

# DOING BUSINESS IN THE CZECH REPUBLIC



## Country Commercial Guide 2014

*Prepared by*

**U.S. Commercial Service  
and U.S. Embassy Prague**

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## Chapter 1: Doing Business in the Czech Republic

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**We want to continue to deepen our relationship...strengthen trade between our two countries. Although the relationship between the United States and the Czech Republic economically is very strong, it can always be stronger.**

President Barack Obama  
Oct 27, 2011, Washington, DC

The United States and the Czech Republic forged a close relationship during the beginning of the 20<sup>th</sup> century, when America pledged its support for Czech independence. This friendship, which stalled during the period of Soviet influence, reemerged as the Czech Republic gained political independence and joined the economic ranks of the European Union. Today, this nation that sits at the heart of Europe has emerged as one of the region's most prosperous and industrialized economies, serving as a bridge for U.S. companies expanding beyond the more traditional markets in Western Europe to the developing markets in the east. The Czech Republic's strategic location, well-developed infrastructure, and skilled labor force have allowed this small nation of 10.5 million citizens to elevate itself to an important regional and international manufacturing hub and consumer market, and has proven to be one of the fastest growing markets in Europe for U.S. exporters.

### Market Overview

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- Economic health is largely based on growth in exports. About 85% of GDP is linked to export orders, with 81% of Czech exports directed to EU28 countries, and a third of total exports going to Germany. In this regard 2013 represented a good year for the country, which posted a record trade surplus of nearly \$18 billion, a 12.8% increase from 2012. This was achieved despite a deceleration in the rate of increase (Czech exports in 2013 grew by only 3% and imports by 1.8%). This trend is expected to continue in 2014, as the final six months of 2013 demonstrated strong trade growth that is expected to remain due to a continuing recovery in and outside the Eurozone and due to the impact of the weaker Czech koruna.
- The U.S benefited significantly from this strong growth in foreign trade as bilateral trade more than doubled to \$5.9 billion (\$5.5 billion based on Global Trade Atlas data and \$6.6 billion based on Czech government data). U.S. exports to the ČR increased by 100.5% since the 2009 financial crisis, while Czech exports to the U.S. increased by 102.8%. This is significant when compared to U.S.-EU trade statistics: U.S. exports to the EU only increased by 18.6% since 2009, while U.S.-EU bilateral trade increased by just 29.2%. Exporters should be aware that U.S. exports to

Poland increased by 69% during this period, making the regional Czech/Polish markets a growth opportunity that should not be overlooked.

- Over the first twenty years of Czech independence, foreign investment has played a significant role in boosting Czech productivity, and the U.S. has had an important role in this regard as the largest non-European investor in the country. In 2012, cumulative U.S. FDI was reported to be \$4.6 billion according to the Czech Statistical Office (and \$6.4 billion according to the World Bank).
- The World Economic Forum considers the Czech Republic to be a Tier 3, or “innovation driven” economy, placing it on the same level as its neighbors to the west. Except for Slovenia, it is the only country in Central and Eastern Europe to achieve this ranking. In terms of the WEF’s Global Competitiveness Index sub-rankings, the Czech Republic ranks below the average for Tier 3 economies, highlighting the work the country has to achieve before being considered an economic equal to its western neighbors.

## Market Challenges

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- The 2013/2014 ranking of the World Economic Forum’s [Global Competitiveness Index](#) (GCI) placed the Czech Republic at 46<sup>th</sup>, a drop from 39<sup>th</sup> in the 2012/2013 report and continuing the slow but steady decline from its highest ranking of 36<sup>th</sup> in 2010. The drop is largely due to other countries rising up the ranks at a swifter pace, as the country’s score improved this year by 0.1. The country’s poor ranking is mainly attributed to a poorly functioning state administration, with corruption and inefficient government listed as the two most problematic factors in doing business. The country finished at No. 117 in terms of the abuse of public money, No. 123 in terms of favoritism toward certain companies in government decisions, and No. 146 in terms of the level of trust of businesspeople and managers in politics and the state. In Central and Eastern Europe, Estonia and Poland continue to be rated as more competitive.
- Conversely, the Czech Republic rose one notch, to No. 32, on Bloomberg’s *Best Countries for Business* list. The country also continued to improve (from 29<sup>th</sup> to 26<sup>th</sup>) on the [Heritage Foundation’s Economic Freedom](#) list as a result of “notable improvements in half of the 10 economic freedoms, including investment freedom, business freedom, and freedom from corruption.” The Czech Republic ranked 15<sup>th</sup> out of the 43 countries in the Europe region with a higher score than the regional and global averages.
- Though outside the Euro zone, the Czech Republic has felt the impact of the lingering economic crisis in Europe and output has been declining since mid-2011. According to the Czech Statistical Office, 2012 GDP growth was -1.1% and 2013 was -0.9%. The Czech Central Bank predicts a turnaround in the economy this year with growth spurred by an increase in foreign demand and a relaxation of domestic monetary conditions. Currently, the GDP growth forecast for 2014 is 2.6% and the outlook for 2015 is 3.3%.
- The Czech Republic’s economic transformation is not yet complete. Ranked 75<sup>th</sup> on the World Bank’s 2013/14 [Ease of Doing Business](#) index, the Czech Republic finds

itself positioned in last place among the OECD high income countries and below most of its Central and East European neighbors (and down seven spots from last year, again largely due to other economies improving than conditions worsening in the Czech Republic). In critical sub-rankings, the country is 68<sup>th</sup> in [trading across borders](#), 98<sup>th</sup> in [protecting investors](#), and 75<sup>th</sup> in [enforcing contracts](#). Readers may find [all ranking indicators](#) and the [complete report](#) for the Czech Republic at the Doing Business website.

- The Czech government faces other challenges and hurdles, such as the slow pace of legislative reforms and industrial restructuring, planned healthcare and pension reforms, making the public procurement process more transparent, and a growing shortage of highly skilled technical workers.

## Market Opportunities

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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 diverse areas as healthcare reform, environment, transportation, infrastructure projects outside of Prague, and education exchange programs. Though it has a small population of 10.5 million, the Czech Republic has the highest per capita GDP of any nation in Central and Eastern Europe and provides many opportunities for experienced exporters.

## Market Entry Strategy

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The Czech Republic is not the ideal destination for new-to-export companies, but as an EU member and a place where English is widely understood in the business community, it is an excellent choice for experienced exporters looking to broaden their global reach, especially those who are seeking new opportunities outside Western Europe. The Czech Republic is characterized by wide population dispersion. Over 10% of the population is centered in Prague, the only city with more than one million inhabitants, while the majority of Czechs live within thirty minutes of other major commercial/ industrial hubs (Brno, Plzen, Olomouc, etc.). Urban consumers generally have greater purchasing power than their rural counterparts.

Success in this market typically requires an in-country presence such as an agent, distributor or representative office. The country's communication network is relatively well developed and email communication and website offerings are an increasingly effective means of reaching local buyers. Pricing remains the most critical factor in positioning a product or service for sale. Access to capital is becoming increasingly difficult for most Czech firms and business transactions are typically self-financed. U.S. firms that can arrange financing will have a competitive edge. Currency fluctuations were minimal in 2013, with the average exchange rate being 19.565 CZK/ 1 USD, falling within a band of 18.6 - 20.4 CZK/ 1 USD.

Most exporters find local distributors an easy first step for entering the market. Local distributors typically take responsibility for handling customs clearance, dealing with established wholesalers/retailers, marketing the product directly to major corporations or the government, and handling after-sales service. Other issues to consider are:

- Take a regional approach involving one or more Central or East European country. Poland and Slovakia tend to be the other countries that fit within a successful regional strategy, with Hungary as a close third.
- 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 a custom tailored service to meet local partners and possible clients.

U.S. businesses should be aware that, like all other members of the European Union, the Czech Republic is also governed by EU regulations. For additional information on the topics that appear in this report as they relate to general EU regulations, please refer to our report ***Doing Business in the European Union: 2014 Country Commercial Guide for U.S. Companies***. Portions of that report are replicated in the following pages, but not the report in its entirety.

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## **Chapter 2: Political and Economic Environment**

For background information on the political and economic environment of the country, please click on the link to the [U.S. Department of State Background Notes](#).

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### Using an Agent or Distributor

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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. We recommend basing your initial market entry on finding and supporting a strong Czech partner, agent, or distributor. The Czech Republic is geographically small, with over ten percent of the population and most decision-makers concentrated in the capital city of Prague, resulting in a market where good personal relationships are crucial. An agent or distributor based in Prague can offer good coverage of the entire country, though firms located outside the capital should not be discounted because of their location. Additionally, some industry sectors are concentrated in the country's regions outside Prague and its environs, and more suitable partners may be found there. Some firms may offer to represent your firm throughout Central Europe, though it is often more beneficial to limit your distributor to the Czech Republic and possibly also Slovakia. Ensure any regional distributors have a measurable track record or experience for the countries where they will be representing your firm.

Representative offices or industrial sales agents usually handle industrial sales. The cadre of agents has expanded rapidly over the last decade. 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. 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. Meetings with potential distributors can also assist in determining pricing and market obstacles and opportunities.

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 bestselling product of the moment, to the neglect of others. As with any legal agreement, we suggest you have a lawyer experienced with Czech law review any contract before signing.

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](#).

## Establishing an Office

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The Czech Republic ranked a disappointing 146<sup>th</sup> in the “[Starting a Business](#)” component of the World Bank’s Doing Business Guide, taking an average of twenty days to fully register a firm. For most small or mid-sized exporters, an office in the Czech Republic is not worth the time and expense. If you decide to establish one, however, we recommend that you work with a local attorney or consultancy firm that can take on the burden of corporate registration and other paperwork.

The process to register a company is generally comparable for the four types of firms that can be formed under the country’s commercial code. Of these, the limited liability company (společnost s ručením omezeným, or s.r.o.) and the joint-stock company (akciová společnost, or a.s.) are the most preferred as they give shareholders the advantage of having only limited liability for the company’s obligations. The other two forms are the general partnership (veřejná obchodní společnost) and limited partnership (komanditní společnost). The process for starting a company generally includes creation of a memorandum of association; obtaining appropriate trade authorizations/licenses; creation of registered capital comprising the contributions of the shareholders; registering the firm in the commercial register administered by the regional registration court; and registering with the tax office, the local social security and the health insurance authorities. Competent legal advice can assist you in choosing the company form that is best for your company’s legal and tax structure.

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. Unless your firm is investing in large scale manufacturing, it is unlikely that labor unions will be a factor in your staffing process. Statistics on Czech salaries can be found at a variety of websites, including [Czech Expat](#) and [Czech Invest](#).

If your firm utilizes EU citizens as part of its expatriate staff, these staff members can apply for long-term residency permits, though they are not obliged to do so. Other foreign nationals who intend to reside and work in the Czech Republic, including U.S. citizens, are required to apply for a residency visa, normally valid for a period of ninety days to one year. After this period, the visa can be either repeatedly extended or a long-term residency permit can be issued for an additional period of two years. An agent can

be used to facilitate the application process. Cost of living statistics can be found at a variety of websites, including [Czech Expat](#) and [Xpatulator](#).

## Franchising

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Franchising has become a well-known, successful and popular concept in the Czech market and is poised for continued 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 started creating domestic franchising concepts and expanding abroad. The number of franchised brands on the Czech market rose by 19% and by another 10% in 2013. The number of Czech brands has also been rising rapidly, and domestic brands represented 60% of the market share in 2013.

Most franchise businesses operate in the hotel and hospitality sectors. Fast-food establishments are very popular and have a strong U.S. presence. Most recently, the real estate sector has seen rapid growth. The Czech legal system is liberal and places no barriers for entrance and operation of a franchise.

### ***EU REGULATIONS***

There are a number of laws that govern the operation of franchises within the EU, but these laws are fairly broad and generally, and do not constrain the competitive position of U.S. businesses. More information on specific legislation can be found on the website of the [European Franchise Federation](#).

## Direct Marketing

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Direct marketing encompasses various ways of communication from the company to the consumer. Most of these advertising techniques include cell phone text messaging, emails, interactive consumer websites, online display ads, fliers, catalog distribution, promotional letters, and outdoor advertising. These techniques are all used in the Czech Republic; however, as reported by the Direct Marketing Monitor International in its 2007 report, Czech consumers have an above-average affinity to mailings, making them an extremely attractive target group for direct marketing campaigns (one survey reports that 74% of Czech citizens receive them at least once a week). Examples of direct marketing ads and commercials from the Czech Republic can be viewed [here](#). After print advertising, mailings are the most popular advertising medium in the Czech Republic, which is now also leading to the general impression that direct mail media is overwhelming its intended target audience. Telemarketing and call centers have not found the same level of acceptance as mailings in terms of direct marketing, and its usage is below that of the United States. 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. Its [website](#), as well as the [Czech Trade International s.r.o.](#) website, contains a list of members that can provide U.S. firms with potential partners in this area. Social media, as a form of direct marketing, is also proving to be increasingly popular in the Czech Republic. With a population of 10.5 million, in 2011 there were 6.56 million internet users in the Czech Republic out of which 3.8 million users were registered on Facebook. More detailed information about social media statistics in the Czech Republic can be found [here](#) and include the following social media channels: Facebook, YouTube, Twitter and Google+.

For further information, the [European Journalism Centre](#) provides a helpful overview of the media landscape in the Czech Republic.

### **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. For additional information on EU regulations pertaining to direct marketing, please refer to our report *Doing Business in the European Union: 2014 Country Commercial Guide for U.S. Companies*.

### **Joint Ventures/Licensing**

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The Czech Republic has long been an attractive destination for foreign investors seeking manufacturing and assembly operations, most commonly through a green field investment. A smaller but growing group is foreign companies that seek to acquire existing Czech firms in order to obtain and further develop their innovative technologies. CzechInvest, the state investment agency, is trying to capitalize on this trend and has created the [CzechLink](#) program in order to facilitate the merger and acquisition of Czech firms in the manufacturing and IT sectors.

Joint ventures as a legal form are less popular. There is no specific legislation regulating joint ventures in the Czech Republic and there is no such legal term in Czech corporate law, though the law allows for the setting up and operation of various joint venture schemes and structures such as contractual joint ventures and equity joint ventures. The legal framework between joint venture partners is usually defined in the joint venture contractual documents. The joint venture agreement usually describes the details of the partners' agreement to establish and operate a joint venture, while the shareholders' agreement regulates corporate governance and rules relating to the particular joint venture company. Additionally, there may be no joint venture agreement, and the shareholders' agreement will contain all the rights and obligations of the venture partners. Prague has a small, but skilled, local investment banking community, which can assist U.S. firms in structuring acquisitions or joint ventures.

The Czech [commercial code](#) allows for the licensing of technology, stipulating that "under an industrial property license, the "licensor" authorizes the "licensee" to exercise (intangible) industrial property rights (*e.g. patents, trademarks*) only to an agreed extent and within agreed territory, and the licensee undertakes to make determined payments or to provide other material values (payment in kind) in return." The contract must be in writing and if the duration of the rights is dependent upon the exercise of them, the licensee is bound to exercise the rights.

### **Selling to the Government**

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Lack of transparency throughout the procurement process remains a significant obstacle for U.S. companies. The Global Competitiveness Index's ranking on the issue of "public trust in politicians" has the Czech's ranked 146<sup>th</sup> out of 148 nations. In terms of "diversion of public funds" they are 117<sup>th</sup>. While the Czech government has publicly stated its commitment to fair, transparent tenders, rumors of corruption remain common place, and the Czech media regularly follows high-profile tenders gone awry. U.S. firms

active in the market have identified several tenders where they feel the process was corrupted, and in many cases government tender decisions have been overturned due to allegations that the process was not conducted fairly. Additionally, government decision-making is notoriously slow, and combined with the lack of transparency, tenders are frequently delayed and cancelled, with little political will to reissue the tender afterwards.

