U.S. Department of State
FY 2000 Country Commercial Guides: The Czech Republic

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CHAPTER I: EXECUTIVE SUMMARY

This Country Commercial Guide (CCG) presents a comprehensive look at the Czech Republic's commercial environment, using economic, political, and market analysis. The Country Commercial Guides were established by recommendation of the Trade Promotion Coordinating Committee (TPCC), a multi-agency task force, to consolidate various reporting documents prepared for the U.S. business community. Country Commercial Guides are prepared annually at U.S. Embassies through the combined efforts of several U.S. government agencies.

In the 10 years since the 1989 Velvet Revolution, the Czech Republic has successfully reoriented itself politically and economically with the West. Now a NATO ally and an EU aspirant country, the Czech Republic counts the United States and Western Europe as its most important trading and investment partners. Total trade between the United States and the Czech Republic equaled $1.6 billion in 1998.

Currently, the Czech Republic is undergoing the severest recession of its short existence. The economy contracted by nearly three percent in 1998, as unemployment rose and inflation slowed. The roots of current economic decline lie with unfinished structural reforms during the transition to a full market economy, namely privatization, judicial reform, modernization of the commercial code, and enhanced transparency in economic decision-making. The government recently privatized one state-held bank and plans to revamp the country's bankruptcy laws, but more needs to be done to create the basis for sustainable economic growth in the future.

The Social Democratic government supports further economic reforms, but its position as a minority government and lack of previous governing experience has made quick progress difficult. The government has mounted a “clean hands” campaign to root out corruption associated with past privatization deals, but to date it has achieved limited results. The Czech Republic is in the process of ratifying the OECD Anti-Bribery Convention. EU accession remains a top foreign policy priority. The Czech

Republic is currently harmonizing its legislation with EU norms.

The Czech Republic remains open to foreign investment, and policymakers see foreign investment as a vital tool in restructuring struggling Czech industries. Following the introduction of investment incentives, direct foreign investment rebounded to $2.5 billion in 1998, and strong FDI flows look set to continue in 1999. On a cumulative basis, the United States is the third largest investor in the Czech Republic, behind Germany and the Netherlands. Currently, there are over 47,000 foreign-owned or partly foreign-owned companies registered in the Czech Republic, including major multinationals such as Phillip Morris, Ford, Conoco-International Oil Consortium, Procter & Gamble, and Pepsi-Cola International.

Last year, U.S. exporters saw dramatic increases in sales to the Czech Republic of transportation equipment, including parts and separate equipment, specialized machine tools, manufactured items, chemicals and related products, fuel and fuel-related products, and crude materials. U.S. service industry skills continue to be sought after, particularly in the fields of consulting, marketing, public relations, and financing, as the Czech Republic moves toward privatizing such sectors as banking, telecommunications, and energy distribution.

The Czech Republic's central location makes it an excellent hub for exporting into CEFTA (Central European Free Trade Agreement, whose members are the Czech Republic, Hungary, Poland, Slovakia, Slovenia, Bulgaria and Romania), Russia, the NIS, and the European Union. Its highly skilled labor force and developed infrastructure present considerable advantages to U.S. companies seeking to establish local offices there. The quality of life in the capital, Prague, continues to improve. Ruzyne airport near Prague has expanded into a first-class facility, with further expansion planned for the next 2 years. A $13 million international school, opened in early 1997, offers state-of-the-art facilities and an innovative curriculum based on American educational standards and enriched with international content. Several U.S. universities are developing joint core programs with Czech universities and offering graduate degrees in management, international education, and other fields. Over the next 10 years, the Czech Republic looks to become the crossroads for the new European high-speed rail and highway systems, which should strengthen the country’s position of importance in Central Europe.

Country Commercial Guides are available for U.S. exporters from the National Trade Data Bank's CD-ROM or via the Internet. Please contact STAT-USA at 1-800-STAT-USA for more information. Country Commercial Guides are available on the Internet at http://www.stat-usa.gov; http://www.state.gov; and http: www.mac.doc.gov. They can also be ordered in hard copy or on diskette from the National Technical Information Service (NTIS) at 1-800-553-NTIS. U.S. exporters seeking general export information/assistance and country-specific commercial information should contact the U.S. Department of Commerce, Trade Information Center, by phone at 1-800-USA-Trade or by fax at (202) 482-2164.

CHAPTER II: ECONOMIC TRENDS AND OUTLOOK

A. Major Trends and Outlook

The Czech Republic has largely transformed itself into a Western market economy, with more than 80% of enterprises in private hands. Following a very rapid initial transition, the Czech Republic is undergoing needed economic retrenchment after high but unsustainable levels of growth in 1995 and 1996. The economy contracted by nearly 3% in 1998 and is expected to decline slightly in 1999. According to the Czech Statistical Office (CSO), a return to growth should come in 2000. Inflation is expected to be less than 5% in 1999, while unemployment measured 8.4% at the end of the second quarter of 1999 and is anticipated to rise further as necessary industrial restructuring continues. The lower than expected levels of inflation have allowed the Czech National Bank to lower interest rates repeatedly in 1999 in an effort to spark renewed growth.

The roots of the current decline lie with unfinished structural reforms. These include bank privatization, judicial reform, enforceable bankruptcy laws, improved capital markets regulation and increased transparency in transactions and decision-making, among others. The current Social Democratic government approved the privatization of the country's fourth largest bank, as well as a rapid timetable for privatization of the country's two largest banks in an important signal of its commitment to move forward with bank privatization. The Zeman government has announced plans to tackle many of the remaining structural reform issues; however, a lack of governing experience and its position as a minority government have acted as a drag on its ability to rapidly introduce a comprehensive economic reform agenda.

Integrating the Czech economy into the West, specifically into the

EU, remains a government priority. The Czech Republic began negotiations on EU accession in March 1998 and has set itself a target date of 2003 to be prepared for EU entry. In the meantime, the Czech Republic benefits from access to EU markets under an Association Agreement with the EU. Harmonization of Czech laws and standards with those of the EU continues as the country works toward eventual EU membership.

B. Principal Growth Sectors

Foreign investment has played a major role in the development of the Czech economy by providing both management experience and capital needed to restructure Czech firms. While foreign capital flows from European Union countries are considerable, the United States is the third largest investor in the Czech Republic, and U.S. firms stand to profit from the Republic's continued economic transformation.

Chief imports include communications equipment, specialized metalworking machinery, chemicals, and transport equipment. After a boom in imports of consumer goods in the first months of the 1997 (at least 6.2% growth in the first half of 1997), consumer demand cooled as a result of the recession and the depreciation of the crown.

Primary business opportunities are related to the redevelopment of basic infrastructure and restructuring of privatized firms. In addition, major upgrades of pollution control equipment, telecommunications equipment and services, energy production and distribution, housing/municipal infrastructure and medical services have been underway for several years. In June 1998, the interim government announced plans to privatize the energy sector. However, by the summer of 1999, plans for privatization cooled. Unprecedented July 1997 floods, which covered almost a third of the nation, severely damaged transportation, telecommunication, and energy networks as well as residential and commercial properties. Previously planned infrastructure upgrades as well as rebuilding efforts will consume a major portion of municipalities' investment monies. New investments in plants and equipment will also continue, particularly as restructuring gets underway in more companies. A thriving services sector, built up from almost nothing, has emerged as the structure of the economy has shifted toward services from industry and agriculture.

C. Government Role in the Economy

Although over 75% of output is produced by the private sector, the government, through the National Property Fund (NPF), holds majority or significant stakes in several large Czech enterprises, notably banks and firms in the energy, transportation and communications sectors.

The government budget measures 32% of GDP, with non-discretionary expenditures constituting nearly 60% of the overall budget. Until 1999, fiscal policy remained conservative, with budget deficits rising gradually in recent years. The 1999 budget broke with past fiscal conservatism, including a planned deficit target of 2% of GDP. As the current recession deepens and revenue forecasts decline, the final budget deficit will likely be significantly higher, with some estimates ranging well over 3% of GDP.

The government’s role is still evolving from owner to regulator of major sectors of the economy. The government has established a securities and exchange commission to regulate capital markets, and independent regulatory agencies in the telecommunications and energy sectors will likely be established, as liberalization and privatization in those sectors continue.

D. Balance of Payments

Balance of payments improved significantly in 1998, following the austerity measures put in place after sharply rising trade deficits in 1995-1996. The 1998 account deficit measured approximately $1 billion, or 1.9% of GDP compared to 6.2 percent of GDP in 1997. The capital account finished 1998 with a $2.1 billion surplus. The trade account ended the year $2.5 billion deficit or 4.7% of GDP, a marked improvement over 1997, as exports increased faster than anticipated while the pace of increase in imports slowed. The trade deficit was partially offset by a $1.4 billion surplus in services and strong tourism receipts. Foreign investment measured $2.5 billion, a significant increase over the previous year, and strong FDI flows are expected to continue.

E. Infrastructure

Upgrading the nation's infrastructure, specifically telecommunications and transportation, is critical for continued economic growth and development. Although recognized as a priority, the massive nature of the rebuilding effort will require capital as well as time. Sharp cuts in government spending in 1997 and 1998 slowed infrastructure projects. However, accelerated privatization of remaining enterprises could encourage private investments in telecommunications, energy infrastructure, and transportation.

Resources to finance the country's extensive development plan for the telecommunications industry include major loans provided by the EBRD, European Investment Bank and both large local banks and foreign banks. The Dutch-Swiss consortium Telsource holds a 34.5% stake of the Czech telecommunication’s monopoly, SPT Telecom, which is upgrading and expanding the telephone system. Cellular rates have fallen in the past year as two GSM standard cellular telephone networks have emerged (including one by a US West-Bell Atlantic joint venture with SPT, which also operates the existing analog network) in stiff competition for customers. In some under-served areas, private telephone companies have been allowed to provide basic telephone service, and a U.S. cable television joint venture has also been offering telephone connections along with TV service. Many of these ventures are positioning themselves for lifting of the SPT Telecom monopoly on basic telephony in 2000. The Czech Republic committed to lift this monopoly by December 31, 2000, as part of the WTO basic telecommunications agreement.

The need to overhaul the nation's transportation system is also recognized as a major priority. Unfortunately, state budget allocations have been inadequate, and the quality of Czech transport networks and systems, as well as rolling stock and vehicles, is generally below the standards of advanced European nations. All transport sectors, including railway, highway, inland waterway and air, have been targeted for infrastructure upgrade. Projects currently include a $3.5 billion modernization of the rail system, with priority on the Czech section of the important Berlin-Prague-Vienna Line; a plan to modernize and extend the country's highway network; and plans to develop the river transport system for intensive usage by the container hauling industry. With U.S. government assistance, the civilian air traffic control system is being integrated with military systems to provide more advanced methods of air traffic control. This will not only allow better utilization of airspace, but also improve the safety of air traffic. A new terminal at Prague’s International Airport has opened, and plans are in the works for privatization and overhaul of several other smaller airports including Karlovy Vary, Brno and Ostrava.

CHAPTER III: POLITICAL ENVIRONMENT

A. Nature of the Political Relationship with the United States

U.S.-Czech relations are excellent and reflect strong historical ties. The United States and the Czech Republic cooperate on a wide range of issues, and the Czech Republic became a NATO ally in March 1999. The United States supports Czech participation in Western economic and political institutions and played a major role in facilitating the Czech Republic's transition to a market economy.

B. Major Political Issues Affecting the Business Climate

The Czech government is strongly supportive of foreign investment, and further integration with Western economic and political institutions remains a fundamental tenet of major political parties on both sides of the political spectrum. The current government has voiced strong support for further economic reforms, but its relative inexperience and position as a minority government have limited its ability to tackle underlying structural issues affecting the economy.

Some European companies have sought to use the Czech Republic's interest in EU membership to gain advantage in commercial competition. Although Czech interest in EU accession is clear, the Czechs also desire a strong U.S. presence in the country.

American and other foreign business people often cite a convoluted -- or in some cases corrupt -- system at both national and local levels as impeding market access. Potential investors often must spend considerable time and effort to finalize a deal, or to enforce the terms of a contract, and the Embassy is sometimes asked to intercede on an American investor's or supplier's behalf. Government officials have proved, in most cases, to be accessible and receptive in such instances.

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

C. Synopsis of Political System, Schedule for Elections and Orientation of Major Political Parties

The Czech Republic is a parliamentary democracy. President Vaclav

Havel, the head of state, is an internationally recognized advocate of human rights and social justice. The Prime Minister is Milos Zeman, chairman of the left-of-center Social Democratic Party (CSSD). He heads a minority government. The main opposition party is the right-of-center Civic Democratic Party (ODS), headed by former Prime Minister Vaclav Klaus. Other opposition parties are the right-of-center Freedom Union (which split from ODS in 1998), the centrist Christian Democratic Union (KDU-CSL) and the leftist Communist Party. The next scheduled national elections are in 2002, but many analysts predict the fragility of the minority government may lead to a new coalition government or early elections.

