, and transparency of government policymaking."

The Czech government faces other challenges and hurdles, such as the slow pace of legislative reforms and industrial restructuring, planned healthcare and pension reform,

making the public procurement process more transparent, and a growing shortage of highly skilled technical workers. In addition, the current euro crisis has renewed the government's reluctance to commit to a time table for converting its currency, impacting the business environment's predictability as it relates to export-oriented businesses. If unresolved, these conditions can have an adverse effect on the business climate and competitiveness of the Czech Republic:

- Need for reform of taxation, health care and pension systems growing urgent.
- Declining population and shortage of skilled workers.
- The Czech government is pursuing austerity measures that will reduce public spending and state tenders.
- Strong competition from European and Asian firms.
- Continued concerns regarding corruption and transparency of public tenders (although the government is starting to address this issue by passing new legislation, the real test will be in its implementation).

## Market Opportunities

[Return to top](#)

Demand in the Czech market goes beyond the few best prospect sectors that this report is able to cover (see [Chapter 4](#)). Though the country no longer has access to EU accession funds, it still receives EU funding directed at such areas as healthcare reform, environment, transportation, major infrastructure projects, and education exchange programs. Other developments of note include:

- The Czech government's decision to support the expansion of nuclear power generation over the next decade should create opportunities for the U.S. nuclear industry, which has been active here since shortly after the Velvet Revolution.
- The Czech Republic's November 2008 inclusion in the Visa Waiver Program should boost the U.S. travel and tourism sector through much greater numbers of Czech visitors. In 2010, approximately 80,000 Czechs visited the United States for work or pleasure, a 14% increase from 2009.
- A recent government decision that will make English language mandatory for primary school students should improve the ability of Czech students to study at U.S. universities and colleges. Currently 27% of all Czechs speak some level of English and 10% are reported to be fluent.
- There is growing demand for foreign franchises, and over the last year the Czech market welcomed several new U.S. brands, including Coldwell Banker's, Curves, Hooters, Contours, and DynEd. We anticipate continued requests of interest from local entrepreneurs, especially in non-food sectors.

## Market Entry Strategy

[Return to top](#)

The Czech Republic is not the ideal destination for new-to-export companies, but as a member of the EU and a place where the English language is widely understood in the business community, it is an excellent choice for exporters looking to broaden their global reach. Most exporters find using local distributors an easy first step for entering the market. A local distributor is typically responsible for handling customs clearance, dealing with established wholesalers/retailers, marketing the product directly to major

corporations or the government, and handling after-sales service, if required. Other issues to consider are:

- Consider a regional approach involving one or more Central and Eastern European countries.
- Establish a local presence or select a local partner for effective marketing and sales distribution.
- Perform detailed market research to identify specific sector opportunities.
- Use the experience of other, successful U.S. companies in the market. The local [American Chamber of Commerce](#) is a valuable resource.
- We suggest participating in a Gold Key or trade mission to meet local partners and possible clients.

[Return to table of contents](#)

[Return to table of contents](#)

## 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>

[Return to table of contents](#)

[Return to table of contents](#)

## Chapter 3: Selling U.S. Products and Services

- [Using an Agent or Distributor](#)
- [Establishing an Office](#)
- [Franchising](#)
- [Direct Marketing](#)
- [Joint Ventures/Licensing](#)
- [Selling to the Government](#)
- [Distribution and Sales Channels](#)
- [Selling Factors/Techniques](#)
- [Electronic Commerce](#)
- [Trade Promotion and Advertising](#)
- [Pricing](#)
- [Sales Service/Customer Support](#)
- [Protecting Your Intellectual Property](#)
- [Due Diligence](#)
- [Local Professional Services](#)
- [Web Resources](#)

### Using an Agent or Distributor

[Return to top](#)

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, to 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](#).

## ***EU REGULATIONS***

Companies wishing to use distribution, franchising and agency arrangements need to ensure that the agreements they put into place are in accordance with European Union (EU) and member state national laws. [Council Directive 86/653/EEC](#) establishes certain minimum standards of protection for self-employed commercial agents who sell or purchase goods on behalf of their principals. In essence, the Directive establishes the rights and obligations of the principal and its agents; the agent's remuneration; and the conclusion and termination of an agency contract, including the notice to be given and indemnity or compensation to be paid to the agent. U.S. companies should be particularly aware that the Directive states that parties may not derogate certain requirements. Accordingly, the inclusion of a clause specifying an alternate body of law to be applied in the event of a dispute will likely be ruled invalid by European courts.

The European Commission's Directorate General for Competition enforces legislation concerned with the effects on competition in the internal market of "vertical agreements." U.S. small- and medium-sized companies (SMEs) are exempt from these regulations because their agreements likely would qualify as "[agreements of minor importance](#)," meaning they are considered incapable of affecting competition at the EU level but useful for cooperation between SMEs. Generally speaking, companies with fewer than 250 employees and an annual turnover of less than €50 million are considered small- and medium-sized undertakings. The EU has additionally indicated that agreements that affect less than 10 percent of a particular market are generally exempted as well (Commission Notice 2001/C 368/07).

The EU also looks to combat payment delays with [Directive 2000/35/EC](#), which was reviewed in 2010. The existing text, as amended, covers all commercial transactions within the EU, whether in the public or private sector, primarily dealing with the consequences of late payment. Transactions with consumers, however, do not fall within the scope of this directive. In sum, the directive – as amended - entitles a seller who does not receive payment for goods and/or services within 30 days of the payment deadline to collect interest (at a rate of 8% above the European Central Bank rate) as well as 40 Euros as compensation for recovery of costs. For business-to-business transactions a 60-day period may be negotiated subject to conditions. The seller may also retain the title to goods until payment is completed and may claim full compensation for all recovery costs.

Companies' agents and distributors can take advantage of the European [Ombudsman](#) when victim of inefficient management by an EU institution or body. Complaints can be made to the European Ombudsman only by businesses and other bodies with registered offices in the EU. The Ombudsman can act upon these complaints by investigating cases in which EU institutions fail to act in accordance with the law, fail to respect the principles of good administration, or violate fundamental rights. In addition, [SOLVIT](#), a network of national centers, offers online assistance to citizens and businesses who encounter problems with transactions within the borders of the single market.

## Establishing an Office

[Return to top](#)

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

[Return to top](#)

Franchising has finally become a well-known, successful and popular concept in the Czech market and it is poised for further growth (see [Chapter 4](#)). After a rather moderate start in the 1990s, franchising has seen a rapid growth especially after the Czech Republic's accession to the EU in 2004. Czechs have seen the success of the foreign franchising systems and are now starting domestic franchising concepts and expanding abroad. There are currently about 150 franchised brands on the Czech market. The total number of licensee holders more than doubled over the last four years from 1,000 holders in 2006 to 2,029 holders in 2010. In 2010, franchising licensee holders operated 3,470 franchising units in the Czech market. Approximately 50% of the franchised brands are of Czech origin. Most of these businesses operate in the hospitality, hotel and retail markets.

Many popular franchise networks operating in Europe are still absent from the Czech Republic, presenting U.S. franchisers with the opportunity to enter the Czech market before it is saturated. 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.

From a legal perspective, Czech legal system is liberal and places no barriers for entrance and operation of a franchise. 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. Access to capital has also improved with Komerční Banka offering a [financing program](#) geared towards potential franchisees in the Czech Republic.

## Direct Marketing

[Return to top](#)

Our office was unable to locate updated figures, but pre-2008 data we have on this sector indicates turnover in this market was about \$200 million per year. The top direct marketers in the Czech Republic are Amway, Avon, Just, Lux, Mary Kay, Oriflame, Tupperware, Vorwerk and WS International. 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 Association of Direct Marketing and Mail Order](#) organizes seminars and promotes international rules of direct marketing, such as the length of guarantees and the consumer's right to return a product.

### ***EU REGULATIONS***

There is a wide range of EU legislation that impacts the direct marketing sector. Compliance requirements are stiffest for marketing and sales to private consumers. Companies need to focus, in particular, on the clarity and completeness of the information they provide to consumers prior to purchase and on their approaches to collecting and using customer data. The following gives a brief overview of the most important provisions flowing from EU-wide rules on distance-selling and on-line commerce. It is worth noting that the EU is currently overhauling its consumer protection legislation (a merger of four existing Directives into a single rulebook - "the Consumer Rights Directive" – was tabled and will be examined in 2011). Companies are advised to consult the information available via the hyper-links and to contact the Commercial Service at the U.S. Mission to the European Union for more specific guidance.

### ***Processing Customer Data***

The EU has strict laws governing the protection of personal data, including the use of such data in the context of direct marketing activities. For more information on these rules, please see Country Commercial Guide for the European Union.

### ***Distance Selling Rules***

- Distance and Door-to-Door sales

The EU's Directive on [distance selling](#) to consumers (97/7/EC and amendments) sets out a number of obligations for companies doing business at a distance with consumers. It can read like a set of onerous "do's" and "don'ts," but in many ways it represents nothing more than a customer relations good practice guide with legal effect. Direct marketers must provide clear information on the identity of themselves as well as their supplier, full details on prices including delivery costs, and the period for which an offer remains valid – all of this, of course, before a contract is concluded. Customers generally have the right to return goods without any required explanation within seven days, and retain the right to compensation for faulty goods thereafter. Similar in nature is the [Doorstep Directive](#) (85/577/EEC) which is designed to protect consumers from sales occurring outside of a normal business premises (e.g., door-to-door sales) and essentially assure the fairness of resulting contracts.

- Distance Selling: Financial Services

[Financial services](#) are the subject of a separate directive that came into force in June 2002 (2002/65/EC). This piece of legislation amends three prior existing directives and is designed to ensure that consumers are appropriately protected with respect to financial transactions taking place where the consumer and the provider are not face-to-face. In addition to prohibiting certain abusive marketing practices, the directive establishes criteria for the presentation of contract information. Given the special nature of financial markets, specifics are also laid out for contractual withdrawal.

### ***Direct Marketing over the Internet***

The [e-commerce directive](#) (2000/31/EC) imposes certain specific requirements connected to the direct marketing business. Promotional offers must not mislead customers and the terms that must be met to qualify for them have to be easily

accessible and clear. The directive stipulates that marketing e-mails must be identified as such to the recipient and requires that companies targeting customers on-line must regularly consult national opt-out registers where they exist. When an order is placed, the service provider must acknowledge receipt quickly and by electronic means, although the directive does not attribute any legal effect to the placing of an order or its acknowledgment. This is a matter for national law. Vendors of electronically supplied services (such as software, which the EU considers a service and not a good) must also collect value added tax (see [Electronic Commerce](#) section below).

## **Joint Ventures/Licensing**

[Return to top](#)

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**

[Return to top](#)

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. The EU, the 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.

### **EU REGULATIONS**

The EU public procurement market, including EU institutions and Member States, totals around EUR 1,600 billion. This market is regulated by three directives:

- Directive 2004/18 on Coordination of procedures for the award of public works, services and supplies contracts.
- Directive 2004/17 on Coordination of procedures of entities operating in the Utilities sector, which covers the following sectors: water, energy, transport and postal services.
- Directive 2009/81 on Coordination of procedures for the award of certain works, supply and service contracts by contracting authorities in the fields of defense and security (to be implemented in national laws of EU member states by August 2011).

Remedies directives cover legal means for companies who face discriminatory public procurement practices. These directives are implemented in the national procurement legislation of the 27 EU Member States.

The US and the EU are signatories of the World Trade Organization's (WTO) Government Procurement Agreement (GPA), which grants access to most public supplies and services and some works contracts published by national procurement authorities of the countries that are parties to the Agreement. In practice, this means that U.S.-based companies are eligible to bid on supplies and services contracts from European public contracting authorities above the agreed thresholds.

There are restrictions for U.S. suppliers in the EU utilities sector, however, both in the EU Utilities Directive and in the EU coverage of the GPA. The Utilities Directive allows EU contracting authorities in these sectors to either reject non-EU bids where the proportion of goods originating in non-EU countries exceeds 50% of the total value of the goods constituting the tender, or is entitled to apply a 3% price difference to non-EU bids in order to give preference to the EU bid. These restrictions are applied when no reciprocal access for EU companies in the U.S. market is offered. Those restrictions, however, were waived for the electricity sector.

For more information, please visit the [U.S. Commercial Service](#) at the U.S. Mission to the European Union website dedicated to EU public procurement. This site also has a database of all European public procurement tenders that are open to U.S.-based firms by virtue of the Government Procurement Agreement. Access is free of charge.

### **Distribution and Sales Channels**

[Return to top](#)

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 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**

[Return to top](#)

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**

[Return to top](#)

The number of Czech consumers who do not regularly shop online is sharply declining. Interest in e-commerce is growing and an increasing number of Czechs are surfing – and buying on the web. During 2010, e-commerce in the Czech Republic grew by a steady 7%, reaching almost \$781 million in B2C sales, and \$597 million in B2B. The number of Internet users with e-shopping experience currently exceeds 5 million and

continues to rise. The gap between end-use procurement and process-use e-commerce narrowed further during 2010, and the former is now only marginally ahead.

A number of factors have support this trend. Credit and debit card use is on the rise, and lower telecommunication tariffs have prompted more Czech consumers to get online. Most of the banks in this country offer secure e-commerce transactions to online retailers. Finally, in 2005 the Ministry of Informatics introduced anti-Spam legislation, which has been a benefit to legitimate online businesses. The most popular web trading sites are listed in the web resources section at the end of this document.

### ***EU REGULATIONS***

In July 2003, the EU started applying Value Added Tax (VAT) to sales of Electronically Supplied Services (ESS) by non-EU-based companies to EU-based non-business customers. U.S. companies that are covered by the rule must collect and submit VAT to EU tax authorities. European Council Directive 2002/38/EC further developed the [EU rules for charging Value Added Tax](#). These rules were indefinitely extended following adoption of directive 2008/8/EC.

U.S. businesses mainly affected by the 2003 rule change are those that are U.S.-based and selling ESS to EU based, non-business customers or those businesses that are EU-based and selling ESS to customers outside the EU who no longer need to charge VAT on these transactions. There are a number of compliance options for businesses. The directive created a special scheme that simplifies registering with each Member State. The directive allows companies to register with a single VAT authority of their choice. Companies have to charge different rates of VAT according to where their customers are based but VAT reports and returns are submitted to just one authority. The VAT authority responsible for providing the single point of registration service is then responsible for reallocating the collected revenue among the other EU VAT authorities.

### **Trade Promotion and Advertising**

[Return to top](#)

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.

### ***EU REGULATIONS***

Laws against misleading advertisements differ widely from member state to member state within the EU. To respond to this imperfection in the internal market, the Commission adopted a [directive](#), in force since 1986, to establish minimum and objective criteria regarding truth in advertising. The directive was amended in 1997 to include comparative advertising. Under the directive, misleading advertising is defined as any "advertising which in any way, including its presentation, deceives or is likely to deceive the persons to whom it is addressed or whom it reaches and which, by reason of its deceptive nature, is likely to affect their economic behavior or which for those reasons, injures or is likely to injure a competitor." Member states can authorize even more extensive protection under their national laws.

Comparative advertising, subject to certain conditions, is defined as "advertising which explicitly or by implication identifies a competitor or goods or services by a competitor." Member states can, and in some cases have, restricted misleading or comparative advertising.

The EU's [Audiovisual Media Services Directive](#) lays down legislation on broadcasting activities allowed within the EU. From 2009, the rules allow for US-style product placement on television and the three-hour/day maximum of advertising will be lifted. However, a 12-minute/hour maximum will remain. Child programming will be subject to a code of conduct that will include a limit of junk food advertising to children.

Following the adoption of the 1999 Council Directive on the Sale of Consumer Goods and Associated Guarantees, product specifications, as laid down in advertising, are now considered as legally binding on the seller. (For additional information on Council Directive 1999/44/EC on the Sale of Consumer Goods and Associated Guarantees, see the legal warranties and after-sales service section below.)

The EU adopted Directive 2005/29/EC concerning fair business practices is a further attempt to tighten up consumer protection rules. These rules outlaw several aggressive or deceptive marketing practices such as pyramid schemes, "liquidation sales" when a shop is not closing down, and artificially high prices as the basis for discounts, in addition to other potentially misleading advertising practices. Certain rules on advertising to children are also set out.

### ***Medicine***

The advertising of medicinal products for human use is regulated by Council Directive 2001/83/EC as amended by [Directive 2004/27/EC](#). Generally speaking, the advertising of medicinal products is forbidden if market authorization has not yet been granted or if the product in question is a prescription drug. Mentioning therapeutic indications where

self-medication is not suitable is not permitted, nor is the distribution of free samples to the general public. The text of the advertisement should be compatible with the characteristics listed on the product label, and should encourage rational use of the product. The advertising of medicinal products destined for professionals should contain essential characteristics of the product as well as its classification. Inducements to prescribe or supply a particular medicinal product are prohibited and the supply of free samples is restricted.