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 the *Hospodarske Noviny* (Economic News) and *Mlada Fronta Dnes* newspapers, 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. In the case of purchase or procurement from only one source that is deemed to be in the government's interest, the Ministry of Defense can issue a "direct call" tender, though this practice is seldom used. The direct call is characterized as being similar to U.S. Government sole-source contracting, but it lacks defined selection criteria, raising concerns about procedural transparency.

In most cases, 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 (the change in policy above applies only to the Ministry of Defense). 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 that U.S. companies once had against lower-cost domestic and European firms.

Even as the Czechs seek to continue to modernize their NATO-compatible military and upgrade infrastructure to meet environmental and other EU requirements, a tightening of the Czech government's purse strings is expected to have a significant impact on defense spending in the near term, especially under the new administration. In one recent example, the cabinet agreed to postpone the issuance of a tender to buy new jet fighters, and to give further consideration to extending the current lease on Swedish Gripens. The negotiations for this contract extension had been on-going for over two years, and was only recently concluded. 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.

One recent change that benefits U.S. firms selling to the Ministry of Defense is a provision that allows them to contract directly with the ministry, bypassing the services of a Czech intermediary (since 2009, EU firms have had this privilege). The change was meant to bring transparency and cost savings to the system. However, the ministry has found ways around this ruling, such as including requirements for all documentation to be in the Czech language, thereby making the use of a local intermediary not a requirement, but highly recommended. The ministry still opts to use middle men companies for two reasons: it is easier to handle receipt of goods and customs, and for

cases that require National Funding they cannot obligate funds until the items are delivered in full. The intermediary company allows the ministry to pay in installments and settle upon final delivery.

### **EU REGULATIONS**

The public procurement market in the EU is currently regulated by three Directives and in 2014, the EU adopted new legislation in this area. For additional information on EU regulations pertaining to public procurement, please refer to our report *Doing Business in the European Union: 2014 Country Commercial Guide for U.S. Companies*.

### **Distribution and Sales Channels**

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The distribution channels in the Czech Republic are similar to those in the European Union. 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.

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 European "hypermarkets," and shopping malls with a broader selection, lower prices and extended weekend and evening hours. These stores have become increasingly important to the distribution mix over the last decade, attracting customers that used to purchase through traditional retailers. 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 U.S. big box retailers are present in the market.

Specialized outlets are still important venues for reaching informed customers who seek quality products with specific performance. Additionally, virtual shopping is gaining in popularity, with several Czech firms attracting clients with cost savings and home delivery, offering everything from contact lenses to car tires. Some global internet market places are active with localized sites, but most major US firms are still absent. As an example, though Amazon.com was recently pursuing plans to build two logistic centers in the Czech Republic, the firm still does not operate a site for Czech consumers.

### **Selling Factors/Techniques**

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Having a sales force that speaks Czech is essential to success in the market and ideally product literature should be in Czech as well. Depending on who your market is, a dual Czech/English brochure can help you effectively reach both Czech firms as well as the many international firms located in Prague with non-Czech speaking decision makers. Any measurements used within the literature should be in metric. In addition, product labels on consumer items must be in Czech. Your local partner/distributor can assist in this process.

Companies doing business in the Czech Republic should have a website in Czech and English. Depending on your end-user, a third language (German or Russian) can help you reach a broader market. Having a website gives legitimacy to a company's presence in the market and plays an increasingly important role here in attracting potential customers.

In 2012, more than two-thirds of households in the Czech Republic had computers, with over 71% of the population having access to the Internet and 68% of households having broadband internet connections (according to Eurostat). The number of Czech consumers shopping online reached almost 6 million, which is over 50% of the country's population. Only 2% of individuals use the Internet to buy or order online content. According to [APEK](#), the Czech Association of Electronic Commerce, the number of Czech consumers who regularly shop online is continually increasing (in 2011 the number of consumers rose by 12%, after rising by 22% in 2010 and 23% in 2009). In 2012, the internet sale of goods rose to a record high amounting to \$2.2 billion. Margins are reportedly falling, however, in part because the country has a record number of internet retailers per person, with a reported 37,000 internet retailers. Google, which has called the Czech Republic "the internet tiger of Central and Eastern Europe", reports a smaller number of online businesses. Google states that the Czechs are comparable to the U.K. in the number of searches per user, and that the country has 27,000 online businesses, despite the limited reach of the Czech language, compared to 30,000 in the U.K.

[Eurostat](#) reports that in 2013 the percentage of turnover realized from e-commerce was at 26% in the Czech Republic (second only to Ireland within the EU27). APEK also reports that the share of on-line shops in Czech retail reached 4.6% in 2012. Dominant on-line shops include [www.alza.cz](#), [www.mall.cz](#), [www.kasa.cz](#), [www.CZC.cz](#), and [www.123shop.cz](#). U.S. e-retailers are mostly absent from the Czech market, though some, like [e-Bay](#), have Czech language sites that mainly list items located in the UK or elsewhere in Europe.

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. Foreign firms most often pay for in-country advertising, while their local distributors provide facilities, warehousing, and equipment. A good agent or distributor, however, should be able to help you craft an appropriate strategy. The Czech market is small, and market entry is relatively low-cost, so expensive marketing campaigns are probably not necessary, unless promoting a consumer product.

With a history dating back to the Middle Ages, [trade shows](#) are a European way of life, and both [Prague](#) and [Brno](#) host several international shows. A small booth is a good -- and comparatively low-cost -- way to meet customers in the Czech Republic and neighboring countries. We recommend working with your distributor to identify which shows are best for your product and then agreeing on how you can cost share the expense with the distributor, which might be representing several other products. It is also beneficial to have a member of your sales staff be present at the stand with your distributor, to ensure that your product is being properly represented at the exhibition.

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. Firms can also take advantage of the Commercial Service's Featured U.S. Exporter Service ([FUSE](#)) to advertise their firm's product or service on our [Czech language website](#).

## **Pricing**

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Czech consumers and firms are very price-sensitive and the market is dominated by cost conscious consumers. Although Prague is the EU's sixth wealthiest region in purchasing power, retailers complain they are unable to move goods unless they are marked on sale. In the consumer market there is a subtle shift towards prestigious name brands over low-cost competitors for certain goods. Though Czechs are normally conservative and eschew borrowing in order to spend, credit card use has grown exponentially as an easier means to conduct transactions, especially as the technology improves, allowing mobile payments. Consumers are now actively using their cards, including on smaller value purchases, and card payment transactions have increased at a rate higher than the corresponding growth in the retail value of transactions.

From a pricing perspective, U.S. firms face competition from European firms, which have lower transport costs and no import duties, Czech firms that have home field advantage, and low cost imports from Asia (China is now the second largest exporter to the Czech Republic). 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 or Europe. Over the last year the dollar has held its strength against the Czech crown, holding steady between 19 and 20 CZK per USD (with an average of 19.565 CZK=1USD), further hindering the competitiveness of US firms.

Czech VAT law is harmonized with EU VAT law and is levied on goods and services from other EU countries and from third countries. The VAT rate is currently 21% on most manufactured goods and services, and 15% for selected goods, such as food products, pharmaceuticals used for health care, diapers, printed books and periodicals. VAT is based on the imported price plus applicable duties and is normally paid for by your distributor or the company of import. Your firm is obligated to register for Czech VAT purposes once it starts to perform taxable supplies in the Czech Republic or establishes a VAT permanent establishment.

## **Sales Service/Customer Support**

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Although not yet at the level of Western standards, customer service has come a long way since the market opened up more than twenty years ago. Though attitudes are 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 improving customer service.

The industrial sector is somewhat more developed, as Czechs have made great strides to become part of the international marketplace. U.S. companies should demonstrate to potential end users their after-sales service capacities. Some industrial users have the impression that European suppliers offer superior after-sales support, and the presence

of a well-trained, well-supported local agent who can service equipment is important in both closing a sale and maintaining your client base.

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.

## **Protecting Your Intellectual Property**

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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 Czech Republic than in the U.S. Third, rights must be registered and enforced in the Czech Republic, under local laws. Your U.S. trademark and patent registrations will not protect you in the Czech Republic. There is no such thing as an “international copyright” that will automatically protect an author’s writings throughout the entire world. Protection against unauthorized use in a particular country depends, basically, on the national laws of that country. However, most countries do offer copyright protection to foreign works under certain conditions, and these conditions have been greatly simplified by international copyright treaties and conventions.

Registration of patents and trademarks is on a first-in-time, first-in-right basis, so 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 US government generally cannot enforce rights for private individuals in the Czech Republic. 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 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 visit [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**, or visit <http://www.uspto.gov/>.
- For more information about registering for copyright protection in the US, contact the US Copyright Office at: **1-202-707-5959**, or visit <http://www.copyright.gov/>.
- For more information about how to evaluate, protect, and enforce intellectual property rights and how these rights may be important for businesses, please visit the "Resources" section of the STOPfakes website at <http://www.stopfakes.gov/resources>.
- For information on obtaining and enforcing intellectual property rights and market-specific IP Toolkits visit: [www.stopfakes.gov/businesss-tools/country-ipr-toolkits](http://www.stopfakes.gov/businesss-tools/country-ipr-toolkits). The toolkits contain detailed information on protecting and enforcing IP in specific markets and also contains contact information for local IPR offices abroad and U.S. government officials available to assist SMEs.
- 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 EU at: [http://www.uspto.gov/ip/global/attache/Attache\\_Contacts\\_2012-08.doc](http://www.uspto.gov/ip/global/attache/Attache_Contacts_2012-08.doc)

## Due Diligence

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Due diligence on potential partners (as well as on suppliers, major clients, and other contacts) is important. In addition to the company you are working with, you should conduct due diligence on its officers or major shareholders. The U.S. Commercial Service offers an [International Company Profile](#) service that researches the bona fides of Czech firms. [Dun & Bradstreet](#) also offers profiles and financial information on Czech firms.

## Local Professional Services

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Most major U.S. and international firms providing legal, accounting and consultancy services are represented in the Czech Republic. Many of these firms also publish their own business guides for the Czech Republic, which address legal and taxation issues in more detail than this country commercial guide. 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

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### ***B2B Websites***

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>

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

### **Commercial Sectors**

- [Aircraft/Aircraft Parts](#)
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- [Electric Power Systems](#)
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### **Agricultural Sectors**

- [Beef](#)
  - [Dried Nuts and Fruits](#)
  - [Fish and Crustaceans](#)
  - [Food Preparations](#)
  - [Wine and Spirits](#)
-

Unit: USD millions

	2012	2013	2014 (estimated)
<b>Total Market Size</b>	502	589	502
<b>Total Local Production</b>	1,850	2,650	2,850
<b>Total Exports</b>	1,740	2,420	2,700
<b>Total Imports</b>	392	359	345
<b>Imports from the U.S.</b>	280	110	140

Sources: General Inspectorate of Customs, Association of Aerospace Manufacturers, Association of Defense and Security, Confederation of Aerospace Industry, CSA, Travel Service.

While the [Czech Airlines](#) fleet consists of Airbus and ATR propeller aircraft, the private carrier [Travel Service](#) operates a fleet of fourteen Boeing 737-800s and has ordered two more Boeing planes, including the country's first Dreamliner. As commercial jet check-in procedures become ever more cumbersome, private business jet travel is grabbing a larger share of the air travel market. To meet the demand, several Czech-based operators have been adding biz-jets to their fleets and U.S. companies should keep an eye to this promising market. As of now, four private operators dominate the market with Bombardier Learjets, Embraer Legacy, Gulfstream, Cessna Citation and Nextant 400XT aircraft. Bell dominates the market for light utility helicopters, such as emergency medical services and the police.

The financially troubled national air carrier Czech Airlines (CSA) had been seeking a strategic investor for many years. CSA was formerly a part of Cesky Aeroholding, a holding company composed of Airport Prague, CSA, CSA Technics, CSA Handling and CSA Services. In June 2013, Korean Air bought a 44% stake in CSA for a relatively low USD 3.7 million. The Korean flag has been rewarded by growth of over 200% in the number of passengers transiting in Prague. In December 2013, Korean Air used an option of purchasing an additional 34% share from Cesky Aeroholding, which was subsequently sold to Travel Service, a private Czech air carrier. Working together with Travel Service, Korean Air wishes to make Prague Airport its European hub. The entry of Travel Service into CSA will provide Korean Air with connections to approximately forty new destinations in Europe, to which their passengers will be able to fly after their transfer at Prague, thereby diversifying the airport from serving mostly short-haul airline services to a long-haul traffic hub.

#### **Defense:**

The Czech Army operates an aging fleet of helicopters: 43 Russian MI helicopters (29 MI-24/MI-35 and 14 MI-8 transportation helicopters), and 10 Polish Sokol. The Czech Defense Ministry disseminated a RFI to manufacturers of helicopters and expect responses at the end of May 2014. The approximately \$100 million tender for supplying five helicopters in the first round will be issued next year. The plan is to tender for twenty helicopters in total to replace the aging fleet of Polish Sokol and Russian MIs. On the horizon (2020 and after), the Army will be tendering two transportation aircraft of the C-130 J category.

## Sub-Sector Best Prospects

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- Helicopters for medical emergencies, police and military air force
- Utility cargo aircraft for Czech Air Force
- Mid-range air defense system
- Upgraded and sophisticated avionics
- Supply of technologies and aircraft components for domestic production
- Training and consulting services

## Opportunities

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**IDET 2015**, September 19-21, 2015 Brno Czech Republic

The International Fair of Defense and Security Technology, is one of the largest shows of defense technology in Central and Eastern Europe. Exhibitors from thirty countries present their products to international military delegations and professionals from all over the world.

## Web Resources

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Association of Defense and Security Industry - [www.aobp.cz](http://www.aobp.cz)  
Association of Aircraft Industry Manufacturers - [www.alv-cr.cz](http://www.alv-cr.cz)  
Confederation of the Czech Aviation Industry - [www.sclp.cz](http://www.sclp.cz)  
Czech Airlines - <http://www.csa.cz/>  
Travel Service - <http://www.travelservice.aero/>

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

## Automotive Parts and Equipment

### Overview

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Unit: USD millions

	2012	2013	2014 (estimated)
<b>Total Market Size</b>	13,700	15,900	16,500
<b>Total Local Production</b>	30,200	37,050	38,000
<b>Total Exports</b>	23,200	31,492	33,000
<b>Total Imports</b>	10,700	12,500	13,000
<b>Imports from the U.S.</b>	200	190	200

Source: [Automotive Industry Association of the Czech Republic \(AIA\)](#), [Czech Statistical Office](#)

The automotive industry accounted for 23.5% of industrial production in 2013, highlighting the important role this industry plays in the national economy. The annual production of new passenger cars in the Czech Republic has reached 1.13 million units, which represented a decrease of 3.9%. Production of other motor vehicles suffered higher decreases, with the only exception being bus production, which recorded a record number of 3,691 units. This trend has continued in the first half of 2014, when the manufacturer Iveco had to introduce Saturday shifts to catch up with demand in the bus

market. The production of motor vehicles in the first half of 2014 has posted good numbers and the market seems to be out of the recent decline.

In 2013, exports represented 85% of the total automotive-industry output and increased 5.9%. Imports for manufacturing needs only (into automotive manufacturing plants) represented about USD 12 billion. The Czech automotive industry is typical by a foreign ownership, when parent companies both supply and buy products from their local plants.