CHAPTER IV: MARKETING U.S. PRODUCTS AND SERVICES

A. Distribution and Sales Channels

Distribution channels in the Czech Republic are similar to the type of private systems common in other European countries. In recent years, privatization and major improvements in infrastructure have resulted in enormous growth in transportation and distribution services, particularly in the trucking sector. Consumers now have more products to choose from as a result of increased competition in the market. This competition also has improved efficiency and economies of scale in the marketplace.

The retail sector, which is nearly all privatized, historically has consisted mainly of small shops such as grocery stores, pharmacies, music stores, clothing stores and bookstores. However, the current strong trend is toward larger stores with more products. Chain department stores (such as IKEA, TESCO, OBI) and grocery stores (such as Delvita) are operating throughout the country, with the most concentration being in Prague followed by Brno.

Czechs are increasingly embracing Western-style supermarkets and bulk-rate hypermarkets, which in 1998 expanded in number from seven to 25. Twenty-three more are expected to go up in 1999. Over the same period the percentage of the population shopping at hypermarkets increased from 1.5 % to 10%. The percentage of Czech households shopping at supermarkets increased last year from 26% to 31%, while the percentage shopping in small stores fell from 52% to 44%.

Consumer spending dropped during the same period, indicating that the success of these superstores reflects a transfer of market share rather than creation of new market share by increasing consumer spending. Analysts predict the increasing closing of small shops as the superstores take a larger and larger part of their market share, making many unprofitable.

Internet sales in the Czech Republic were valued at $1.1 million in 1998, but are expected to nearly triple to $2.9 million in 1999. This is a small fraction of the Czech total retail sales of $14 billion. Factors limiting the growth of internet sales include the historic Czech distrust of direct marketing and the relatively high calling rates charged by the state monopoly phone service SPT for Internet use.

There are several effective ways to develop a local distribution system in the Czech Republic. One way is to persuade a local partner to build and develop a local distribution system from the ground up. Providing support for a local partner to find and build a warehousing system, as well as providing assistance in inventory management, is a strategy that has been successful for some companies currently in the market. Another strategy is to find a distributor with an existing network already in place who has the ability to take on an additional product line or who may be interested in replacing a current line with something new.

B. Use of Agents/Distributors; Finding a Partner

The most common way to introduce a new product into the market is through a private distributor. The number of private distributors has grown rapidly over the past few years, giving U.S. companies many potential candidates from which to choose. The most efficient distributors are those who work closely with their foreign suppliers to develop strategies tailored to the nuances of the local market. This illustrates the distributor’s experience and knowledge of local pricing strategies, level of advertising/promotion required and the competition. In most cases, one distributor can provide coverage throughout the entire country for a related line of products. If local servicing or warehousing is required, a sub-distributor may be required in certain parts of the country.

Wholesalers do not "sell" the product for the manufacturer. It is still the job of the manufacturer to ensure that the product is marketed properly so that it succeeds once it reaches the retailer. Most large American companies with manufacturing facilities or subsidiaries in the Czech Republic (Procter &

Gamble, Colgate Palmolive, Wrigley and others) now have a network of regional sales managers and field sales personnel who oversee product marketing, distribution and retailing. Another common way to distribute products is to invest in a local retail operation (Lancôme, Elizabeth Arden, Benetton and others) or to sell door-to-door (Electrolux, Avon, Mary Kay, Oriflame, Herbalife, Amway).

Margins for distributors are similar to those prevalent in Western European countries. With respect to salaries, field sales representatives usually earn a base salary (anywhere from 5,000 to 10,000 crowns per month, ($1 = app. 35 Czech crowns) plus commission (anywhere from 2 to 10% depending on the product), and travel benefits (company car, travel allowance).

Support for the distributor by the U.S. exporter is crucial to developing sales in the market. One example of this support is for the U.S. company to assist in the financing of the product into the distribution chain. The U.S. exporter may make the product available on a consignment basis to allow the distributor to develop local cash flow. The distributor can also sell products to retail stores on a consignment basis, although this could cause problems for smaller distributors, given their lack of working capital and the difficulties they experience in obtaining credit.

It is also quite common for distributors to use a form of "cash and carry" to get products into the retail marketplace. Instead of the distributor going to the retailer, the retailer goes to the distributor to buy as much product as can be afforded at one time.

One other example of support by the U.S. firm is assistance with local advertising. In many cases, foreign companies with local distributors provide all of the local advertising support for the product, while the Czech partner provides the physical facilities and equipment.

In general, U.S. exporters of consumer goods must have reasonable expectations when entering the Czech market. They must realize that it takes time to find the right distributor and create market demand before they are able to ship more than a container load of goods. Commitment and patience are required in order to succeed.

U.S. firms seeking qualified contacts in the Czech Republic should consider using the U.S. Commercial Service's Agent/Distributor Service and Gold Key Service. For a fee of $250, the Commercial Service in Prague (via requests from U.S. Department of Commerce Export Assistance Centers) will conduct an Agent/Distributor

Search (ADS). This service provides U.S. companies with a short list of pre-screened contacts who have expressed an interest in representing the U.S. company after having seen the company's product literature. The Gold Key Service takes this process a step further by offering face-to-face appointments with Czech contacts when the U.S. company representative is visiting the Czech Republic. Essentially it is a personalized trade mission organized on behalf of the participating U.S. firm. The fee is $500 for the first day of appointments (8 maximum) and $50 for each additional appointment ($250 maximum per extra day). In addition to arrangement of the pre-screened appointments, this fee includes use of an interpreter, meeting room space and follow-up support. For more information, U.S. firms may contact their local U.S. Department of Commerce Export Assistance Center or the Commercial Section at the U.S. Embassy in Prague for details on using these and a variety of other market entry services.

C. Franchising

Franchising in the Czech Republic is a contractual cooperation between two independent entities. Franchising agreements are subject to the laws that govern commercial contracts in general and to those that govern sales or trademark licensing agreements. Business practices are regulated by the Commercial Code, but changes would be needed to create a legal environment specific to franchising activities.

One of the first and still fastest growing franchise industries in the Czech Republic is fast food. This is the result of a prosperous tourist industry and an increase in the country’s standard of living. Although there are successful American franchises operating here (such as McDonald’s, KFC and Dunkin Donuts), the lack of local capital has not allowed for typical master franchisor networks to develop. In the Czech Republic, all of the companies that have introduced their franchises have done so by initially investing their own experience and financial resources. This is necessary because there is still a lack of people who possess the type of capital and/or experience required for owning and operating a franchise.

With rising standards of living in the Czech Republic, consumers now have more income but much less time. Franchised products and services that save time have special appeal for Czech consumers. According to the Czech Franchise Association, other best prospects for franchising include consumer and business services, hotels/travel/tourism and real estate agencies.

D. Direct Marketing

Direct marketing has become a common way to distribute products in the Czech Republic. Individuals registered as entrepreneurs work door-to-door selling consumer products ranging from cosmetics and detergents to weight-loss aids and vacuum cleaners. Since direct marketing appeared about eight years ago, an estimated 100,000 people have become involved, mainly working for companies based outside of the Czech Republic. Out of this figure, it is the main source of income for roughly 40,000 people in this market. The Czech National Association of Direct Marketing was established to bring awareness of the international rules of direct marketing such as the length of guarantees and the consumer's right to return a product. Direct marketing companies active in the Czech market include Avon, Amway, Mary Kay Cosmetics, Oriflame, Herbalife and Lux. Amway has a distributor force of 37,000, while Oriflame, which sells cosmetics and beauty products, has 46,000 Czech distributors. Avon has a distributor base numbering 13,000.

Direct marketing as a sales technique seems to satisfy the need of many Czechs today to express their individuality and entrepreneurial spirit in an activity which requires little in the way of start-up costs. For direct marketing firms, this technique offers a better way of reaching consumers who may be under served by retail outlets, such as in the countryside or in small towns. Both multi-level (e.g. Amway) and one-level (e.g. Lux) marketing have proved successful in the Czech Republic. Network marketing has also gained a considerable number of customers in the last year, as four "membership" style stores are currently operating in Prague, Brno, Plzen and Ostrava.

Regarding mail order service firms, the general attitude of Czech consumers is not very positive. This is probably because many of the firms to first offer mail order services in the country delivered poor quality products that were often not sent on time, or in some cases, not sent at all. An Association of Mail Order Services was founded in the Czech Republic in 1994 by Schober Direct Marketing, Reader's Digest Vyber, Magnet and the Czech Postal Service to support this sales technique and repair its tarnished image.

E. Joint Ventures/Licensing

With the development of a regional market economy in the heart of Europe, the Czech Republic has become increasingly attractive as a destination for foreign investment. Given the emergence of market economies in neighboring countries as well, the potential of the Czech Republic as a base of operations for the entire Central European region is high. In addition to offering a small but growing consumer market, the Czech Republic's competitive wage rates and productive labor force make it an attractive location for manufacturing and assembly operations. Now that most large firms have been privatized or are undergoing privatization, greenfield operations and joint ventures are more common. Although the law allows 100% foreign ownership, foreign companies are sometimes not willing to acquire a Czech firm outright because of environmental or other long-term liabilities. In general, joint ventures are viewed as an opportunity to increase cooperation and develop a longer-term relationship in country.

F. Establishing an Office

In order to do business in the Czech Republic a company must be registered at the district office at the place of residence (for a physical person/sole proprietor) or at the district office of the region where the company has a permanent place for doing business. Some of the documents required include: a statement of the type of company that will be formed; a formation agreement (articles of incorporation); a trade license (if necessary); bank account information and proof that the company's basic capital is on deposit; description of business activity; and a copy of the firm's U.S. incorporation documents (if the firm is a subsidiary). The fact that there is a set procedure should not lead potential business people to think that the process is simple. Obtaining all the green lights can be a lengthy, complex and often baffling process. Many foreigners choose to work through a service provider who is well acquainted with the procedures and pitfalls. American accounting and law firms operating in the Czech Republic provide total market entry strategies, including assistance in establishing an office. For those having the time and patience to accept the cross-cultural challenge, the Commercial Service-Prague library has materials on how to get a business license, how to obtain a green card and how to get a residency permit. Whatever route is chosen, the advice of a local lawyer is always strongly recommended.

G. Selling Factors/Techniques

Disposable income in the Czech Republic remains low in relation to Western European countries, and most Czech consumers still buy mainly on the basis of price. However, the increase in the amount of competing name brands on the market has started to shift consumer tastes towards quality over price when making certain purchases. Czech firms mainly buy equipment based on quality, price, after-sales service and financing. U.S. companies should be aware that the ability to offer flexible financing and payment terms plays a key role in achieving successful sales results in the Czech market.

H. Advertising and Trade Promotion

Advertising has become a powerful tool in the Czech market, as both consumers and companies generally place a high value on its effectiveness as a means for marketing products. Relative to this, both U.S. and Western European firms selling new-to-market products or seeking company name recognition use advertising quite frequently in the Czech Republic. All forms of media are used, including television, radio, print, public transit advertising and outdoor billboards.

Following is a list of widely circulated newspapers and business journals in the Czech Republic that may be considered as potential advertising tools:

Mlada Fronta Dnes (largest national daily newspaper), tel.: (+420 2) 2206 2111, fax: (+420 2) 2206 2229.

Hospodarske noviny (daily business newspaper), tel.: (+420 2) 3307 1111, fax: (+420 2) 3307 2070,3307 2029.

Profit (weekly business newspaper), tel.: (+420 2) 2287 7446; fax: (+420 2) 697 0702.

Ekonom (weekly business magazine), tel.: (+420 2) 3307 1301; fax: (+420 2) 3307 2002.

Obchodnik (weekly business magazine), tel.: (+420 2) 3307 1117, fax: (+420 2) 3307 2009.

The Prague Post (weekly English-language newspaper), tel.: (+420 2) 2487-5000, fax: (+420 2) 2487 5050.

The Prague Tribune (bilingual bi-monthly magazine, English/Czech), tel.: (+420 2) 548 072, 548 190, fax: (+420 2) 542 289.

Prague Business Journal (weekly English-language business paper), tel.: (+420 2) 2426 1360, fax: (+420 2) 2426 1361.

Metro (daily free newspaper distributed in public transportation stations), tel.: (+420 2) 282 20 30, fax: (+420 2) 242 29 775, 2421 5228.

Euro ekonomicky tydenik (economic weekly), tel.: (420-2) 5102 6107, fax: (420-2) 538 364.

I. Product Pricing

Czech consumers are extremely price sensitive and consistently seek value in their purchases. Compared to Western standards, wage levels are low but are slowly rising. In relative terms, disposable income has grown considerably over the past few years among the professional workforce, leading to an increase in demand for a diverse base of both essential and non-essential consumer goods. Transportation costs, import duties, advertising and competition all must be considered when pricing products for the Czech market. Prospects for selling products improve when the products can be manufactured at a lower cost with some local value-added production. In general, imported consumer products and industrial equipment will have to compete against equivalent European products (German products in particular).