The Commission presented a new framework for [information to patients](#) on medicines in 2008. The framework, which is still being debated, would allow industry to produce non-promotional information about their medicines while complying with strictly defined rules and would be subject to an effective system of control and quality assurance.

### ***Nutrition & Health Claims***

In 2007, a regulation on nutrition and health claims entered into force. [Regulation 1924/2006](#) sets EU-wide conditions for the use of nutrition claims such as “low fat” or “high in vitamin C” and health claims such as “helps lower cholesterol”. The regulation applies to any food or drink product produced for human consumption that is marketed on the EU market. Only foods that fit a certain nutrient profile (below certain salt, sugar and/or fat levels) will be allowed to carry claims. Nutrition and health claims will only be allowed on food labels if they are included in one of the EU positive lists. Food products carrying claims must comply with the provisions of [nutritional labeling directive 90/496/EC](#). From 2010, only nutrition claims in the Annex will be allowed.

The development of nutrient profiles, originally scheduled for January 2009, has been delayed. Nutrition claims can fail one criterion, i.e. if only one nutrient (salt, sugar or fat) exceeds the limit of the profile, a claim can still be made provided the high level of that particular nutrient is clearly marked on the label. For example, a yogurt can make a low-fat claim even if it has high sugar content but only if the label clearly states “high sugar content”. A European Union [Register of nutrition claims](#) has been established and is updated regularly. Health claims cannot fail any criteria.

As of November 2010, EFSA had published 200 opinions providing scientific advice on more than 1,700 “general function” health claims. EFSA expects to complete the evaluation of the general function health claims prioritized by the Commission by the end of June 2011.

A simplified authorization procedure has been established for health claims based on new scientific data. A guidance document on how companies can apply for health claim authorizations can be downloaded from [EFSA's website](#).

### ***Food Supplements***

[Regulation 1925/2006](#) harmonizes rules on the addition of vitamins and minerals to foods. The regulation lists the vitamins and minerals that may be added to foods. This list was most recently [revised in November 2009](#). A positive list of substances other than vitamins and minerals has not been established yet, although it is being developed. Until then, Member State laws will govern the use these substances.

### ***Tobacco***

The EU [Tobacco Advertising Directive](#) bans tobacco advertising in printed media, radio, and internet as well as the sponsorship of cross-border events or activities. Advertising

in cinemas and on billboards or merchandising is allowed though these are banned in many Member States. Tobacco advertising on television has been banned in the EU since the early 1990s and is governed by the TV without Frontiers Directive. The EU plans to revise the Tobacco Products Directive in 2012, with possible changes to include bigger, double-sided health pictorial warnings on cigarette packages and plain packaging.

## **Pricing**

[Return to top](#)

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 face European competition, which has 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**

[Return to top](#)

Although not yet at the level of Western standards, customer service has come a long way since the market opened up. Though attitudes are slowly changing, especially in the areas of government services and state-owned businesses, the emergence of foreign investment and foreign franchises has had a positive impact on improvements in customer service. There is still some 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 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.

## ***EU REGULATIONS***

Conscious of the discrepancies among Member States in product labeling, language use, legal guarantee, and liability, the redress of which inevitably frustrates consumers in cross-border shopping, the EU institutions have launched a number of initiatives aimed at harmonizing national legislation. Suppliers within and outside the EU should be aware of existing and upcoming legislation affecting sales, service, and customer support.

### ***Product Liability***

Under the 1985 [Directive on liability of defective products](#), amended in 1999, the producer is liable for damage caused by a defect in his product. The victim must prove the existence of the defect and a causal link between defect and injury (bodily as well as material). A reduction of liability of the manufacturer is granted in cases of negligence on the part of the victim.

### ***Product Safety***

The 1992 [General Product Safety Directive](#) introduces a general safety requirement at the EU level to ensure that manufacturers only place safe products on the market. It was revised in 2001 to include an obligation on the producer and distributor to notify the Commission in case of a problem with a given product, provisions for its recall, the creation of a European Product Safety Network, and a ban on exports of products to third countries that are not deemed safe in the EU. The legislation is undergoing review.

### ***Legal Warranties and After-Sales Service***

Under the 1999 [Directive on the Sale of Consumer Goods and Associated Guarantees](#), professional sellers are required to provide a minimum two-year warranty on all consumer goods sold to consumers (natural persons acting for purposes outside their trade, businesses or professions), as defined by the directive. The remedies available to consumers in case of non-compliance are:

- Repair of the good(s);
- Replacement of the good(s);
- A price reduction; or
- Rescission of the sales contract.

Other issues pertaining to consumers' rights and protection, such as the New Approach Directives, CE marking, quality control and data protection are dealt with in [Chapter 5](#) of this report.

## **Protecting Your Intellectual Property**

[Return to top](#)

Several general principles are important for effective management of intellectual property ("IP") rights in the Czech Republic. First, it is important to have an overall strategy to protect your IP. Second, IP is protected differently in the EU than in the U.S. Third, rights must be registered and enforced *in* the EU, under local laws.

Your U.S. trademark and patent registrations will not protect you in the Czech Republic. Specifically for copyright, all EU Member States are parties to the [Berne Convention for the Protection of Literary and Artistic Works](#), so EU copyright protection is automatic and no formal registration is necessary. Therefore, if a company has copyright protection in the US under the Berne Convention, that company will equally have protection in the EU-27. EU Member States are also party to the Berne Union, which allows them to offer more, but not less, protection than is required under the Berne Convention. Many EU Member States have therefore, created domestic registration systems that provide additional benefits to the copyright holder.

As for patents and trademarks, EU countries have a first to file approach to applications, as opposed to the U.S.'s first to invent (patents) or first use (trademarks) systems. This makes early filing a top priority for innovative companies in the EU. Unfortunately, in the

EU it is not yet possible to file for a single patent that would be administered and enforced like those in the U.S. Since the EU does not yet have a harmonized patent law, inventors need to get protection in each of their target markets either by the European Patent Organisation (EPO) or national patent offices. If a company wants to protect a trademark asset in the EU, it must register the trademark with an individual Member State or with the EU in the form of a Community Trade Mark (CTM).

Since registration of patents and trademarks is on a first-in-time, first-in-right basis, you should consider applying for trademark and patent protection even before selling your products or services in the Czech market. It is vital that companies understand that intellectual property is primarily a private right and that the U.S. government generally cannot enforce rights for private individuals in the Czech Republic or the EU. It is the responsibility of the rights' holders to register, protect, and enforce their rights where relevant, retaining their own counsel and advisors. Companies may wish to seek advice from local attorneys or IP consultants who are experts in Czech and EU law. The U.S. Commercial Service can provide a list of local lawyers upon request.

While the U.S. Government stands ready to assist, there is little we can do if the rights holders have not taken these fundamental steps necessary to securing and enforcing their IP in a timely fashion. Moreover, in many countries, rights holders who delay enforcing their rights on a mistaken belief that the USG can provide a political resolution to a legal problem may find that their rights have been eroded or abrogated due to legal doctrines such as statutes of limitations, laches, estoppel, or unreasonable delay in prosecuting a law suit. In no instance should U.S. Government advice be seen as a substitute for the obligation of a rights holder to promptly pursue its case.

It is always advisable to conduct due diligence on potential partners. Negotiate from the position of your partner and give your partner clear incentives to honor the contract. A good partner is an important ally in protecting IP rights. Consider carefully, however, whether to permit your partner to register your IP rights on your behalf. Doing so may create a risk that your partner will list itself as the IP owner and fail to transfer the rights should the partnership end. Keep an eye on your cost structure and reduce the margins (and the incentive) of would-be bad actors. Projects and sales in the Czech Republic require constant attention. Work with legal counsel familiar with Czech laws to create a solid contract that includes non-compete clauses, and confidentiality/non-disclosure provisions.

It is also recommended that small and medium-size companies understand the importance of working together with trade associations and organizations to support efforts to protect IP and stop counterfeiting. There are a number of these organizations, both Czech- or U.S.-based. These include:

- The U.S. Chamber and local American Chambers of Commerce
- National Association of Manufacturers (NAM)
- International Intellectual Property Alliance (IIPA)
- International Trademark Association (INTA)
- The Coalition Against Counterfeiting and Piracy
- International Anti-Counterfeiting Coalition (IACC)
- Pharmaceutical Research and Manufacturers of America (PhRMA)
- Biotechnology Industry Organization (BIO)

## IP Resources

A wealth of information on protecting IP is freely available to U.S. rights holders. Some excellent resources for companies regarding intellectual property include the following:

- For information about patent, trademark, or copyright issues -- including enforcement issues in the US and other countries -- call the STOP! Hotline: **1-866-999-HALT** or register at [www.StopFakes.gov](http://www.StopFakes.gov).
- For more information about registering trademarks and patents (both in the U.S. as well as in foreign countries), contact the US Patent and Trademark Office (USPTO) at: **1-800-786-9199**.
- For more information about registering for copyright protection in the US, contact the US Copyright Office at: **1-202-707-5959**.
- For more information about how to evaluate, protect, and enforce intellectual property rights and how these rights may be important for businesses, a free online training program is available at [www.stopfakes.gov](http://www.stopfakes.gov).
- For US small and medium-size companies, the Department of Commerce offers a "SME IP Advisory Program" available through the American Bar Association that provides one hour of free IP legal advice for companies with concerns in Brazil, China, Egypt, India, Russia, and . For details and to register, visit: [http://www.abanet.org/intlaw/intlproj/ipprogram\\_consultation.html](http://www.abanet.org/intlaw/intlproj/ipprogram_consultation.html)
- For information on obtaining and enforcing intellectual property rights and market-specific IP Toolkits visit: [www.StopFakes.gov](http://www.StopFakes.gov) This site is linked to the USPTO website for registering trademarks and patents (both in the U.S. as well as in foreign countries), the U.S. Customs & Border Protection website to record registered trademarks and copyrighted works (to assist customs in blocking imports of IP-infringing products) and allows you to register for Webinars on protecting IP.
- The U.S. Commerce Department has positioned IP attachés in key markets around the world. You can get contact information for the IP attaché who covers the Czech Republic at: [Ashley.Miller@trade.gov](mailto:Ashley.Miller@trade.gov) or [Susana.Getman@trade.gov](mailto:Susana.Getman@trade.gov).

## Due Diligence

[Return to top](#)

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

[Return to top](#)

Most major U.S. and international firms providing legal, accounting and consultancy services are represented in the Czech Republic. Many of these firms, like [Baker and McKenzie](#), also publish their own [business guides](#) for the Czech Republic, which address legal and taxation issues in more detail than this report. For a full list of firms or industry associations, please contact the Commercial Service in Prague. You can also visit our website's list of [business providers](#), which includes local and international service providers supporting the international business community in the Czech Republic.

## Web Resources

[Return to top](#)

### ***B2B Websites***

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

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

Major provider of B2B services in Central Europe: <http://www.b2bcentrum.cz>

### ***EU Websites***

Copyright: [http://ec.europa.eu/internal\\_market/copyright/documents/documents\\_en.htm](http://ec.europa.eu/internal_market/copyright/documents/documents_en.htm)

European Patent Office (EPO): <http://www.european-patent-office.org>

Industrial Property: [http://ec.europa.eu/internal\\_market/indprop/index\\_en.htm](http://ec.europa.eu/internal_market/indprop/index_en.htm)

Office for Harmonization in the Internal Market (OHIM): <http://oami.europa.eu/>

World Intellectual Property Organization (WIPO), Madrid: <http://www.wipo.int/madrid/en>

### ***U.S. Websites***

EU Public Procurement : [http://www.buyusa.gov/europeanunion/eu\\_tenders.html](http://www.buyusa.gov/europeanunion/eu_tenders.html)

IPR Toolkit: <http://www.buyusa.gov/europeanunion/ipr.html>

[Return to table of contents](#)

[Return to table of contents](#)

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

### Commercial Sectors

- [Airports and Ground Support Equipment](#)
- Aviation
- Automotive Parts and Equipment
- Defense
- E-Commerce
- Education
- Electrical Power Systems
- Franchising
- Industrial Process Controls
- Information Technology
- Medical Equipment
- Pollution Control Equipment
- Safety and Security

### Agricultural Sectors

Note: Many U.S. agricultural products enter via Germany or Netherlands and are therefore often counted under these countries trade statistics. Real U.S. market share is higher than statistics in the sections below indicate.

- [Dried Nuts and Fruits](#)
- [Fish and Crustaceans](#)
- [Soybean Meal](#)
- [Wine and Spirits](#)
- [Wood](#)

## Airports and Ground Support Equipment

### Overview

[Return to top](#)

	2009	2010	2011 (estimated)	2012 (estimated)
Total Market Size	150	120	166	194
Total Local Production	50	30	40	50
Total Exports	30	20	30	35
Total Imports	120	100	136	155
Imports from the U.S.	100	85	115	130
Exchange Rate: 1 USD	19	18	17.5	17.8

Source: [Czech Statistical Office](#), Czech airports - final reports; in USD millions

The development of Czech airports has been an important trend in the Czech aerospace market. Due to the country's rapid economic growth, rising incomes, and increasing market liberalization the Czech Republic saw a steady increase in both business and leisure travelers until 2009.

The Czech Republic's current airport network consists of 10 international and 58 domestic airfields and runways, mainly used for general aviation and taxi flights. The Prague Ruzyně Airport is the main gateway in and out of the country. Regional airports with some importance for air traffic are:

- Brno-Turany
- Ostrava-Mosnov
- Karlovy Vary-Olsova Vrata
- Pardubice

### Sub-Sector Best Prospects

[Return to top](#)

Recently, the company Aero Vodochody presented its plan to turn the factory airport located on the north-east outskirts of Prague into an international airport by 2013, aiming to process some 3.5 million passengers a year and competing with Praha Ruzyně Airport. It plans to specifically target low budget airlines by offering them lower charges and more attractive flight times than Ruzyně. In addition, the airport will focus on chartered and private flights. Investment into Aero Vodochody Airport is estimated at USD 160 million.

### Opportunities

[Return to top](#)

- Full-body scanners for Prague and Ostrava airports
- Waste water treatment plant at Prague Ruzyně
- Construction of a new terminal E at Prague Ruzyně (from 2015 onward)

### Web Resources

[Return to top](#)

Aero Vodochody: [www.aero.cz](http://www.aero.cz)

Air Navigation Service (ANS): [www.rlp.cz](http://www.rlp.cz)

Airport tenders and projects: [www.centralniadresa.cz](http://www.centralniadresa.cz) or [www.airportnet.org](http://www.airportnet.org)

Brno Airport: [www.brno-airport.cz](http://www.brno-airport.cz)  
Civil Aviation Administration: [www.mdcz.cz](http://www.mdcz.cz)  
Civil Aviation Authority: [www.caa.cz](http://www.caa.cz)  
Karlovy Vary Airport: [www.airport-k-vary.cz](http://www.airport-k-vary.cz)  
Ostrava Airport: [www.ostrava-airport.cz](http://www.ostrava-airport.cz)  
Prague Airport: [www.Prg.aero.cz](http://www.Prg.aero.cz)  
U.S. Commercial Service: [hana.obrusnikova@trade.gov](mailto:hana.obrusnikova@trade.gov)

## Aviation

### Overview

[Return to top](#)

	2009	2010	2011 (estimated)	2012 (estimated)
Total Market Size	530	681	500	680
Total Local Production	812	535	630	790
Total Exports	719	386	565	670
Total Imports	437	532	435	560
Imports from the U.S.	188	343	390	425
Exchange Rate: 1 USD	19	18	17.5	17.8

Source: [Statistical Office](#), [Association of Aircraft Producers](#), [Aero vodochody](#), [Evektor](#), and [Aircraft Industries](#); in USD millions

While the decision of Czech Airlines to choose Airbus for its next major aircraft purchase put a major dent in a once overwhelming U.S. market share, the Czech Republic remains a viable market for U.S. aircraft, and U.S. companies should continue to pay close attention not only to this market sector, but also to the private business jet market. As commercial jet check-in procedures become ever more complicated, private business jet travel is grabbing a larger share of the market. To meet the demand, some Czech-based operators are adding aircraft to their fleets and US companies should keep an eye to this promising market.