### **Sub-Sector Best Prospects**

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

### **Opportunities**

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- CNG equipment for transportation
- Electric bikes
- Advanced technologies and supplies for automotive parts manufacturers

### **Web Resources**

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Association of Automotive Industry of the Czech Republic: <http://www.autosap.cz/default-e.asp>  
Autoshow Praha, Sep 25-28, 2014: <http://www.autoshowpraha.cz/en.html>  
Autosalon and Motorsport Brno, Ma 26-30, 2015: <http://www.bvv.cz/autosalon-brno/>  
Czechbus Prague, Nov 19-21, 2014: <http://www.czechbus.eu/en.html>  
International Prague Car Festival Prague, Aug 30-31, 2014: [www.praguecarfestival.cz](http://www.praguecarfestival.cz)  
Motosalon Brno, Mar 5-8, 2015: <http://www.bvv.cz/en/motosalon/>

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

## **Cosmetics**

### **Overview**

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Czech consumers are well known for being traditional, conservative and price sensitive. However, these traits do not generally apply when it comes to purchases of cosmetics and toiletries. The younger generation, which is fashion conscious and travels widely outside the country, has a greater awareness of global trends. They display different consumer patterns from their parents and branding plays an important role in purchasing decisions. Although the economic crisis has generally tempered sales of cosmetic products, distributors have seen increases in certain categories. The market is expected to continue expanding at over 4% per year through 2015.

The Czech market is relatively stable and mature with most international players already active here. U.S. companies interested in entering the market should be aware of the fact that without strong promotional support and marketing budget the success of a new brand in the market will be limited. Reputation of the U.S. for quality and innovative



products provides opportunities for U.S. cosmetics firms; however, selecting the right partner and marketing strategy are keys to success in this market.

**Hair Care:** The local cosmetics market is saturated and strongly influenced by foreign brands. The Czech Republic is one of the few countries in Europe where the size of the hair care market (\$244bln/€195m) exceeds the size of the skin care market (\$188bln/€150m). The main sales channels for hair care include hypermarkets and large drugstores (with over 100m<sup>2</sup>) where 60 percent of the hair care cosmetics is sold. Customers are not loyal to brands and thus companies often come up with novelty products to attract the attention of clients. Currently, the Czech market is overcrowded by the retail products, which increases the demand for luxury hair cosmetics. The newest color trends are the brightest shades of red as well as natural tones. As long hair remains fashionable, hair prolonging and hair growth products have increased demand.

**Skin Care:** Sales of skincare products stayed relatively stable despite the crisis, due to the rise of newer sub-sectors and products (e.g. products for men). An increasing number of image-conscious women and adolescent girls using make-up at a younger age contributed to this sub-sector's performance. The majority of women consider color cosmetics a necessity, a trend seen in many affluent societies where there is a large percentage of women in the workforce. Growth is expected to remain strong as women include more items in their daily make-up routines. Recently, women prefer fine, seemingly invisible, make-up that underlines their features and does not look "cheap." The market for sun care products is growing with a greater awareness of the effects of prolonged sun exposure. Due to the absence of climate conditions, sun-tanning products do well, as heavily tanned skin is a beauty trend. Anti-aging products are expected to keep their popularity, as they tend to be even more segmented on the basis of the age group of the target audience.

**Nails:** The nail salons trend came to the Czech Republic about ten years ago, and over the last few years there has been a great boom, especially in Vietnamese owned salons. Acryl and gel nails are still leading the manicure and pedicure market. However, Czech women have started to look for a more natural and healthy way of maintaining their nails and new technologies such as SHELLAC and VEGAN are becoming trendy.

**Dental:** The dental hygiene market is estimated to be \$81bln/€65m, with main product focus being toothpaste and toothbrushes. Diversification in dental hygiene is for most of East European customers, including the Czech Republic, still relatively limited. There has been a boom in mouthwash products, mainly thanks to Johnson & Johnson Listerine brand's market entry, which was supported through strong promotional campaign. There has also been broader promotion of dental hygienist services, electric toothbrush, dental floss, interdental brushes, and dental water jets.

**Fragrances:** Estimated growth in perfumes and fragrances segment is 8% a year. Perfumes/fragrances are used by 75% of women (1/4 of them uses them more than once a day) and by 45% of men. Internet sales of brand name perfumes have experienced strong growth over the last few years.

Czech women are increasingly more sensitive of their appearance and the available modern treatments, including aesthetic medicine and plastic surgery. In the past few years, many beauty salons started offering new thinning equipment for non-invasive

liposuctions, crytolisis (freezing liposuction), lymphatic drainage, and anti-cellulite lipo-massage. These treatments that in the past were available to only a limited group of women are now more widely available and used.

### **Sub-Sector Best Prospects**

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In the Czech Republic, the best market opportunities exist for quality products that offer value added benefits e.g. bio/organic/herbal or products that take health benefits into account. Czechs tend to follow the trends in the U.S. and Western European countries and brands that build strong brand recognition and are successful in these markets are likely to succeed in the Czech Republic.

There is high demand from Czech distributors in innovative devices and equipment for plastic surgeries and aesthetic medicine.

### **Opportunities**

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- The U.S. Commercial Service has been working with [World of Beauty and Spa](#) Prague trade fair organizer to introduce new U.S. brands in the market through our catalog and samples booth at the fair. The next addition of the catalog fair is planned at World of Beauty and Spa fair, September 5-6, 2014.

### **Web Resources**

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Association of Manufacturers, Importers, Exporters and Resellers of Cosmetic Products and Ingredients (PROKOS): [www.sdrprokos.cz](http://www.sdrprokos.cz)  
Ministry of Health: [www.mzcr.cz](http://www.mzcr.cz)  
Union of Beauticians: [www.uniek.cz](http://www.uniek.cz)  
World of Beauty and Spa Prague: [www.beautyexpo.cz](http://www.beautyexpo.cz)

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

## **Cyber Security**

### **Overview**

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The increasing number of cyber- attacks prompted the Czech Parliament to pass a new law in the fall of 2013, clarifying the rules and regulations concerning the over-all strategy of cyber security in the country. The Czech National Security Office was granted permission in February 2014 to create the Cyber Security Commission, a body tightly affiliated with the National Security Cyber Center. The Commission is empowered to further check the safety of networks of chosen governmental bodies and several private entities in Czech Republic.

In compliance with the EU Strategy Policy for Cyber Security, the Czech Republic follows the implementation of the directive to coordinate communication and closer cooperation with all member states.

The Czech market consists of three key segments: small to medium-sized businesses, corporate companies, and the Czech government. The Czech National Security Office (NBU) invests annually 2.5 million dollars into cyber security alone. Software solutions are the largest portion of the market, with anti-virus and other security software programs being deployed in businesses of all types and sizes.

### **Sub-Sector Best Prospects**

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- Security Software: Software as a Service (SAaS); Anti-virus software; content-management software.
- Security Information and Event Management (SIEM); software associated with compliance and disclosure regulations.
- Security Services: Managed Information Security Services (MISS), Outsourcing, security audits and penetration testing.
- Security Appliances: Unified Threat Management (UTM) – the unification of firewall, VPN, ID &P, and gateway antivirus into a single platform; wireless and application security solutions; biometric technology.
- Training and services in security equipment.

### **Opportunities**

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The market offers good potential for U.S. companies, especially in the up-to-date electronic systems in banking, ministries, financial revenue offices, border protection, and utilities. There is room for improvement in training of future professionals.

### **Web Resources**

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National CERT of the Czech Republic: <http://www.govcert.cz> English version available  
Security Strategy: [http://www.cybersecurity.cz/links\\_en.html#perten](http://www.cybersecurity.cz/links_en.html#perten)  
Czech Certification Office: <http://www.unmz.cz>  
Ministry of Interior: <http://www.mvcr.cz> / English version available

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

## **Education**

### **Overview**

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The Czech Republic offers great recruitment potential as U.S. schools are regarded as highly prestigious and attractive to Czech students. High quality educational programs, coupled with having English as the standard second language, produce a large pool of highly qualified candidates for both undergraduate and graduate studies in the U.S. Study abroad programs are also popular in the Czech Republic, as Czechs discovered travel and study abroad in the '90s after the fall of communism. Young Czechs are eager travelers with a desire to gain experience by living and studying in another country.

Over the last decade, we have seen a decline in the number of Czechs studying in the U.S., from a top figure of 1,180 students in 2003 to 701 students in 2012, 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 procedures to the U.S. following 9/11. The year 2013 brought a positive change in this trend with a record 11% increase in the number of Czechs studying in the U.S., to 776 students.

The level of knowledge of U.S. admission systems at selective universities has been increasing, especially at the best national high schools. More well-qualified high school students are seriously interested and well prepared for the admission process. The Czech Facebook community is booming and this network has become one of the major resources of information, as well as a place for social interaction and sharing experiences. Twitter and other social networks are far behind.

English is the standard second language in the Czech Republic and is taught in schools from the 3rd grade onwards. Approximately half the Czech population speaks a foreign language, with the younger people tending to focus on English. 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 amongst Central European countries (and most of Eastern Europe as well) in the percentage of population speaking English as a foreign language. However, it still lags behind the Netherlands and the Scandinavian countries, where over 50 percent of the population speaks English.

Currently, three-quarters of university students going abroad take advantage of the Socrates–Erasmus program to study in Europe. University studies in the U.S. are most attractive for academically talented students and student athletes who are able to take advantage of scholarships offered by several new private foundations.

High school exchanges to the United States can be facilitated through an organization (non-profit or commercial) or can be self-organized. Czechs interested in studies in the U.S. need to apply for a visa: F1 Visa – Educational visas: Individuals who want to study or conduct research at an accredited U.S. college or university; J1 Visa – Exchange Visitors visas: International students who want to do an internship in the U.S., approximately 50% of which are for academic purposes.

The majority of university students are interested in economic and humanities subjects; technical areas rank in third place. Around 45% of Czech students in the U.S. study at the undergraduate level, 30% in graduate programs, and 15% opt for non-degree studies.

#### Foreign Students in the Czech Republic

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. The Czech Republic ranked #17 as a destination for U.S. students studying abroad in 2011/2012, with 3,477 U.S. students studying in the Czech Republic.

#### **Sub-Sector Best Prospects**

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- U.S. – Czech universities and colleges partnerships – students exchange programs

- High school student exchange programs
- Foreign degree programs, MBA courses
- ESL – English as a Second Language short term courses
- Pre-school, and kindergarten programs

## Opportunities

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The U.S. Commercial Service at the U.S. Embassies in the Czech Republic, Hungary and Poland, in cooperation with EducationUSA and the Fulbright Commission, organized educational fairs in their respective countries in April 2014. The next event will most likely be organized in spring 2016. This is an opportunity for representatives of regionally accredited U.S. institutions of higher education, both undergraduate and graduate, to explore the markets of Central Europe. The fair in Prague connects U.S. educational institutions with prospective students and potential institutional partners in the Czech Republic. The stop includes embassy briefings, one-on-one appointments with potential partners, and a student fair.

Partnering with local universities is a very effective way of entering the Czech market. The most common model of partnership is student exchanges. One-year study exchange programs are highly attractive to Czech students. U.S. universities should note that Czech universities might expect foreign schools to send a similar number of students to their school.

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 the elite U.S. universities.

## Web Resources

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

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

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

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

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

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

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

## Electronics

### Overview

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Unit: USD million

	2012	2013	2014 (estimated)
<b>Total Market Size</b>	55,200	56,000	60,000
<b>Total Local Production</b>	49,000	50,000	55,000
<b>Total Exports</b>	32,000	33,500	35,000
<b>Total Imports</b>	37,920	40,000	40,500
<b>Imports from the U.S.</b>	330	350	350

Source: Ministry of Industry and Trade – Panorama of Czech Industries, [Electrical and Electronic Association](#), [Czech Statistical Office](#)

Czech exports represent 75-80% of total local electro production, of which ten foreign owned companies account for about 80%. Since most EU economies have experienced a slow down since 2009, Czech's export-oriented electro industries have faced a lot of challenges. A healthy recovery in this sector has been seen in early 2014, however companies exporting to the Russian market have faced problems due to the Russian-Ukrainian conflict.

In the electro-technical equipment sector, heavy-current technology accounted for approximately 56% and cable manufacturing for 13.8% of the market. In the electronics sector, computer technologies accounted for 54% and consumer electronics for 24.9%. Both sub-sectors are characterized by a high proportion of imported materials, components and parts for production and assembly as well as by a high proportion of export of final products. Outsourcing of electronics manufacturing (contract manufacturing) has been a dominant trend.

### Sub-Sector Best Prospects

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- Automation equipment.
- Computer technologies

### Opportunities

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- Measuring, controlling equipment for energy saving and renewable energy utilization.

### Web Resources

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Amper 2015, Mar 24-27, 2015: <http://www.amper.cz/en/>

Automation, Oct. 29-Nov.3. 2014: <http://www.bvv.cz/automatizace/>

Czech And Moravian Electrical And Electronic Association: [www.electroindustry.cz](http://www.electroindustry.cz)

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

## Electric Power Systems

### Overview

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Unit: USD million

	2012	2013	2014 (est.)	2015 (est.)
<b>Total Market Size</b>	3,600	4,100	4,150	4,100
<b>Total Local Production</b>	2,900	3,300	3,500	3,600
<b>Total Exports</b>	1,900	2,200	2,200	2,000
<b>Total Imports</b>	2,600	3,000	2,650	2,300
<b>Imports from the U.S.</b>	270	400	400	450

Sources: Ministry of Industry and Trade, Czech Energy Works (CEZ), General Inspectorate of Customs, Czech Energy Transmission System (CEPS), SEVEn, EkoWatt

### Sub-Sector Best Prospects

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- control systems and software services for power distribution networks
- smart grids/smart metering technology
- energy efficiency technology
- energy storage technology
- equipment for retrofit of coal plants, including boilers and pumps

### Opportunities

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Opportunities in the Czech energy sector originate from projects introduced by the dominant Czech power generator, the [Czech Energy Works \(CEZ\)](#), which is majority owned by the state, and by smaller private energy generators. These projects span from energy efficiency and smart grids to energy conservation projects and nuclear energy.

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 [www.centralniadresa.cz](http://www.centralniadresa.cz), [www.cez.cz](http://www.cez.cz), and [www.ceps.cz](http://www.ceps.cz).

EU regulations require that every country should free up a minimum of 10% of its overall transmission capacity for international trade. The capacity available from the Czech Republic is already at 20% and it is fully utilized. There are certain technical problems associated with cross border transmission due to large volumes of electrical power that are traded internationally. To maintain the internal stability and integrity of the distribution network, CEPS has been investing approximately \$450 million annually to strengthen both cross border transmission capabilities and its own internal networks.

Smart grids concept refers to a future grid that is needed for efficiently reaching the EU Energy and Climate Change targets for the year 2020. According to European Union directive 2009/72/ES, EU countries should equip a minimum of 80% of its customers

with smart meters by the end of 2020. In 2009, a pilot project called Smart Region was launched by the major Czech energy company Czech Energy Works (CEZ). Under this project, ČEZ has been investing 30 million USD into installation and testing of smart technologies in the town of Vrchlabi. By 2015, ČEZ plans to install 4,500 smart meters in households and companies to build up the necessary infrastructure for electromobility, installing monitoring sensors and effectively connect local energy generators to the grid. A tender for suppliers of smart technologies was won by a consortium led by HP. The consortium is composed of Swiss Landis&Gyr, Austrian Schrack Technik, GE Energy and Czech companies ZPA Smart Energy and Transtech CZ.