J. Sales Service/Customer Support

Almost all imported products and services sold in the Czech Republic are supported by either a U.S. subsidiary or a local representative. Customer support and after-sales services have become key components in the marketing mix of successful companies in the Czech Republic. This is the result of maturing consumer behavior in a market comprised of customers who are learning to expect knowledgeable sales people and reliable service. The industrial market also expects a high level of service, especially when dealing with U.S. companies who have a general reputation of providing quality support in a timely manner.

K. Selling to the Government

The Czech Government is required by law to hold tenders for major procurements. In the past, American companies have been major suppliers of radio and telecommunication equipment, computers and software. In July 1996, the Czech Republic’s procurement law was revised to help clarify and simplify procedures for public tenders. In addition, new emphasis was placed on the total value rather than minimum cost. American companies that can provide high quality/low maintenance products as well as top management expertise, are now, at least theoretically, more competitive in the tender process. The most significant problem facing bidders is the general lack of transparency throughout the procurement process. While the revised procurement law has helped standardize government tenders, there is still a lack of executing regulations to guide the tender process. This means that the government procurement process remains complex and often unpredictable.

Defense Procurement: After President Clinton unveiled the "Partnership for Peace" program in 1994, the number of U.S. defense and electronics firms visiting the region increased dramatically. The Czech Government upgraded its defense capabilities as it prepared for NATO membership, presenting significant export opportunities for U.S. firms. American companies that have successfully participated in defense procurement tenders include Boeing, Allied Signal and EDS. Overall, however, procurement in the defense sector has proved difficult and frustrating largely due to the following problems.

1. Lack of familiarity with local language, contacts and business practices: While many Czech commercial firms have English-speaking staff members, the same is not true at some offices of the Ministry of Defense (MOD) or within the Armed Forces. Having bilingual Czech-English employees is thus essential for American firms to effectively operate in this and in many other fields. Establishing a physical presence in the Czech Republic also is important. Many U.S. firms have local offices registered in the Czech Republic and others have affiliation arrangements with Czech firms. However, a large number of firms interested in doing business in the Czech defense sector still have only a limited local presence. This can be an impediment, given the rapid and often unpredictable development of the acquisition process at the official level. In addition, continued legislative and organizational changes in the defense sector at the official and commercial levels have left many U.S. firms with outdated contacts and an obsolete understanding of acquisition practices.

2. Lack of experienced personnel within MOD and Armed Forces staff: The Czech defense sector has been open to widespread commercial relations with Western firms only since 1990. There has been a huge turnover in civilian and military staff. The majority of senior civilian and military officials have been in place only for a few years and most of them have very little prior experience with Western commercial practices.

3. Lack of a stable planning and programming system for defense procurement: Major efforts to transform the old defense procurement system began only in 1993, following the "Velvet Divorce" which separated the Czech Republic from Slovakia. Out of necessity, the Czech Defense Ministry has taken an incremental approach to the transformation. Major reorganizations and personnel turnover, combined with lack of experience, have made it difficult to implement Western-style systems all at once. The MOD has implemented a long-range planning system similar to the U.S. Planning, Programming, Budgeting System (PPBS). While this system is still in the early stages, the MOD now has guarantees for long-range funding for key projects, which enables the Czechs to predict and plan ahead for their acquisition projects.

4. Lack of transparency and accountability in the defense acquisition process: One of the results of the lack of transparency is the tendency to bury responsibility for evaluation and selection of bids. This takes two forms: Failure to set and adhere to objective criteria for the evaluation process; and referral of decisions to ad hoc committees that are not publicly accountable for their recommendations. In several recent acquisition projects, tenders have been made on the basis of required military capability, but during the evaluation and selection process the relative weights of capability-based versus economically or politically based criteria have tended to shift unpredictably. Ad hoc commissions have been used at the evaluation and decision stage of the acquisition, but there has been little clarity in advance as to the composition and responsibility of the commissions or even about whether part of the process would be referred to a commission at all. The exact responsibilities and qualifications of these commissions have been unclear, and there has been little direct information -- either in advance or after the fact -- about the criteria used and the information considered in the selection process. This has left an air of mystery that has led to accusations of unfairness, bias, and improper influence, and has not contributed to confidence in the accuracy of the evaluation process or the integrity of the specific findings used in making key decisions. In recent years, several high-value tenders awarded by the MOD were overturned. These highly publicized and “politicized” tenders not only caused controversy with the military and the government, but also pushed back acquisitions that were already long overdue.

U.S. companies looking to benefit from the defense procurement process must realize that the process runs very slowly and requires patience, flexibility, full-time monitoring, and a long-term commitment.

L. Protecting Your Product from IPR Infringement

The Czech Republic is a party to the Berne, Paris, and Universal Copyright Conventions. Please refer to Section VII.K., Protection of Property Rights, for additional information.

M. Need for a Local Attorney and Accountant

Lawyers are instrumental in reviewing contracts, setting up a legal entity and advising on taxes and other issues. A good accountant can help with the structuring of the company and its operations to minimize corporate taxes, which are considered high by U.S. standards. U.S. companies exporting to the Czech Republic from offshore should experience minimal legal difficulties as long as they adhere to prudent business practices and common sense. As with any business venture, it may be helpful to have sales and distribution contracts reviewed by a knowledgeable person before entering into any binding commitments.

N. Performing Due Diligence/Checking Bona Fides of Banks/Agents/Customers

Corporate profile information on Czech firms is available for a fee from a number of different companies operating in the Czech Republic. Among those that CS Prague is familiar with that provide such information are Dun & Bradstreet (tel.: +420 2 2490 9235, fax: +420 2 2491 1834) and VVV Most, spol. s.r.o. (tel./fax: +420 35 610 5888). Both offer a variety of profiles and should be contacted directly for pricing and turn-around time information.

CHAPTER V: LEADING SECTORS FOR U.S. EXPORTS AND INVESTMENTS

A. Best Prospects for Non-Agricultural Goods and Services

1. Telecommunications Services
2. Pollution Control Equipment
3. Electrical Power
4. Aircraft and Parts
5. Insurance

All figures given are in millions USD, unless otherwise indicated; 1997 and 1998 figures are actual amounts, 1999 figures are estimates; exchange rates for 1997: $1 = 31.71 CZK, 1998: $1 = 33

CZK, 1999: $1 = 35 CZK.

Sector Rank: 1
Sector Name: Telecommunications Services (TES)

	1997	1998	1999
A. Total sales	1,4501,7502,010		
B. Sales by local firms	1,1801,3301,500		
C. Sales by foreign owned firms	270	420	510
E. Sales by U.S. owned firms	60	90	140

The rapid development of telecommunications services has followed the equally rapid development of the telecommunications infrastructure. There has been a massive investment into telecommunications since 1994. The number of main telephone lines reached 4 million in June 1999, and penetration grew from 20 to 37 lines per 100 inhabitants. The quality of the network has increased considerably and allowed implementation of new services.

The fast growth in services extends to mobile telephony. There are currently two GSM operators who offer their services to approximately 10% of the population, and their revenues reached almost $800 million by the end of 1998. In October 1999, a third mobile system operator, using DCS 1800, is expected to start operations, continuing the expansion of service.

Mobile phones have great appeal for the Czech population, particularly younger users, because they are easy to obtain, portable and often more affordable than a fixed-line phone supplied by SPT, the state monopoly phone service. Currently, waits of 4 to 6 months plus considerable bureaucratic paperwork are required to get a fixed-line phone installed by SPT. By comparison, a consumer can go to any one of many retail outlets, purchase a phone and a prepaid phone card to insert in the phone, and walk out online. As it requires no credit, billing, or permanent address, the prepaid phone card system has great appeal to students and young adults. Current aggressive advertising campaigns by the two license holders, Eurotel and Radio Mobil, target young users, positioning mobile phones under brand names such as “Go phone” and “Trip” as trendy lifestyle accessories.

Significant growth has been noted in data services. There are currently three trends in service development:

1. The share of data services is growing very fast, and, according

to experts' estimation, data communication will account for most telecommunication traffic in the near future.

2. There is a fast development of IP networks hastened by Internet expansion and growth of managed IP networks.

3. New technologies are developing that enable high-speed transfer of large volumes of data.

The development of telecommunications services is accelerated by market liberalization. The market is fully open to competition in the following sectors: Leased lines, public and private data networks, value-added services, private networks including microwave, optical and metallic circuits, and VSATs (VSAT without interconnection to the public switched network), cable TV, and regional trunking networks. The monopoly for international and long distance telephone services held by SPT Telecom expires January 1, 2001. Local telephone services are partially opened to competition (there are currently 6 licenses issued for 16 regions), but the market has not developed, due to high interconnection fees required by the monopoly operator.

The Czech government is expected to pass a new telecommunications law in January 2000. The law will bring about changes in regulatory policy (an independent regulatory body will be established) and in tariff policy, and prepare the market for competition in 2001.

Sector Rank: 2
Sector Name: Pollution Control Equipment (POL)

	1997	1998	1999
Total market size	690	720	1,000
Total local production	480	480	700
Total exports	10	20	30
Total imports	230	260	330
Imports from the U.S.	15	17	23

(The above statistics are unofficial estimates in millions USD. Exchange rate used: $1 = 35 CZK.)

The total cost to the Czech Republic to meet the requirements of the EU environmental limits has been estimated at more than $13 billion over a seven-year period. Priorities include the following:

- Water (wastewater/sewage treatment and potable water supply)
- Waste (packaging recycling and labeling, landfills, incineration, hazardous waste disposal)
- Air pollution (especially from mobile sources)
- Enforcement (needs to be unified according to international and EU standard integrated pollution prevention and control guidelines)

Water/Wastewater Management: The total Czech market for water pollution control and monitoring equipment is estimated at $830 million in 1999. The import market is estimated at $180 million in 1999, with imports from the United States reaching about $13 million. Because of an increasing demand for water pollution control and monitoring equipment, U.S. firms have the opportunity to penetrate the Czech market. The primary reason for the demand is the Czech Republic's harmonization of legislation with EU directives for wastewater treatment facilities in municipalities serving fewer than ten thousand inhabitants. In addition, within the next seven years, 10,000 small wastewater treatment facilities serving individual family houses will need to be built. Investment of about $5 billion will be required to comply fully with EU directives.

Best sales prospects include the following:
- Sludge sterilization systems
- Tertiary water purification systems for defosforization and denitrification
- Steering and regulation system
- Disinfecting technology (UV and ozone)

Waste Management: The total market for waste management equipment is estimated at $550 million in 1999, with imports from the United States about $40 million.

The Czech Environment Ministry recently announced a public tender for an advisor to help prepare the new waste law proposals. It is anticipated that the law will take effect in January 2001 at the latest. The Czech Republic will need to invest in effective technologies for waste separation, environmentally friendly technologies for waste disposal, waste minimization processes and hazardous waste incinerators. In addition to these technologies, basic changes will need to be made to guarantee sustainable environmentally friendly development. Around $4 billion is earmarked for cleanups.

Best sales prospects include the following:

- Hazardous sludge and sludge treatment
- Biodegradation
- Chemical technologies for soil cleanup
- Waste minimization technologies for petrochemical/chemical, pharmaceutical, automotive, and machinery industries
- On-site remediation technologies, such as vapor extraction, chemical extraction, electrokinetic remediation (these technologies will be needed for cleanup of polluted industrial sites, such as cokery plants, iron works, chemical works, refineries)

Air Pollution: The Czech market for air pollution control equipment is estimated at $170 million in 1999. The Clean Air Act, fully effective since January 1, 1999, has initiated investment activities unlike anything ever seen in the modern history of the Czech industry. It is estimated that investments into modernization and retrofitting, such as desulfurization, denitrification, cogeneration, fluid beds, conversion into gas, and new technologies, totaled $5 billion within a six-year period (1992-1998). Fulfillment of provisions of the regulation in the given period led to a fundamental improvement in air quality. Dust particles and SO_2 emissions were reduced by 90% (compared to 1992); NOX and CO emissions were reduced by 50% (compared to 1992).

Best sales prospects include the following:

- Systems for improving efficiency of small and mid-size power and heat plants
- Control system for combustion equipment and power and heat management
- Vehicles emission control systems, incl. monitoring and measuring devices
- Low-cost air pollution monitoring equipment
- Laboratory and information processing equipment

Competition: Companies from competing countries have been present in the market for many years. Either their proximity to the Czech market (Germany, Austria, Netherlands, France), which allows them frequent visits to meet end-users and to participate in exhibitions and conferences, or their proactive approach (Japan, Australia) are decisive factors for their successful bidding in public tenders.