### Sub-Sector Best Prospects

[Return to top](#)

- Regional and business aircrafts
- Helicopters for medical emergencies and police work
- Upgraded and sophisticated avionics
- Supply of technologies and aircraft components for domestic production
- Training and consulting services

### Opportunities

[Return to top](#)

- Utility cargo aircraft for Czech Air Force
- Ultrasonic fighters (lease of Grippens terminates in 2014)

### Web Resources

[Return to top](#)

Association of Aircraft manufacturers: [www.alv-cr.cz](http://www.alv-cr.cz)

Aviation Research Institute: [www.vzlu.cz](http://www.vzlu.cz)

Ministry of Defense: [www.army.cz](http://www.army.cz)

US Commercial Service: [Hana.obrusnikova@trade.gov](mailto:Hana.obrusnikova@trade.gov)

## Automotive Parts & Equipment

### Overview

[Return to top](#)

	2009	2010	2011 (estimated)	2012 (estimated)
Total Market Size	13,480	11,000	12,500	13,500
Total Local Production	26,000	24,000	25,000	26,000
Total Exports	21,840	23,000	22,000	23,000
Total Imports	9,320	10,000	9,500	10,500
Imports from the U.S.	196	200	190	200
Exchange Rate: 1 USD	19	18	17.50	17.80

Source: [Automotive Industry Association of the Czech Republic](#), [Czech Statistical Office](#); in USD millions

Although the financial crisis hit the Czech automotive industry hard, production of new passenger cars raised to all-time-record high both in 2009 and 2010. The increases recorded were 4.12% in 2009 and 1.5% in 2010 respectively. The Czech automotive industry capitalized on higher demand for cheaper and smaller cars in the European Union, which car manufacturers in the Czech Republic specialize in. In addition to new car manufacturing, production of automotive parts and components plays a significant role and represents almost 50% of the sector. This area was hit by the crisis the most and the market has faced severe reductions.

### Sub-Sector Best Prospects

[Return to top](#)

- In-car entertainment
- Auto security equipment
- Car care products

### Opportunities

[Return to top](#)

- Hybrid buses for Prague public transportation
- Electric bikes for the Czech Post
- Advanced technologies and supplies for automotive parts manufacturers

### Web Resources

[Return to top](#)

Association of Automotive Industry of the Czech Republic:

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

AUTOSALON BRNO 2011, June 3-9: <http://www.bvv.cz/autotec-gb>

Czechbus 2011, November 3-5: <http://www.autoshowpraha.cz/main.php?pageid=4908>

MOTOSALON 2011, March 3-6: <http://www.bvv.cz/motosalon-gb>

U.S. Commercial Service: [Zdenek.Svoboda@trade.gov](mailto:Zdenek.Svoboda@trade.gov)

## Defense

### Overview

[Return to top](#)

	2009	2010	2011 (estimated)	2012 (estimated)
Total Market Size	806	812	801	807
Total Local Production	489	493	497	498
Total Exports	325	340	345	347
Total Imports	642	659	649	655
Imports from the U.S.	254	261	295	305
Exchange Rate: 1 USD	19	18	17.5	17.8

Source: [Czech Statistical Office](#), [Defense Ministry](#), [Association of Defense Industry](#); in USD millions

The original deadline for the armed forces' overall of its 26,000 soldiers in order to achieve full operational capability was set for 2012. However, in the wake of defense budget cuts, this was pushed back to 2015. But even this date is not firm. Fundamental modernization projects will most likely not be affected, but there won't be enough financial resources to execute lower level modernization aims, such as a small caliber arms upgrade and the construction of new military bases. Over the next 15 years, the Czech Army will need to spend hundreds of millions of dollars on tactical equipment for all levels, small caliber machine guns, small terrain vehicles and the reconstruction and upgrade of military IT infrastructure and communication and information systems.

### Sub-Sector Best Prospects

[Return to top](#)

In order to remake the Czech armed forces into a small, mobile, and sophisticated professional army, the Czech Government has adopted the following procurement strategy:

- Mid range radar system
- Mid-sized trucks
- NBC equipment
- Night vision equipment
- Artillery

Through its Foreign Military Financing (FMF) program, the U.S. plays an important role in helping the Czech military transition to NATO compatibility. The FMF program includes advisory assistance for restructuring as well as funds for acquisitions. Since 1996, the U.S. has provided over \$87 million to the Czech military through this program. Its purpose is to assist the Czech military's transition to becoming a fully integrated NATO partner.

### Opportunities

[Return to top](#)

- Supersonic aircraft lease
- Transport planes

**Web Resources**[Return to top](#)

Association of Defense and Security Industry, [www.aobp.cz](http://www.aobp.cz)

IDET, International Fair on Defense and Security May 10-13: [www.idet.cz](http://www.idet.cz)

Ministry of Defense, [www.army.cz](http://www.army.cz)

U.S. Commercial Service: [hana.obrusnikova@trade.gov](mailto:hana.obrusnikova@trade.gov)

## E-Commerce

### Overview

[Return to top](#)

	2009	2010	2011 (estimated)	2012 (estimated)
Total Market Size	2,870	2,592	3,054	3,094
Total Local Production	1,131	1,142	1,165	1,189
Total Exports	785	810	830	890
Total Imports	1,739	1,810	1,889	1,905
Imports from the U.S.	1,401	1,505	1,520	1,565
Exchange Rate: 1 USD	19	18	17.50	17.80

Data Source: CSO; figures in USD million

E-Commerce in the Czech Republic comes under the jurisdiction of the Ministry of Interior. The purpose of the 'E-Government Act,' is to create optimal conditions for electronic communications concerning each public authority. All further communication will be solely electronic. As a result, only documents, not people, will be circulating amongst the authorities. Measures are being taken to make written documentation and electronic forms of documents officially equal. Authorized conversion of all written documents into their electronic form, and vice versa, has taken place. These tasks are performed by notaries and regional and local authorities using electronic signature. This process saves time and money, and no further amendments to the existing e-communication laws are required.

The development of e-business is strongly affected by access to the web, telecommunication tariffs, and the legal environment, and access to the Internet is well developed in the Czech Republic. The need to 'keep in touch' through e-mail, instant messaging, etc., also plays a major role in increasing demand.

The vast majority of Czech companies have access to the Internet. During 2010, the number of households having Internet surpassed 54.2%; 49.2% of households use broadband. The growth is rapid, compared to 2008, when only two fifths of households reported having Internet. The following three factors are influencing the growth of e-Commerce: high speed and high quality access to the Internet, a good legal environment, and a well developed payment and goods delivery system.

### Sub-Sector Best Prospects

[Return to top](#)

- Application service providing
- Complex IT solutions supporting the Internet
- Data service equipment
- Digital signal processing
- e-Banking
- Electronic signature products
- E-Government products

- Multimedia applications / training, entertainment
- Safety & Security equipment
- Software system solutions
- Web casting

## Opportunities

[Return to top](#)

A positive effect on e-business in the Czech Republic is the strong growth of electronic banking. The growth is supported by a number of factors. Credit card use is rising, and lower telecommunication tariffs have prompted more Czech consumers to get online. All major banks provide secure e-commerce transactions. Large production companies provide wide opportunities, as e-transactions are more popular and widely accepted throughout the country. The Czech Judiciary needs modernization, a new tender for e-communication between courts in different parts of the country is expected early next year. E-communication between courts and police is on the increase, due to saving time and people power. A very good example is the town of Brno with a new policy of 'e-communication only'. As the policy proved to be cost effective, other towns are encouraged to implement it as well. Police use of electronic communication is on the increase, mainly between officers in the field and their headquarters.

## Web Resources

[Return to top](#)

Association for E-Commerce: [www.apek.cz](http://www.apek.cz)

Association for Direct Marketing: [www.cnspp.cz](http://www.cnspp.cz)

Association for Information Society: [www.spis.cz](http://www.spis.cz)

Center for e-Commerce: [www.e-commerce.cz](http://www.e-commerce.cz)

Czech Association of Competitive Communications: [www.cakk.cz](http://www.cakk.cz)

Czech Certification Office: [www.unmz.cz](http://www.unmz.cz)

Information System: [www.usiscr.cz](http://www.usiscr.cz)

Ministry of Interior: [www.mvcr.cz](http://www.mvcr.cz)

Telecommunication Office (Government appointed 'watchdog'): [www.ctu.cz](http://www.ctu.cz)

U.S. Commercial Service: [Luda.Taylor@trade.gov](mailto:Luda.Taylor@trade.gov)

## Education

### Overview

[Return to top](#)

Study abroad programs are popular in the Czech Republic, as Czechs discovered travel and study abroad in the nineties after the fall of communism. The number of Czechs studying in the U.S. experienced a decline in recent years, from a high of 1,180 students in 2003 to 828 students in 2010, largely due to the Czech Republic's entry into the European Union (EU), availability of EU grant programs for studying in the EU, and stricter travel and visa procedures to the U.S. following 9/11. Currently, three-quarters of university students going abroad take advantage of the Socrates–Erasmus program to study in Europe. Current exchange rates and the visa waiver program are making U.S. education more attractive, though university studies in the U.S. are most attractive for academically talented students who are able to take advantage of scholarships. The majority of university students are interested in economic and humanities subjects, technical areas rank in third place.

English is the standard second language in the Czech Republic and is taught in schools from the 3rd grade onwards. A recent government decision that will make English language mandatory for primary school students should improve the ability of Czech students to study at U.S. universities and colleges. Currently 27% of all Czechs speak some level of English and 10% are reported to be fluent. The Czech Republic is the leader among Central European countries (and most of Eastern European as well) in the percentage of population speaking English as a foreign language.

The Czech Republic attracts a growing number of university students from abroad. The range of programs delivered in foreign languages (mainly in English) is gradually expanding in order to cater to international students. This provides opportunities for U.S. schools seeking to create joint programs (such as 2+2 programs) and promote their schools to a wider market of European students.

### Sub-Sector Best Prospects

[Return to top](#)

- U.S. – Czech universities and colleges partnerships – student exchange programs
- High school student exchange programs
- ESL – English as a Second Language short term courses
- MBA courses
- Distance and e-learning courses
- Pre-school, and kindergarten programs

### Opportunities

[Return to top](#)

U.S. universities may also make use of the EU-funded Erasmus Mundus cooperation and mobility program. Erasmus Mundus Joint programs of outstanding academic quality are designed and implemented by a consortium of European universities from at least three different countries. Consortia may also include universities from other parts of the world, including the U.S. Scholarships are open to students and academics from all over the world.

More and more Czech companies are following the lead of global companies based in the Czech Republic and are requiring English language capabilities from their employees. This trend creates demand for English as a Second Language (ESL) studies in the Czech Republic. However, European countries appear to be a more attractive destination for short term ESL studies, especially given the price and distance advantages. The declining dollar has ameliorated the situation somewhat recently. Strong demand still exists for programs at elite U.S. universities.

U.S. MBA programs are seen as high quality and prestigious, however, they are also viewed as highly priced. Some employers used to offer MBA studies as part of their benefits package. However, these days they are reconsidering this strategy, since they are increasingly faced with employee turnover after completing the course. While distance and e-learning programs are growing in popularity around the world, the Czech Republic lags in this area. Preferred courses are those that meet specific professional needs. The main market for this segment is corporate training.

Other areas of growing demand include the private kindergarten business and high-school exchange programs where U.S. schools form partnerships with Czech recruitment agencies.

#### **Web Resources**

[Return to top](#)

Center for Higher Education Studies – [www.naric.cz](http://www.naric.cz)

Fulbright Commission – [www.fulbright.cz](http://www.fulbright.cz)

House of Foreign Services under the Ministry of Education – [www.dzs.cz](http://www.dzs.cz)

Ministry of Education, Youth and Sport – [www.msmt.cz](http://www.msmt.cz)

National Agency for European Educations programs (including Erasmus Mundus) – [www.naep.cz](http://www.naep.cz)

Study in the Czech Republic – [www.studyin.cz](http://www.studyin.cz)

U.S. Commercial Service – [Jana.Ruckerova@trade.gov](mailto:Jana.Ruckerova@trade.gov)

## Electrical Power Systems

### Overview

[Return to top](#)

	2009	2010	2011 (estimated)	2012 (estimated)
Total Market Size	3,100	3,200	3,800	4,200
Total Local Production	2,900	2,800	2,900	3,300
Total Exports	1,900	1,900	1,900	1,900
Total Imports	2,100	2,300	2,800	2,800
Imports from the U.S.	150	200	300	400
Exchange Rate: 1 USD	19	18	17.50	17.80

Sources: Czech National Bank, Ministry of Industry and Trade, Czech Energy Works (CEZ), General Inspectorate of Customs; figures in USD million

### Sub-Sector Best Prospects

[Return to top](#)

- Equipment for retrofit of coal plants, including boilers and pumps.
- Control systems and software services for power distribution networks.
- Technology for nuclear power generation.

### Opportunities

[Return to top](#)

Opportunities in the Czech energy sector originate from projects introduced by the dominant Czech power generator – [Czech Energy Works \(CEZ\)](#), which is majority owned by the state. CEZ operates coal-fired power plants accounting for 56% of energy generation and two nuclear power plants accounting for 30% of energy generation. Retrofit, modernization and construction of several coal fired power plants represent promising export potential for U.S. companies. Tenders are published at the firm's website and at [www.centralniadresa.cz](http://www.centralniadresa.cz).

In August 2010, CEZ opened a tender for the supply of 2x1000 MW blocs to be built at the site of the Temelin nuclear power plant. This project, combined with additional projects that CEZ is considering in neighboring markets, is worth \$27 billion. Three bidders have been pre-qualified to submit proposals: Westinghouse, Areva and Atomstroyexport. The exact type of reactors and their capacity will be determined during the tender process (the tender is expected to be released in October 2011), but the units will be generation III pressurized water reactors (PWRs). CEZ expects to start the construction of two blocs in Temelin in 2013, the first unit should be completed in 2020.

New generation units will also require upgrades to the transmission networks. The state utility [Czech Energy Transmission System](#) will invest \$270 million yearly over a period of five years into transmission networks.

### Web Resources

[Return to top](#)

51<sup>st</sup> International Machinery Fair, Oct 3-7: <http://www.bvv.cz/msv>

Czech Energy Works: [www.cez.cz](http://www.cez.cz)

CEPS (transmission): <http://www.ceps.cz/indexen.asp>

Tenders: [www.centralniadresa.cz](http://www.centralniadresa.cz)

U.S. Commercial Service: [hana.obrusnikova@trade.gov](mailto:hana.obrusnikova@trade.gov)

## Franchising

### Overview

[Return to top](#)

Franchising has become a well-known, successful and popular concept in the Czech market and is poised for further growth. After a rather moderate start in the 1990s, franchising has seen rapid growth, especially after the Czech Republic's accession to the EU in 2004. Czechs have seen the success of the foreign franchising systems and are now founding domestic franchising concepts and expanding abroad. There are currently about 150 franchised brands on the Czech market. The total number of licensee holders more than doubled over the last four years from 1,000 holders in 2006 to 2,029 holders in 2010. In 2010, franchising licensee holders operated 3,470 franchising units in the Czech market. Around 50% of the franchised brands are of Czech origin. Most franchise businesses operate in the hotel and hospitality sectors. Fast-food establishments are very popular and have a strong U.S. presence. The most successful franchisor in the Czech Republic is McDonald's, using multiple franchising techniques. The bulk of franchises are also found in the retail sector, including clothing, cosmetics, gas stations, car rentals, photo processing, training and other services. Most recently, the real estate sector has seen rapid growth. Analysts estimate the market potential amounts to 300 franchises, the number of brands similar to neighboring Austria.

### Sub-Sector Best Prospects

[Return to top](#)

- Health-care services, senior home care
- Travel and tourism, hotels
- Fast food, restaurants, coffee shops
- Home maintenance, parking facilities, property management
- Children education and entertainment, training services, digital entertainment
- Automotive services - minor repairs, carwash stations, spare parts
- Banking, insurance and other financial services

### Opportunities

[Return to top](#)

Hotel franchising, though it is more widespread than other types of franchising, still provides opportunities, especially in second and third tier cities that are lacking internationally known hotel brands.

There is room for growth in the fast food sector and restaurant sector as well, as many popular franchises are still missing in the Czech market. Czechs spend about \$1.2 billion (25 billion CZK) annually on fast food and eat fast food three times more frequently than Hungarians and four times more than Polish consumers. This totals approximately 30% of restaurant revenues. The two dominant players on the local fast food market are McDonalds and KFC; these two chains account for 14% of the total fast food market.

Great potential exists for coffee shops, which have become very popular recently. There is also room for convenience stores and new apparel/fashion stores as the demand is still not saturated.

Real estate franchising is booming. The real estate market has been growing rapidly in the last few years and this prosperous market has attracted many new international players.