## Web Resources

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54<sup>th</sup> International Machinery Fair: [www.bvv.cz/msv](http://www.bvv.cz/msv)

ČEZ: [www.cez.cz](http://www.cez.cz)

ČEPS: [www.ceps.cz](http://www.ceps.cz)

Ministry of Industry and Trade: [www.mpo.cz](http://www.mpo.cz)

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

## Franchising

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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 started establishing domestic franchising concepts and expand abroad. Franchising has been booming in 2012 and 2013. The number of franchised brands on the Czech market has risen by 19% to 200 in 2012 and by another 10% in 2013. There were 6,152 franchise units in the Czech market in 2013 (growth by 16%) operated by 4,966 franchisees (growth by 19%). The number of Czech brands has been rising rapidly and domestic brands represented 60% of the market share in 2013. The market is expected grow another 10% in 2014.

Analysts estimate the market potential amounts to 300 franchises, the number of brands similar to neighboring Austria. The Czech legal system is liberal and places no barriers for entrance and operation of a franchise.

### Sub-Sector Best Prospects

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- Health Care Services
- Care for Seniors
- Wellness, Fitness Centers, Cosmetic Centers
- Child Care Services, Education, Training
- Real Estate Services, Home Inspections, Home Staging
- Travel, Tourism, Hospitality
- Banking, Insurance, Financial Services
- Apparel, Fashion



**Hospitality:** 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. Great potential exists for coffee shops, which have become very popular recently.

**Service Sectors:**

*Health Care & Beauty Services* – especially popular is alternative and natural medicine, diet, bio, and natural products. High attention is paid to healthy life style and beauty services – including wellness, weight loss products and services, fitness centers, cosmetic centers, esthetic medicine and beauty shops.

*Child/Elder Care* - Demand is expected to rise for services for elderly, care for seniors, and home care services as the Czech population is aging and pensioners are becoming more active. Good prospects exist also for child care services including education, entertainment, and after-school activities.

*Real Estate/Financial Services* - Real estate has seen great success in the Czech market, creating opportunities in related services, such as home inspections, home staging, kitchen modeling, home designing, home maintenance, parking facilities, property management, etc. Quite new sector in franchising is banking, insurance, and financial services. The first financial institutions have spread their networks through franchising successfully in the Czech market and others are expected to follow suit.

*Retail* - Great prospects are for apparel/fashion as the demand for well-known brands is high and the market is not yet saturated in this area.

*Other* - Good prospects also exist for delivery services with the rising popularity in e-shops. Business networking, consulting services, and pet care services and products are also under represented in the market.

The US Commercial Service in Prague, together with the Czech Franchise Institute, annually hosts [FrAMchise Day](#), a two day conference and trade show for the franchising industry. The [Franchise Meeting Pointe](#) trade show in Brno also provides an opportunity for new brands to test the waters.

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

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

FrAMchise Day – [www.franchiseday.cz](http://www.franchiseday.cz)

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

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

## Medical Equipment

### Overview

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Unit: USD thousands

	2012	2013	2014 (est.)	2015 (est.)
<b>Total Market Size</b>	1,284,547	1,309,734	1,361,646	1,388,879
<b>Total Local Production</b>	863,024	879,946	915,144	933,447
<b>Total Exports</b>	515,236	525,339	551,605	562,637
<b>Total Imports</b>	936,759	955,127	998,107	1,007,869
<b>Imports from the U.S.</b>	189,970	193,770	203,458	207,527
<b>Exchange Rate: 1 USD</b>	CZK19.5	CZK19.5	CZK19.5	CZK 19.5

Note: Unofficial estimates (products including HS 9018, 9019, 9021, 9022)

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. Although, the economic crisis slightly slowed down growth in this sector, it continues to represent good opportunities for U.S. manufacturers. With 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.)

Manufacturers should be aware of current government efforts to limit corruption in healthcare tenders by the introduction of e-auctions for medical devices as well as the pharmaceuticals. Opportunities for bringing transparency to the healthcare system are being introduced through the adoption of e-Health and telemedicine, although the Czech government is still working on legislative framework for its use. The European Union has closely monitored developments of e-Health in its member states and is preparing new e-Health legislation that should open further opportunities to access European structural funds for e-Health projects in the next five years.

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 projects that U.S. companies could participate in include 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; CEITEC - center of scientific excellence in Brno; BIOCEV - biotechnology center in Vestec u Prahy and the biomedical center called 4MEDia in Ostrava. All of these projects are receiving funding from European Union funds. [Merck](#) has announced it will open a new global IT innovation center in late 2014 in Prague, which will be used to analyze patient data for the best and most efficient treatment.

## Sub-Sector Best Prospects

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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, home-care equipment, etc.

## Opportunities

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- Czech institutions demonstrate strong interest in partnering with U.S. companies, hospitals and universities to create medical research partnerships.

## Web Resources

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Association of Hospitals in the Czech Republic: [www.ancr.cz](http://www.ancr.cz)  
CzechMed (Czech Medical Device Association): [www.czechmed.cz](http://www.czechmed.cz)  
Czech Medical Chamber: [www.lkcr.cz](http://www.lkcr.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)

## Pet and Veterinary

### Overview

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The Czech market for pet and veterinary products has experienced growth in recent years and despite the economic crisis, it is expected to continue this positive trend. More than half of Czech families are pet owners and the status of pets within the family is improving, as pets are increasingly seen as family members. This humanization trend is leading to higher spending for premium food, health supplements and also for entertainment and wellness. Although the agriculture sector in the Czech Republic is not as strong as in some neighboring countries, it still represents a good market for veterinary equipment suppliers. The reputation of the U.S. for quality and innovative products provides substantial opportunities for U.S. pet and veterinary supplies firms.

### Sub-Sector Best Prospects

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The pet food sector is expected to grow since there are a number of dog owners that still feed their dogs homemade food. Pet accessories, as well as vitamins and supplements, are sold well in the country. New and innovative products are appreciated. American-made pet food and accessories are highly regarded, as many consider the United States to be the leader in the pet products market worldwide.

## Opportunities

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- The U.S. Commercial Service has been working with the [FOR PETS](#) trade fair organizer to introduce new U.S. brands in the market through our catalog and samples booth at the fair. The next addition of the catalog fair is planned at the FOR PETS fair in April 2015.

## Web Resources

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Association of Unions of Horse Breeders, [www.aschk.cz](http://www.aschk.cz)  
Chamber of Vets in the CR, [www.vetkom.cz](http://www.vetkom.cz)  
General Directorate of Customs, [www.cs.mfcr.cz](http://www.cs.mfcr.cz)  
Institute for the State Control of Veterinary Biologicals and Medicaments - [www.uskvbl.cz](http://www.uskvbl.cz)  
Ministry of Agriculture, [www.mze.cz](http://www.mze.cz)  
Research Institute of Animal Nutrition, [www.vuvz.cz](http://www.vuvz.cz)

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

## Agricultural Sectors

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Best prospects for U.S. products are with: tree nuts such as almonds, dried fruits, food preparations, wines and distilled spirits, and seafood such as pollack, salmon and hake. Recently Czech consumers have discovered qualities of U.S. high quality beef, which has become a new very prospective U.S. product for the Czech market.

## Beef

Unit: USD millions

	2011	2012	2013	2014 (Estimate)
<b>Total exports</b>	36	34	34	35
<b>Total imports</b>	106	97	105	110
<b>Imports from the U.S.</b>	1	1	2	4

Source: [Czech Statistical Office](#)

In the Czech Republic there is a growing demand for fresh or chilled high quality beef from the U.S. (HS code: 0201)

## Dried Nuts and Fruits

Unit: USD millions

	2011	2012	2013	2014 (Estimate)
<b>Total exports</b>	24	31	68	50
<b>Total imports</b>	142	137	179	180
<b>Imports from the U.S.</b>	22	21	27	29

Source: [Czech Statistical Office](#)

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, cranberries and pistachios. 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. (HS codes: 0802, 0806, and 0813)

## Fish and Crustaceans

Unit: USD thousands

	2011	2012	2013	2014 (Estimate)
<b>Total exports</b>	87	87	103	103
<b>Total imports</b>	149	145	178	185
<b>Imports from the U.S.</b>	6	6	10	12

Source: [Czech Statistical Office](#)

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 that have good opportunity in the Czech market include: Alaskan Pollack, Pacific salmon, hake, scallop, shrimp, and lobster. (HS code 03).

## Food Preparations

Unit: USD millions

	2011	2012	2013	2014 (Estimate)
<b>Total exports</b>	279	261	301	310
<b>Total imports</b>	325	304	328	330
<b>Imports from the U.S.</b>	19	15	16	18

Source: [Czech Statistical Office](#)

Food preparations imported to the Czech Republic from the United States include soft drink concentrates, protein substances, and soup and broth concentrates for the processing sector. (HS codes: 2106)

## Wine and Spirits

Unit: USD millions

	2011	2012	2013	2014 (Estimate)
<b>Total exports</b>	85	93	128	130
<b>Total imports</b>	318	300	340	345
<b>Imports from the U.S.</b>	10	8	9	10

Source: [Czech Statistical Office](#) ;

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. (HS code: 2204 and 2208)

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## Chapter 5: Trade Regulations, Customs and Standards

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- [Temporary Entry](#)
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### Import Tariffs

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The Integrated Tariff of the Community, referred to as [TARIC](#) (Tarif Intégré de la Communauté), is designed to show the various rules which apply to specific products being imported into the customs territory of the EU or, in some cases, 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. As of Jan 1, 2013, the VAT rate increased and is now generally 21% (was previously 20%), although a lower VAT of 15% is charged for selected goods, such as food and services (was previously 14%). VAT on imports is calculated on the declared customs value plus applicable duty and excise tax.

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

### Trade Barriers

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

Goods transported to the Czech Republic under the Community Transit regime must be declared at a customs office in the Czech Republic. Applicable European Union legislation is available at: [http://europa.eu.int/eur-lex/en/search/search\\_lif.html](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 following website: <http://www.fas.usda.gov/posthome/useu/>. To report existing or new trade barriers and get assistance in removing them, contact either the Trade Compliance Center at <http://www.trade.gov/tcc> or the U.S. Mission to the European Union at <http://export.gov/europeanunion/>.

## **Import Requirements and Documentation**

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U.S. companies exporting to 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 East 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. To determine if a license is required for a particular product, check the [TARIC](#).

### **EU REGULATIONS - *Import Documentation***

#### ***The Single Administrative Document***

The official model for written declarations to customs is the Single Administrative Document (SAD). Goods brought into the EU customs territory are, from the time of their entry, subject to customs supervision until customs formalities are completed. Goods are covered by a Summary Declaration which is filed once the items have been presented to customs officials. The customs authorities may, however, allow a period for filing 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 is filed 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.



The [Summary Declaration](#) can be made on a form provided by the customs authorities. However, customs authorities may also allow the use of any commercial or official document that contains the specific information required to identify the goods. The SAD serves as the EU importer's declaration. It encompasses both customs duties and VAT and is valid in all EU Member States. The declaration is made by whoever is clearing the goods, normally the importer of record or his/her agent.

European Free Trade Association (EFTA) countries including Norway, Iceland, Switzerland, and Liechtenstein also use the SAD. Information on import/export forms is contained in Council Regulation (EEC) No. 2454/93, which lays down provisions for the implementation of 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.

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.

The [Modernized Customs Code](#) (MCC) of the European Union is expected to be fully in place by June 2013. Some facets of the MCC have already been implemented including EU wide Economic Operators Registration and Identification (EORI) numbers. The MCC replaces existing Regulation 2913/92 and simplifies various procedures such as introducing a paperless environment, centralized clearance, and more.

### ***EORI***

Since July 1, 2009, all companies established outside of the EU are required to have an Economic Operator Registration and Identification (EORI) number if they wish to lodge a customs declaration or an Entry/Exit Summary declaration. All U.S. companies should use this number for their customs clearances. If a U.S. company wishes to apply for AEO status or apply for simplifications in customs procedures within the EU, it must first obtain an EORI number. Companies should request an EORI number from the authorities of the first EU member state to which they export. Once a company has received an EORI number, it can use it for exports to any of the 28 EU member states. There is no single format for the EORI number. More information about the EORI number can be found [here](#).

### **U.S. - EU Mutual Recognition Arrangement (MRA)**

Since 1997, the U.S. and the EU have had an [agreement](#) on customs cooperation and mutual assistance in customs matters. For additional information, please see [http://ec.europa.eu/taxation\\_customs/customs/policy\\_issues/international\\_customs\\_agreements/usa/index\\_en.htm](http://ec.europa.eu/taxation_customs/customs/policy_issues/international_customs_agreements/usa/index_en.htm)

In 2012, the U.S. and the EU signed a new Mutual Recognition Arrangement (MRA) aimed at matching procedures to associate one another's customs identification numbers. The MCC introduced the Authorized Economic Operator (AEO) program (known as the "security amendment"). This is similar to the U.S.' voluntary Customs-Trade Partnership Against Terrorism (C-TPAT) program in which participants receive certification as a "trusted" trader. AEO certification issued by a national customs authority is recognized by all member state's customs agencies. An AEO is entitled to two different types of authorization: "customs simplification" or "security and safety". The former allows for an AEO to benefit from simplifications related to customs legislation, while the latter allows for facilitation through security and safety procedures. Shipping to a trader with AEO status could facilitate an exporter's trade as its benefits include expedited processing of shipments, reduced theft/losses, reduced data requirements, lower inspection costs, and enhanced loyalty and recognition.

The U.S. and the EU recognize each other's security certified operators and will take the respective membership status of certified trusted traders favorably into account to the extent possible. The favorable treatment provided by mutual recognition will result in lower costs, simplified procedures and greater predictability for transatlantic business activities. The newly signed arrangement officially recognizes the compatibility of AEO and C-TPAT programs, thereby facilitating faster and more secure trade between U.S. and EU operators. The agreement is being implemented in two phases. The first commenced in July 2012 with the U.S. customs authorities placing shipments coming from EU AEO members into a lower risk category. The second phase will take place in 2013, with the EU re-classifying shipments coming from C-TPAT members into a lower risk category. The U.S. customs identification numbers (MID) are therefore recognized by customs authorities in the EU, as per [Implementing Regulation 58/2013](#) (which amends EU Regulation 2454/93 cited above). Additional information on the MRA can be found at:

[http://www.cbp.gov/linkhandler/cgov/trade/cargo\\_security/ctpat/ctpat\\_program\\_information/international\\_efforts/eu\\_faq.ctt/eu\\_faq.pdf](http://www.cbp.gov/linkhandler/cgov/trade/cargo_security/ctpat/ctpat_program_information/international_efforts/eu_faq.ctt/eu_faq.pdf)

For more information on EU battery rules, REACH (Registration, Evaluation and Authorization and Restriction of Chemicals), the WEEE Directive (Waste Electrical and Electronic Equipment), RoHS (restrictions on the use of certain chemicals in electrical and electronic equipment), cosmetics regulations, agricultural documentation, sanitary certificates (fisheries), please refer to our report *Doing Business in the European Union: 2014 Country Commercial Guide for U.S. Companies*.

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

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The U.S. Department of Commerce's [Bureau of Industry and Security](#) (BIS) is responsible for implementing and enforcing the Export Administration Regulations (EAR), which regulate the export and re-export of some commercial items, including "production" and "development" technology. The items that BIS regulates are often referred to as "dual use" since they have both commercial and military applications. Further information on export controls is available [here](#). BIS provides a variety of [training sessions](#) to U.S. exporters throughout the year.