Sector Rank: 3
Sector Name: Electrical Power Sector (ELP)

	1997	1998	1999
A. Total market size	1,986	2,440	2,550
B. Total local production	1,990	2,400	2,700
C. Total export	555	660	830
D. Total import	551	640	680
E. Import from USA	110	120	130

The electrical power sector continues to be one of the most important sectors, offering significant opportunities for U.S. investors. The total sector growth is expected to reach approximately 3-4%. Opportunities will originate from expected sector privatization, market liberalization, modernization of existing power systems, and building new energy sources utilizing gas and renewable sources.

According to a framework energy policy recently approved by the Czech government aimed to harmonize the sector with EU standards, the following major steps are expected: The privatization of regional distribution companies should start in 1999 and should be finished by 2002; in 2000, the new energy law will be adopted; in 2001, the basic strategy for tariff and tax policies will be adopted, followed by price deregulation in 2002; and in 2002, the independent regulatory body will start its operation.

The privatization of state-owned shares in utilities has been postponed since 1995. The market value of the state portion in 16 regional distribution companies is approximately $1 billion. For strategic reasons, distribution companies have to be privatized, together with the 100% state-owned gas importer, Transgas, and the 67% state-owned major electricity producer, CEZ. The privatization process is expected to open opportunities for U.S. investors.

There are also opportunities in projects development. According to the energy policy, the share of gas utilization should increase from 19% to 25%. Several projects, such as the 220 MW combined cycle plant in Uzin, 160 MW single cycle CEZ reserve plant, and 100 MW combine cycle in Prazska teplarenska, are planned to be built between 2000 and 2002. There are also planned co-generation projects for several heating plants (such as Ervenice, Ceske Budejovice, Slezska Energetika) and for energy centers of large industrial plants (such as Deza, Unipetrol, Zdarske strojirny).

The Czech government is expected to increase attention to the use of renewable sources and energy-saving methods of production. The use of renewable sources should grow from the current 1.5% to 6% in 2010. The government plans to support such projects from the state budget, with an investment that will reach approximately $7 billion. Additional investment of $1.2 billion should come from private investors.

Project development is closely related to the tariff policy and market climate. As stated in the energy policy, the Czech market should be gradually liberalized, with the goal to adopt the TPA (third party access) model in the electricity market and so-called negotiated TPA model in the gas market.

Sector Rank: 4
Sector Name: Aircraft and Parts (AIR)

	1997	1998	1999
Total market size	166	90	190
Total local production	89	70	180
Total exports	32	92	218
Total imports	109	112	228
Imports from the U.S.	92	94	190

The Czech aerospace industry experienced significant consolidation and downsizing over the last year:

In April 1998, a 35% stake of Aero Vodochody, a designer and manufacturer of light combat aircraft, was sold to Boeing.

In September 1998, a 100% stake of the company Technometra Radotin, a manufacturer of hydraulics, landing equipment and landing gears was sold to Aero Vodochody.

In October 1998, a 93.3% stake of LET Kunovice, a designer and manufacturer of turboprop commuters and training gliders, was sold to the Albany, GA-based Ayres Corporation. Ayres is a diversified aerospace company that manufactures Turbo Thrush agricultural aircraft.

The public tender for a 79% stake in the company Walter Jinonice, a designer and manufacturer of turboprop engines, was opened in November 1998. It is expected that results will be announced on or before July 31, 1999. A shortlist includes two U.S. companies.

The Czech Ministry of Defense is seeking to purchase 36 new supersonic fighters to replace outdated Russian aircraft. In April 1999, a letter expressing the Czech Republic's interest was sent to potential suppliers. Contenders include the Boeing F/A-18, Lockheed Martin F-16, French Mirage 2000-5, European Fighter Aircraft (EFA) and British Aerospace/Saab JAS-39 Grippen. The choice of a supplier will depend largely on the offset opportunities offered. The cost of new fighters is estimated at up to $2 billion. It should be noted, however, that current Czech law prohibits direct purchasing by the Ministry of Defense, which is obligated to deal with a third-party Czech agent. This law is presently under consideration to be modified to allow direct government purchasing.

In 1998, the official Czech air carrier Czech Airlines (CSA) planes transported over 1.8 million passengers and 11,800 tons of cargo, and CSA's revenues stood at $400 million. CSA purchased 17 Boeing 737s; 15 have been delivered to date, with 2 more scheduled for arrival in 2000. CSA has signed code-sharing agreements with KLM, Alitalia, Air France, and Malev. A broad alliance cooperation has been signed with U.S. Continental Airlines that covers ground handling, reservations, and TCI (through check-in).

Another Czech air carrier, the private company Fischer Air, operates 3 Boeing 737s, with the third one purchased in May 1999.

The current U.S. share of total imports amounts to 85 percent. Competition comes mainly from Germany, the U.K., Israel, Canada, and France.

Sector Rank: 5
Sector Name: Insurance (INS)

$million in premiums written:

	1997	1998	1999
A. Total market	1,333.9	1,532.4	1,762.3
Life insurance	352.5	419.8	482.8
Non- life insurance	980.4	1,112.6	1,279.5
B. Total local production	1,133.1	1,285.5	1,478.4

C. Total exports	1,133.1	1,285.5	1,478.4
D. Total imports	199.8	246.9	253.7
E. Imports from United States	18.9	21.8	25.0

The insurance sector is developing very dynamically, with high growth rates of 17-20% reached during the last years. In 1998, the insurance market continued to grow despite the current economic recession and pulled in a total of $1.5 billion in premiums, up 16% from 1997. Non-life insurance accounted for 73% of the insurance sector in 1998, with industrial and business risks making up 40.3% out of total premiums. The written premiums in non-life insurance reached $1.1 billion, a 14.7% growth over 1997. Life insurance accounted only for 27% of all insurance sectors in 1998, which is very low compared to the 50% average in EU countries. However, so far life insurance has grown more rapidly than non-life insurance since 1992. In 1998, the written premiums in life insurance reached $419.45 million, a 19.1% growth over 1997.

By Western standards, the Czech Republic is still extremely under insured. The insurance penetration (premiums to GDP ratio) was 2.9% in 1997, far below the EU average of 7.3%. The low level of coverage can be attributed to the high underestimation of the insurance sector during the communist regime. Many Czechs still understand insurance as a service or even an optional luxury, not a necessity. A considerable market still exists for newcomers with a strategy that includes persuading people of the importance of insurance. The market is changing rapidly and is expected to maintain its high-growth dynamics, especially in life insurance. Czech insurance companies predict the dynamics of the sector to be higher than in other European countries, reaching a 13-20% rise in coming years.

The insurance sector has proven its maturity coping with the disastrous floods, which affected one third of the country in 1997. In 1998, the sector was stabilized and insurance companies accumulated a profit of nearly $55.6 million, the best result in 1990s. Total assets of the insurance companies reached $500 million, a 30% rise over 1997. The competition is growing, represented by the increasing number of products offered (over 200 in 1998). In 1998, out of 31 insurance companies operating on the Czech market, 17 were of foreign origin. Ceska Pojistovna, the major Czech insurer, still represents 59% of the market, but its share is gradually decreasing as new insurers penetrate the market. US First American-Czech Insurance Company-AIG, operating in the market for only 6 years, became the ninth largest insurer in the Czech Republic in 1998 and the sixth largest provider of life insurance.

The Czech Parliament is expected to pass an important and long awaited amendment to the insurance law in 1999. It will strengthen state control over the financial stability of insurance companies, leading to the increasing solvency of the insurance market. Under the new law, universal insurers will be divided into separate life and non-life insurers.

New opportunities for insurance companies will be available under a bill recently passed by the Czech Parliament. It will permit private companies to offer compulsory third-party auto liability insurance, effective January 1, 2000. To date, state-owned Ceska Pojistovna has held a monopoly on this type of insurance. The new law will permit the entry of other insurance companies into the market. Access to the owners of the country's 5.8 million private and commercial vehicles, who are required to purchase this coverage, provides brokers with an opportunity to offer other types of insurance products as well. It is a great opportunity for cross selling. There are many opportunities for U.S. insurance companies to enter the Czech market, especially those offering a wide variety of insurance products, including products new to the Czech Republic.

B. Best Prospects for Agricultural Products

1. Soybean Meal
2. Rice
3. Pulses
4. Almonds

1. Sector Name: Soybean Meal (HTS Number 230400)

		1997		1998		1999	
		TMT*	$million	TMT	$million	TMT	$million
A.	Total market Size	364	103	440	98	390	70
B.	Total local production	0	0	0	0	0	0
C.	Total exports	0.1	0.1	1	0.4	0	0
D.	Total imports	365	103	441	98	390	70
E.	U.S. Imports	0	0	22	6	45	8

*Thousand metric tons

Climatic conditions do not favor the production of soybean meal in the Czech Republic, which imports this staple of feed mixtures. As a supplier of soymeal, the United States is expected to gain on its major competitors, Argentina and Brazil, as a result of changes in South American production policies and enhanced relationships between U.S. and Czech traders.

2. Sector Name: Rice (HTS Number 100610-100640)

		1997		1998		1999	
		TMT*	$million	TMT	$million	TMT	$million
A.	Total market Size	43	15	46	17	55	19
B.	Total local production	0	0	0	0	0	0
C.	Total exports	13	5	16	6	10	3
D.	Total imports	56	17	62	21	65	22
E.	U.S. Imports	7	2	3	1	3	1

Imports of rice into the Czech Republic are difficult to track by origin because of transshipment and repackaging. Imports have grown steadily over the past few years and will most likely continue to strengthen in the future due to rising incomes. Per capita consumption of rice in the Czech Republic has been growing during the last several years and is expected to increase this year as well. Czech companies import bulk quantities of rice, which they package domestically. Examples of the wide variety of Czech-packaged rice products include wild rice and rice mixes. Major suppliers of rice are India, Vietnam, Thailand, the United States and Egypt.

3. Sector Name: Pulses -- Peas, Chickpeas, Beans, Lentils (HTS Number 071310-40)

		1997		1998		1999	
		TMT*	$million	TMT	$million	TMT	$million
A.	Total market Size	31	3	36	3	41	5
B.	Total local production	90	9	81	8	78	8
C.	Total exports	73	14	61	12	55	9
D.	Total imports	14	6	16	7	18	7
E.	U.S. Imports	0.2	0.1	0.1	0.1	0.2	0.1

Imports of dry beans, peas and lentils into the Czech Republic are difficult to track by origin because of transshipment and repackaging. Imports have grown steadily over the past few years and will most likely continue to rise in the future due to higher consumption. Attention from the U.S. Dry Bean and Lentils Association and the National Dry Bean Council will be needed to promote the high quality of U.S. pulses in the face of stiff competition from other sources.

4. Name of Sector: Almonds (HTS Number 080211, 080212)

		1997		1998		1999	
		TMT*	$million	TMT	$million	TMT	$million
A.	Total market Size	1	5	1	4	1	3
B.	Total local production	0	0	0	0	0	0
C.	Total exports	0.04	0.2	0.1	0.4	0.1	0.3
D.	Total imports	1	5	1	5	1	4
E.	U.S. Imports	0.9	4	0.8	4	0.9	3

Almonds are mostly imported from California, and this year's lower international prices are expected to boost imports of this commodity from the United States.

CHAPTER VI: TRADE REGULATIONS AND STANDARDS

A. Trade Barriers

The Czech Republic is committed to a free market and maintains a generally open economy, with few barriers to trade and investment. However, some technical barriers continue to hamper imports of certain agricultural and food products.

American business people also often cite a convoluted, or in some cases, corrupt, bureaucratic system, at both national and local levels, which can act as an impediment to market access. European companies have sought on occasion to use the Czech Republic's interest in EU membership to gain advantage in commercial competition. Additionally, some changes to standards and other regulations are adopted in the guise of EU harmonization but act to protect Czech interest. Efforts to improve transparency in economic decision-making will improve these potential trade irritants.

A lack of consistency in the application of customs norms can also act as a non-tariff barrier. These problems are primarily due to the newness of recent regulatory changes and recent expansion of customs personnel. Training efforts are underway to correct the situation and address these concerns. All of the above should be eliminated or eased as the Czech Republic continues to harmonize its regulations with EU norms.

B. Customs Regulations/Tariff Rates

The Czech Republic is a member of the World Trade Organization (WTO) and has adopted a tariff code with an average tariff rate of approximately 5%. Specific duty rates are published in the Czech tariff schedule based on the Harmonized System of Classification. As part of the free trade organization CEFTA (Central European Free Trade Agreement), which also includes Slovakia, Poland, Bulgaria, Hungary, Romania, and Slovenia, the Czech Republic offers more favorable customs duty rates on products originating in these member countries. In addition, the Czech Republic has an association agreement with the European Union as part of its EU accession process, and is lowering and or eliminating tariffs on an increasing number of industrial products under the agreement. Both scenarios mean that some U.S. products can face higher rates as compared to European competitors.