## **Web Resources**

[Return to top](#)

Czech Franchise Association <http://www.czech-franchise.cz>

Czech Franchise Institute - <http://www.ifranchising.cz>

Franchising Portal - [www.franchisinginfo.cz](http://www.franchisinginfo.cz)

U.S. Commercial Service – [Jana.Ruckerova@trade.gov](mailto:Jana.Ruckerova@trade.gov)

## Industrial Process Controls

### Overview

[Return to top](#)

	2009	2010	2011 (estimated)	2012 (estimated)
Total Market Size	3,500	4,100	5,500	6,170
Total Local Production	3,800	4,200	5,650	6,200
Total Exports	1,500	2,200	3,650	3,680
Total Imports	1,200	2,100	3,500	3,650
Imports from the U.S.	48	84	100	120
Exchange Rate: 1 USD	19	18	17.50	17.80

Source: [Czech Statistical Office](#), Total estimates have been calculated from data for specific industrial parts; in USD millions

In 2008, the Czech Statistical Office conducted a survey on costs on technical process innovation that can well represent the total market size of industrial automation & process control. Foreign-owned companies spent CZK 68.4 billion (USD 3.42 billion) while Czech owned businesses invested CZK 55.0 billion (USD 2.75 billion). The next such comprehensive survey is scheduled for 2011. The financial crisis hit the market in 2009 and all investments were cut down by almost 50%. We can see a significant revival of industrial purchases in 2010 but it is expected that the 2008's levels will not be reached before 2012.

### Best Products/Services

- Manufacturing Execution Systems (MES)
- Wireless Communication
- Intelligent sensors
- Hydraulic and pneumatic automatic regulating and controlling equipment
- Measuring, controlling equipment for energy saving and renewable energy utilization

### Opportunities

- Building Energy Saving Systems
- Steel and Heavy Industry Modernization
- Safety and Security Systems

### Web Resources

Amper 2011 – International Trade Fair of Electrotechnics and Electronics, Mar 29–Apr 1:  
<http://www.amper.cz/en/>

Economic Chamber of the Czech Republic: [www.komora.cz](http://www.komora.cz)

U.S. Commercial Service: [Zdenek.Svoboda@trade.gov](mailto:Zdenek.Svoboda@trade.gov)

## Information Technology

### Overview

[Return to top](#)

	2009	2010	2011 (estimated)	2012 (estimated)
Total Market Size	8,251	8,376	8,459	8,600
Total Local Production	2,256	2,265	2,280	2,292
Total Exports	1,800	1,810	1,825	1,840
Total Imports	5,995	6,111	6,179	6,308
Imports from the U.S.	3,900	4,115	4,200	4,290
Exchange Rate: 1 USD	19	18	17.50	17.80

Data Source: CSO; figures in USD million

During the last five years, the country has made considerable progress in expanding IT usage and investment. Governmental purchases and focus on small and medium size business are increasing, creating opportunities and enabling the market to grow steadily. IT ratios have surpassed the standards of the original members of the EU. In mobile telephony, the figure is far exceeding the average EU statistics. Considering the Czech Republic is a small country with a population of 10.7 million, the number of mobile phones reached 13.7 million at the end of last year. The penetration is over one hundred percent. The latest trend in the Czech Republic is to cancel the fixed line at home, and buy another mobile phone instead. Internet penetration is divided into two categories. There are 34% of households and 97% of business with Internet access. Internet access became crucial for Czech business. Since the introduction of ADSL, the market opened and progressed still further.

The market is highly competitive with robust U.S and European firms and increasingly competitive Czech firms. The decline of the U.S. dollar makes U.S. companies more competitive vis-à-vis European competitors, though Czech membership gives the Europeans a slight edge in tariff rates. U.S. companies with niche products and services will continue to find good opportunities. The best market entry strategy continues to be working with a local partner, either agent or OEM. The Czech Government is a potential customer, but it takes a long time before a decision is made. During the last year, IT growth in Czech Republic exceeded 2.8%. This trend is expected to reverse, due to the improving global financial situation IDC (International Data Corporation), the premier global provider of market intelligence, expects that spending on hardware will increase at an average annual rate of 5.1% between 2010 and 2014, while spending on software will expand by 8.2% annually. The highest expenditure per government employee last year was recorded in the Czech Republic, followed by Slovakia and Poland.

### Sub-Sector Best Prospects

[Return to top](#)

- Data services
- Data service equipment
- Electronic components
- Network equipment
- Video conferencing equipment

- Voice service equipment
- Wireless equipment

## Opportunities

[Return to top](#)

The market is highly competitive with robust U.S and European firms and increasingly competitive Czech firms. The decline of the U.S. dollar makes U.S. companies more competitive vis-à-vis European competitors, though Czech membership gives the Europeans a slight edge in tariff rates. U.S. companies with niche products and services will continue to find good opportunities. Investments in IT are increasing annually. Market driving forces are the banking sector, media, state authorities and institutions, and SMEs.

## Web Resources

[Return to top](#)

Association for Information Society: [www.spis.cz](http://www.spis.cz)

Center for e-Commerce: [www.e-commerce.cz](http://www.e-commerce.cz)

Czech Association of Competitive Communications: [www.cakk.cz](http://www.cakk.cz)

Information System: [www.usiscr.cz](http://www.usiscr.cz)

Telecommunication Office (Government appointed 'watchdog') [www.ctu.cz](http://www.ctu.cz)

U.S. Commercial Service: [Luda.Taylor@trade.gov](mailto:Luda.Taylor@trade.gov)

## Medical Equipment

### Overview

[Return to top](#)

	2009	2010	2011 (estimated)	2012 (estimated)
Total Market Size	1,391	1,307	1,242	1,292
Total Local Production	911	881	837	870
Total Exports	447	445	423	440
Total Imports	927	872	828	861
Imports from the U.S.	218	192	182	189
Exchange Rate: 1 USD	19	18	17.50	17.80

Note: Unofficial estimates (products including HS 9018, 9019, 9021, 9022); in USD Million

The health care sector is very active and prominent in the Czech Republic. Although domestic manufacturers are increasingly competitive, the majority of medical devices used in the Czech Republic are imported. Germany dominates the market, followed by the U.S. U.S. products, particularly high-tech equipment, have a good reputation for quality. While most new products, equipment and technologies are imported, furnishings -- such as storage trays, cabinets and hospital beds -- are often of domestic origin.

One of the market trends is an increasing life expectancy. 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 the air in many industrial cities is somewhat polluted.

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 International Clinical Research Center (ICRC) at St. Anne's Hospital in Brno, a project of the Czech Republic and the U.S. Mayo Clinic. Other Czech regions are eager to develop similar projects, and U.S. partners are in demand.

Although the economic crises did not impact health care sector as heavily as other industries, a slight slowdown in sales has occurred. Resources of insurance companies that had financial reserves before the crises are drying up. Recently, the country's hospital doctors introduced a campaign "Thank you, we are leaving," aimed at pushing the Czech government to raise doctors' salaries, which are low compared to wages in Western European countries. The government is examining ways to save money in the system, including limiting purchases of expensive equipment and pharmaceuticals or adopting e-tenders, which would procure equipment via tenders based solely on the cost of the equipment.

### Sub-Sector Best Prospects

[Return to top](#)

In the Czech Republic, the best market opportunities exist for cutting-edge, high quality and technically sophisticated medical equipment, especially equipment that increases efficiency and reduces occupancy rates in hospitals. Products, such as the following, have the best sales potential in the Czech market: mini invasive surgery (mis), patient

monitoring systems, video endoscopes, digital image processing, high-end ultrasounds, and home-care equipment.

## Opportunities

[Return to top](#)

- The Czech Republic has access up to 20 billion Czech crowns (approximately \$1 billion) from EU funds for modernization projects in its healthcare sector by 2013. It is expected that a large part of this sum will be directed to introducing e-projects in healthcare.
- Czech institutions, mainly faculty hospitals, demonstrate strong interest in partnering with U.S. companies, hospitals and universities to create medical research partnerships allowing them to practice top medicine.

## Web Resources

[Return to top](#)

Association of Hospitals in the Czech Republic: [www.ancr.cz](http://www.ancr.cz)

Czech Medical Chamber: [www.lkcr.cz](http://www.lkcr.cz)

CzechMed (Czech Medical Device Association): [www.czechmed.cz](http://www.czechmed.cz)

Institute of Health Information and Statistics: [www.uzis.cz](http://www.uzis.cz)

Ministry of Health: [www.mzcr.cz](http://www.mzcr.cz)

State Health Institute: [www.szu.cz](http://www.szu.cz)

U.S. Commercial Service: [Veronika.Novakova@trade.gov](mailto:Veronika.Novakova@trade.gov)

## Pollution Control Equipment

### Overview

[Return to top](#)

A recent report on the state of the environment suggested that air pollution in the Czech Republic significantly contributes to a number of deaths in the country; the impact on overall mortality was estimated to be about two percent a year. Small dust particles represent the biggest health threat. Due to high concentrations of dust particles produced by cars, heavy industry and ecological unfriendly heating in some houses, the Czech Republic has Europe's most polluted cities.

Climate change is a hot topic globally and the Czech Republic is no exception. The Czech Republic joined the Kyoto Protocol to the UN Framework Convention on climate change adopted in 1997, as well as the Copenhagen Accord from December 2009. At present, the Czech Republic belongs to some of the worst polluters in Europe. Although it produces just about 0.5% of global greenhouse gas emissions, the figure exceeds the limit by five times when taking into consideration the country's number of inhabitants. The Czech Republic joined the majority of EU countries in Copenhagen in commitment to achieve a 20% reduction of greenhouse gas emissions by 2020, compared to 1990. Although a 20% decrease seems a huge challenge at first, in the case of the Czech Republic it will not represent a huge problem given the fact that the base for comparison is 1990, when the situation in the country was extremely bad.

From 1991 through 2008, the Czech Republic cleaned up only a fourth of the environmental damage the state had pledged to remove. Clean up projects include the revitalization of the legacy ecological burdens - sites polluted under the communist regime where the polluter is unknown. In an effort to speed up the process, the Czech government decided to open a 'mammoth' tender worth \$575 million (CZK115 billion) for the removal of all leftover environmental damage. The Government is still in the process of selecting the winner. If the tender is awarded (there have been discussion on the transparency of the tender as well as its cost), the winner will be obligated to finish all remediation/clean up by the year 2015.

### Sub-Sector Best Prospects

[Return to top](#)

- Recycling technologies
- Brownfield remediation
- Monitoring devices
- Cleaner production practices

### Opportunities

[Return to top](#)

- The Green Savings program opens opportunities for technologies allowing energy savings. The Green Savings program focuses on supporting environmentally sound methods for producing heat and hot water for households, reducing the energy intensity of residential buildings (comprehensive or partial thermal insulation) and constructing passive houses. The Czech Republic obtained financial resources for this program through selling 'Emission Credits' under the Kyoto Protocol on reducing greenhouse gas emissions. A total allocation of up to CZK 25 billion (\$1.4 billion) is

envisaged for the program. Aid can be drawn until the end of 2012. Aid can be obtained by individuals, associations of flat owners, housing cooperatives, towns and municipalities including town districts, businesses and other legal entities.

- Remediation works resulting from a tender on remediation of old ecological burdens.
- Resources from the [EU Operational Program – Environment](#). There is 5.2 billion EUR (approximately \$6.9 billion) prepared, which is 18.4% of the total support of European funds for the Czech Republic. The OP - Environment is the second largest operation program after OP - Transport in the program period of 2007-2013.

## Web Resources

[Return to top](#)

Czech Association of Waste Management: [www.caoh.cz](http://www.caoh.cz)

Czech Environmental Information Agency: [www.cenia.cz](http://www.cenia.cz)

Czech Environmental Inspectorate: [www.cizp.cz](http://www.cizp.cz)

Czech Hydrometeorological Institute: [www.chmi.cz](http://www.chmi.cz)

Ministry of Environment: [www.mzp.cz](http://www.mzp.cz)

State Environmental Fund of the Czech Republic: [www.sfzp.cz](http://www.sfzp.cz)

U.S. Commercial Service: [Veronika.Novakova@trade.gov](mailto:Veronika.Novakova@trade.gov)

## Safety/Security

### Overview

[Return to top](#)

	2009	2010	2011 (estimated)	2012 (estimated)
Total Market Size	2,953	3,066	3,128	3,165
Total Local Production	948	1,050	1,100	1,120
Total Exports	610	630	650	690
Total Imports	2,005	2,016	2,028	2,045
Imports from the U.S.	1,716	1,740	1,780	1,820
Exchange Rate: 1 USD	19	18	17.50	17.80

Data Source: CSO; figures in USD million

Security services and equipment in the Czech Republic continue to be a top priority for the government. The private sector is increasingly aware of the necessity to install or update security equipment and to provide a secure environment for employees and buildings. These factors play a key role in creating an enhanced security market in the Czech Republic.

Czech domestic security companies offer a high-tech electronic system components, training and equipment services. The market offers very good potential for U.S. equipment, especially in the category of modern electronic systems. U.S. companies should seek out Czech agents, distributors, and partners to secure good footholds in the Czech market and in neighboring Central and Eastern European countries. Among the less sophisticated components in demand are iron bars, grilles and safety doors.

Security equipment needs in the Czech market fall into three categories: military/police, civilian, and EU membership requirement.

- **Military/police:** The Czech Republic, Hungary and Poland are members of the NATO Alliance. Full integration requires continuing efforts over a longer period of time to meet NATO's goals.
- **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 pick-pocketing. Czech companies historically have not invested heavily in security. EU specialists found that only 40% of Czech companies provide efficient protection of their property. Following the terrorist bombings in London and Madrid, some Czech companies are rethinking their security needs.
- **EU membership:** The Czech Republic is a full member of the European Union. 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, in the wake of the terrorist bombings.

### Sub-Sector Best Prospects

[Return to top](#)

- Alarm equipment for building safety

- Alarm equipment for cars and motor vehicles
- Fire prevention and control equipment
- Metal detectors
- Monitoring systems
- Person-access checking systems
- Surveillance systems
- Training and service for security equipment

## Opportunities

[Return to top](#)

Beyond EU and NATO requirements, the most substantial trend in the market is increasing concern for security on the part of institutional and private clients. The second major trend is the rapid increase of purchasing power by the Czech consumer as incomes have increased with EU accession. The strengthened crown, 17.50 to the dollar today, gives Czech consumers and institutions substantially heightened buying power for U.S. products.

## Web Resources

[Return to top](#)

Association of Technical Security Services (Gremium Alarm): [www.gremiumalarm.cz](http://www.gremiumalarm.cz)

Association of Private Security Services of the Czech Republic: [www.asbs.cz](http://www.asbs.cz)

Ministry of Interior: [www.mvcr.cz](http://www.mvcr.cz)

U.S. Commercial Service: [Luda.Taylor@trade.gov](mailto:Luda.Taylor@trade.gov)

## Dried Nuts and Fruits

[Return to top](#)

	2008	2009	2010
Total market size	131	106	115
Total local production	3	3	3
Total exports	17	23	21
Total imports	145	126	133
Imports from the U.S.	18	14	21

Source: [Czech Statistical Office](#) ; in USD million

Almonds are mostly imported from California. Almonds sell well in retail, especially in the hypermarkets. The processing sector (primarily bakers and confectioners) continually seeks lower cost ingredients, while consumers, buoyed by greater purchasing power vis-à-vis the Czech Koruna-US Dollar exchange, seek higher-quality products. The Almond Board of California is active in the Czech Republic, holding seminars and participating at snack food shows. Other highly sought imported dried fruits include raisins, prunes, and cranberries. Thanks to a very aggressive public relations campaign by the Cranberry Marketing Committee over the past couple of years, the sale of cranberries has been the most significant in this product group.

## Fish and Crustaceans

[Return to top](#)

	2008	2009	2010
Total market size	104	107	104
Total local production	55	56	60
Total exports	85	70	76
Total imports	134	121	120
Imports from the U.S.	7	6	7

Source: [Czech Statistical Office](#) ; in USD million

The Czech Republic, a land-locked country, produces only fresh water fish such as carp and trout (carp is a traditional Christmas dish). Sea fish and seafood are imported. As the Czech consumers move toward a healthier diet and lifestyle, fish consumption is on the rise. U.S. fish and seafood products having good opportunity in the Czech market include: Alaskan salmon, Alaskan Pollock, scallop, shrimp, lobster, mackerel, and herring.

## Soybean Meal

[Return to top](#)

	2008	2009	2010
Total market size	242	196	177
Total local production	0	0	0
Total exports	3	1	1
Total imports	245	197	178
Imports from the U.S.	3	1	1

Source: [Czech Statistical Office](#) ; in USD million

Due to unfavorable growing conditions, the Czech Republic must rely on imported soybean meal to meet requirements of its poultry and shrinking livestock sectors. Most meal is imported through either Germany or Holland via barge or rail. Major competitors remain Argentina and Brazil. In recent years the pet food sector (HTS 2309) has been the growth market for U.S. mixed feed with imports reaching \$3 million.