If there is reason to believe a violation is taking place or has occurred, report it to the Department of Commerce by calling the 24-hour hotline at 1(800) 424-2980, or via the confidential lead page at: <https://www.bis.doc.gov/forms/eeleadsntips.html>

The EAR does not control all goods, services, and technologies. Other U.S. government agencies regulate more specialized exports. For example, the U.S. Department of State has authority over defense articles and services. A list of other agencies involved in export control can be found on the BIS web.

It is important to note that in August 2009, the President directed a broad-based interagency review of the U.S. export control system, with the goal of strengthening national security and the competitiveness of key U.S. manufacturing and technology sectors by focusing on current threats, as well as adapting to the changing economic and technological landscape. As a result, the Administration launched the [Export Control Reform Initiative](#) (ECR Initiative) which is designed to enhance U.S. national security and strengthen the United States' ability to counter threats such as the proliferation of weapons of mass destruction.

The Administration is implementing the reform in three phases. Phases I and II reconcile various definitions, regulations, and policies for export controls, all the while building toward Phase III, which will create a single control list, single licensing agency, unified information technology system, and enforcement coordination center.

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 or companies can obtain guidance from their local [US Export Assistance Center](#).

## Temporary Entry

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Temporary exemptions from duty are allowed for certain items, such as merchandise samples and items for display at trade shows or exhibitions. The Czech Republic also accepts ATA carnets as a way of facilitating temporary admission through customs. For more information about obtaining a carnet for clearance of goods, samples or equipment intended for temporary entry only, contact your local U.S. Department of Commerce [Export Assistance Center](#). Commercial samples of zero or low value can usually be imported free of customs duty by means of a written statement to Czech customs confirming the value of the sample and that it will stay in the possession of the importing entity. Promotional materials must be clearly marked "no commercial value" in order to clear customs.

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

Exports to the Czech Republic of raw materials and certain semi-finished products that are processed and then re-exported from the European Union enter duty-free. This is

contingent upon the approval by Czech Customs of the conditions of processing and the handling of any waste caused through transformation of the goods.

## **Labeling and Marking Requirements**

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

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

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.

## **Prohibited and Restricted Imports**

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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**

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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 Ruzyně airport, are the only external borders controlled by Czech customs authorities.

### General Directorate of Customs

Budejovicka 7, 140 96 Praha 4

Tel: (+420) 261 331 111, Fax: (+420) 261 332 000

web: [www.cs.mfcr.cz](http://www.cs.mfcr.cz)

## EU REGULATIONS

The following provides information on the major regulatory efforts of the [EC Taxation and Customs Union Directorate](#):

**Electronic Customs Initiative** – This [initiative](#) deals with EU Customs modernization developments to improve and facilitate trade in the EU member states. The electronic customs initiative is 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.

Given the magnitude of EU imports every year, it is 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.

### Standards

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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.

The concept of new approach legislation is likely to disappear as the New Legislative Framework (NLF), which entered into force in January 2010, was put in place to serve as a blueprint for existing and future CE marking legislation. Since 2010/2011 existing legislation has been reviewed to bring them in line with the NLF concepts.

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 January 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**

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.

Given 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, Israel, and Morocco among others. Another category, called "partner standardization body" includes the standards organization of Mongolia, Kyrgyzstan and Australia, which are not likely to become a CEN member or affiliate for political and geographical reasons.

To know what CEN and CENELEC have in the pipeline for future standardization, it is best to visit their websites. Other than their respective annual work plans, CEN's "what we do" page provides an overview of standards activities by subject. Both CEN and CENELEC offer the possibility to search their respective database. [ETSI's portal](#) leads to ongoing activities.

The European Standardization system and strategy was reviewed in 2011 and 2012. The new standards regulation 1025, adopted in November 2012, clarifies the relationship between regulations and standards and confirms the role of the three European standards bodies in developing EN harmonized standards. The emphasis is also on referencing international standards where possible. For information, communication and technology (ICT) products, the importance of interoperability standards has been recognized. Through a newly established mechanism, a "Platform Committee" reporting to the European Commission will decide which deliverables from fora and consortia might be acceptable for public procurement specifications. The European standards bodies have been encouraged to improve efficiency in terms of delivery and to look for ways to include more societal stakeholders in European standardization.

## **Conformity Assessment**

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Conformity Assessment is a mandatory step for the manufacturer in the process of complying with specific EU legislation. The purpose of conformity assessment is to ensure consistency of compliance during all stages, from design to production, to facilitate acceptance of the final product. EU product legislation gives manufacturers some choice regarding 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**

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To sell products in the EU market of 27 member states – soon 28 - as well as in 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 referenced 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. As market surveillance was found lacking, the EU adopted the New Legislative Framework, which went into force in 2010. As mentioned before, this framework is like a blueprint for all CE marking legislation, harmonizing definitions, responsibilities, European accreditation and market surveillance.

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 local contact 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**

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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 to appropriate EN and ISO/IEC standards.

## Publication of Technical Regulations

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The [Official Journal](#) is the official publication of the European Union. It is published daily on the internet and consists of two series covering 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.

### **NIST Notify U.S. Service**

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

## Labeling and Marking

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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. Key Link: [http://ec.europa.eu/enterprise/sectors/legal-metrology-and-prepack/prepacked-products/index\\_en.htm](http://ec.europa.eu/enterprise/sectors/legal-metrology-and-prepack/prepacked-products/index_en.htm)

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

The EU [eco-label](#) is a voluntary label that 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 thirty different product groups, and approximately 1,300 licenses have been awarded for several hundred products.

Applications to display the eco-label should be directed to the competent body of the member state in which the product is sold. The application fee will be somewhere between €275 and €1600 depending on the tests required to verify if the product is eligible, and an annual fee for the use of the logo (typically between \$480 to \$2000), with a 20% reduction for companies registered under the [EU Eco-Management and Audit Scheme](#) (EMAS) or certified under the international standard [ISO 14001](#). Discounts are available for small and medium sized enterprises (SMEs).

## Contacts

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U.S. Mission to the EU  
Sylvia Mohr, Commercial Specialist  
Tel: 32.2.811.5001  
[Sylvia.Mohr@trade.gov](mailto:Sylvia.Mohr@trade.gov)

### ***National Institute of Standards & Technology***

Mr. George W. Arnold  
Director  
Standards Coordination Office  
100 Bureau Dr.  
Mail Stop 2100  
Gaithersburg, Maryland 20899  
Tel: (301) 975-5627  
Website: <http://ts.nist.gov/Standards/Global/about.cfm>

### ***CEN – European Committee for Standardization***

Avenue Marnix 17  
B – 1000 Brussels, Belgium  
Tel: 32.2.550.08.11  
Fax: 32.2.550.08.19  
Website: <http://www.cen.eu>

### ***CENELEC – European Committee for Electrotechnical Standardization***

Avenue Marnix 17  
B – 1000 Brussels, Belgium  
Tel: 32.2.519.68.71  
Fax: 32.2.519.69.19  
Website: <http://www.cenelec.eu>

### ***ETSI - European Telecommunications Standards Institute***

Route des Lucioles 650  
F – 06921 Sophia Antipolis Cedex, France  
Tel: 33.4.92.94.42.00  
Fax: 33.4.93.65.47.16  
Website: <http://www.etsi.org>

### ***SBS – Small Business Standards***

4, Rue Jacques de Lalaing  
B-1040 Brussels  
Tel: +32.2.285.07.27  
Website: under development (<http://www.ueapme.com/spip.php?rubrique220>)

***ANEC - European Association for the Co-ordination of Consumer Representation in Standardization***

Avenue de Tervuren 32, Box 27  
B – 1040 Brussels, Belgium  
Tel: 32.2.743.24.70  
Fax: 32.2.706.54.30  
Website: <http://www.anec.org>

***ECOS – European Environmental Citizens Organization for Standardization***

Rue d'Edimbourg 26  
B – 1050 Brussels, Belgium  
Tel: 32.2.894.46.55  
Fax: 32.2.894.46.10  
Website: <http://www.ecostandard.org>

***EOTA – European Organization for Technical Assessment (for construction products)***

Avenue des Arts 40  
B – 1040 Brussels, Belgium  
Tel: 32.2.502.69.00  
Fax: 32.2.502.38.14  
Website: <http://www.eota.be/>

**Trade Agreements**

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

**Web Resources**

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**EU Websites:**

ECHA: <http://echa.europa.eu>

Electronic Customs Initiative: Decision N° 70/2008/EC: <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2008:023:0021:0026:EN:PDF>

Export Help Desk: [http://exporthelp.europa.eu/thdapp/index\\_en.html](http://exporthelp.europa.eu/thdapp/index_en.html)

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)

Modernized Community Customs Code MCCC):

[http://europa.eu/legislation\\_summaries/customs/do0001\\_en.htm](http://europa.eu/legislation_summaries/customs/do0001_en.htm)

Modernized Community Customs Code Regulation (EC) 450/2008): <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2008:145:0001:0064:EN:PDF>

Online customs tariff database (TARIC):

[http://ec.europa.eu/taxation\\_customs/customs/customs\\_duties/tariff\\_aspects/customs\\_tariff/index\\_en.htm](http://ec.europa.eu/taxation_customs/customs/customs_duties/tariff_aspects/customs_tariff/index_en.htm)

Security and Safety Amendment to the Customs Code - Regulation (EC) 648/2005:

[http://eur-](http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2005:117:0013:0019:en:PDF)

[lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2005:117:0013:0019:en:PDF](http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2005:117:0013:0019:en:PDF)

Taxation and Customs Union:

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

### **International Level:**

AEO: Authorized Economic Operator:

[http://ec.europa.eu/taxation\\_customs/customs/policy\\_issues/customs\\_security/aeo/index\\_en.htm](http://ec.europa.eu/taxation_customs/customs/policy_issues/customs_security/aeo/index_en.htm)

CEN, European Committee for Standardization, handling all other standards:

<http://www.cen.eu/cen/Pages/default.aspx>

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

CEN - Standard Search: <http://esearch.cen.eu/esearch/>

Cenelec, European Committee for Electrotechnical Standardization:

<http://www.cenelec.eu/>

Contact Information at National Customs Authorities:

[http://ec.europa.eu/taxation\\_customs/taxation/personal\\_tax/savings\\_tax/contact\\_points/index\\_en.htm](http://ec.europa.eu/taxation_customs/taxation/personal_tax/savings_tax/contact_points/index_en.htm)

Customs and Security: Two communications and a proposal for amending the Community Customs Code:

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

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

Establishing the Community Customs Code: Regulation (EC) n° 648/2005 [http://eur-](http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2005:117:0013:0019:en:PDF)

[lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2005:117:0013:0019:en:PDF](http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2005:117:0013:0019:en:PDF)

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

European Co-operation for Accreditation: <http://www.european-accreditation.org/home>

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

Mutual Recognition Agreements (MRAs):

<http://ec.europa.eu/enterprise/newapproach/nando/index.cfm?fuseaction=mra.main>

European Union Eco-label Homepage: <http://ec.europa.eu/environment/ecolabel/>

Metrology, Pre-Packaging – Pack Size:

[http://ec.europa.eu/enterprise/sectors/legal-metrology-and-prepack/prepacked-products/index\\_en.htm](http://ec.europa.eu/enterprise/sectors/legal-metrology-and-prepack/prepacked-products/index_en.htm)

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/newapproach/nando/index.cfm?fuseaction=directive.main>

NIST - Notify U.S.: <http://www.nist.gov/notifyus/>

Pre Arrival/Pre Departure Declarations:

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

Standardisation – Mandates: [http://ec.europa.eu/enterprise/policies/european-standards/standardisation-requests/index\\_en.htm](http://ec.europa.eu/enterprise/policies/european-standards/standardisation-requests/index_en.htm)

Standards Reference Numbers linked to Legislation:

[http://ec.europa.eu/enterprise/policies/european-standards/harmonised-standards/index\\_en.htm](http://ec.europa.eu/enterprise/policies/european-standards/harmonised-standards/index_en.htm)

What is Customs Valuation?:

[http://ec.europa.eu/taxation\\_customs/customs/customs\\_duties/declared\\_goods/europea\\_n/index\\_en.htm](http://ec.europa.eu/taxation_customs/customs/customs_duties/declared_goods/europea_n/index_en.htm)

What's New: [http://ec.europa.eu/enterprise/news/index\\_en.htm](http://ec.europa.eu/enterprise/news/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.fda.gov/Food/default.htm>

EU Marking, Labeling and Packaging – An Overview:

[http://buyusainfo.net/docs/x\\_366090.pdf](http://buyusainfo.net/docs/x_366090.pdf)

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

Latest on REACH: <http://export.gov/europeanunion/reachclp/index.asp>

National Trade Estimate Report on Foreign Trade Barriers:

<http://www.ustr.gov/about-us/press-office/reports-and-publications/2012-1>

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

Overview of EU Certificates: [www.fas.usda.gov/gainfiles/200605/146187632.doc](http://www.fas.usda.gov/gainfiles/200605/146187632.doc)

Trade Agreements: [http://tcc.export.gov/Trade\\_Agreements/index.asp](http://tcc.export.gov/Trade_Agreements/index.asp)

Trade Compliance Center: <http://tcc.export.gov/>

U.S. Mission to the European Union: <http://useu.usmission.gov/>

WEEE and RoHS in the EU: <http://export.gov/europeanunion/weeerohs/index.asp>

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## Chapter 6: Investment Climate

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### **Openness To, and Restrictions Upon, Foreign Investment**

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The Czech Republic is a recipient of substantial foreign direct investment (FDI). As a medium, open, export-driven economy, the Czech Republic is strongly dependent on foreign demand, especially from the euro zone. More than 80% of Czech exports go to fellow EU states, with about 60% going to the euro zone, and more than 30% to the Czech Republic's largest trading partner, Germany. The recent global economic crisis pulled the Czech Republic into its longest historical recession and highlighted its sensitivity to economic developments in the Eurozone.

The 2012 Czech per capita GDP was 81 percent of the EU average. The trade balance has been positive every year since 2005, and in 2012, it achieved a surplus of about USD 7.5 billion. Exports comprise nearly 80% of the country's GDP. The main export commodities are automobiles, machinery, and computer technology.

Over the past ten years, the Czech Republic has maintained a wait-and-see approach regarding the country's entry into the Eurozone. Recent economic difficulties in the Eurozone have undermined public support for the Czech Republic's adoption of the euro, and previous governments have opposed setting a target date for eliminating the Czech crown and embracing the common currency. The recently appointed new center-right/center-left cabinet – led by Prime Minister Bohuslav Sobotka (CSSD) – has expressed its readiness to adopt the Fiscal Compact, a treaty committing signatories to limit their state budget deficits to 0.5% of the GDP, and subsequently to adopt the euro.

This policy is fully supported by President Milos Zeman who was elected as president in the first direct election in history, in January 2013.

Some unfinished elements in the economic transition, such as the slow pace of legislative and judicial reforms, have posed obstacles to investment, competitiveness, and company restructuring. The Czech government has harmonized its laws with EU legislation and the "acquis communautaire." This effort 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 in the media sector. The slow pace of the courts is often compounded by judges' lack of familiarity with commercial or intellectual property cases. In the 2013 World Bank's "Ease of Doing Business" ranking, the Czech Republic ranks 75th out of 189 economies, and 98th in "Protecting Investors."

Both foreign and domestic businesses voice concerns about corruption. Other long term economic challenges include dealing with a rapidly aging population and diversifying the economy away from an over-reliance on manufacturing toward a more high-tech, services-based, knowledge economy.