The Czech Republic adheres to WTO rules on customs valuation and therefore applies the same rules of customs valuation used by U.S. Customs for imports into the United States. Customs valuation is based on information provided by the exporter on the commercial invoice. Duties and taxes are levied on an ad valorem basis, that is, on the basis of the declared value of the goods sold.

In view of its status as a member of the WTO, the Czech Republic applies no special import provisions.

C. Import Taxes

The value added tax (VAT) applies to all goods, both domestic and foreign, sold within the Czech Republic. The VAT rate is generally 22%, although a lower VAT of 5% is charged for selected goods, such as food and pharmaceuticals.

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.

D. Import Licenses

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 and ammunition require a license.

E. Temporary Goods Entry Requirements

The following are the most relevant temporary entry rules for U.S. exporters:

-- Temporary exemptions from duty are allowed for certain items, such as merchandise samples and items for display at trade shows or exhibitions. The Czech Republic also accepts ATA carnets as a way of facilitating temporary admission through customs. For more information about obtaining a carnet for clearance of goods, samples or equipment intended for temporary entry only, contact your local U.S. Department of Commerce Export Assistance Center.

-- Companies exporting goods to the Czech Republic for the purpose of temporary use may do so as long as the period does not exceed 24 months (in some cases it is possible to extend this). The exact time period must be agreed upon with Czech Customs. When the goods are re-exported, three percent of the duty value per month that the goods resided in the Czech Republic must be paid if the goods were used (maximum will not exceed full duty amount). Exports to the Czech Republic of raw materials and certain semifinished products that are processed before their re-export enter duty-free. This is contingent upon the approval by Czech Customs on the conditions of processing and the handling of any waste caused through transformation of the goods.

F. Import/Export Requirements and Certifications

U.S. companies are required to include a commercial invoice, a bill of lading and a shipper's export declaration (needed for items requiring an export license or valued above $2,500) when exporting to the Czech Republic. In addition, the importer must issue a declaration of conformity for each product introduced to the market. Czech law specifies products that need to be certified by an accredited person before the declaration can be issued. Depending on the nature of the goods, a veterinary health certificate and/or a certificate of origin (for concessionary customs rates, if applicable) can also be required.

G. Labeling and Marking Requirements

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. In addition, international norms for warning labels on consumer products apply. Czech labeling requirements are almost completely harmonized with EU regulations; the process should be finished in 1999. 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.

H. Prohibited Imports

The list of prohibited imports includes certain veterinary and plant materials, Freon, non-registered pharmaceuticals and chemical, biological, and nuclear weapons.

I. Export Controls

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. Contact the U.S. Department of Commerce, Bureau of Export Administration, Washington, D.C. (tel.: (202) 482-2547, fax: (202) 482-3617) for details on U.S. export controls.

J. Standards

The Czech Republic has begun accession negotiations with the European Union and is in the process of harmonizing its standards based on European norms. In this regard, ISO 9000 standards are being used increasingly in the Czech Republic as evidence of high product quality. Domestically, the "Czech Made" mark is the award given to products that are judged to be of outstanding quality, environmentally friendly, and favorable to energy consumption. This award is given to Czech products that are produced by a company or entrepreneur registered in the Czech Republic, with at least 60% Czech content in the cost of the final product.

K. Free Trade Zones/Warehouses

There are 11 free trade zones established in several cities throughout the Czech Republic. Materials, components and semifinished products are exempted from customs duties or VAT if they are exported into a free trade zone. If the goods are then used in the manufacturing or processing of a final product that is then reexported, it is also exempted from duties or VAT. Duties and VAT are applied on the declared value of the goods if they are cleared for free circulation within the Czech Republic.

L. Membership in Free Trade Arrangements

The Czech Republic is an associate member of the European Union and has recently begun accession negotiations for full membership, which is not expected before 2003. The Czech Republic is also a member of the Central European Free Trade Agreement (CEFTA) and has a special customs union agreement with Slovakia.

M. Customs Contact Information

Contact: General Customs Office, Bud_jovická 7, 140 96 Praha 4, _eská republika; telephone: 420-2-6133-1111; fax: 420-2-6133-3850.

CHAPTER VII: INVESTMENT CLIMATE

A. Openness to Foreign Investment

An open investment climate has been a key element of the Czech Republic's economic transition. While the Czech Republic retains many hallmarks of macroeconomic stability, unfinished elements in the transition have hurt the country's short-term growth prospects, competitiveness, and company restructuring. The Czech government has started to take the steps needed to consolidate the transition to a market economy, but these changes in the behavior of the real economy have been slower. The crucial role that foreign investment must play in the transition's next stage -- deeper restructuring of Czech firms -- should create opportunities for U.S. investors.

The Czech Republic's relatively stable political and economic environment and well-qualified labor force make it an attractive place for foreign direct investment. There have been major U.S. investments since 1990, and many American firms continue to look closely at investing directly in the Czech Republic. An initial reluctance to offer an investment incentive package probably lowered the level of potential foreign direct investment (FDI) inflows in the early 1990's, but the government has gradually changed its policy, and in 1998 approved a standard package of incentives for manufacturing investments (see "Performance Requirement/Incentives" below).

B. 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. However, in 1995, the Czech Republic imposed a Czech language requirement for trade licenses needed for most forms of business. This requirement can be fulfilled by a Czech partner.

C. National Treatment

Legally, foreign and domestic investors are treated identically, and both are subject to the same tax codes and other laws. By law, the government does not differentiate between foreign and domestic investors, or between foreign investors from different countries, and does not screen foreign investment projects other than in the banking, insurance and defense sectors. As part of its accession to the OECD, the Czech government agreed to meet (with a small number of exceptions) OECD standards for equal treatment of foreign and domestic investors, and restrictions on special investment incentives. The government does, however, evaluate all investment offers for those state enterprises still undergoing privatization.

Successive Czech governments have overcome political resistance to foreign investment in certain sensitive sectors. This opposition has come from economic nationalists, as well as managers with an interest in the status quo. Examples include the petrochemical, telecommunications and brewery sectors, and, most recently, the gaming sector. In 1998, Parliament overrode President Havel's veto and strong Czech government objections to approve amendments to the gaming law, which barred foreign investment in the gaming sector and foreign-owned firms from conducting consumer sweepstakes. These provisions violated the U.S.-Czech Bilateral Investment Treaty (BIT), Europe Association Agreement and the Czech Republic's OECD commitments. The government initiated, and Parliament subsequently approved, a new amendment to remove these discriminatory provisions.

D. Exempted Sectors

According to CzechInvest, the Czech agency tasked with attracting FDI, all sectors of the Czech economy are open to foreign investment. Although the Central Bank imposed a ban on new banking licenses following the collapse of several small banks in 1994, the ban was lifted in 1995, and new licenses can be issued on a selective basis. Other industries with licensing requirements include other financial services, insurance companies and broadcast media.

E. Complaints of U.S. Investors

Some U.S. companies have complained of difficult conditions in their pursuit of investments in the course of the privatization process, while others complain of problems in dealings with private Czech companies. Telecommunications and energy projects are often subject to intense lobbying pressure from foreign governments or domestic interests. Non-transparent or unethical practices are not uncommon at the company level.

The government has placed a strong emphasis on rooting out corruption, although practical results have been slow to follow. The OECD Anti-bribery Convention ratification is currently pending in Parliament. American investors interested in starting joint ventures with or acquiring Czech firms have also experienced problems with unclear ownership and lack of information on company finances. Investors complain about the difficulty of protecting their rights through legal means such as a secured interest. In particular, investors have been frustrated by the lack of effective recourse to the court system. The slow pace of the courts is often compounded by judges’ unfamiliarity with commercial cases.

American firms seeking investment opportunities in the Czech Republic have also complained about high corporate and employment taxes; instances of a lack of a transparent bidding process; general slowness of decision-making in the government; excessive red tape; inadequate enforcement of intellectual property rights, particularly copyrights; long delays in the privatization process; and the maintenance of higher tariffs against non-European goods, especially the tariff differential in aircraft, automobiles and related spare parts.

F. Conversion and Transfer Policies

The Czech crown is fully convertible for most business purposes. The 1995 foreign exchange act made the Czech crown convertible for all trade transactions and many investment transactions. For example, Czechs are free to make direct investments and purchase real estate abroad. Under the law, the Central Bank and the Finance Ministry can take further steps toward full capital account convertibility by removing controls on outflows of capital.

Repatriation of earnings from U.S. investments is also guaranteed by the U.S.-Czech Bilateral Investment Treaty. There is currently a 25% tax on repatriation of profits from the Czech Republic, which is fairly standard in EU/OECD countries. This level of withholding is reduced under the terms of applicable double taxation treaties. For instance, under the U.S. treaty it is 5% if the U.S. qualifying shareholder is a company controlling more than 10% of the Czech entity, 15% otherwise. There are no administrative obstacles for removing the capital. Convertibility into any currency is permitted by law. The average delay period for remitting investment returns meets the international standard of three working days.

G. Expropriation and Compensation

The Embassy is unaware of any expropriation of foreign investment having taken place since the 1989 Velvet Revolution. Any acquisition of property by the government is now done only for public purposes (similar to property condemnation in the United States for public works projects, for example) in a non-discriminatory manner, and in full compliance with international law. It is likely that any investors losing property due to expropriation would receive compensation. Foreign investors in the Czech Republic are much more likely to encounter the related issue of restitution.

In 1990 and 1991, the federal government of Czechoslovakia enacted various laws aimed at compensating those people and firms whose property had been confiscated by the communist regime during the period of 1948-1989. Under the restitution law, persons have the right to claim compensation for property taken from them by the communist government. Most claims for restitution of non-agricultural property had to be filed by October 31, 1991, and agricultural property by December 1992. There were additional open seasons for claims in 1994 and 1998, respectively, but all deadlines for these claims expired July 8, 1999.

The legal system recognizes preserved interests in property, but, due to the inexperienced and overburdened courts, these rights are often slow to be enforced in practice. Because of the large number of restitution claims submitted, it is imperative that foreigners seeking to invest in the Czech Republic first ensure that they have clear title to all land and property associated with potential projects. While the process of tracing the history of property and land acquisition can be complex and time-consuming, it is the only way to ensure clear title. Title insurance is not yet offered in the Czech Republic. Investors under the privatization process are protected from restitution through the share purchase agreement, a binding contract signed with the government.

H. Dispute Settlement

The Embassy is unaware of any disputes between investors and the government or government agencies involving foreign investments that have already been completed. The threat of a possible dispute in the gaming sector was averted by the government's action to eliminate the discriminatory legislation earlier passed by Parliament (see "Openness to Foreign Investment"). Czechs have a commercial code and a civil code that are based largely on the German 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 the contractual relationships among parties. Most of these laws were promulgated under the former Czechoslovak government, and when the Czech Republic was formed in 1993, the new Czech government maintained the previous commercial and civil codes. Czech law leaves lots of gray areas, and, due to the youth and inexperience of the Czech court system, judicial decision may vary from court to court. Commercial disputes, particularly those related to bankruptcy proceedings, tend to drag on for years. The government does not interfere with the court system.

The need for an improved bankruptcy law remains an important structural impediment. Most observers believe the slow, uneven courts and weakness of creditors' legal standing have hampered the current bankruptcy law from acting as an effective vehicle for corporate restructuring. Members of Parliament and others have called for a bankruptcy law closer to the U. S. Chapter Eleven provisions or "London Rules" for out-of-court settlements to encourage resuscitation of troubled firms. The government is currently drafting an amendment to the law to address these concerns. Presently, there is a three- to four-year backlog in the bankruptcy courts and only a small secondary market for the liquidation of seized assets.

As a member of the New York Convention on the recognition and enforcement of arbitration awards, the Czech Republic is required to uphold 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. With respect to judgments of U.S. or other foreign courts, the rules are less clear.

I. Performance Requirements/Incentives

Investment Incentives: In 1998, the Czech government approved a six-point package of incentives to attract investment. The incentives are offered to foreign and domestic firms that make a $10 million manufacturing investment through a newly registered company. The package includes tax breaks of up to 10 years offered in two 5-year periods; duty-free imports of high-tech equipment and a 90-day deferral of value-added tax payments (VAT); potential for the creation of special customs zones; job creation benefits; training grants; opportunities to obtain low-cost land; and the possibility of additional incentives for secondary investments and production expansion. The investment incentive package has recently been the subject of ministerial disputes between the Ministries of Industry and Trade (anxious to attract as much foreign investment as possible) and Finance (concerned about the budgetary expenditures). In an effort to eliminate these disputes, the Ministry of Industry and Trade hopes to introduce a law detailing the exact responsibilities of government for offering the incentives.