## Wine and Spirits

[Return to top](#)

	2008	2009	2010
Total market size	1,401	1,378	1,399
Total local production	1,165	1,173	1,220
Total exports	82	69	78
Total imports	318	274	257
Imports from the U.S.	13	9	10

Source: [Czech Statistical Office](#) ; in USD million

Consumption of U.S. wines and spirits are on the rise among Czech consumers. The U.S. is a mainstay in the bourbon market, and is seeing its share of wine grow rapidly as the popularity of "New World" wines expands. While direct sales from the U.S. reflect a stagnant market, indirect sales via transshipments through European countries like Germany and Netherlands is on the rise, as evidenced by the availability and breath of these U.S. beverages found in the Czech market today. In 2010, both the U.S. Distilled Spirits Council and California Wine Institute were active on the market.

## Wood

[Return to top](#)

In millions USD	2008	2009	2010
Total market size	n/a	n/a	n/a
Total local production	n/a	n/a	n/a
Total exports	2	2	2
Total imports	994	869	923
Imports from the U.S.	7	6	11

Source: [Czech Statistical Office](#) ; in USD million

The Czech Republic imports mainly veneer sheets, plywood and other sawn or chipped wood (HTS 440809 and 4407) from the U.S.

[Return to table of contents](#)

[Return to table of contents](#)

## Chapter 5: Trade Regulations, Customs and Standards

- [Import Tariffs](#)
- [Trade Barriers](#)
- [Import Requirements and Documentation](#)
- [U.S. Export Controls](#)
- [Temporary Entry](#)
- [Labeling and Marking Requirements](#)
- [Prohibited and Restricted Imports](#)
- [Customs Regulations and Contact Information](#)
- [Standards](#)
- [Trade Agreements](#)
- [Web Resources](#)

### Import Tariffs

[Return to top](#)

The Integrated Tariff of the European Community, referred to as [TARIC](#) (Tarif Intégré de la Communauté), is designed to show various rules applying to specific products being imported into the customs territory of the EU or, in some cases, when exported from it. To determine if a license is required for a particular product, check the TARIC.

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. The online TARIC is updated daily. Information can be found through these EU websites or through the Czech Directorate of Customs/[Ministry of Finance](#) web page.

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 20%, although a lower VAT of 10% 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 20% 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

[Return to top](#)

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](http://europa.eu.int/eur-lex/en/search/search_lif.html).

For information on existing trade barriers, please see the [National Trade Estimate Report on Foreign Trade Barriers](#), published by USTR. Information on agricultural trade barriers can be found at the USDA's [FAS](#) website. To report existing or new trade barriers and get assistance in removing them, contact either the [Trade Compliance Center](#) or the [U.S. Mission to the European Union](#).

## **Import Requirements and Documentation**

[Return to top](#)

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

- Commercial invoice;
- Bill of lading;
- Shipper's export declaration (SED) for items requiring an export license or valued above \$2,500) (submitted only to U.S. Customs)
- 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](http://www.buyusa.gov/eu). To determine if a license is required for a particular product, check the [TARIC](#).

## ***EU REGULATIONS***

### ***Import Documentation - Non-agricultural Documentation***

The official model for written declarations to customs is the Single Administrative Document (SAD). Information on import/export forms is contained in Title VII, of Council Regulation (EEC) No. 2454/93, which lays down provisions for the implementation of Council Regulation (EEC) No. 2913/92 establishing the Community Customs Code (Articles 205 through 221). Articles 222 through 224 provide for computerized customs declarations and Articles 225 through 229 provide for oral declarations.

Additional information on import/export documentation can be found in Title III of Council Regulation (EEC) No. 2913/92 of October 12, 1992, establishing the Community

Customs Code (Articles 37 through 57). Goods brought into the customs territory of the Community are, from the time of their entry, subject to customs supervision until customs formalities are completed.

Goods presented to customs are covered by a summary declaration, which is lodged once the goods have been presented to customs. The customs authorities may, however, allow a period for lodging the declaration, which cannot be extended beyond the first working day following the day on which the goods are presented to customs. The summary declaration can be made on a form corresponding to the model prescribed by the customs authorities. However, the customs authorities may permit the use, as a summary declaration, of any commercial or official document that contains the particulars necessary for identification of the goods. It is encouraged that the summary declaration be made in computerized form.

The summary declaration is to be lodged by:

- the person who brought the goods into the customs territory of the Community or by any person who assumes responsibility for carriage of the goods following such entry; or
- the person in whose name the person referred to above acted.

Non-EU goods presented to customs must be assigned a customs-approved treatment or use authorized for such non-Community goods. Where goods are covered by a summary declaration, the formalities for them to be assigned a customs-approved treatment or use must be carried out:

- 45 days from the date on which the summary declaration is lodged in the case of goods carried by sea;
- 20 days from the date on which the summary declaration is lodged in the case of goods carried other than by sea.

Where circumstances so warrant, the customs authorities may set a shorter period or authorize an extension of the period.

The Modernized Customs Code (MCC) of the European Union is expected to be fully put into place by 2013, although there are concerns that this deadline may be missed due to the complexity of the project. Some facets of the MCC implementation have already been put into place, such as EU wide Economic Operators Registration and Identification (EORI) numbers. The MCC will replace the existing Regulation 2913/92 and simplify various procedures such as introducing a paperless environment, centralized clearance, and more. Check the EU's [Customs website](#) periodically for updates

### **REACH**

REACH is a major reform of EU chemicals policy that was adopted in December 2006 and became national law in the 27 EU member states in June 2007 (Regulation 1907/2006). Virtually every industrial sector, from automobiles to textiles, is affected by the new policy. REACH stands for the "Registration, Evaluation and Authorization and Restriction of Chemicals." Since June 1, 2008, REACH requires chemicals produced or imported into the EU in volumes above 1 ton per year to be registered with a central European Chemicals Agency (ECHA), including information on their properties, uses and safe ways of handling them. Chemicals pre-registered before December 1, 2008, benefit from extended registration deadlines, from three to eleven years depending on

the volume of the substance and its hazardous properties. U.S. companies without a presence in Europe cannot register directly and must have their chemicals registered through their importer or EU-based 'Only Representative of non-EU manufacturer'. A list of Only Representatives can be found on the [website](#) of the U.S. Mission to the EU.

U.S. exporters to the EU should carefully consider the REACH 'Candidate List' of substances of very high concern. Substances on that list are subject to communication requirements, and, at a later stage, may require authorization for the EU market. For more information, see the [ECHA](#) website.

### **WEEE & RoHS**

EU rules on Waste Electrical and Electronic Equipment (WEEE), while not requiring specific customs or import paperwork, may entail a financial obligation for U.S. exporters. They require U.S. exporters to register the products with a national WEEE authority, or arrange for this to be done by a local partner. Similarly, related rules for Restricting the Use of Hazardous Substances (RoHS) lead, cadmium, mercury, hexavalent chromium, PBBs, and PBDEs, do not entail customs or importation paperwork. However, U.S. exporters may be asked by a European RoHS enforcement authority or by a customer to provide evidence of due diligence in compliance with the substance bans on a case-by-case basis. The WEEE and RoHS Directives are currently being revised to enlarge the scope and add substances to be banned in electrical and electronic equipment; U.S. exporters seeking more information on WEEE and RoHS regulations should visit the Commercial Service EU [website](#).

### ***Import Documentation - Agricultural Documentation***

*Phytosanitary Certificates:* Phytosanitary certificates are required for most fresh fruits, vegetables, and other plant materials.

*Sanitary Certificates:* For commodities composed of animal products or by-products, EU countries require that shipments be accompanied by a certificate issued by the competent authority of the exporting country. This applies regardless of whether the product is for human consumption, for pharmaceutical use, or strictly for non-human use (e.g., veterinary biologicals, animal feeds, fertilizers, research). The vast majority of these certificates are uniform throughout the EU, but the harmonization process is not complete. During this transition period, certain member state import requirements continue to apply. In addition to the legally required EU health certificates, a number of other certificates are used in international trade. These certificates, which may also be harmonized in EU legislation, certify origin for customs purposes and certain quality attributes. Up-to-date information on harmonized import requirements can be found at the FAS [website](#).

*Sanitary Certificates (Fisheries):* In April 2006, the European Union declared the U.S. seafood inspection system as equivalent to the European one. Consequently, a specific public health certificate must accompany U.S. seafood shipments. Commission Decision 2006/199/EC lays down specific conditions on imports of fishery products from the U.S. Unlike for fishery products, the U.S. shellfish sanitation system is not equivalent to EU's one. The EU and the US are currently negotiating a veterinary equivalency agreement on shellfish. In the meantime the EU has put a ban in place since July 1, 2010, that prohibits the import of US bivalve mollusks, in whatever form, into the EU territory. This ban doesn't apply to wild roe-off scallops.

With the implementation of the second Hygiene Package, aquaculture products coming from the United States must be accompanied by a public health certificate according to Commission Decision 2006/199/EC and the animal health attestation included in the new fishery products certificate, covered by Regulation (EC) 1250/2008. This animal health attestation is not required in the case of live bivalve mollusks intended for immediate human consumption (retail).

Since June 2009, the unique U.S. competent authority for issuing sanitary certificates for fishery and aquaculture products is the U.S. Department of Commerce, National Marine Fisheries Service ([NOAA-NMFS](#)). In addition to sanitary certificates, all third countries wishing to export fishery products to the EU are requested to provide a catch certificate. This catch certificate certifies that the products in question have been caught legally. For detailed information on import documentation for seafood, please contact the NOAA Fisheries office at the U.S. Mission to the EU ([stephane.vrignaud@trade.gov](mailto:stephane.vrignaud@trade.gov)).

## **U.S. Export Controls**

[Return to top](#)

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 has more details on U.S. export controls.

## **Temporary Entry**

[Return to top](#)

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

[Return to top](#)

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. 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.

An overview of EU mandatory and voluntary labeling and marking requirements has been compiled in a Commercial Service [market research report](#).

## Prohibited and Restricted Imports

[Return to top](#)

The [TARIC](#) is designed to show various rules applying to specific products being imported into the customs territory of the EU or, in some cases, when exported from it. To determine if a product is prohibited or subject to restriction, check the TARIC for that product for the following codes:

CITES	Convention on International Trade of Endangered Species
PROHI	Import Suspension
RSTR	Import Restriction

For information on how to access the TARIC, see the [Import Requirements and Documentation Section](#) above.

## Customs Regulations and Contact Information

[Return to top](#)

After accession to the European Union, customs controls at the land borders of the Czech Republic were abolished. International airports, of which the largest is Prague Ruzyne airport, are the only external borders controlled by Czech customs authorities.

## General Directorate of Customs

Budejovicka 7, 140 96 Praha 4

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e-mail: [podatelna.grc@cs.mfcr.cz](mailto:podatelna.grc@cs.mfcr.cz), web: [www.cs.mfcr.cz](http://www.cs.mfcr.cz)

## **EU REGULATIONS**

### **Major Regulatory Efforts of the EC Customs and Taxation Union Directorate**

*Electronic Customs Initiative* – Deals with major EU Customs modernization developments to improve and facilitate trade in the EU member states. The electronic customs initiative is essentially based on the following three pieces of legislation:

- The [Security and Safety Amendment to the Customs Code](#), which provides for full computerization of all procedures related to security and safety;
- The Decision on the paperless environment for customs and trade ([Electronic Customs Decision](#)) which sets the basic framework and major deadlines for the electronic customs projects;
- The [modernized Community Customs Code](#) which provides for the completion of the computerization of customs

*Customs Valuation* – Most customs duties and value added tax (VAT) are expressed as a percentage of the value of goods being declared for importation. Thus, it is necessary to dispose of a standard set of rules for establishing the goods' value, which will then serve for calculating the customs duty.

The EU imports in excess of two trillion euro worth of goods (year 2008 estimate). It is vitally important that the value of such commerce is accurately measured, for the purposes of:

- economic and commercial policy analysis;
- application of commercial policy measures;
- proper collection of import duties and taxes; and
- import and export statistics.

These objectives are met using a single instrument - the rules on customs value. The EU applies an internationally accepted concept of '[customs value](#)'. The value of imported goods is one of the three 'elements of taxation' that provides the basis for assessment of the customs debt, which is the technical term for the amount of duty that has to be paid, the other ones being the origin of the goods and the customs tariff.

*Customs and Security* – At the end of July 2003, the Commission presented to the Parliament and Council a series of measures to address security issues. These measures can be found in [two communications and a proposal for amending the Community Customs Code](#). This package brings together the basic concepts underlying the new security-management model for the EU's external borders, such as a harmonized risk assessment system. The security amendment to the Community Customs Code ([Regulation \(EC\) n° 648/2005 of 13 April 2005](#)) was in the Official Journal of the European Union on May 4, 2005. With this amendment, the European Union introduces a number of measures to tighten security around goods crossing international borders. The measures will mean faster and better-targeted checks. The results are positive for customs authorities, the public and industry.

The measures cover three major changes to the Customs Code:

- Require traders to provide customs authorities with information on goods prior to import to or export from the European Union (see [Pre Arrival / Pre Departure Declarations](#));
- Provide reliable traders with trade facilitation measures (see [Authorized Economic Operator](#));
- Introduce a mechanism for setting uniform Community risk-selection criteria for controls, supported by computerized systems.

Click on these links for the [Homepage of Customs and Taxation Union Directorate \(TAXUD\)](#) Website or for [contact information](#) at national customs authorities.

## Standards

[Return to top](#)

- [Overview](#)
- [Standards Organizations](#)
- [Conformity Assessment](#)
- [Product Certification](#)
- [Accreditation](#)
- [Publication of Technical Regulations](#)
- [Labeling and Marking](#)
- [Contacts](#)

## Overview

[Return to top](#)

Products tested and certified in the United States to American standards are likely to have to be retested and re-certified to EU requirements as a result of the EU's different approach to the protection of the health and safety of consumers and the environment. Where products are not regulated by specific EU technical legislation, they are always subject to the EU's General Product Safety Directive, as well as to possible additional national requirements.

European Union standards created under the [New Approach](#) are harmonized across the 27 EU member states and European Economic Area countries to allow for the free flow of goods. A feature of the New Approach is CE marking.

While harmonization of EU legislation can facilitate access to the EU Single Market, manufacturers should be aware that regulations (mandatory) and technical standards (voluntary) might also function as barriers to trade if U.S. standards are different from those of the European Union.

### ***Agricultural Standards***

The establishment of harmonized EU rules and standards in the food sector has been ongoing for several decades, but it took until January 2002 for the publication of a general food law establishing the general principles of EU food law. This regulation introduced mandatory traceability throughout the feed and food chain as of Jan 1, 2005. For specific information on agricultural standards, please refer to the [Foreign Agricultural Service's](#) website.

There are also [export guides](#) to import regulations and standards available on the Foreign Agricultural Service's website.

## Standards Organizations

[Return to top](#)

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
- [ETSI](#), European Telecommunications Standards Institute
- [CEN](#), European Committee for Standardization, handling all other standards

Standards are created or modified by experts in Technical Committees or Working Groups. The members of CEN and CENELEC are the national standards bodies of the member states, which have "mirror committees" that monitor and participate in ongoing European standardization. CEN and CENELEC standards are sold by the individual member states' standards bodies. ETSI is different in that it allows direct participation in its technical committees from non-EU companies that have interests in Europe and gives away some of its individual standards at no charge on its website. In addition to the three standards developing organizations, the European Commission plays an important role in standardization through its funding of the participation in the standardization process of small- and medium-sized companies and non-governmental organizations, such as environmental and consumer groups. The Commission also provides money to the standards bodies when it mandates standards development to the European Standards Organization for harmonized standards that will be linked to EU technical legislation. [Mandates](#) can be checked on line.

Due to the EU's vigorous promotion of its regulatory and standards system, as well as its generous funding for its development, the EU's standards regime is wide and deep - extending well beyond the EU's political borders to include affiliate members (countries which are hopeful of becoming full members in the future) such as Albania, Belarus, FYR Macedonia, and Turkey, among others. Another category, called "partner standardization body" includes the standards organization of Australia, which is not likely to become a CEN member or affiliate for political and geographical reasons. Many other countries are targets of the EU's extensive technical assistance program, which is aimed at exporting EU standards and technical regulations to developing countries, especially in the Mediterranean and Balkan countries, Africa, as well as programs for China and Latin America.