### ***Attitude Towards FDI***

Since 1990, the Czech Republic has become one of the leading countries in the Central and Eastern European (CEE) region attracting most of incoming FDI. Though Poland was the leader by total volume of FDI gained, the Czech Republic and Hungary managed to achieve the highest FDI per capita ratio. While in the early years massive volumes of FDI flowed primarily into the Czech automotive, real estate, and alternative energy sectors, in 2010, the Czech Republic, together with its fellow "Visegrad Four" countries (Slovakia, Hungary, Poland) attracted 70% of all FDI headed towards development of services and R&D projects in the CEE region. FDI inflow tripled in 2012 after a sharp drop-off during the economic crisis. Though the 2013 FDI inflow data is less optimistic, recording a year-on-year decrease of about 37%, the Czech Republic has maintained a ranking in the group of the twenty most attractive targets for FDI.

### ***Investment Trends***

Originally, the Czech Republic attracted FDI mainly in the engineering industry. New, large automotive greenfield projects emerged in the northeast and central part of the country. These investments benefited especially from lower labor costs (relative to Western countries), the strong tradition of Czech engineering, as well as the convenient location in CEE.

At present, the structure of FDI is changing. FDI has begun to shift from manufacturing into other sectors, such as research and development (for example, the new ELI Beamlines laser center), strategic services, and investment projects. The Czech Republic aims to become a destination for investments with high value added, requiring less invested capital. Therefore, the Czech Republic focuses on negotiations with investors from the areas of R&D and services, to which it can offer an optimal combination of favorable investment factors, such as strategic location of the country, and highly qualified and innovative work force presenting long-term experience in numerous industrial sectors.

### ***Other Investment Policy Reviews***

The Czech Republic has had two trade policy reviews by the World Trade Organization (WTO) in March 1996 and October 2001. No trade policy review has been conducted since the Czech Republic's entry into the EU in May 2004.

### ***Laws/Regulations of FDI***

In 2012, the Czech Parliament passed a major recodification of private law. This included the new Civil Code (effective January 1, 2014), modifications to the existing civil law, and a new regulation for business corporations – an Act on Corporations (also effective January 1, 2014).

### ***Liability***

Failure to comply with lawful standards can cause both criminal and administrative liability.

**Criminal liability** – related offences are included in the new Criminal Code, Act No. 40/2009 Coll., which has been in effect since January 1, 2010. The penalties include imprisonment, a ban on the activity, forfeiture, or other asset or fine.

**Administrative liability** covers administrative offenses committed by both individuals and legal entities (or individuals as entrepreneurs). Act No. 200/1990 Coll. on minor offenses particularly handles the regulation of individual offenses.

Administrative offenses committed by legal entities are not included under one law, and the procedure is not uniformly regulated.

### ***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.

### ***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).

### ***Industrial Strategy***

Industrial production, a key export component, has recovered from the economic downturn of the late 2000s. After a significant decline in 2009 and 2010, industrial production started to grow moderately in 2011, though only until 2012 when it dropped by 0.8%. In response to unfavorable economic conditions, the Czech government developed a new export strategy to address the damaging impact of an excessive,



single-track geographical orientation of trade orientation towards Western Europe, as well as a significant dependence on the engineering industry, including automotive, and heavy and general industrial equipment. While the export strategy still includes traditional export destinations in Western Europe, it focuses on twelve additional so-called priority countries, namely Brazil, China, India, Iraq, Kazakhstan, Mexico, Russia, Serbia, Turkey, Ukraine, the United States, and Vietnam, in addition to another 25 so-called countries of interest. The strategy characterizes chemicals or chemical-technological products as new, promising export commodities.

### ***Limits on Foreign Control***

There are no general restrictions on foreign investment. Foreign individuals or entities can operate a business under the same conditions and in the same extent as Czech persons. Some sectors, such as banking, financial services, insurance, media, or trading in military equipment have certain limitations or registration requirements, and foreign entities need to register their permanent branches in the Czech Commercial Register. 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.

Sector specific restrictions apply to potential foreign investment into the most important international airport in the Czech Republic – the International Václav Havel Prague Airport. According to the act No 69/2010 on Ownership of the Prague – Ruzyně Airport, the airport and all estates belonging to it must be owned only by the Czech state, or by legal entities registered in the Czech Republic, and fully controlled by the Czech state. Not only does the act prevent foreign investment in the airport, it prevents its privatization.

### ***Privatization Program***

According to the Ministry of Finance, as a result of several waves of privatization of formerly state-owned companies since 1989, almost 90 percent of the Czech economy is now in private hands. Privatization programs have been generally 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. Many complainants have alleged non-transparent or unfair practices in connection with past or planned privatizations.

In early 2013, the Czech government approved the sale of a 44% stake in the national airline, Czech Airlines (CSA), to Korean Air. The Czech government sought a strong, non-European investor who would help CSA to further develop, and to expand the number of CSA flights to overseas destinations. The tender process met EU rules, and the final purchase conditions were subject to approval by the European Commission. The government attempted, unsuccessfully, to privatize the airline in 2009. A local private carrier, Travel Service, acquired an additional 34% stake in CSA. Czech Aeroholding, an umbrella company which includes a national group of companies operating in air transport and related services, holds a minority stake of 19.74%.

### ***Competition Law***

The Antimonopoly Office (*Urad pro ochranu hospodarske soutezce*) reviews both domestic and international transactions for competition-related concerns, including fair competition, public procurement, and concessions. An Act on the Protection of Economic Competition took effect in 2001, adopting antitrust rules consistent with EU

competition policy related to restrictive agreements, abuse of a dominant market position, practices distorting competition, and merger control.

Measure	Year	Rank or value
TI Corruption Perceptions index	2013	57 of 177
Heritage Foundation's Economic Freedom index	2014	26 of 178
World Bank's Doing Business Report "Ease of Doing Business"	2013	75 of 189
Global Innovation Index	2013	28 of 142
World Bank GNI per capita	2012	USD 18,120

## Conversion and Transfer Policies

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### **Foreign Exchange**

The Czech crown is fully convertible. Imports or exports equal to or exceeding 10,000 euros (approximately 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 Ministry of Finance, Czech National Bank (CNB), regional and local authorities, and state funds administer the foreign exchange market. Foreign exchange authorities, the Ministry of Finance, and the CNB supervise compliance with foreign exchange regulations.

### **Remittance Policies**

All international transfers of investment-related profits and royalties can be carried out freely and without delay. 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 percent if the U.S. qualifying shareholder is a company controlling more than 10 percent of the Czech entity, and 15 percent in other cases. There are no administrative obstacles for removing capital. The law permits conversion into any currency. The average delay for remitting investment returns meets the international standard of three working days.

### **Currency Manipulation**

Similar to the central banks in most other developed economies, the CNB uses the managed floating exchange rate of the national currency, the Czech crown, and uses monetary policy for other purposes, such as stabilizing employment and prices. In November 2012, the CNB lowered its key interest rate – the two-week repurchase rate – to a record low of 0.05% to address deflationary pressures. After a series of verbal interventions and warnings regarding its readiness to intervene to weaken the Czech crown if inflation dipped below the 1% floor of the inflation target range, the CNB launched a foreign exchange intervention in November 2013. With interest rates at the technical zero point and excess liquidity in the banking sector, the CNB employed the only policy tool left at its disposal to prevent a slide into deflation. The CNB intervened through monetary expansion, placing a large volume of Czech crowns on the open market to weaken the crown's value to the target exchange rate floor of 27 Czech crowns per 1 euro. The intervention is expected to last until early 2015. The CNB,

however, clearly expressed its commitment to strengthen the intervention at any time to prevent the Czech crown from appreciating until inflation is closer to the 3% ceiling of the target band.

## **Expropriation and Compensation**

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The Embassy is unaware of any expropriation of foreign investment since 1989. Government acquisition of property is done only for public purposes 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.

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, individuals have the right to claim compensation for property taken from them by the communist government. Most claims for restitution of non-agricultural property were due 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 the deadline for filing these claims was 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 was January 1, 1995. In 2000, another law to alleviate some of the property damages suffered during the Holocaust entered into force. It amended the restitution laws allowing the state to return to entitled Jewish communities and individuals, subject to certain conditions, communal Jewish property, private works of art and land illegally seized by the Nazis. While the claims deadline for land expired in 2001, claims for art can be filed indefinitely.

The Act on Church Restitution adopted in November 2012 is the final stage of the restitution process in the Czech Republic. According to the law, about 273,000 hectares of arable land and forests confiscated by the Communist regime in 1948-1989 that are in state possession shall be returned to churches. While the deadline for filing claims was December 31, 2013 and the official timeline for processing claims is 6 months, it will take much longer before all claims are settled. Many institutions are not willing to return property claimed by churches so churches will have to turn to the courts to prove their claim.

Potential investors should first ensure 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 still a relatively new concept 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.

***Legal System, Specialized Courts, Judicial Independence, Judgments of Foreign Courts***

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.

***Bankruptcy***

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 incorporated some elements designed to increase efficiency.

***Investment Disputes***

The Czech Republic in 1993 ratified the Convention on the Settlement of Investment Disputes between States and Nationals of Other States. The U.S.-Czech Bilateral Investment Treaty provides for international arbitration of investment disputes with the state.

***International Arbitration - Convention and New York Convention***

The Czech Republic has ratified the New York Convention on the Recognition and Enforcement of Arbitral Awards. As a signatory to 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 are determined in accordance with a bilateral recognition treaty or, if such a treaty does not exist, in a manner otherwise consistent with Czech law. Judgments rendered in other EU countries are enforceable in accordance with applicable EU regulations.

***Duration of Dispute Resolution***

Legal proceedings for commercial disputes can last six years or longer for the most complex cases involving multiple appeals. However, many cases reportedly are resolved within one to three years.

***Investment Protection***

The Czech Republic is a member of the Multilateral Investment Guarantee Agency (MIGA), an international organization for protection of investments, which is part of the World Bank-IMF group. The Czech Republic has signed a number of bilateral treaties supporting and protecting foreign investments, including treaties with the United States, Germany, the United Kingdom, France, Austria, Switzerland, Italy, Belgium, Luxembourg, the Netherlands, Finland, Norway, Denmark, and China. The Czech Republic has also signed numerous bilateral agreements to avoid double taxation.

### ***Investment Incentives***

The Czech Republic provides several aid programs targeting various areas of business. These programs, available to both Czech and foreign investors, are financed from EU structural funds – the operational program Enterprise and Innovation and the operational program Human Resources and Employment, in addition to the Czech Republic's national sources provided by way of investment incentives.

Legislation effective from July 2012 expanded the group of sectors supported by incentives. The Czech Republic now offers incentives to foreign and domestic firms that invest in the manufacturing sector, technology and strategic service centers (including research and development centers), and business support service centers in software development, shared services and high-tech repairs. Standard incentive package includes relief from corporate income taxes for up to ten 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 percent. Strategic investments in the manufacturing or technology sectors, are eligible for potential cash grants on capital investment for up to 5% of declared cost, with a maximum of 75 million dollars (for investments in the manufacturing sector), or USD 25 million (for technology center-related investments). For more information contact [CzechInvest](mailto:incentives@czechinvest.org), at [incentives@czechinvest.org](mailto:incentives@czechinvest.org).

### ***Research and Development***

Over the past fifteen years, the Czech Republic's expenditure on R&D has increased from 0.95% of GDP to 1.86% (2011), making the Czech Republic a regional R&D leader. After the entry of the Czech Republic into the EU, the inflow of structural funds into the R&D sector accelerated the development of new science and technology parks. These include the Central European Institute of Technology in Brno, focusing on life sciences and advanced materials and technologies; the International Clinic Research Centre in Brno which is focused on cardiovascular and neurological diseases; the IT4Innovations in Ostrava, a super computer facility combining IT research and applications; and two science parks located close to the capital of Prague – the Biotechnology and Biomedicine Centre and the Extreme Light Infrastructure (ELI) Beamlines. ELI Beamlines is a high-powered laser system which will support cutting-edge research and innovations in medicine, biology, physics, and material sciences. The Lawrence Livermore National Laboratory in California will provide the Czech Academy of Sciences (Institute of Physics) with the initial laser for about \$46 million, but the total project cost is listed at \$340 million.

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

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As of early 2012, U.S. and other non-EU nationals can purchase real property, including agricultural land, in the Czech Republic without restrictions. Czech legal entities, including 100 % foreign-owned subsidiaries, may own real estate without any limitations. 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. Laws on auditing, accounting and bankruptcy are in force. These laws include the use of international accounting standards (IAS) for consolidated corporate groups.

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 accustomed to using both secured and unsecured forms of credit.

Real estate (land and buildings) located in the Czech Republic must be registered in the Cadastral Register, which is maintained by the Cadastral Office. The Cadastral Register is the primary source of information on real estate (including related encumbrances, easements or liens). The Cadastral Register, containing information on plots of land and buildings, housing units and non-residential premises, is publicly available and information on a particular real estate can be obtained in the form of written extract from the Cadastral Register. Transfer of an ownership title to real estate (e.g., sale and purchase agreement) is effective from a date of an execution of a written agreement and registration of the transfer of the ownership title in the Cadastral Register. The Czech Republic is ranked 37 for ease of “registering property” in the 2013 World Bank’s Doing Business Report.

### ***Real Property***

As of January 2014, the Czech Republic adopted a new Civil Code reestablishing existing principles of civil law, and introducing completely new legal concepts, especially with respect to real estate. The Commercial Code, a key piece of legislation covering commercial and business issues, was abolished on December 31, 2013. Its agenda is newly covered by two independent laws, a newly introduced Act on Commercial Corporations (covering the agenda of an operation of business entities and co-operative groups), and by updated Civil Code. Detailed provisions for mergers and time limits on decisions by the authorities on registering of companies are covered, as well as protection of creditors and minority shareholders.

About 3.5% of the total area of arable land and forests is subject to the November 2012 Act on Church Restitution. Several churches filed restitution claims until the Dec 31, 2013 deadline, and many of these claims will lead to clear title for this property in the near future.

### ***Intellectual Property Rights***

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, industrial designs, and utility models. 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. The civil procedure code provides for *ex parte* search and seizure in enforcement actions. Literary works enjoy copyright protection for from 50 to 70 years. The customs service and the Czech Commercial Inspection have legal authority 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 made it easier to define and recover losses caused to owners by

piracy. The 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 were once an issue of greater concern, but since 2008, Czech authorities have made substantial efforts against physical markets and have adopted an acceptable legal framework for IPR protection. In recognition of this fact, USTR removed the Czech Republic from the Special 301 Watch List in 2011. While online piracy is a growing concern, the legal framework for IPR protection has been tested and proven successful in punishing infringers. The Embassy will continue to work with U.S. industry and Czech government officials to strengthen enforcement of intellectual property rights.

For additional information about treaty obligations and points of contact at local IP offices, please see WIPO's [country profiles](#).

## **Transparency of Regulatory System**

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

A 2014 OECD Country Economic Survey notes that, since joining the EU, the Czech Republic has made progress in improving its inconsistent competition policy and removing bureaucratic barriers that inhibit competition. The competition framework is on par with OECD best practices, but successful prosecution of cartels has rarely happened. The OECD survey is available [here](#).

## **Efficient Capital Markets and Portfolio Investment**

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### ***Money and Banking System, Hostile Takeovers***

All large domestic banks belong to major European banking groups. Most operate conservatively and concentrate almost exclusively on the domestic Czech market. As a result, Czech banks remained relatively healthy throughout recent global financial crises. Results of regular banking sector stress tests repeatedly confirm outstanding form of the Czech banking sector, presenting a capital adequacy ratio exceeding 17%, and its sufficient resistance to potential shocks. As of February 28, 2014, the total assets of commercial banks stood at Czech crowns (CZK) 5.26 trillion (approximately USD 268 billion) according to the Czech National Bank (CNB). 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, banks established a mechanism for sharing credit histories of borrowers.