There are currently no performance requirements imposed on foreign firms for establishing, maintaining, or expanding their investments, except in connection with the incentive package described above. These performance requirements generally relate to the amount of investment or hiring of employees if receiving special job-creation grants associated with the incentive package. For more information, contact CzechInvest, Director Mr. Jan Amos Havelka; phone: 420-2-2406-2227; fax: 420-2-2422-1804; address: Politickych veznu 20, 112 49 Praha 1, Czech Republic. The Czech Republic is in compliance with World Trade Organization (WTO) and Trade-related Investment Measures (TRIMS) notifications.

Workers' rights in foreign firms do not differ from those in other sectors of the economy (see "Labor"). To date, there are no restrictions on the use of foreign workers in the Czech Republic, although the process of obtaining the required permits may take a few months. However, an amendment to the employment law recently passed by the lower chamber of Parliament could restrict the validity of working permits to 3 years, requiring a mandatory 12-month hiatus outside the Czech Republic before eligibility for a new permit. This regulation should not apply to citizens of countries with which an international treaty ensures reciprocity, or those countries exempted by the government. The embassy is currently seeking clarification of the list of exempted nations, which will likely include all OECD member countries. The U.S. does not currently have a reciprocal employment agreement with the Czech Republic.

J. Right to Private Ownership and Establishment

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 exceptions noted previously concerning limitations in some sensitive sectors. Personal ownership of real estate by foreign individuals and companies is not permitted. This restriction also applies to Czech branch offices of foreign entities. Czech legal entities, including 100% foreign owned subsidiaries, may own real estate.

Mortgages exist, but, in spite of government subsidy programs, remain limited to those with working capital or property. Despite improved legislation, mortgages are uncommon and foreclosures are difficult to implement. According to U.S. lawyers in the Czech Republic, creating and enforcing security interests remains problematic at best. Investors should be aware that protection of these rights may not be fully assured until there is stricter enforcement and improved legislation.

K. Protection of Property Rights

The Czech Republic is bound to the Berne, Paris, and Universal Copyright Conventions. The government has brought laws for the protection of intellectual property to close to world standard, but enforcement has lagged. Existing legislation guarantees protection of all forms of property rights, including patents, copyrights, trademarks, and semiconductor chip layout design. Amendments to the trademark law and the copyright law have brought Czech law into broad compliance with relevant EU directives and Trade Related Aspects of Intellectual Property Rights (TRIPS). As a result of problems with enforcement and delays in indictments and prosecutions, the U.S. Government has placed the Czech Republic on the Special 301 Watch List. The Embassy continues to work with U.S. industry and Czech government officials to improve enforcement of Intellectual Property Rights (IPR) norms.

Industry complaints have centered on the ineffective and slow prosecution and trial of IPR offenses, which eliminates the deterrent effect even if the initial police action occurs promptly. The Embassy has had an ongoing dialogue with Czech law enforcement and governmental officials as well as industry groups. Results include the formation of an interministerial committee and a law enforcement working group to coordinate the widely dispersed responsibilities for IPR crimes in the Czech government. In addition, the Interior Ministry designated IPR enforcement as one of its top priorities and named IPR coordinators in Prague and regional centers. Both the USG and industry have provided training for officials involved in IPR enforcement. In April 1998, the Embassy sent a group of Czech officials to a regional IPR enforcement training course at the U.S. Government's International Law Enforcement Academy (ILEA) in Budapest. In April 1999, the head of the Industrial Property Office was sent to Washington to meet with his counterparts at the Patent and Trademark Office. In May 1999 an official of the IPR interministerial committee was sent to a training course on IPR protection in Washington.

The Czechs are continuing to harmonize with TRIPS and parliamentary approval is expected on an amendment providing 70 years of copyright protection for literary works, up from the present 50 years. There are also two amendments to expand the tools of IPR enforcement: One, which is in Parliament to be approved in 1999, would boost the powers of the customs service to seize counterfeit goods; the other, still in draft, would allow the Czech Commercial Inspection (COI) to act independently in IPR cases. At present, the COI can only act in conjunction with the police. Also in preparation is a wide-ranging amendment to the criminal code that would double sentences in IPR cases to two years.

There have been a few incidents of proprietary information being misused or, allegedly, passed on to competitors in an effort to increase the competitiveness of a tender and thus possibly raise the bids being offered. Existing legislation on general protection of private information is likely to be difficult to enforce in the courts; however, confidentiality agreements are becoming more common.

L. Transparency of the Regulatory System

The Czech Republic has largely created a free and competitive market. The basic body of legislation that set up the framework for a free market system is the comprehensive commercial code that went into effect in January 1992. The new commercial code replaced approximately 80 assorted codes and regulations, and established the legal framework for most business-to-business activities. This code also brings Czech commercial law into compliance with most European Union commercial norms; harmonization is continuing as EU membership talks proceed. Bureaucratic procedures are not sufficiently streamlined and transparent, which sometimes hampers competitiveness.

Beyond the commercial code, the most significant legislation passed since 1991 affecting business practices includes the following (bankruptcy law, see VIII.H):

1. The banking law created a legal framework for the establishment of commercial banks that moves banking operations towards European Community standards. Two amendments to the banking code were passed in 1998 by Parliament. One amendment mandated the separation of investment and commercial banking, along the lines of the U.S. Glass—Steagal Act. The second amendment further strengthened the Central Bank supervisory authority and tightened the standards for bank management. A comprehensive new banking law is in preparation.

2. Czech tax codes are generally in line with European Union tax policies. In 1995, the government started to provide for tax write-offs of bad debts, although with considerably less generous treatment of pre-1995 debts. A key remaining bad debt issue centers on refunds or deductions for value-added tax (VAT) collected on bad debts. Wholesale companies are especially hard hit by the lack of VAT refunds because these companies collect VAT contributions for the government based on sales. The Czech government has continued its program of income tax reductions, and as of January 1, 1998, the corporate income tax was lowered from 39% to 35%. The tax rate for the highest tax bracket for personal income tax remains at 40%. Employers’ and employees’ social insurance contributions are, respectively, 35% and 12.5%.

3. Czech procurement law provides a 10% price advantage for domestic firms, including the Czech subsidiary or branch office of a foreign company. To harmonize the law with EU regulations and make it more enforceable, another amendment is currently under discussion in Parliament.

M. Efficient Capital Markets and Portfolio Investments

Foreign investors have access to credit on the local market, and credit is generally allocated on market terms. In the recent past, however, unhealthy ownership links between banks and companies, and investment funds spawned by voucher privatization led to the issuance of non-competitive loans, hurting the financial health of the banking sector. These unhealthy linkages have also led to a wide dispersion of ownership patterns, the blurring of corporate governance structures, and a lack of industrial restructuring. This, combined with the proliferation of securities markets, lack of regulatory framework for capital markets in general and consequent numerous cases of past financial fraud, led both international and domestic investors to limit their exposure to Czech capital markets. In 1998, the government created a Securities and Exchange Commission to function as capital market watchdog. The Commission has made important strides in establishing a regulatory framework for Czech capital markets and enforcing the new rules, but problems remain and confidence is not yet fully restored.

The government retains majority control over the two largest Czech banks, Komercni Banka and Ceska Sporitelna, though it has announced intentions to privatize fully by 2000. The health of the domestic banking sector remains weak as a result of the current severe economic recession, poor payment discipline of many of the banks' clients and non-competitive loans offered in the early 1990s. The government hopes to improve the health of the sector through stricter bank oversight, privatization and improved bankruptcy laws. The estimated total assets of the banking sector in the Czech Republic stood at $10.7 billion as of March 31, 1999. Classified loans amounted to 27.1% of total credit volume at year-end 1998.

Defenses against hostile takeovers are not designed to exclude foreign investors, nor are cross-shareholding arrangements used to discourage foreign investment through mergers and acquisition. Foreign companies have access to industry standards-setting consortia, but access to legislation and regulations in the drafting stage is less transparent.

N. Corruption

The OECD anti-bribery convention, approved by the government, is expected to be ratified by Parliament in 1999. Parliament has already approved some legislation to help fight corruption more effectively through clearer definitions of "bribery" and "public official," and increased penalties. Current law considers both giving and receiving bribes criminal acts, regardless of the nationalities or titles of those involved (accordingly, bribes cannot be deducted from taxes). Proposed changes would increase jail sentences to up to eight years for officials. Legal enforcement authorities are responsible for combating corruption.

While there has been no lack of public accusations of bribery, few cases have reached the prosecution and conviction stage. Allegations of corruption are most pervasive in connection with privatization and government procurement. Proposed amendments to the procurement law and introduction of the OECD Anti-Bribery Convention should help curb illegal activities in this sphere.

O. Bilateral Investment Agreements

The former government of Czechoslovakia signed a bilateral investment treaty with the United States, which came into effect in December 1992. This treaty was carried over by the Czech Republic. Countries that have signed and ratified similar agreements with the Czech Republic include Australia, Austria, Belgium-Luxembourg, Canada, China, Denmark, Finland, France, Germany, Greece, Hungary, Italy, Korea, Norway, Poland, Russia, Slovakia, Spain, Sweden, Switzerland, Thailand and the United Kingdom. Agreements with Israel and Mongolia were ratified and went into effect this year. In the process of signing or ratification are agreements with Bulgaria, Costa Rica, Indonesia, Jordan, Kazakhstan, People's Democratic Korea, Lebanon, Mauritius, Moldavia, Pakistan, Panama, Paraguay, Salvador, South Africa, Uruguay and Yugoslavia. A bilateral U.S.-Czech Taxation Treaty has been in force since 1993.

P. OPIC and Other Investment Insurance Programs

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

Q. Labor

The wide availability of educated, low-cost labor on the doorstep of the more expensive Western European labor market is a major attraction for foreign investors, particularly those looking to invest in labor-intensive industries. Wages and benefits, which are only 10—20% of those in Germany, are on the rise, but it is estimated that the Czech Republic will still have lower labor costs in the year 2000 than those found in many neighboring industrialized countries. There are currently no shortages of special labor skills, though foreign investors still cite weaknesses in middle-management levels.

By law, all workers have the right to strike once mediation efforts have been exhausted, with the exception of workers in sensitive positions (nuclear power plant operators, military, police, etc.). Significant labor unrest remains rare, particularly in the private sector. Public sector unions have staged strikes in the last year, notably the rail workers' and health workers' unions, as the government tried to limit public sector wage increases. Increased labor activity could occur due to current economic problems and steadily rising unemployment. Workers in the Czech Republic have the legal right to form and join unions of their own choosing without prior authorization. Currently, two-thirds of the workers are members of some labor organization, although the overall number of union members has fallen since 1991.

The Federal Ministry of Labor and Social Affairs sets minimum wage standards. A standard work week of 42.5 hours is recommended by law, but collective bargaining has brought the actual number of hours worked to 40. Caps exist for overtime, and workers are assured at least 30 minutes of paid rest per work day, and annual leave of three to four weeks per year.

R. Foreign-Trade Zones and Free Ports

Czech Republic law permits foreign investors involved in joint ventures to take advantage of commercial or industrial free trade zones into which goods may be imported and later exported without depositing customs duty. This duty need be paid only in the event that the goods brought into the Czech Republic are circulated in the local market. The investment incentive package also calls for duty-free import of high tech goods and the potential to create additional foreign-trade zones.

Currently authorized foreign trade zones in the Czech Republic are located in Cheb, Ostrava, Pardubice, Prague, Zlin, Trinec, Bor u Tachova, Uherske Hradiste and Hradec Kralove. Rules for operations within a commercial or industrial customs-free zone are the same as in the EU.

S. Foreign Direct Investment Statistics

Since 1990, the Czech Republic has attracted $10.9 billion in FDI. Germany is the leading foreign investor, with investments totaling $2.9 billion (26.3 %), followed by the Netherlands, with $1.8 billion (16.2 %), and the U.S., with $1.4 billion (12.5 %). Other major investors include Austria, the UK, France, Cyprus and Italy. In 1998, total FDI amounted to $2.6 billion, up from $1.3 billion in 1997 and $1.4 billion in 1996. The sharp increase of FDI in 1998 is generally attributed to the introduction of investment incentives and currently undervalued prices of some domestic firms due to the ongoing recession. Government officials anticipate FDI will continue to rise in 1999, likely reaching $3 billion in inflows. By sector, in 1990-1998, most FDI flowed into transport and communications ($1.8 billion, or 16.7%), trade, services & real estate ($1.5 billion, or 13.5%) and banks and insurance companies ($1.3 billion, or 11.5%). Other sectors included engineering, food, electronics, chemicals, consumer goods, energy, tobacco and construction.

Czech direct investment abroad totaled $661 million by December 1998. Principal destinations included Slovakia (30.5%) and Germany (12.0%), followed by Seychelles (8.0%), British Virgin Isles (5.8%), Poland (4.1%) and Cyprus (4.0%).

Significant foreign investors:

U.S.