To know what CEN and CENELEC have in the pipeline for future standardization, it is best to visit their websites. CEN's "sectors" page provides an overview by sector and/or technical committee whereas CENELEC offers the possibility to search its database. [ETSI's portal](#) leads to ongoing activities.

With the need to adapt more quickly to market needs, European standards organizations have been looking for "new deliverables," which are standard-like products delivered in a shorter timeframe. While few of these "new deliverables" have been linked to EU legislation, expectations are that they will eventually serve as the basis for EU-wide standards.

## Conformity Assessment

[Return to top](#)

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, from design to production, 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 conformity assessment bodies in individual member states are listed in [NANDO](#), the European Commission's website.

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 [CEN workshop agreements](#) (CWA) Certification Rules. CENELEC has its own initiative. ETSI does not offer conformity assessment services.

## Product Certification

[Return to top](#)

To sell products on the EU market of 27 member states as well as Norway, Liechtenstein and Iceland, 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.

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 (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

[Return to top](#)

Independent test and certification laboratories, known as notified bodies, have been officially accredited by competent national authorities to test and certify to EU requirements.

"[European Accreditation](#)" is an organization representing nationally recognized accreditation bodies. Membership is open to nationally recognized accreditation bodies in countries in the European geographical area that can demonstrate that they operate an accreditation system compatible with EN45003 or ISO/IEC Guide 58.

## Publication of Technical Regulations

[Return to top](#)

The [Official Journal](#) is the official gazette of the European Union. It is published daily on the internet and consists of two series covering draft and adopted legislation as well as case law, studies by committees, and more. It lists the [standards reference numbers](#) linked to legislation. [National technical regulations](#) are published on the Commission's website 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 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 access to international markets.

## Labeling and Marking

[Return to top](#)

Manufacturers should be mindful that, in addition to the EU's mandatory and voluntary schemes, national voluntary labeling schemes might still apply. These schemes may be highly appreciated by consumers, and thus, become unavoidable for marketing purposes.

Manufacturers are advised to take note that all labels require metric units although dual labeling is also acceptable. The use of language on labels has been the subject of a Commission Communication, which encourages

multilingual information, while preserving the right of member states to require the use of the language of the country of consumption.

The EU has mandated that certain products be sold in standardized quantities. [Council Directive 2007/45/EC](#) harmonizes packaging of wine and spirits throughout the EU. Existing national sizes will be abolished with a few exceptions for domestic producers.

### ***The Eco-label***

The EU eco-label is a voluntary label which U.S. exporters can display on products that meet high standards of environmental awareness. The eco-label is intended to be a marketing tool to encourage consumers to purchase environmentally-friendly products. The criteria for displaying the eco-label are strict, covering the entire lifespan of the product from its manufacture, use, and disposal. These criteria are reviewed every three to five years to take into account advances in manufacturing procedures. There are currently twenty-three different product groups, and approximately 250 licenses have been awarded for several hundred products.

Applications to display the eco-label should be directed to the competency body of the member state in which the product is sold. The application fee will be somewhere between €300 and €1300 depending on the tests required to verify if the product is eligible. The eco-label also carries an annual fee equal to 0.15% of the annual volume of sales of the product range within the European community. However, the minimum annual fee is currently set at €500 and maximum €25,000.

There are plans to significantly reform the eco-label in the near future, reducing the application and annual fees and expanding the product ranges significantly. It is also possible that future eligibility criteria may take into account carbon emissions.

Key Links:

[Eco-label Home Page](#)

[Product Categories eligible for the Eco-label](#)

[Eco-Label Catalogue](#)

[List of Competent Bodies](#)

[Revision of the Eco-label](#)

[The Eco-label and Carbon Footprint](#)

**Contacts**

[Return to top](#)

For European Standards, contact the experts of the Enterprise and Industry DG at: [entr-standardisation@ec.europa.eu](mailto:entr-standardisation@ec.europa.eu).

**Trade Agreements**

[Return to top](#)

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 a member of the WTO. The Czech Republic also maintains a Bilateral Trade Agreement

and Bilateral Investment Treaty with the United States. A list of [trade agreements](#) with the EU and its Member States can be found on the Trade Compliance Center website.

## Web Resources

[Return to top](#)

### EU websites

Cenelec, European Committee for Electrotechnical Standardization:

<http://www.cenelec.eu/Cenelec/Homepage.htm>

CEN, European Committee for Standardization:

<http://www.cen.eu/cenorm/homepage.htm>

CEN – Sector Fora: <http://www.cen.eu/cenorm/sectors/index.asp>

E-Standardisation: [http://portal.etsi.org/Portal\\_Common/home.asp](http://portal.etsi.org/Portal_Common/home.asp)

ECHA: [http://echa.europa.eu/doc/press/pr\\_08\\_38\\_candidate\\_list\\_20081028.pdf](http://echa.europa.eu/doc/press/pr_08_38_candidate_list_20081028.pdf)

Eco-Label Catalogue: <http://www.eco-label.com/default.htm>

Eur-Lex – Access to European Union Law: <http://eur-lex.europa.eu/en/index.htm>

European Co-operation for Accreditation:

<http://www.european-accreditation.org/content/home/home.htm>

European Telecommunications Standards Institute: <http://www.etsi.org/>

Legislation related to the Electronic Customs Initiative:

[http://ec.europa.eu/taxation\\_customs/customs/policy\\_issues/electronic\\_customs\\_initiative/electronic\\_customs\\_legislation/index\\_en.htm](http://ec.europa.eu/taxation_customs/customs/policy_issues/electronic_customs_initiative/electronic_customs_legislation/index_en.htm)

European Union Eco-label Homepage:

[http://ec.europa.eu/comm/environment/ecolabel/index\\_en.htm](http://ec.europa.eu/comm/environment/ecolabel/index_en.htm)

Modernized Community Customs Code:

[http://ec.europa.eu/taxation\\_customs/customs/procedural\\_aspects/general/community\\_code/index\\_en.htm](http://ec.europa.eu/taxation_customs/customs/procedural_aspects/general/community_code/index_en.htm).

Mutual Recognition Agreements: <http://ts.nist.gov/Standards/Global/mra.cfm>

Nando (New Approach Notified and Designated Organizations) Information System:

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

National technical Regulations: [http://ec.europa.eu/enterprise/tris/index\\_en.htm](http://ec.europa.eu/enterprise/tris/index_en.htm)

New Approach Legislation: [http://ec.europa.eu/enterprise/policies/european-standards/documents/harmonised-standards-legislation/list-references/index\\_en.htm](http://ec.europa.eu/enterprise/policies/european-standards/documents/harmonised-standards-legislation/list-references/index_en.htm)

Online customs tariff database (TARIC):

[http://ec.europa.eu/taxation\\_customs/common/databases/taric/index\\_en.htm](http://ec.europa.eu/taxation_customs/common/databases/taric/index_en.htm)

Standardisation – Mandates: [http://ec.europa.eu/enterprise/standards\\_policy/mandates/](http://ec.europa.eu/enterprise/standards_policy/mandates/).

Taxation and Customs Union:

[http://ec.europa.eu/taxation\\_customs/customs/index\\_en.htm](http://ec.europa.eu/taxation_customs/customs/index_en.htm)

### U.S. Websites

Agricultural Trade Barriers: <http://www.fas.usda.gov/posthome/useu/>

Center for Food Safety and Applied Nutrition: <http://www.cfsan.fda.gov/>

EU Battery Directive: [http://www.buyusainfo.net/docs/x\\_8086174.pdf](http://www.buyusainfo.net/docs/x_8086174.pdf)

EU Marking, Labeling and Packaging: [http://www.buyusainfo.net/docs/x\\_4171929.pdf](http://www.buyusainfo.net/docs/x_4171929.pdf)

European Union Eco-Label: [http://buyusainfo.net/docs/x\\_4284752.pdf](http://buyusainfo.net/docs/x_4284752.pdf)

National Trade Estimate Report on Foreign Trade Barriers: <http://www.ustr.gov/about-us/press-office/reports-and-publications/2009/2009-national-trade-estimate-report-foreign-trad>

NIST - Notify us: <http://tsapps.nist.gov/notifyus/data/index/index.cfm>

Overview of EU Certificates: <http://useu.usmission.gov/agri/certificates-overview.html>

REACH: <http://www.buyusa.gov/europeanunion/reach.html>  
Trade Agreements: [http://tcc.export.gov/Trade\\_Agreements/index.asp](http://tcc.export.gov/Trade_Agreements/index.asp)  
Trade Compliance Center: <http://www.trade.gov/tcc>  
U.S. Mission to the European Union: <http://www.buyusa.gov/europeanunion>  
WEEE and RoHS in the EU: <http://www.buyusa.gov/europeanunion/weee.html>

[Return to table of contents](#)

[Return to table of contents](#)

## Chapter 6: Investment Climate

- [Openness to Foreign Investment](#)
- [Conversion and Transfer Policies](#)
- [Expropriation and Compensation](#)
- [Dispute Settlement](#)
- [Performance Requirements and Incentives](#)
- [Right to Private Ownership and Establishment](#)
- [Protection of Property Rights](#)
- [Transparency of Regulatory System](#)
- [Efficient Capital Markets and Portfolio Investment](#)
- [Competition from State Owned Enterprises](#)
- [Corporate Social Responsibility](#)
- [Political Violence](#)
- [Corruption](#)
- [Bilateral Investment Agreements](#)
- [OPIC and Other Investment Insurance Programs](#)
- [Labor](#)
- [Foreign-Trade Zones/Free Ports](#)
- [Foreign Direct Investment Statistics](#)
- [Web Resources](#)

### Openness to Foreign Investment

[Return to top](#)

The Czech Republic has been a recipient of large amounts of foreign direct investment (FDI), which has helped spur economic growth, create new jobs, raise wages and increase domestic consumption. GDP per capita in 2009 was 82 percent of the EU average.

As a small, open, export-driven economy, the Czech Republic remains sensitive to economic downturns in Western Europe, especially in Germany, the Czech Republic's largest trading partner. Over 80 percent of Czech exports go to fellow EU members with roughly a third (31.5 percent) going to Germany alone. The Czech crown (CZK) has been on a general appreciation trend vis-a-vis the Euro and U.S. Dollar since 2001 peaking in mid 2008 before fluctuating widely in 2009. The crown settled down somewhat in 2010, although the crown's relative volatility has prompted calls from some in the business community for the quick adoption of the Euro. The Eurozone's recent economic difficulties, however, have undermined public support for Euro adoption, and the government has opposed setting a target date for adopting the common currency. As a practical matter, the Czech Republic is unlikely to meet all the criteria for Euro adoption until 2015-2016, at the earliest.

Some unfinished elements in the economic transition, such as the slow pace of legislative and judicial reforms and the uneven enforcement of contracts by the Czech courts, are continuing obstacles to investment, competitiveness, and company

restructuring. The Czech government has harmonized its laws with EU legislation and the "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 aerospace. Investors also complain about difficulties in enforcing contractual rights, including security interests, and the general unpredictability of the legal system. The slow pace of the courts is often compounded by judges' lack of familiarity with commercial or intellectual property cases. Reform of the system for registering companies is still needed. A 2007 bankruptcy law addressed some of these issues, although many judges are still not fully versed in the law. Concerns about corruption have been voiced by foreign and domestic businesses alike. Other long term challenges include dealing with a rapidly aging population, an unsustainable pension and health care system, and diversifying the economy away from an over-reliance on manufacturing (especially the auto sector) toward a more high-tech, services-based, knowledge economy.

<b>Measure</b>	<b>Year</b>	<b>Index</b>	<b>Rank</b>
TI Corruption Index	2010	4.6	53
Heritage Economic Freedom	2010	69.8	34
World Economic Forum's Global Competitiveness Report	2010-2011	4.57	36
World Bank Doing Business	2011	---	63

The Czech Republic is a multi-party, parliamentary democracy with a population of approximately 10.5 million. Legislative authority is vested in the bicameral parliament, consisting of a Chamber of Deputies (Poslanecka snemovna) and Senate (Senat). The president, elected every five years by parliament, is head of state, and appoints a prime minister from the majority party or coalition in the Chamber of Deputies. In February 2008, the bicameral parliament elected Vaclav Klaus as president for a second term. Elections for the Chamber of Deputies were held in May 2010, resulting in a coalition government of three center-right parties -- the Civic Democratic Party (ODS), TOP 09, and Public Affairs (VV) -- led by Prime Minister Petr Nečas (ODS). The new government has made fiscal responsibility and combating corruption its main priorities. All mainstream political parties welcome foreign investment.

### ***Organizational Structure of Investments***

Foreign investors can, as individuals or business entities, establish sole proprietorships, joint ventures and branch offices in the Czech Republic. In addition, the government recognizes joint-stock companies, limited liability companies, general commercial partnerships, limited commercial partnerships, partnerships limited by shares, and associations. Bearer shares are widely used by Czech companies, often making it difficult to establish the true ownership of firms.

### ***National Treatment***

Legally, foreign and domestic investors are treated identically. Both are subject to the same tax codes and laws. The government does not differentiate between foreign investors from different countries, and does not screen foreign investment projects other than in the banking, insurance and defense sectors. Upon accession to the OECD, the Czech government agreed to meet (with a small number of exceptions) the OECD standards for equal treatment of foreign and domestic investors and limitations on

special investment incentives. The U.S.-Czech Bilateral Investment Treaty contains specific guarantees of National Treatment and Most Favored Nation treatment for U.S. investors in all areas of the economy other than insurance and real estate. (See the section on the Bilateral Investment Treaty below).

### ***Exempted Sectors***

According to [CzechInvest](#), the Czech agency tasked with attracting and facilitating FDI and promoting small and mid-sized enterprises, all sectors of the Czech economy are open to foreign investment. Investors in the banking, financial services, insurance and broadcast media sectors must meet certain licensing requirements. Some professions, such as architects, physicians, lawyers and tax advisors, require membership in the appropriate professional chamber. These licensing and membership requirements apply equally to foreign and domestic investors.

### ***Privatization***

According to the Ministry of Finance, more than eighty percent of the Czech economy is now in private hands after several waves of privatization of formerly state-owned companies since 1989. Privatization programs have been open to foreign investors. In fact, most major state-owned companies have been privatized with foreign participation. The government evaluates all investment offers for state enterprises. Non-transparent and unfair practices have been alleged in connection with some past or planned privatizations.

In 2009, the government began the privatization process for Czech Airlines (CSA). However, CSA's management sold several of its assets during the bidding process, making the tender less attractive to potential bidders. The airline industry's troubles during the global financial crisis also reduced interest in acquiring CSA. The result was a single-bidder tender, which the government ultimately decided to cancel, and CSA's privatization has been postponed indefinitely. In early 2010, the Parliament also voted for legislation prohibiting the privatization of Prague's Ruzyne Airport planned for later that year. In late November 2010, the Czech cabinet approved the merger of CSA and Prague's Ruzyne Airport under a single holding company Czech Aeroholding. No major privatizations are planned for 2011.

## **Conversion and Transfer Policies**

[Return to top](#)

The Czech crown is fully convertible. Imports or exports equal to or exceeding 10,000 Euro (approximately CZK 244,000 or USD 13,000) in cash, travelers' checks, money orders, securities or commodities of high value (such as precious metals or stones) must be declared at the border.

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% in other cases. 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

[Return to top](#)

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 action 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 restitution and compensation to 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 was an additional open season for claims in 1998, when the condition for permanent residency of claimants was abolished but deadline for these claims expired on July 8, 1999. In 1994, a law was approved which allowed for restitution or compensation of Jewish private property confiscated by the Nazis in 1939-1945. The deadline for filing claims expired on Jan 1, 1995. In 2000, another law to alleviate some of the property damages during the Holocaust entered into force. It amended the restitution laws allowing the state, subject to certain conditions, to return communal Jewish property, private works of art and land illegally seized by the Nazis to entitled Jewish communities and individuals. While the claims deadline for land expired in 2001, claims for art can be filed indefinitely.

Although deadlines for submitting restitution claims are now officially past, 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

[Return to top](#)

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 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 bankruptcy legislation, which came into effect July 1, 2007, has accelerated the process somewhat. A streamlined Commercial Registry process took effect on July 1, 2005. While the 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 2007 bankruptcy law addressed important structural impediments 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 law shortened court proceedings and made them much more transparent, gave a stronger position to creditors and rendered the entire process more efficient. To this end, the law was 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**

[Return to top](#)

According to current legislation, incentives are offered to foreign and domestic firms that invest in the manufacturing sector. The package for manufacturing projects includes relief from corporate taxes for up to five years, job-creation grants, re-training grants and opportunities to obtain low-cost land. Financial grants for job-creation and/or re-training are provided to those firms operating in regions where the annual unemployment rate exceeds the national average by at least 50%. A partial tax incentive is also available for expansion of an existing manufacturing investment. Research and development centers and business service centers in software development, shared services and high-tech repairs can be currently supported through EU structural funds (Potential Program, Innovation Program, and ICT and Business Support Services Program, Training Centers Program, and Eco-Energy Program).