The issue of hostile takeovers is covered by the [EU Directive 2004/25/EC](#) on Takeover Bids.

The Prague Stock Exchange (PSE) is small, with only 14 companies listed. The overall trade volume of stocks dropped from CZK 250.6 billion (USD 12.8 billion) in 2012 to CZK 174.7 billion (USD 8.9 billion) in 2013, with an average daily trading volume of CZK 699 million (USD 35.7 million). The PSE index (PX) weakened by 4.78 percent in 2013, contrary to index movements recorded on the European and world stock markets. The PX development trend reflected lower activity on the PSE which weakened by 0.6 percent in 2013, regardless the record high dividend per share paid (5.2%), significantly exceeding dividend yields gained on competing western stock markets.

In March 2007, the PSE created the Prague Energy Exchange (PXE) to trade electricity in the Czech Republic and Slovakia and, later, Hungary. (The Exchange's official name now is "Power Exchange Central Europe.") PXE's goal is to increase liquidity in the electricity market and create a standardized platform for trading energy.

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. A new securities law was adopted in 2001 to improve regulation of brokers and dealers. In 2006, supervision over banks, capital markets, insurance houses and pension funds were combined under the umbrella of the [Czech National Bank](#). This subsequently abolished the SEC.

## **Competition from State Owned Enterprises**

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In general, SOEs act in accordance with the OECD Guidelines on Corporate Governance for SOEs. Issues of potentially conflicting interests are covered by existing Act No 159/2006 on Conflict of Interests. Proposed legislation on civil service sets measures preventing political influence over public administration, including operation of SOEs.

Private enterprises are generally allowed to compete with public enterprises under the same terms and conditions with respect to access to markets, credit, government contracts 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. SOEs are subject to the same domestic accounting standards, rules and taxation policies as their private competitors. State-owned or majority state-owned companies are present in several (strategic) fields, including the energy, postal service, information & communication, and transport sectors. The Czech state also owns interests in two small banks, and in an insurance house. One of the banks and the insurance house are specialized in export financing; their services are available to both private sector and SOEs, under equal business conditions.

SOEs are usually structured as joint-stock companies, the corporate form most widely used in the Czech business sector for operation of business involving large investments. SOEs do not report directly to ministries but are managed by a Board of Directors (statutory body) and a Supervisory Board that generally include representatives of both the government and private sector. Like privately owned joint-stock companies, the SOEs are fully responsible for their obligations towards third parties though shareholders are not personally liable for company's obligations. SOEs are required by law to publish an annual report and provide their accounting books, corresponding to international



accounting standards (IAS) that require an independent audit for consolidated corporate groups.

Private enterprises and SOEs carry out procurement in accordance with the [Act on Public Procurement No 137/2006](#), which is fully harmonized with the existing EU Directive No 2004/18 on Public Procurement. In harmony with the long-term efforts to secure single rules for public procurement purposes, the EU has recently adopted a reform of the public procurement policy. This includes a package of three proposals on public procurement directives, approved by the European Parliament on January 15, 2014. If they receive European Council approval, the new directives should take effect in Czech legislation within two years.

A list of state-owned or majority state-owned companies is available at [here](#).

The government does not interfere in control over private companies, nor does it operate any formally private enterprises. Legally, foreign and domestic investors are treated identically. **Sector specific restrictions** apply to potential foreign investment in the Prague's International Václav Havel Airport. More information is available in Section 1 of this report.

## Corporate Social Responsibility

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Corporate Social Responsibility (CSR) is a burgeoning concept in the Czech Republic. The emphasis on CSR is mainly driven by private companies, especially by international corporations with a local presence in the Czech Republic. These large companies are utilizing their knowledge, skills, and models from abroad, without encouragement from local public administration. In order to keep pace, Czech companies develop their CSR programs as well, generally motivated either by their effort to run a sustainable business or for the public relations dividends.

Public administration is slowly starting to grasp CSR. The Ministry of Industry and Trade is finalizing a National Action Plan for CSR, in coordination with NGOs and private companies with significant CSR programs. Companies are not required to publicly disclose information about their CSR activities; however, they gladly promote their efforts, for example by applying for prestigious CSR awards. Various local NGOs monitor and advise CSR programs, such as the Business Leaders Forum, Business for Society, the CSR Association, and the CSR Committee of the American Chamber of Commerce. Business for Society gives annual CSR awards to the "Top Responsible Company" in order to increase public awareness about CSR, promote and reward excellent CSR achievements, and to encourage entrepreneurship. The private sector competes for prizes in 13 various categories and the event enjoys great media attention.

### ***OECD Guidelines for Multinational Enterprises***

The Czech Republic adheres to the OECD Guidelines for Multinational Enterprises, ensured by the Director of Multilateral and Common Trade Policy Department at the Ministry of Industry and Trade.

## Political Violence

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The risk of political violence in the Czech Republic is extremely low. Two historic political changes – the "Velvet Revolution," which ended the communist era in 1989, and the

division of Czechoslovakia into the Czech Republic and Slovakia in 1993 – occurred without loss of life or significant violence.

## Corruption

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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 [add instrument to which this country is party], but generally all countries prohibit the bribery and solicitation of their public officials.

**OECD Anti-bribery Convention:** The OECD Anti-bribery Convention entered into force in February 1999. As of March 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 Anti-bribery Convention through the U.S. FCPA. The Czech Government ratified the OECD anti-bribery convention in January 2000.

**UN Convention:** The [UN Anticorruption Convention](#) entered into force on December 14, 2005, and there are 158 parties to it as of November 2011. 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 Government ratified the convention in November 2013.

**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 49 member States (48 European countries and the United States). As of December 2011, the Criminal Law Convention has 43 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 trans-nationally) 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, as part of Europe, is negotiating the Transatlantic Trade and Investment Partnership 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 through 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, [U.S. Department of Commerce 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.

### **Corruption in the Czech Republic**

Current law criminalizes both giving and receiving bribes, regardless of the perpetrator's nationality. Prison sentences for bribery or abuse of power can be as high as twelve years for officials, and police investigate bribery with tools such as wiretapping. Corruption of public officials is prosecuted on the regional level to ensure that prosecutors have specialized knowledge and avoid bias. The special Organized Crime Police Unit (UOOZ) and the Unit for Combating Corruption and Serious Financial Criminality are primarily responsible for investigating high-level corruption cases. Bribes are not tax deductible, and all anti-corruption laws apply equally to Czech and foreign investors. Criminal procedure law allows for the seizure of criminal proceeds paid or transferred to family members of corrupt officials, though their prosecutions depend on evidence.

Although the former government of Petr Nečas listed the fight against corruption as its main priority, it made only limited improvements. In 2013, the government canceled the lifetime immunity of politicians, abolished anonymous bearer shares, and abandoned the practice of "losovacka" (lottery), which had allowed the government to limit the number of bidders in public procurements by drawing lots. The Nečas government, however, collapsed in the wake of its own corruption scandal in June 2013.

In October 2013, the caretaker cabinet of Prime Minister Jiří Rusnok approved an anti-corruption program that applies to all governmental departments and offices that went into effect immediately. Government agencies had three months to bring themselves into compliance with the program, which included the introduction of internal codes of conduct. However, the lack of a Civil Service Act makes it difficult to enforce such codes, and impedes protection of whistleblowers and civil servants from political pressure. Many international companies have effective internal controls, ethics, and compliance programs in place to detect and prevent bribery.

Despite the anti-corruption efforts of NGOs and other concerned stakeholders, inadequate legislation on financial disclosure, weak campaign finance rules, and limited funding for investigations continues to limit the ability of authorities to root out corruption.

***UN Anticorruption Convention, OECD Convention on Combatting Bribery***

A law introducing criminal liability for legal entities came into effect on January 1, 2012. The government ratified the OECD anti-bribery convention in January 2000 and the UN Convention Against Corruption (UNCAC) in January 2014. According to Transparency International (TI) reports, there is little or no enforcement of the OECD convention in the Czech Republic. TI cites insufficient definition of foreign bribery offenses, jurisdictional limitations, lack of coordination between investigation and enforcement entities, inadequate whistleblower protection, and lack of awareness as the causes for this lack of enforcement.

The Czech Republic became a member of the Open Government Partnership in 2011, and in 2012 approved an Action Plan including the adoption of an Act on Civil Servants, which was supposed to lead to a system allowing freer access to information and publication of data. Yet due to the 2013 collapse of the Necas Government, none of the goals have been fulfilled.

In 2013 a new anti-corruption initiative called Reconstruction of the State was launched. This platform of 20 locally-renowned anti-corruption organizations, headed by Transparency International, Frank Bold, and Oživení, works towards strong anti-corruption reform in the Czech Republic and at the adoption of eight new pieces of anti-corruption legislation.

Despite widespread concern about corruption, U.S. companies have not been significantly deterred from investing in the Czech Republic. The most common allegations of corruption relate to public procurement and external pressures on the judiciary. An April 2012 procurement reform law lowered the threshold for application of procurement rules to contracts valued at one million Czech crowns (\$50,000) for services and three million crowns (\$150,000) for construction, though the Senate later amended it by raising the threshold to its previous higher level. The law requires more than one bidder for all procurements and mandates that the tender be published. The law also requires bidders to disclose more of their ownership structure in the bidding process, but it contains some exceptions to that obligation. American businesses have also cited inconsistent competition policies as an investment obstacle.

Contact at government agency responsible for combating corruption:

Eva Kyzouřová

Department for Combating Corruption

Office of the Government  
Vladislavova 4, 11000 Praha 1  
+420 224 002 412  
[sekretariat.brs@vlada.cz](mailto:sekretariat.brs@vlada.cz)

Contact at "watchdog" organization:  
David Ondracka, Director  
Transparency International Czech Republic  
Sokolovska 260/143  
+420-224 240 895  
[ondracka@transparency.cz](mailto:ondracka@transparency.cz)

## 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 at 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 213 countries, including Voice and Accountability, Political Stability and Absence of Violence, Government Effectiveness, Regulatory Quality, Rule of Law and Control of Corruption. 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 106 countries with respect to governance and anti-corruption. The report highlights the strengths and weaknesses of national level anti-corruption systems.

## **Bilateral Investment Agreements**

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Several dozen countries have signed and ratified investment agreements with the Czech Republic, and some are in the process of ratification. The Czech Republic has chosen to abrogate several treaties. The full list of agreements, including ratification dates, can be found on the [Ministry of Finance website](#).

Formal discussions to renegotiate the Bilateral Investment Treaty (BIT) with the United States began in September 2011 at the request of the Czech government, and these negotiations continue. The former government of Czechoslovakia signed the original BIT with the United States in 1992, and the Czech Republic adopted this treaty in 1993, after the split with Slovakia. The Czechs amended the treaty in 2003 following negotiations with the European Commission about conflicts within the EU *acquis communautaire*. 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 Czech Republic from paying into both the Czech and U.S. social security systems. The agreement entered into force on January 1, 2009. In 2013 the U.S. and Czech governments signed a Supplementary Totalization Agreement amending the original agreement to reflect new Czech legislation on health insurance.

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

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Finance programs of the Overseas Private Investment Corporation (OPIC), including investment insurance, have been available in the Czech Republic since 1991. Investors are urged to contact OPIC's offices in Washington directly for up-to-date information regarding availability of services and eligibility. The OPIC 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**

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The wide availability in the Czech Republic of an educated, relatively low-cost labor force on the doorstep of Western Europe has been a major attraction for foreign investors. While the wage gap continues to narrow, the income convergence process was slowed due to the recession. According to the Czech Statistical Office in November 2013, 55.4 % of Czechs from age 15-64 were employed, and the general unemployment rate was 6.7 percent. According to Eurostat, this is the fifth lowest unemployment rate in the EU. However, unemployment rates vary significantly between regions. The unemployment rate was lowest in Prague (5.1 percent) and highest in the northwestern region of Ústí nad Labem (11.5 percent).

### ***Freedom of Association and the Right to Collective Bargaining***

Czech law guarantees workers' rights to form and join independent unions of their choice without authorization or excessive requirements. It permits them to conduct their activities without interference. The right to freely associate covers both citizens and foreign workers. The law also provides for collective bargaining. It prohibits anti-union discrimination and does not recognize union activity as a valid reason for dismissal. Workers in most occupations have the legal right to strike if mediation efforts fail, and they generally exercise this right.

Strikes can be restricted or prohibited in essential service sectors such as hospitals, electricity/water supply services, air traffic control, the nuclear energy sector, and oil/natural gas sectors. Members of the armed forces, prosecutors, and judges may not form trade unions or strike. The scope for collective bargaining is limited for civil servants, whose wages are regulated by law. Only trade unions may legally represent workers, including non-members.

### ***Prohibition of Child Labor and Minimum Age for Employment***

The minimum age for employment is 15. Employment of children between the ages of 15 and 18 is subject to strict standards of safety, limitations on hours of work, and the requirement that work not interfere with education. Infringement of child labor rules is subject to fines up to \$100,000. The State Bureau for Labor Inspections (SBLI) effectively enforced these regulations. The SBLI has not reported any recent cases of child labor law violations.

### ***Acceptable Conditions of Work***

The law provides for a 40-hour workweek, two days of rest per week, and a break of at least 30 minutes during a standard eight-hour workday. Employees are entitled to at least 20 days of paid annual leave. Employers may require up to eight hours per week of overtime to meet increased demand but not more than 150 hours of overtime in a calendar year. Additional overtime is subject to employee consent. The provisions of the labor code govern premium pay for overtime, which is equal to at least 125 percent of the average earnings.

The Ministry of Labor and Social Affairs establishes and enforces minimum wage standards. During the year the national minimum wage increased from \$400 to \$430 per month. By comparison, the "minimum subsistence cost," defined as the minimum amount needed to satisfy the basic needs of a working-age adult for a month, was \$110. Enforcement of the minimum wage was one of the primary objectives of SBLI inspections.

The government sets occupational health and safety standards. The labor code obliges an employer to provide safety and health protection in the workplace, maintain a safe and healthy work environment, and prevent health and safety risks.

## **Foreign-Trade Zones/Free Ports**

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Both Czech and EU laws permit 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. Free zone treatment applies to both non-Community and Community goods, and duties need to be paid only



in the event that the goods brought into the free zone are introduced into the local economy. However, since the Czech Republic has been part of the single customs territory of the European Community, and offers various exemptions on customs tariffs, the use of these 11 free-trade zones has declined.

## Foreign Direct Investment Statistics

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### Key Macroeconomic data, U.S. FDI in host country/economy

	Year	Amount	Year	Amount	Year	Amount
<b>Economic Data (\$BIL)</b>	Czech Statistical Office		Eurostat		World Bank	
Czech Republic GDP	2013	198.5	2013	198.5	2012	196.4
<b>FDI (\$MIL)</b>	Czech National Bank (CNB)		Eurostat		Bureau of Economic Analysis, U.S. DOC	
U.S. FDI in Czech Republic ( <i>stock positions</i> )	2012	4,561.6	2012	4,444	2012	6,389
Czech Republic's FDI in the U.S. ( <i>stock positions</i> )	2012	42.9	2012	41.8	2012	2*
<b>FDI (%)</b>	Czech National Bank (CNB)		Eurostat		World Bank	
Total inbound stock of FDI as % host GDP	2.51%	2013	5.4%	2012	2012	5.4%

As a member of the European Union (EU), the Czech Republic is obliged to submit its national statistical data to EU's central statistical body, [Eurostat](#). Statistical data provided by the [Czech Statistical Office](#) and by the [Czech National Bank](#) therefore generally match the statistics by Eurostat. Minor discrepancies between the CNB and Eurostat data can be attributed to the exchange rates used. \*The Department of Commerce Data likely differs from the host country's data because it takes into account that many Czech parent companies or Czech foreign affiliates of foreign parent companies are in a net liability position toward their U.S. affiliates.