Phillip Morris ($420 mil)
National Energy Corporation, El Paso Energy, NRG Energy ($400 mil)
Pepsi-Cola International ($200 mil)
Ford Motor Company ($115 mil)
E.M. Warburg Pincus & Co. LLC ($110 mil)
Sensomatic Electronics Corp. ($100 mil)
Procter & Gamble ($109 mil)

Other

Telsource, The Netherlands/Switzerland ($1.46 bn)
Volkswagen AG, Germany ($900 mil)
IOC, U.S./Netherlands/Italy ($629 mil)
AssiDoman, Sweden ($499 mil)
Deawoo, Korea/Austria ($357 mil)
Glaverbel, Belgium/Japan ($232 mil)
Coca-Cola Amati ($200 mil)
National Power, U.K. ($200 mil)
T Mobil, Germany/Italy ($183 mil)
Siemens, Germany ($170 mil)
Dalkia, France ($160 mil)
Saint Cobain Group, France ($153 mil)
Toray Industries, Japan ($150 mil)
Continental AG, Germany, ($150 mil)
Bass International Brewers ($143 mil)
Linde A.G., Germany ($130 mil)
Dyckerhoff, Germany ($104 mil)
First International Computer, Taiwan ($100 mil)

CHAPTER VIII: TRADE AND PROJECT FINANCING

A. Banking System

Forty-three banks are currently operating in the Czech Republic, including 15 foreign banks and ten branches of foreign banks. The largest five locally incorporated banks dominate the market, with 66 percent of the banking sector’s overall assets.

The Czech government continues to hold near majority stakes in the country’s two largest banks. The government has announced its intention to privatize fully the banking sector by 2000. The privatization of banks received a boost with sale of the government’s majority stake in CSOB, the fourth largest bank, to Belgium’s KBC in June 1999. The banking sector remains weak, with domestic banks burdened by large volumes of delinquent loans. The Czech government is looking to improve the sector’s performance through further bank privatization, stricter bank oversight and simplified bankruptcy laws.

The Czech National Bank (CNB) regulates banking operations, and requires banks to meet BIS standards. In response to the weakness of the sector and the financial irregularities which characterized the banking sector in the early 1990s, the CNB, in coordination with the government, has tightened prudential requirements, introduced legislation to separate banks' investment and banking operations, and increased bank supervisory staff. Further regulatory changes are expected in the run-up toward EU accession. The national insurance deposit scheme is adequately funded and covers 90% of deposits valued at approximately $12,000 in a single bank, excluding foreign currency deposits.

Regarding specific operations, some Czech commercial banks currently carry out activities in addition to traditional commercial transactions and lending, subject to the issuance of a license by the CNB. This is different from American banking practices, but closely resembles European banking law. The result of universal banking is that clients can obtain brokerage, investment advisory and underwriting services from the same institution that handles their deposits and provides them with loans.

Foreign banks and branch offices of foreign banks have increased their activity over the past several years and continue to increase their share of the total Czech banking sector. Citibank and GE Capital have banking operations in the Czech Republic. Several U.S. investment banks also have representative offices.

Computerized banking systems are used in the Czech Republic, and corporate checking accounts and debit cards are offered by foreign banks as well as by large domestic banks such as Komercni Banka and CSOB. In practice, most payments are made by bank transfer; checks are rarely used. Computerized systems have helped to speed payments and transfers of funds that used to take up to a week but now have been reduced to a day for internal bank transfers and about three days for domestic transfers. In addition, transfers between the major Czech banks and large banks in the United States now usually take less than a week.

B. Foreign Exchange Controls Affecting Trade

In the fall of 1995, Parliament approved a Foreign Exchange Act that resulted in expanded convertibility of the Czech crown. The Act provided for full current account convertibility. Czech legal entities do not have to obtain approval from the Czech National

Bank for foreign borrowing.

C. General Financing Availability

Generally, smaller Czech firms find it difficult to arrange financing and obtain credit. Although smaller sales of U.S. goods up to about $50,000 are common and do not present any particular problems, above this threshold many small Czech businesses cannot afford or cannot secure financing. It is hoped that the future development of more medium-sized banks in the Czech Republic will help to remedy this situation.

D. How to Finance Exports/Methods of Payment

Most Czech firms are familiar with the most common methods of international payment such as 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, especially in the case of smaller shipments. The most common methods are prepayment or partial prepayment with the balance due upon delivery or net 30-day terms. On very small shipments (under $2,000) exporters might even consider allowing the buyer to pay by credit card, which is being used more and more frequently in the Czech Republic. To compete with European suppliers, American exporters should be willing to work with their Czech buyers to provide flexible payment terms. In this regard, the export working capital programs provided by the Small Business Administration, as well as export credit insurance offered by the Export-Import Bank, may be helpful in allowing U.S. exporters to offer more generous credit terms to their Czech customers (see below).

E. Types of Export Financing and Insurance

1. The U.S. Small Business Administration (SBA) has a number of programs targeted toward helping small and medium-sized companies to develop export markets. In particular, SBA offers an export working capital guarantee program, whereby SBA will guarantee up to 75% of a bank loan to provide working capital or a line of credit to exporters. This, in turn, can enable exporters to offer more favorable payment terms to their Czech buyers or provide working capital while export orders are being manufactured.

Contact: In Washington, U.S. Small Business Administration, 409 Third Street, SW, Washington, DC 20416, Paul Kirwin, Office of International Trade, tel.: (202) 205-6720, fax: (202) 205-7272; or call 1-800-USA-TRADE for the location of your nearest U.S. Export

Assistance Center.

2. The U.S. Export-Import Bank (EXIM) promotes the export of U.S. goods and services through a variety of loan, guarantee, and insurance programs. All of its programs are available for the Czech Republic. EXIM can guarantee U.S. commercial bank financing for U.S. exporters and provide lines of credit to Czech buyers through major Czech banks. Its export insurance programs provide insurance coverage against the risk of default on foreign receivables.

Contact: Export-Import Bank of the United States, 811 Vermont Ave., NW, Washington, DC 20871; tel.: (800) 565-EXIM (3946); International Business Development Division, tel.: (202) 565-3900 fax: (202) 565-3931; NIS/Eastern Europe, fax: (202) 565-3816; or call 1-800-USA-TRADE for the location of your nearest U.S. Export Assistance Center.

Contact: Czech Export Bank; Commercial and Marketing Department, Miroslava Hrncirova, Deputy Manager; Vodickove 34, Prague 1; tel.: (420-2) 2284-3111 fax: (420-2) 296-114.

3. The U.S. Trade and Development Agency (TDA) is an independent U.S. government agency which promotes U.S. exports for major development projects in middle-income and developing countries. TDA funds feasibility studies, consultancies, training programs, and other project planning services related to major projects. Consultancy contracts funded by TDA grants must be awarded to U.S. companies. U.S. involvement in project planning helps position potential U.S. suppliers to take advantage of follow-on contracts when these projects are implemented. TDA has been very active in the Czech Republic in the environmental, telecommunications, energy, petro-chemical and information management industries. CS Prague works closely with TDA and with Czech and American firms to identify potential projects.

Contact: U.S. Trade and Development Agency, Ned Cabot, Regional Director; SA-16 - Rm. 309 Washington, DC 20523-1602; tel.: (703) 875-4357; fax: (703) 875-4009; e-mail: info@tda.gov.

4. The Overseas Private Investment Corporation (OPIC) is a self-sustaining, U.S. government agency that supports U.S. business investments in developing countries and emerging market economies. OPIC's key programs are its loan guarantees, direct loans, financing private investment funds that provide equity to businesses overseas, investment insurance against foreign

political risk, and advocating the interests of the American business community overseas.

Contact: OPIC Information Line: (202) 336-8799; OPIC Facts Line: (202) 336-8700. Mailing address: OPIC, 1615 M Street, NW, Washington, DC 20527. Website: http://www.opic.gov/subdocs/public/public.htm.

5. The Commodity Credit Corporation (CCC), U.S. Department of Agriculture, administers export credit guarantee programs for commercial financing of U.S. agricultural exports. The programs encourage exports to buyers in countries where credit is necessary to maintain or increase U.S. sales, but where financing may not be available without CCC guarantees. Two programs underwrite credit extended by the private banking sector in the United States to approved foreign banks using dollar-denominated, irrevocable letters of credit to pay for food and agricultural products sold to foreign buyers. The Export Credit Guarantee Program (GSM-102) covers credit terms up to three years. The Intermediate Export Credit Guarantee Program (GSM-103) covers longer credit terms up to 10 years.

Contact: Deputy Administrator, Export Credits, Foreign Agricultural Service, U.S. Department of Agriculture, AG Box 1031, Washington, DC 20250-1031; fax: 202-720-2949; website: http://www.fas.usda.gov/info/factsheets/gsmprog.htm. For copies of GSM program regulations, call (202) 720-3224.

F. Available Project Financing

1. International Finance Corporation (IFC) is a Multilateral Development Bank (part of the World Bank Group) that offers long-term financing on project finance basis. IFC invests in equity and offers loans of up to 12 years to both 100% Czech entities and joint ventures with foreign partners. IFC also mobilizes additional financing from commercial banks, export credit agencies and other institutions. The focus of this financing is on energy (and related environmental infrastructure), pulp and paper, telecommunications, wood processing, non-ferrous metal industries, and the steel industry.

Contacts: In Washington, Harold Rosen, Director, Central & Southern Europe; tel.: (202) 473-8841; e-mail: hrosen@ifc.org; Esteban Altschul, Senior Investment Officer, tel.: (202) 473-5336, fax: (202) 974-4314.
Mailing address: IFC, 2121 Pennsylvania Ave. NW, Room No. F-10K-

160, Washington DC 20433.

In Prague, Milos Vecera, tel.: (420-2) 2440-1402; fax: (420-2) 2440-1410; e-mail: mvecer@ifc.org
Mailing address: International Finance Corp., Husova 5, 11000 Prague 1, Czech Republic.

2. The Multilateral Investment Guarantee Agency (MIGA) is part of the World Bank group. Its purpose is to encourage foreign direct investment in developing countries by providing investors with political risk insurance. Like its counterpart OPIC, MIGA provides insurance to cover the risk of currency transfer, expropriation, war, and civil disturbance, and breach of contract by the host government. The Czech Republic is a member of MIGA.

Contacts: In Washington, Multilateral Investment Guarantee Agency, 1800 G Street, NW, 12th Floor, Washington, DC 20433, Mr. Roger Pruneau, Vice President, Guarantees, tel.: (202) 473-6168, Stine Andresen, Manager: Eastern Europe, tel.: (202) 473-6157, fax: (202) 522-2630.

3. The European Bank for Reconstruction and Development (EBRD) was set up to promote private and entrepreneurial initiatives in the Central and Eastern European countries. EBRD supports private sector development, environmental clean-up, and infrastructure development. Like the IFC, EBRD can either work independently, or arrange co-financing packages in conjunction with other multilateral government and private institutions. U.S. companies are eligible to compete and bid on all EBRD-financed projects. Foreign joint ventures are one of the EBRD's main vehicles for financing.

Contacts: In London: Office of the U.S. Director, European Bank for Reconstruction and Development, One Exchange Square, London EC2A 2JN, U.K.; Senior Commercial Officer, Gene R. Harris, tel.: (+44-171) 588-4027/28, fax: (+44-171) 588-4026, e-mail: gene.harris@mail.doc.gov ; Alain Pilloux, Director, PCSB Team London HQ, tel.: (+44-171) 338-6561, fax: (+44-171) 338-7199.
In Prague, Mr. Jonathan H. M. Harfield, Director, tel.: (420-2) 2423-9070, fax: (420-2) 2423-3077. Mailing Address: Karlova 27, 110 00 Praha 1, Czech Republic.

4. European Union (EU), PHARE, The EU's PHARE program in the Czech Republic focuses on assisting preparation for European Union membership. PHARE funding is being used to help promote democratic institutions (cca 2%); help promote a functioning market economy,

including infrastructure (cca 70%); and help in adoption and implementation of EC legislation, including strengthening of public administration (cca 28%).

Contacts: In Brussels, Mr. Ruud van Enk, DG IA, European Commission, 200 Rue de la Loi, 1049 Bruxelles; tel.: (32-2) 2995 071, fax: (32-2) 2957-502. In Prague, Stephen Collins, Head of Investment Section, Delegation of the European Commission, Pod Hradbami 17, P.O. Box 292, 160 41 Praha 6; tel.: (420-2) 2431-2835, fax (420-2) 2431-2850; e-mail: archiv@delcze.cec.eu.int.