The Czech Government currently is considering a new incentives legislative proposal to support research and development and business service centers through corporate tax relief of up to five years (i.e., same as for manufacturing). No new incentive legislation, however, has appeared since 2007. For more information contact [CzechInvest](#), at [incentives@czechinvest.org](mailto:incentives@czechinvest.org).

#### **Right to Private Ownership and Establishment**

[Return to top](#)

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, non-EU 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. As of May 1, 2009 EU nationals can acquire non-agricultural real estate without limitation. U.S. and other non-EU 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.

On May 1, 2011, the Czech Republic will remove all restrictions on foreign ownership of agricultural land. In November 2010, the government amended the Foreign Exchange Act to remove restrictions on non-residential ownership as permitted by the European Union under the Czech Republic's accession agreement. However, until May 1, 2011, foreign ownership will remain possible only through a Czech company (Ltd.) or with a valid Czech residency permit. This change applies equally to citizens from the European Union and from third countries. To prevent land speculation, the Czech government plans to amend related legislation to require that agricultural land be actively farmed by the purchaser for at least 36 months. Land speculation is expected to be minimal, as over 90% of agricultural land is privately owned, with the State owning approximately 7%.

## **Protection of Property Rights**

[Return to top](#)

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 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 new Criminal Code which came into effect January 1, 2010, increased maximum penalties for trademark, industrial rights and copyright violations from two to eight years.

Intellectual property rights (IPR) violations at markets on the borders of Germany and Austria are an issue of concern to U.S. companies and the U.S. government. The markets consist primarily of open-air stalls that sell a variety of trademark and copyright-infringing goods such as clothing, cigarettes and CD/DVD recordings. Starting in 2008, the Czech authorities significantly increased the scope and number of raids, resulting in a significant reduction in the amount of pirated goods openly available. Criminal and administrative penalties applied to IPR violators, however, continue to be infrequent, mild and lacking deterrent value. The Czech authorities have also yet to fully apply many of the legal tools available to them to combat IPR piracy, including the revocation of business licenses. The Embassy will continue to work with U.S. industry and Czech government officials to strengthen enforcement of intellectual property rights.

### **Transparency of Regulatory System**

[Return to top](#)

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 the 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 government procurement, and are of particular concern to foreign companies operating in the Czech Republic.

A November 2008 OECD peer-review of the Czech Republic confirmed that 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**

[Return to top](#)

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 in the Czech Export Bank, and a 24% share of the equity capital in the [Czech-Moravian Guarantee and Development Bank](#). A significant financial crisis in the late 1990s – prompted by poor banking practices throughout that decade – led to a major restructuring of the banking sector and a significant improvement in

government oversight. Currently all large domestic banks belong to major European banking groups, are generally extremely conservative and concentrate almost exclusively on the domestic Czech market. As a result, all Czech banks remained relatively healthy throughout the global financial crisis, making the Czech Republic one of only a few OECD countries not to have had to inject capital into the banking system. As of September 30, 2010, the total assets of commercial banks stood at CZK 4.19 trillion (approximately USD 220 billion), according to the CNB. As of the same date, non-performing loans amounted to 5.65 percent of total credit volume, up from 4.28 percent a year earlier. Foreign investors have access to bank credit on the local market, and credit is generally allocated on market terms. Domestic household borrowing in foreign currencies is negligible. In 2002, the banks for the first time established a mechanism for sharing credit histories of borrowers.

Although the [Prague Stock Exchange](#) (PSE) is small (with only 15 companies listed), the overall trade volume of stocks reached CZK 389.87 billion (roughly USD 20.4 billion) in 2010 as compared to CZK 463.86 billion (roughly USD 24.5 billion) in 2009, with an average daily trading volume of CZK 1.55 billion (approximately USD 81 million). The PSE index tends to mirror movements in international markets. The PSE index increased by 9.62 percent in 2010.

In March 2007, the PSE created the Prague Energy Exchange (PXE), which has now renamed itself the Power Exchange Central Europe, to trade electricity in the Czech Republic and Slovakia. PXE's goal is to increase liquidity in the electricity market and create a standardized platform for trading energy. The PXE completed its first trade in July 2007 and its trading volume has increased steadily with a total futures market contract value in 2009 of 1.4 billion Euro.

In 1998 the government created a Securities and Exchange Commission to function as a 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.

## **Competition from State Owned Enterprises**

[Return to top](#)

Private enterprises are generally allowed to compete with public enterprises under the same terms and conditions with respect to access to markets, credit and other business operations, although there are frequent accusations that large domestic companies—including both SOEs and private firms—use their political clout and connections to gain unfair advantage. State-owned or majority state-owned companies are present in several fields, including the energy, postal service, and transport sectors. The Czech state also owns two small, specialized banks. SOEs do not report directly to ministries but are managed by a Board of Directors and Supervisory Board that generally include representatives of both the government and private sector. SOEs are required by law to publish an annual report and submit their books to independent audit. A list of state-owned or majority state-owned companies is available at:

[http://www.mfcr.cz/cps/rde/xchg/mfcr/xsl/fnm\\_akciove\\_spolec.html](http://www.mfcr.cz/cps/rde/xchg/mfcr/xsl/fnm_akciove_spolec.html).

## **Corporate Social Responsibility**

[Return to top](#)

Corporate Social Responsibility (CSR) is a burgeoning concept in the Czech Republic. Although foreign companies, particularly U.S.-owned businesses, tend to be more active and more vocal about their activities in this area, the trend appears to be spreading slowly to Czech companies as well. CRS Europe and the Czech Business Leaders' Forum encourage their members to engage in CSR activities and to publicize their work in shareholder reports. Since 2005, the Czech Donors Forum has given the prestigious TOP Corporate Giving award each year for highest volume of donations and for corporate giving as a percentage of gross annual profit. In addition, the Czech Environment Ministry has given the annual Health, Safety and Environment Award since 2000 to encourage conservationism and sound environmental practices in the workplace. Since 1997, the Via Foundation has funded over 2,000 community development projects through Czech corporate social philanthropy. Still, only very large Czech companies are vocal about their CSR efforts, and CSR is not a major criterion by which Czechs make investment decisions. For example, the Via Foundation's annual Via Bona awards recognize local CSR efforts, but most often the winners are major Czech corporations or local international subsidiaries. In a well-publicized recent interview, the Via Foundation's director criticized high net worth Czechs for their lack of giving back to the community.

## **Political Violence**

[Return to top](#)

The risk of political violence in the Czech Republic is extremely low. There is no 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**

[Return to top](#)

Corruption, including bribery, raises the costs and risks of doing business. Corruption has a corrosive impact on both market opportunities overseas for U.S. companies and the broader business climate. It also deters international investment, stifles economic growth and development, distorts prices, and undermines the rule of law.

It is important for U.S. companies, irrespective of their size, to assess the business climate in the relevant market in which they will be operating or investing, and to have an effective compliance program or measures to prevent and detect corruption, including foreign bribery. U.S. individuals and firms operating or investing in foreign markets should take the time to become familiar with the relevant anticorruption laws of both the foreign country and the United States in order to properly comply with them, and where appropriate, they should seek the advice of legal counsel.

The U.S. Government seeks to level the global playing field for U.S. businesses by encouraging other countries to take steps to criminalize their own companies' acts of

corruption, including bribery of foreign public officials, by requiring them to uphold their obligations under relevant international conventions. A U. S. firm that believes a competitor is seeking to use bribery of a foreign public official to secure a contract should bring this to the attention of appropriate U.S. agencies, as noted below.

**U.S. Foreign Corrupt Practices Act:** In 1977, the United States enacted the Foreign Corrupt Practices Act (FCPA), which makes it unlawful for a U.S. person, and certain foreign issuers of securities, to make a corrupt payment to foreign public officials for the purpose of obtaining or retaining business for or with, or directing business to, any person. The FCPA also applies to foreign firms and persons who take any act in furtherance of such a corrupt payment while in the United States. For more detailed information on the FCPA, see the [FCPA Lay-Person's Guide](#).

**Other Instruments:** It is U.S. Government policy to promote good governance, including host country implementation and enforcement of anti-corruption laws and policies pursuant to their obligations under international agreements. Since enactment of the FCPA, the United States has been instrumental to the expansion of the international framework to fight corruption. Several significant components of this framework are the OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions (OECD Antibribery Convention), the United Nations Convention against Corruption (UN Convention), the Inter-American Convention against Corruption (OAS Convention), the Council of Europe Criminal and Civil Law Conventions, and a growing list of U.S. free trade agreements. This country is party to OECD Antibribery Convention, but generally all countries prohibit the bribery and solicitation of their public officials.

**OECD Antibribery Convention:** The OECD Antibribery Convention entered into force in February 1999. As of December 2009, there are 38 parties to the [Convention](#) including the United States. Major exporters China, India, and Russia are not parties, although the U.S. Government strongly endorses their eventual accession to the Convention. The Convention obligates the Parties to criminalize bribery of foreign public officials in the conduct of international business. The United States meets its international obligations under the OECD Antibribery Convention through the U.S. FCPA. The Czech Republic is a party to the OECD Convention.

**UN Convention:** The [UN Anticorruption Convention](#) entered into force on December 14, 2005, and there are 143 parties to it as of December 2009. The UN Convention is the first global comprehensive international anticorruption agreement. The UN Convention requires countries to establish criminal and other offences to cover a wide range of acts of corruption. The UN Convention goes beyond previous anticorruption instruments, covering a broad range of issues ranging from basic forms of corruption such as bribery and solicitation, embezzlement, trading in influence to the concealment and laundering of the proceeds of corruption. The Convention contains transnational business bribery provisions that are functionally similar to those in the OECD Antibribery Convention and contains provisions on private sector auditing and books and records requirements. Other provisions address matters such as prevention, international cooperation, and asset recovery. The Czech Republic has not ratified the UN Convention.

**OAS Convention:** In 1996, the Member States of the Organization of American States (OAS) adopted the first international anticorruption legal instrument, the Inter-American Convention against Corruption (OAS Convention), which entered into force in March

1997. The OAS Convention, among other things, establishes a set of preventive measures against corruption, provides for the criminalization of certain acts of corruption, including transnational bribery and illicit enrichment, and contains a series of provisions to strengthen the cooperation between its States Parties in areas such as mutual legal assistance and technical cooperation. As of December 2009, the [OAS Convention](#) has 33 parties.

**Council of Europe Criminal Law and Civil Law Conventions:** Many European countries are parties to either the Council of Europe (CoE) Criminal Law Convention on Corruption, the Civil Law Convention, or both. The Criminal Law Convention requires criminalization of a wide range of national and transnational conduct, including bribery, money-laundering, and account offenses. It also incorporates provisions on liability of legal persons and witness protection. The Civil Law Convention includes provisions on compensation for damage relating to corrupt acts, whistleblower protection, and validity of contracts, inter alia. The Group of States against Corruption (GRECO) was established in 1999 by the CoE to monitor compliance with these and related anti-corruption standards. Currently, [GRECO](#) comprises 46 member States (45 European countries and the United States). As of December 2009, the Criminal Law Convention has 42 parties and the Civil Law Convention has 34. The Czech Republic is a party to the Council of Europe Conventions.

**Free Trade Agreements:** While it is U.S. Government policy to include anticorruption provisions in free trade agreements (FTAs) that it negotiates with its trading partners, the anticorruption provisions have evolved over time. The most recent FTAs negotiated now require trading partners to criminalize “active bribery” of public officials (offering bribes to any public official must be made a criminal offense, both domestically and transnationally) as well as domestic “passive bribery” (solicitation of a bribe by a domestic official). All U.S. FTAs may be found at the [U.S. Trade Representative Website](#). The Czech Republic does not have a FTA with the United States.

**Local Laws:** U.S. firms should familiarize themselves with local anticorruption laws, and, where appropriate, seek legal counsel. While the U.S. Department of Commerce cannot provide legal advice on local laws, the Department’s U.S. and Foreign Commercial Service can provide assistance with navigating the host country’s legal system and obtaining a list of local legal counsel.

**Assistance for U.S. Businesses:** The U.S. Department of Commerce offers several services to aid U.S. businesses seeking to address business-related corruption issues. For example, the U.S. and Foreign Commercial Service can provide services that may assist U.S. companies in conducting their due diligence as part of the company’s overarching compliance program when choosing business partners or agents overseas. The [U.S. Foreign and Commercial Service](#) can be reached directly through its offices in every major U.S. and foreign city or its website.

The Departments of Commerce and State provide worldwide support for qualified U.S. companies bidding on foreign government contracts through the Commerce Department’s Advocacy Center and State’s Office of Commercial and Business Affairs. Problems, including alleged corruption by foreign governments or competitors, encountered by U.S. companies in seeking such foreign business opportunities can be brought to the attention of appropriate U.S. government officials, including local embassy

personnel and through the Department of Commerce Trade Compliance Center "[Report a Trade Barrier](#)" Website.

**Guidance on the U.S. FCPA:** The Department of Justice's (DOJ) FCPA Opinion Procedure enables U.S. firms and individuals to request a statement of the Justice Department's present enforcement intentions under the anti-bribery provisions of the FCPA regarding any proposed business conduct. The details of the opinion procedure are available on [DOJ's Fraud Section](#) Website. Although the Department of Commerce has no enforcement role with respect to the FCPA, it supplies general guidance to U.S. exporters who have questions about the FCPA and about international developments concerning the FCPA. For further information, see the [Office of the Chief Counsel for International Counsel](#) Website. More general information on the FCPA is available at the Websites listed below.

Exporters and investors should be aware that generally all countries prohibit the bribery of their public officials, and prohibit their officials from soliciting bribes under domestic laws. Most countries are required to criminalize such bribery and other acts of corruption by virtue of being parties to various international conventions discussed above.

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. There are frequent allegations, however, that public officials have at times engaged in corrupt practices with impunity. Political pressure, lack of experience and training in this area among police officers, and ineffective use of investigative tools contribute to the infrequent prosecution of high-level corruption. Although public figures must disclose the state of their finances each year, disclosure of the origin of financial assets is voluntary. The absence of successful prosecutions for corruption (or exoneration by the courts) has in turn contributed to public disenchantment and concerns over impunity reflected in the 2008 [Transparency International](#) (TI) survey of managers in 26 countries, which found that the Czech Republic was 24<sup>th</sup> in terms of political corruption, finishing ahead of only Mexico and Nigeria.

The Czech Republic ratified the OECD anti-bribery convention in January 2000. According to a July 2010 TI report, there is little or no enforcement of the convention in the Czech Republic, with no cases and only four investigations through 2009. TI listed political influence over enforcement actions, inadequate whistleblower protection, and the lack of criminal liability for legal entities as contributing factors. The Czech Republic has not ratified the UN Convention Against Corruption (UNCAC).

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 public procurement. Common problems with public contracts include unclear ownership of companies bidding on public contracts and a lack of competitive bids. The use of bearer shares, which can be used to hide true ownership, is widespread, leading to occasional accusations that some companies winning public contracts may be linked to key politicians and/or government officials. 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. However, according to the TI chapter in the Czech Republic, the law has failed to reach that objective. Their research has shown that more than half of public contracts in the Czech Republic do not comply with the 2004 Public Procurement Act. TI actively conducts public information campaigns and has given numerous broadcast and print media interviews on corruption and bribery cases. Other nongovernmental organizations in the Czech Republic also focus on corruption issues.

The Nečas government has made combating corruption one of its three main priorities.

### **Anti-Corruption Resources**

Some useful resources for individuals and companies regarding combating corruption in global markets include the following:

- Information about the [U.S. Foreign Corrupt Practices Act \(FCPA\)](#), including a “Lay-Person’s Guide to the FCPA” is available at the U.S. Department of Justice’s Website.
- Information about the [OECD Antibribery Convention](#), including links to national implementing legislation and country monitoring reports, is available on their website. See also the new [Antibribery Recommendation and Good Practice Guidance Annex](#) for companies.
- General information about anticorruption initiatives, such as the OECD Convention and the FCPA, including translations of the statute into several languages, is available at the Department of Commerce [Office of the Chief Counsel for International Commerce](#) Website.
- Transparency International (TI) publishes an annual [Corruption Perceptions Index \(CPI\)](#). The CPI measures the perceived level of public-sector corruption in 180 countries and territories around the world. TI also publishes an annual [Global Corruption Report](#) which provides a systematic evaluation of the state of corruption around the world. It includes an in-depth analysis of a focal theme, a series of country reports that document major corruption related events and developments from all continents and an overview of the latest research findings on anti-corruption diagnostics and tools.
- The World Bank Institute publishes [Worldwide Governance Indicators \(WGI\)](#). These indicators assess six dimensions of governance in 212 countries, including Voice and Accountability, Political Stability and Absence of Violence, Government Effectiveness, Regulatory Quality, Rule of Law and Control of Corruption. See. The World Bank [Business Environment and Enterprise Performance Surveys](#) may also be of interest.
- The World Economic Forum publishes the [Global Enabling Trade Report](#), which presents the rankings of the Enabling Trade Index, and includes an assessment of the transparency of border administration (focused on bribe payments and corruption) and a separate segment on corruption and the regulatory environment.