## Sources and Destination of FDI, Czech Republic, 2012

Direct Investment from/in Counterpart Economy Data					
From Top Five Sources/To Top Five Destinations (Millions, USD)					
Inward Direct Investment			Outward Direct Investment		
<b>Total Inward</b>	136,054	100%	<b>Total Outward</b>	16,834	100%
<b>Netherlands</b>	39,581	29%	<b>Netherlands</b>	8,446	50%
<b>Germany</b>	19,206	14%	<b>Slovak Republic</b>	2,234	13%
<b>Austria</b>	17,648	13%	<b>Cyprus</b>	1,886	11%
<b>Luxembourg</b>	8,045	6%	<b>Ireland</b>	1,176	7%
<b>France</b>	6,752	5%	<b>Bulgaria</b>	740	4%

"0" reflects amounts rounded to +/- USD 500,000.

Source: <http://cds.imf.org>

The FDI statistics by the IMF are consistent with statistics by the Czech National Bank. Minor discrepancies should be attributed to the exchange rates used.

### ***Comments on Inward and Outward Direct Investment, and Portfolio Investment***

The top five sources and destinations for Czech inward and outward FDI are fellow EU member states that are already closely linked with the Czech Republic in trade relations. The predominant majority of both inward and outward direct investment flows to/from the Netherlands. In the early 1990s, the Netherlands has become a popular seat for domestic and foreign corporate businesses active in the Czech Republic. In earlier times, the main rationale for registering a business in the Netherlands related to the favorable corporate income taxes there, stimulating rapid development of offshore corporate structures in the Czech Republic. While the tax haven effect has dissipated (corporate income tax in the Czech Republic and Netherlands are nearly equal), Netherlands remains a popular country for large corporations because of a traditional and developed business ambiance, and its law enforcement rigor. Luxembourg attracts Czech businesses for the same reason. In 2013, 4,500 out of 12,000 Czech companies registered abroad resided in the Netherlands.

Among the other FDI partner countries, Cyprus offers the lowest level of corporate income tax in the EU (10%), and an exemption from tax on dividends. Nevertheless, all corporations are legally required to submit accounting books for an independent audit.

## Sources of Portfolio Investment, Czech Republic, 2012

Portfolio Investment Assets								
Top Five Partners (Millions, USD)								
Total			Equity Securities			Total Debt Securities		
World	25,767	100%	World	10,359	100%	World	15,409	100%
Slovak Republic	3,567	14%	Luxembourg	2,735	26%	Slovak Republic	3,290	21%
Luxembourg	3,411	13%	Belgium	1,805	17%	Netherlands	2,147	14%
Austria	3,219	12%	Austria	1,592	15%	Austria	1,628	11%
Netherlands	2,328	9%	United States	905	9%	United States	1,024	7%
Belgium	2,120	8%	Ireland	438	4%	Poland	930	6%

Source: <http://cpis.imf.org>

### Web Resources

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American Chamber of Commerce (AmCham): <http://www.amcham.cz/>

Association for Foreign Investment: <http://afi.cz/>

Commercial Register: [www.justice.cz](http://www.justice.cz)

Czech Chamber of Commerce: <http://www.komoracz.eu/>

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

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

Czech Statistical Office: <http://www.czso.cz/eng/redakce.nsf/i/home>

Ministry of Finance website: <http://www.mfcr.cz/>

Ministry of Foreign Affairs of the Czech Republic, Doing Business Guide including contact information for investors:

[https://www.mzv.cz/beijing/cz/obchod\\_a\\_ekonomika/kdo\\_jsme\\_a\\_kde\\_nas\\_najdete/all\\_you\\_have\\_to\\_know\\_about\\_doing/index.html](https://www.mzv.cz/beijing/cz/obchod_a_ekonomika/kdo_jsme_a_kde_nas_najdete/all_you_have_to_know_about_doing/index.html)

Ministry of Industry and Trade: [http://www.mpo.cz/default\\_en.html](http://www.mpo.cz/default_en.html)

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

Trade Register: [www.rzp.cz](http://www.rzp.cz)

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>

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

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Most Czech firms use prepayment or partial prepayment, with the balance due upon delivery or net 30-day terms. On shipments under \$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. A U.S. firm's ability to provide or arrange financing can be effective in building significant market share.

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

### How Does the Banking System Operate

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The banking sector's ownership structure has been stable for many years with foreign shareholders controlling almost the entire sector (five major players control nearly 90% of the market), and thus is similar to the banking sector in most similar-sized West European economies. Foreign and large domestic banks (such as Komerční, Česká Spořitelna, and ČSOB, which are in fact owned by foreign bank financial groups) offer a diverse range of products and services, including products like investment banking, investment funds, insurance companies, pension funds, and leasing. Russian banking giant Sberbank is the most recent entry to the Czech financial market, after acquiring Austria-based Volksbank and its subsidiaries in 2011, and increasing its presence in 2013. Supervision of the banking sector is provided by the Czech National Bank.

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. Both commercial and retail banking offer accounts in numerous currencies, including Euro, Czech crown, and US dollar.

## Foreign-Exchange Controls

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The Czech crown (or koruna) is fully convertible and there are no foreign exchange controls affecting trade in goods. Companies operating in the Czech Republic have free access to foreign currency, and there have been no failures of the banking system to provide hard currency on demand. Profits can be repatriated by law, including through bonds and securities. Under the terms of its EU Accession, the Czech Republic is required to adopt the Euro, though the government has no fixed date for Euro adoption.

## U.S. Banks and Local Correspondent Banks

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*Ceskoslovenska obchodni banka* (ČSOB) – owned by KBC Bank

[Info@csob.cz](mailto:Info@csob.cz)

Tel: (+420) 224 111 111

Česká Spořitelna – part of Erste Group Bank AG

[csas@csas.cz](mailto:csas@csas.cz)

Tel: (+420) **800 207 207**

*Citibank*

[zakaznicky.servis@citi.com](mailto:zakaznicky.servis@citi.com)

Tel: (+420) 420 233 062 222

*GE Money Bank a.s.*

Tel: (+420) 224 441 111

*Komerční banka* – majority owned by Société Générale

[mojebanka@kb.cz](mailto:mojebanka@kb.cz)

Tel: (+420) **955 559 550**

UniCredit Bank

[info@unicreditgroup.cz](mailto:info@unicreditgroup.cz)

Tel: (+420) 955 911 111

## Project Financing

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The EU supports projects within its Member States, as well as EU-wide "economic integration" projects that cross both internal and external EU borders. The EU provides project financing through grants from the European Commission and loans from the European Investment Bank. Grants from the Structural Funds are distributed through the Member States' national and regional authorities, and are only available for projects in the 27 EU Member States. Neither the European Bank for Reconstruction and Development ([EBRD](#)) nor the Trade and Development Agency ([TDA](#)) operates in the Czech Republic.

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 can be an asset to winning a contract. 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 funding sources 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.

For more information on EU financing, please refer to our report ***Doing Business in the European Union: 2014 Country Commercial Guide for U.S. Companies.***

## Web Resources

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

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

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

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

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

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

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

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## Chapter 8: Business Travel

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### **Business Customs**

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Though the Czech Republic is considerably more liberal than the U.S., Czechs are typically more reserved than Americans, especially when meeting people for the first time. Czechs do not always smile as a social signal of greeting, as Americans, Britons, and many other Westerners do. 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 Czech language uses the formal and informal forms of "you", so even if you do not speak the language, consider the fact that it is normal course for Czechs to refer to new people in a more formal manner and your Czech business contact might have trepidations about conducting your first meeting in a typical American "let's get down to business" or first name approach. However, the Czech business acumen is slowly adapting to that of Western Europe, so most Czechs will not be insulted if your Americanism gets the best of you and you quickly move to a first name basis. Though Czechs might seem cold, they are forgiving.

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 accomplish business with a flurry of quick meetings and barrage of e-mails is more likely to result in failure. 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 the Czech Republic is a small country where industry leaders know each other well, word-of-mouth reputation is extremely important, especially where business and government intersect. 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.

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**

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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, ensure that the meter is being used or agree on an estimated fare with the driver in advance. Recommended companies can be found in the [Transportation](#) section of this report.

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**

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U.S. passport holders (not U.S. resident aliens or refugee document holders) may visit the Czech Republic for tourism or business without a visa for 90 days. For this purpose, "business" is defined as consultations, negotiations, etc., but not employment reimbursed from an employer located in the Czech Republic. For stays 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

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

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

bankcards. When withdrawing money, most ATMs will prompt you to “accept” or decline” their exchange rate, which is usually more costly than what your U.S. bank will exchange it at, and we recommend “declining” the local bank’s conversion rate. 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, but only served upon request at restaurants. Bottled still and carbonated mineral water is widely available.

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.

<a href="#">Airport Information</a>	(+420) 220 113 314
<a href="#">AAA Taxi</a>	(+420) 14014
<a href="#">Profi Taxi</a>	(+420) 844 700 800

## Language

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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. This rate is much higher in Prague.

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

## Health

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Prague has good Western-style medical clinics and English-speaking doctors and dentists. For major operations and complicated illnesses, most Westerners return to the 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
<a href="#">Canadian Medical Center</a>	(+420) 235 360 133
<a href="#">Hospital Na Homolce</a>	(+420) 257 272 174

**Local Time, Business Hours, and Holidays**[Return to top](#)

Local time is Eastern Standard Time plus 6 hours. (The Czech Republic, like the Eastern United States, also implements Daylight Saving time during several months of the year; so, the 6 hour time difference remains throughout most of the year.) 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 during summertime (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 observance 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.

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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)

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

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

### Contacts

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#### American Embassy Prague

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  
Steven Kaskhkett, Deputy Chief of Mission  
Charles Jess, Consul General  
James Merz, Political/Economic Chief  
Marko Velikonja, Economic Officer  
Robert Zimmerman, Public Affairs Officer

#### 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://export.gov/czechrepublic/index.asp>

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

Jana Ruckerova – Sectors: financial and business services, franchising, consumer goods, textile & apparel, food processing, real estate, e-mail: [Jana.Ruckerova@trade.gov](mailto:Jana.Ruckerova@trade.gov)

Zdenek Svoboda - Sectors: auto parts/accessories, industrial parts/services, microelectronics, e-mail: [Zdenek.Svoboda@trade.gov](mailto:Zdenek.Svoboda@trade.gov)

Lud'a Taylor - Sectors: telecommunications, e-commerce, IT, safety & security, e-mail: [Luda.Taylor@mail.doc.gov](mailto:Luda.Taylor@mail.doc.gov)

#### U.S. Department of Agriculture/Foreign Agricultural Service

Jana Mikulasova, Agricultural Specialist; Petra Hrdlickova, Agricultural Specialist

Tržiště 15, 118 01 Praha 1

Tel: (+420) 257 022 026, Fax: (+420) 257 022 803

e-mail: [jana.mikulasova@usda.gov](mailto:jana.mikulasova@usda.gov), [petra.hrdlickova@usasda.gov](mailto:petra.hrdlickova@usasda.gov); web:

<http://www.fas.usda.gov>

**U.S. Department of Commerce**

14<sup>th</sup> and Constitution Aves, NW  
Washington, DC 20230

**Advocacy Center**

Pat Nugent

Tel: (202) 482-3392

e-mail: [Patricia.Nugent@trade.gov](mailto:Patricia.Nugent@trade.gov), web: <http://www.export.gov/advocacy>

**Market Access and Compliance**

Silvia Savich, Czech Desk Officer, Central and Eastern Europe Division

Tel: (202) 482-3615, Fax (202) 482-4505

e-mail: [Silvia.Savich@trade.gov](mailto:Silvia.Savich@trade.gov), web: <http://www.ita.doc.gov/mac/>

**U.S. Commercial Service**

Skip Jones, Executive Director, Europe, Middle East and Africa

Tel: 202-482-5767, Fax: 202-482-6097

e-mail: [Skip.Jones@trade.gov](mailto:Skip.Jones@trade.gov), web: <http://www.ita.doc.gov/cs/>

**American Chamber of Commerce**

Weston Stacey, Executive Director

Dusni 10, 110 00 Prague 1

Tel: (+420) 222 329 430; Fax: (+420) 222 329 433

e-mail: [amcham@amcham.cz](mailto:amcham@amcham.cz), web: <http://www.amcham.cz>

**CzechTrade**

**Main Office**

Zdenek Valis, General Director

Dittrichova 21, P.O. Box 76, 128 01 Praha 2

Tel: (+420) 224 907 500, Fax: (+420) 224 907 503

E-mail: [info@czechtrade.cz](mailto:info@czechtrade.cz), Web: [www.czechtrade.cz](http://www.czechtrade.cz)

**CzechTrade - Chicago**

Zuzana Pittnerova

505 North Lake Shore Drive, Suite 218, Chicago, IL 60611

Tel: (312) 644-1790, Fax: (312) 527-5544

E-mail: [chicago@czechtrade.cz](mailto:chicago@czechtrade.cz), Web: [www.czechtrade-usa.us](http://www.czechtrade-usa.us)

*NOTE: On the east and west coasts, CzechTrade is represented by the CzechInvest office.*

**CzechInvest**

**Main Office**

Ondřej Votruba, CEO

Stepanska 15, 120 00 Prague 2

Tel: (+420) 296 342 500, Fax: (+420) 296 342 502

E-mail: [info@czechinvest.org](mailto:info@czechinvest.org), Web: [www.czechinvest.org](http://www.czechinvest.org)

**CzechInvest USA - East Coast**

Jan Fried

BNH - Bohemian National Hall, 321 E 73rd Street, New York, NY 10021

Tel: (347) 216-9355

E-mail: [newyork@czechinvest.org](mailto:newyork@czechinvest.org) , Web: [www.czechinvest.org](http://www.czechinvest.org)

#### CzechInvest USA - West Coast

Roman Horacek

275 Battery Street, Suite 2600, San Francisco, CA 94111

Tel: (415) 794-0665

E-mail: [california@czechinvest.org](mailto:california@czechinvest.org), Web: [www.czechinvest.org](http://www.czechinvest.org)

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

Milan Holecek, President

Gorazdova 24, 128 01 Prague 2

Tel: (+420) 224 915 489, Fax: (+420) 224 915 064

e-mail: [safarik@unmz.cz](mailto:safarik@unmz.cz), web: <http://www.unmz.cz>

#### General Directorate of Customs

Pavel Novotny, General Director

Budejovicka 7, 140 96 Praha 4

Tel: (+420) 261 331 111, Fax: (+420) 261 332 900

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

#### Confederation of Industry of the Czech Republic

Jaroslav Hanák, President

Freyova 11, 190 05 Praha 9

Tel: (+420) 225 279 101, Fax: (+420)225 279 100

e-mail: [spcr@spcr.cz](mailto:spcr@spcr.cz), web: <http://www.spcr.cz>

#### Economic Chamber of the Czech Republic

Petr Kuzel, President

Freyova 27, 190 00 Prague 9

Tel: (+420) 266 721 317, Fax: (+420) 266 721 690

e-mail: [office@komora.cz](mailto:office@komora.cz), web: <http://www.komora.cz>

#### **Market Research**

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

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

#### **Trade Events**

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Please click on the [link](#) for information on upcoming global trade events that the U.S. Commercial Service is organizing. Additionally, a list of trade events that CS Prague is supporting or participating in can be found at our office's [website](#).

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## 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: (Insert link to Products and Services section of local buyusa.gov website here.)

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)**.

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

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