G. List of Banks with Correspondent U.S. Banking Arrangements

Ceskoslovenska obchodni banka
Ms Jana Svabenska, International Financing
Na prikope 14
115 20 Praha 1
Tel.: (420-2) 2411-1111
Fax: (420-2) 2422-5049

Citibank
William Rocca, Corporate Finance (no personal banking)
Evropska 178
160 00 Praha 6
Tel.: (420-2) 2430-4111
Fax: (420-2) 2430-4613

Komercni banka
Ms Olga Cudova, International Financing
Na prikope 33
114 07 Praha 1
Tel.: (420 2) 2243-2069, 2421 2111,
Fax: (420-2) 2421 8377

Zivnostenska banka
Mr Petr Merezko, Structured Finance
Mr Petr Hladky, dtto
Na prikope 20
113 80 Praha 1
Tel.: (420-2) 2412-7204, 2421 7515
Fax: (420-2) 2412-7273

CHAPTER IX: BUSINESS CUSTOMS AND TRAVEL

A. Business Customs

When scheduling meetings or events to which Czech business guests are invited, it is best to avoid Friday afternoon (and Friday morning, if possible), as many Czechs have country houses to which they get away 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.

Czechs appreciate being offered basic refreshments at meetings and will typically offer coffee, tea, water, juice, and cookies when they host business visitors. Business luncheons normally are more leisurely than in the United States; even if dining alone with one business contact, do not expect the lunch to be finished in less than two hours.

Working breakfasts are not common in the Czech Republic. Although the Czechs regard the custom as an amusing American oddity, they also are amenable quite often to attending, as the typical Czech working day starts earlier than in America.

Czechs are more formal in business situations than are Americans. U.S. exporters should expect initial business meetings to be not overly cordial, but serious and matter-of-fact. Unless the Czech business person has had experience dealing with U.S. companies, he or she may appear to be overly reserved during this first meeting. Unlike Americans, Czechs do not smile as a form of non-verbal greeting or social lubricant, but only when they are amused or pleased. Americans should not interpret the infrequency of their smiles as lack of receptivity or unfriendliness.

Titles are important, in both verbal and written address. It is considered good manners to address a Czech by his or her title and surname (“Mr. Novak,” “Dr. Novakova”) until invited to be on a first name basis. Americans quickly move to first names as a way of establishing connection with each other, but to use a Czech’s first name without first being invited to do so would be regarded as rude. Unless a Czech contact is accustomed to dealing with Americans, it usually takes several meetings to establish a sense of rapport with the Czech contact and to develop a more informal and relaxed attitude in communications.

B. Travel Advisories and Visas

There are no outstanding travel advisories warning against travel to the Czech Republic. While the U.S. Embassy was closed for two days in February 1999 due to a specific threat to official U.S.

facilities, Americans are not considered to be especially at risk.

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. Special caution in this regard is warranted in and around train stations and when boarding and exiting trams. When taking taxis it is recommended to agree on an estimated price with the driver in advance.

C. Holidays

January 1	New Year's Day
(variable)	Easter Monday
May 1	Labor Day
May 8	Liberation Day
July 5	Cyril & Methodius Day
July 6	Jan Hus Day
October 28	Czech National Holiday
December 24	Christmas Eve
December 25	Christmas Day
December 26	St. Stephen's Day

As is the case in much of Europe, it may be more difficult to make business appointments and contacts in the Czech Republic during the month of August and close to major holidays such as Christmas.

D. Workweek: Monday through Friday (40 working hours).

E. Business Infrastructure

The Czech Republic’s modern infrastructure supports most types of business activities. The country offers an extensive transport system; strategic geographical position; expanding communications options; wide industrial supply base; skilled, educated, cost-competitive workforce; increasing levels of English language proficiency, especially among younger workers; and absence of major health and safety concerns.

F. Temporary Entry of Goods

Please refer to Chapter VI, Section F.

G. Product Pricing

Please refer to Chapter IV, Section I.

U.S. business travelers are encouraged to obtain a copy of the "Key Officers of Foreign Service Posts: A Guide for Business Representatives" available for sale by the Superintendent of Documents, U.S. Government Printing Office, Washington, D.C. 20402; tel.: (202) 512-1800; fax: (202) 512-2250. Business travelers to the Czech Republic seeking appointments with U.S. Embassy Prague officials should contact the Commercial Section in advance. The Commercial Section can be reached by telephone at +420 2 5753 0663 or by fax at +420 2 5753 1165, 5753, 1168.

CHAPTER X: ECONOMIC AND TRADE STATISTICS

Appendix A: Country Data

Population - 1998: 10,289,621

Population growth rate (1998): -0.1%

Religion: Roman Catholic (39%), Protestant (Evangelical Church of Czech Brethren) (2%), no religious affiliation (40%)

Government system: Parliamentary Democracy

Languages: Czech

Sources of data: Statistical Yearbook of the Czech Republic, Research Institute of Labor and Social Affairs.

Appendix B: Domestic Economy

	1996	1997	1998	1999(est.)
GDP ($billions Current prices)	46.77	40.42	55.00	54.0
Real GDP growth rate	3.9%	1.0%	-2.7%	-1%
GDP per capita ($)	4541	3925	5500	5400
State budget/GDP	31.23%	29.9%	29.8%	32%
State + Municipal budget/GDP	41.96%	40.4%	37.1%	41.2%

Inflation	8.8%	8.5%	10.7%	5%
Unemployment	3.5%	5.2%	7.5%	10%
Foreign exchange reserves ($billions) Czech National Bank	12.4	9.8	12.6	11.9

Average exchange rate:
1996: $1.00=27.14 CZK
1997: $1.00=31.71 CZK
1998: $1.00=32.27 CZK
1999: $1.00=35.47 CZK (April '99)

Foreign debt ($billions)	20.8	21.4	24.0	24.0
Debt service ratio	6%	8.9%	9.0%	9.0%

Sources of data: Czech National Bank, Ministry of Finance

Appendix C: Trade

Imports in the following table are according to country of origin, and exports are according to country of destination, in $millions, f.o.b. basis.

	1996	1997	1998	1999 (Jan-May)
Total country exports	21,907	22,528	26,349	10,602
Total country imports	27,716	26,967	28,821	11,258
Trade deficit	-5,809	-4,390	-2,472	-656
U.S. exports (to CR)	959	1,072	1,077	495
U.S. imports (from CR)	465	586	589	252
U.S. trade surplus				

with CR	494	496	488	243

Source: Czech National Bank, Czech Statistical Office

Appendix D: Investment Statistics

The Czech Republic has attracted $8,361.4 million in foreign direct investment (FDI) since 1990. At the start of 1998, some of the world's best known multinationals (including ABB, AssiDoman, Daewoo, Ford, Motorola, Nestle, Procter & Gamble, Renault, Siemens, Toray and Volkswagen) had set up operations in the Czech Republic. By the end of 1997, there were over 47,000 foreign owned or partly foreign owned companies registered in the Czech Republic.

Joint ventures and greenfield investments remain the most common forms of FDI in the manufacturing sector. Major privatizations that remain include key companies in the banking sector and large, strategic industrial companies, including those in the mining sector.

Table 1. Origin of FDI in the Czech Republic:
(in $millions, preliminary, without reinvestments)

	1996		1997		1998		1990-1998	
	$	%	$	%	$	%	$	%
Germany	249.3	17.5	391.3	30.1	537.6	21.2	2870.4	26.3
Neth.	259.4	18.2	133.8	10.3	608.4	24.0	1762.3	16.2
USA	252.5	17.7	99.2	7.6	257.8	10.2	1361.5	12.5
France	NA	NA	101.8	7.8	NA	NA	NA	NA
Austria	208.1	14.6	95.0	7.3	244.7	9.6	855.1	7.8
UK	83.8	5.9	196.4	15.1	337.4	13.3	NA	NA
Italy	89.7	6.3	NA	NA	NA	NA	NA	NA
Other	285.5	20.0	283.0	21.8	454.0	17.9	4051.7	37.2
Total	1428.4	100.0	1300.5	100.0	2539.6	100.0	10901.0	100.0

Source: CzechInvest

Foreign Direct Investments in CR, 1990-1998, in total, including reinvestments and credits for 1990-1997 = $13,457.3 million (info CNB May 13, 1999).

Table 2. FDI in 1998: Territorial Structure (preliminary data):

Netherlands	608.3	(24.0%)
Germany	537.6	(21.2%)
Great Britain	337.4	(13.3%)
USA	257.8	(10.2%)
Austria	244.7	(9.6%)
Cyprus	99.7	(3.9%)
Other	454.0	(17.9%)
TOTAL	2,539.6	(100.0%)

CHAPTER XI: U.S. AND COUNTRY CONTACTS

Appendix E: U.S. & Country Contacts

Robert M. Murphy, Commercial Counselor
Judy Rolf Ebner, Commercial Officer
U.S. Commercial Service
American Embassy Prague
Trziste 15, 118 01 Prague 1
Tel.: (420-2) 5753-1162
Fax: (420-2) 5753-1165

Col. Marc Neifert, Defense and Air Attaché
Defense Attaché Office
American Embassy Prague
Trziste 15, 118 01 Prague 1
Tel.: (420-2) 5753-0663
Fax: (420-2) 5753-2718

Lt. Col. Ray Cancel, Chief
Lt. Col. Jamie Harris
Office of Defense Cooperation
American Embassy Prague
Trziste 15, 118 01 Prague 1
118 01 Prague 1
Tel.: (420-2) 5753-0663
Fax: (420-2) 5753-1175

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Economic Officer
Political-Economic Section
American Embassy Prague
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11801 Prague 1
Tel.: (420-2) 5753-0663

Fax: (420-2) 5753-2717

Weston Stacey, Executive Director
American Chamber of Commerce
Mala Stupartska 7
110 00 Prague 1
Tel.: (420-2) 2482-6551,2
Fax: (420-2) 2482-6082

RnDr. Zdenek Somr, President
Economic Chamber of the Czech Republic
Seifertova 22
130 00 Prague 3
Tel.: (420-2) 2409 6111,2409 6252
Fax: (420-2) 2409 6221,2409 6257
hrkal@hkcr.cz

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Director of Department of Informatics
Ministry of Industry and Trade
Na Frantisku 32
110 15 Prague 1
Tel.: (420-2) 2485-2391, 2485 3424
Fax: (420-2) 2485-2260
marcan@mpo.cz

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Information Section
Ministry of Finance
Letenska 15
118 00 Prague 1
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Fax: (420-2) 5704-2449

Ing. Libor Dupal, Director of
International Relations Department
Czech Office for Standards, Metrology and Testing
Biskupsky Dvur 5
110 02 Prague 1
Tel.: (420-2) 2180-2187, 2324-430
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Hana Lasslerova, Director, Marketing Department
Radomil Novak, Director, Investment Projects
Czechinvest, Czech Agency for Foreign Investment
Politickych veznu 20

112 49 Prague 1
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Useful Internet websites:

National Trade Databank = Market research reports, trade statistics, other trade related information from U.S. government agencies: www.stat-usa.gov.

Central and Eastern Europe Business Information Center (CEEBIC) = Economic and commercial information, trade leads, and contacts: www.itaiep.doc.gov-eebic-ceebic.html.

CHAPTER XII: MARKET RESEARCH AND TRADE EVENTS

Appendix F: Market Research

Industry Sector Analysis Reports completed in FY 1999:

1. Auto Parts

2. Local Telecom Networks

3. Air Pollution Control Equipment

4. Machine Tools

5. Home Care Medical Equipment

Industry Sector Analysis Reports projected for FY 2000:

1. Insurance

2. Pollution Control Equipment

3. Electrical Power

4. Transportation

5. Banking

6. Insurance

A complete list of market research is available on the National Trade Data Bank. Please contact Valerie Evans at (202) 482-1192 for current availability.

Appendix G: Trade Event Schedule/Fiscal Year 2000

IBF - International Building Fair
Dates: April 16-20, 2000
Location: Brno
Industry Theme: Building Products
Type: Trade Show
Contact: Jana Ruckerova

ComNet Prague 2000
Dates: May 23-25, 2000
Location: Prague, Vystaviste
Industry Theme: Telecommunications
Type: Trade Show
Contact: Hana Jelinkova

Autotec
Dates: June 10-15, 2000
Location: Brno
Industry Theme: Car and Truck Parts and Workshop Equip.
Contact: Jana Ruckerova

International Engineering Fair
Dates: September 18-22, 2000
Location: Brno
Industry Theme: Engineering
Type: Trade Show
Contact: Hana Jelinkova

For Arch
Dates: September 26-30, 2000
Location: Prague
Industry Theme: Building Products
Type: Trade Show

Contact: Jana Ruckerova

Invex-Computer Fair
Dates: October 9-13, 2000
Location: Brno
Industry Theme: Computers, IT, Telecommunications
Type: Trade Show
Contact: Hana Jelinkova

ENVIBRNO
Dates: October 24-27, 2000
Location: Brno
Industry Theme: 9th International Environmental Trade Fair
Type: Trade Show
Contact: Hana Obrusnikova

MEFA
Dates: Nov. 7-11, 2000
Location: Brno
Industry Theme: Medical Equipment
Type: Trade Show
Contact: Jana Ruckerova