- Additional country information related to corruption can be found in the U.S. State Department's annual [Human Rights Report](#).
- Global Integrity, a nonprofit organization, publishes its annual [Global Integrity Report](#), which provides indicators for 92 countries with respect to governance and anti-corruption. The report highlights the strengths and weaknesses of national level anti-corruption systems.

## **Bilateral Investment Agreements**

[Return to top](#)

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 that 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. Agreements with several other countries are in the process of ratification, and the Czech Republic has chosen to abrogate several similar treaties with other third countries. The full list of agreements, including ratification dates, can be found on the [Ministry of Finance](#) website.

A bilateral U.S.-Czech Convention on Avoidance of Double Taxation has been in force since 1993. In 2007 the U.S. and Czech governments signed a bilateral Totalization Agreement that exempts Americans working in the CR from paying into both the Czech and U.S. social security systems. The agreement entered into force on Jan. 1, 2009.

## **OPIC and Other Investment Insurance Programs**

[Return to top](#)

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 Info Line (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**

[Return to top](#)

The wide availability in the Czech Republic of educated, relatively low-cost labor on the doorstep of Western Europe has been a major attraction for foreign investors. While the wage gap continues to narrow, the Czech Republic will continue to have far lower labor costs than those in Western Europe for years to come (although labor costs farther to the East will remain even lower, including in the newer EU countries Romania and

Bulgaria). The unemployment rate reached a record low of 5.0% in July 2008 (according to the Ministry of Labor's methodology), after three years of over 6% annual economic growth (2005-07). The relatively low level of unemployment throughout 2008 made it increasingly difficult for many businesses to find skilled and experienced workers, especially in Prague and the surrounding region. This was especially true of employees with Western language skills, IT specialists, and engineers. By the end of 2010, however, the unemployment rate had grown to 9.6% and most categories of workers were readily available. Unemployment varies significantly depending on the region. Unemployment is far lowest in Prague (4.1%) and highest in the Ustecky (13.9%), Olomouc (12.5%), and Moravia-Silesia regions (12.4%). Rigidities in the labor code, a cultural reluctance to relocate, and limited housing stocks in some areas 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 judges, prosecutors, military, firemen, police and security sources, and workers in sensitive positions (e.g. nuclear power plant, gas and oil pipeline operators, and air-traffic controllers). Significant labor unrest remained rare. In September 2010, around 40,000 public sector workers attended a public demonstration in Prague against planned wage cuts. In December 2010, roughly 150,000 public sector workers participated in a day-long strike to protest the government's austerity measures. Approximately 3,800 of the 16,000 doctors employed in state hospitals have also publicly threatened to resign over unmet wage demands. Nevertheless, demonstrations, strikes and worker unrest are relatively rare. Although union membership has been dropping at a rate of 7 percent per year, the former Social Democrat (CSSD) led government was responsive to labor concerns and passed a labor code in parliament that is considered by observers to be "labor-friendly." The 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**

[Return to top](#)

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**

[Return to top](#)

According to the Czech National Bank, the stock of foreign investment in the Czech Republic on December 31, 2008 totaled USD 113.2 billion, with the Netherlands, Germany and Austria being the largest investors. The Czech National Bank lists the

U.S. as the ninth largest foreign investor. For tax reasons, however, most U.S. investments are channeled through subsidiaries in other EU countries, and a considerable portion of Dutch and other EU investment is in fact American. CzechInvest commissioned a study in 2009 on the actual origin of investments that showed the U.S. fifth in terms of foreign direct investment following Germany, the Netherlands, Austria and France.

According to the Ministry of Industry and Trade, the inflow of FDI fell to CZK 52 billion (roughly USD 2.7 billion) in 2009 down from CZK 110 billion in 2008, mainly due to the economic slowdown. The inflow of FDI rebounded to CZK 117 billion (roughly USD 6.2 billion) during the first three quarters of 2010. According to CzechInvest, roughly 30% of all FDI since 1993 has been invested in manufacturing. A recent trend has been that new U.S. foreign investment has generally come from companies already well-established in the Czech Republic with very little originating from first-time investors to the country. The upswing in investment since 1998 is generally attributed to the introduction of investment incentives, as well as the Czech Republic's central location and well-educated and relatively inexpensive labor force. The stock of Czech direct investment abroad totaled USD 12.5 billion at the end of 2008, according to the Czech National Bank.

**Some of the largest U.S. investments in million USD:**

Procter&Gamble	150
GE Real Estate + Crestyl Group	140
Guardian	70
Tiger Holding Four	45
Honeywell	27.5
Commercial Vehicle Group	27
Donaldson	20.6
Ingersoll Rand	20
GE Aviation	7.8
FEI Company	3.0
JNJ Global Business Services	2.7
Rannoch	2.5
Rockwell Automation	2.0
NovaSoft	0.75
SDE (SW Development Europe)	0.7
Autobaterie	0.5
IBM	(amount not available)
eBay	(amount not available)
Microsoft	(amount not available)
Skype	(amount not available)
OnSemiconductor	(amount not available)

**Other Countries:**

**Significant foreign direct investments (in USD):**

Hyundai	Korea	1.2 billion
Toyota/PSA	Japan/France	850 million
Volkswagen	Germany	710 million
Robert Bosch	Germany	361 million
Matsushita	Japan	335 million
Nemak	Mexico	317 million

Denso	Japan	254 million
Daikin	Japan	244 million
Panasonic	Japan	235 million
LG Philips	NL	201 million
DHL	UK	190 million
Siemens	Germany	179 million
Faurecia	France	156 million
Knauf Insulation	Germany	131 million
Tivali	Israel	131 million
Automotive Lighting	Germany	106 million
Kronospan	Cyprus	102 million
Teva	Israel	55.5 million

Sources of data for this report included the Czech Statistical Office, the Czech National Bank, CzechInvest, OECD, IMF and the Central European Advisory Group.

## Web Resources

[Return to top](#)

CzechInvest: <http://www.czechinvest.org/>

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

Overseas Private Investment Corporation: <http://www.opic.gov/>

Transparency International:

[http://www.transparency.org/policy\\_research/surveys\\_indices/cpi/2010](http://www.transparency.org/policy_research/surveys_indices/cpi/2010)

World Intellectual Property Organization: <http://www.wipo.int/portal/index.html.en>

[Return to table of contents](#)

[Return to table of contents](#)

## Chapter 7: Trade and Project Financing

- [How Do I Get Paid \(Methods of Payment\)](#)
- [How Does the Banking System Operate](#)
- [Foreign-Exchange Controls](#)
- [U.S. Banks and Local Correspondent Banks](#)
- [Project Financing](#)
- [Web Resources](#)

### How Do I Get Paid (Methods of Payment)

[Return to top](#)

Most Czech firms use prepayment or partial prepayment, with the balance due upon delivery or net 30-day terms. On shipments under \$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 \$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

[Return to top](#)

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

[Return to top](#)

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

## U.S. Banks and Local Correspondent Banks

[Return to top](#)

### [Ceskoslovenska obchodni banka \(ČSOB\)](#)

Ing Miroslav Klima, International Financing, [mklima@csob.cz](mailto:mklima@csob.cz)

Tel: (+420) 224 118 034, Fax: (+420) 224 113 367

### [Citibank](#)

Mr. Miroslav Lukac, Corporate Finance, [miroslav.lukac@citicorp.com](mailto:miroslav.lukac@citicorp.com)

Tel: (+420) 233 061 837, Fax: (+420) 233 061 614

### [GE Capital Bank a.s.](#)

Ms. Sona Slavceva, Financial Director, [sona.slavceva@gecapital.com](mailto:sona.slavceva@gecapital.com)

Tel: (+420) 224 441 111, Fax: (+420) 224 441 500

### [Komerčni banka](#)

Ing Jana Svabenska, International Financing, [Jana\\_Svabenska@kb.cz](mailto:Jana_Svabenska@kb.cz)

Tel: (+420) 222 432 018, Fax: (+420) 224 229 330

### [Zivnostenska banka](#)

Mr. Petr Merezko, Structured Finance, [merezko@zivnobanka.cz](mailto:merezko@zivnobanka.cz)

Tel: (+420) 224 127 204, Fax: (+420) 224 127 273

## Project Financing

[Return to top](#)

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), 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.

### ***European Bank for Reconstruction and Development (EBRD)***

The [EBRD](#) does not operate in the Czech Republic.

### ***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, [p.loeser@eib.org](mailto:p.loeser@eib.org)

Tel: (+35 2) 43 79 31 39, Fax: (+35 2) 43 79 3189

### ***Sources of information on EU Funding***

The [American Chamber of Commerce to the European Union](#) in Brussels 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 their website.

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.

The US Mission to the European Union developed an *EU Structural & Cohesion Funds: Opportunities in the Member States* report. For more information please visit: [http://www.buyusa.gov/europeanunion/eu\\_funds.html](http://www.buyusa.gov/europeanunion/eu_funds.html).

## **Web Resources**

[Return to top](#)

Country Limitation Schedule: [http://www.exim.gov/tools/country/country\\_limits.html](http://www.exim.gov/tools/country/country_limits.html)

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

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

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

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

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

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

[Return to table of contents](#)

[Return to table of contents](#)

## Chapter 8: Business Travel

- [Business Customs](#)
- [Travel Advisory](#)
- [Visa Requirements](#)
- [Telecommunications](#)
- [Transportation](#)
- [Language](#)
- [Health](#)
- [Local Time, Business Hours and Holidays](#)
- [Temporary Entry of Materials and Personal Belongings](#)
- [Web Resources](#)

### **Business Customs**

[Return to top](#)

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.

Because Prague is a small, tightly knit city, word-of-mouth reputation is extremely important, and news about you -- good or bad -- can spread quickly. Political and business circles often interlink, and it is common for individuals to move from a ministry job to the private sector and back to the government over a several year period. Therefore, it is important to maintain strong contacts, even if your associate leaves the firm you are dealing with.

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 your visit, as Czechs are reluctant to arrange impromptu meetings at the last minute.

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**

[Return to top](#)

There are no outstanding travel advisories warning against travel to the Czech Republic. All Americans are advised, however, to be continually aware of their surroundings and be alert to suspicious activities or individuals.

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](http://www.travel.state.gov/travel/cis_pa_tw/cis/cis_1099.html) before traveling abroad or visit <http://www.travel.state.gov/index.html> for up-to-date travel advisories and warnings.

## **Visa Requirements**

[Return to top](#)

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 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](#)

- [The Czech Ministry of Foreign Affairs](#)

U.S. Companies that require travel of foreign businesspersons to the United States 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

[Return to top](#)

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 and is offered in most hotels. Additionally, wifi can be found free of charge in many cafes and bars in major cities.

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

<a href="#">Federal Express</a>	(+420) 800 133 339
<a href="#">DHL</a>	1-800-103-000
<a href="#">UPS</a>	1-800-181-111

## Transportation

[Return to top](#)

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.

[Airport Information](#) (+420) 220 113 314  
[AAA Taxi](#) (+420) 14014  
[Profi Taxi](#) (+420) 844 700 800

## Language

[Return to top](#)

The official language of the Czech Republic is Czech, part of the Slavic family of languages. 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. A recent survey shows that over 25% of all Czechs speak some level of English, and 10% are considered fluent.

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

[Return to top](#)

Prague has good Western-style medical clinics and English-speaking doctors and dentists. For major operations and complicated illnesses, most Westerners return to the U.S. 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.

Czech Emergency Number 112  
U.S Embassy (+420) 257 022 000  
[Canadian Medical Center](#) (+420) 235 360 133  
[Hospital Na Homolce](#) (+420) 257 272 174  
[Motol Hospital](#) (+420) 224 433 681, (+420) 224 433 682

## Local Time, Business Hours, and Holidays

[Return to top](#)

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. Unlike in the U.S., if a Czech holiday falls on the weekend, the government does not observe that holiday on the preceding Friday or on the following Monday, and no work day is taken off in honor of that holiday. A full list of Czech holidays (as well as U.S. holidays) can be found on the [Embassy website](#).

## Temporary Entry of Materials and Personal Belongings

[Return to top](#)

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

## Web Resources

[Return to top](#)

AAA Taxis: <http://www.aaa.radiotaxi.cz>

Canadian Medical Center: <http://www.cmcpraha.com/>

Consular Information: [http://www.travel.state.gov/travel/cis\\_pa\\_tw/cis/cis\\_1099.html](http://www.travel.state.gov/travel/cis_pa_tw/cis/cis_1099.html)

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

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

DHL: <http://www.dhl.cz>

Federal Express: <http://www.fedex.com/cz>

Hospital Na Homolce: <http://www.homolka.cz/>

Motol Hospital: <http://www.fnmotol.cz/foreigners-department/html/>

Prague Public Transportation: <http://www.dpp.cz/en/>

Profi Taxis: [www.profitaxi.cz](http://www.profitaxi.cz)

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

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

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

UPS: [www.ups.com/cz](http://www.ups.com/cz)

US Embassy, Consular: [http://www.usembassy.cz/general\\_consular\\_information.html](http://www.usembassy.cz/general_consular_information.html)

[Return to table of contents](#)

[Return to table of contents](#)

## Chapter 9: Contacts, Market Research and Trade Events

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

### Contacts

[Return to top](#)

#### American Embassy Prague

Tržiště 15, 118 01 Praha 1

Tel: (+420) 257 022 000, Fax: (+420) 257 022 809

web: <http://prague.usembassy.gov/>

Norman Eisen, U.S. Ambassador to the Czech Republic  
Joseph Pennington, Deputy Chief of Mission  
David Beam, Consul General  
Michael Dixon, Economic Officer  
John Vance, Press Attaché

#### U.S. Commercial Service (U.S. Department of Commerce)

Tržiště 15, 118 01 Praha 1

Tel: (+420) 257 022 434; Fax: (+420) 257 022 810

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

Stuart Schaag, Senior Commercial Officer, e-mail: [Stuart.Schaag@trade.gov](mailto:Stuart.Schaag@trade.gov)

Irena Michlickova – Events management, e-mail: [Irena.Michlickova@trade.gov](mailto:Irena.Michlickova@trade.gov)

Veronika Novakova – Sectors: environmental Products/Services, medical/dental/pharmaceutical, veterinary, cosmetics, publishing & education, e-mail: [Veronika.Novakova@trade.gov](mailto:Veronika.Novakova@trade.gov)

Hana Obrusnikova - Sectors: energy, aerospace, engineering/construction, e-mail: [Hana.Obrusnikova@trade.gov](mailto:Hana.Obrusnikova@trade.gov)

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**Market Research**

[Return to top](#)

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

## **Trade Events**

[Return to top](#)

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

<http://www.export.gov/tradeevents/index.asp>

<http://www.buyusa.gov/czechrepublic/en/146.html>

[Return to table of contents](#)

[Return to table of contents](#)

## Chapter 10: Guide to Our Services

The President's National Export Initiative aims to double exports over five years by marshaling Federal agencies to **prepare U.S. companies to export successfully, connect them with trade opportunities and support them once they do have exporting opportunities.**

The U.S. Commercial Service offers customized solutions to help U.S. exporters, particularly small and medium sized businesses, successfully expand exports to new markets. 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
- Gain access to the full range of U.S. government trade promotion agencies and their services, including export training and potential trade financing sources

To learn more about the Federal Government's trade promotion resources for new and experienced exporters, please click on the following link: [www.export.gov](http://www.export.gov)

For more information on the services the U.S. Commercial Service offers to U.S. exporters, please click on the following link: <http://www.buyusa.gov/czechrepublic/en/>

U.S. exporters seeking general export information/assistance or country-specific commercial information can also contact the **U.S. Department of Commerce's Trade Information Center** at **(800) USA-TRAD(E)**.

**We value your feedback on the format and contents of this report. Please send your comments and recommendations to: [Market\\_Research\\_Feedback@trade.gov](mailto:Market_Research_Feedback@trade.gov)**

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[Return to table of contents](#)