

U.S. Country Commercial Guides



CCG Czech Republic 2018

Table of Contents

<i>Doing Business in the Czech Republic</i> _____	5
Market Overview _____	5
Market Challenges _____	7
Market Opportunities _____	8
Market Entry Strategy _____	9
<i>Political Environment</i> _____	10
<i>Selling US Products & Services</i> _____	11
Using an Agent to Sell US Products and Services _____	11
Establishing an Office _____	11
Franchising _____	12
Direct Marketing _____	12
Joint Ventures/Licensing _____	13
Selling to the Government _____	13
Distribution & Sales Channels _____	15
Express Delivery _____	15
Selling Factors & Techniques _____	15
eCommerce _____	16
Trade Promotion & Advertising _____	18
Pricing _____	18
Sales Service/Customer Support _____	19
Protecting Intellectual Property _____	19
Due Diligence _____	19
Local Professional Services _____	20
Principal Business Associations _____	20
Limitations on Selling US Products and Services _____	20
Web Resources _____	20
<i>Leading Sectors for US Exports & Investments</i> _____	22
Agricultural Sector _____	22
Aircraft and Aircraft Parts _____	24
Automotive Parts and Equipment _____	25
Cosmetics/Toiletries _____	27
Electronics _____	29
Energy _____	31

Information Technology _____	33
Medical Equipment _____	35
Pet and Veterinary _____	36
Customs, Regulations & Standards _____	39
Trade Barriers _____	39
Import Tariff _____	39
Import Requirements & Documentation _____	39
Labeling/Marking Requirements _____	40
U.S. Export Controls _____	40
Temporary Entry _____	41
Prohibited & Restricted Imports _____	42
Customs Regulations _____	42
Standards for Trade _____	42
Licensing Requirements for Professional Services _____	44
Web Resources _____	44
Investment Climate Statement _____	46
Executive Summary _____	46
Openness to and Restrictions upon Foreign Investment _____	47
Bilateral Investment Agreements and Taxation Treaties _____	49
Legal Regime _____	50
Industrial Policies _____	52
Protection of Property Rights _____	52
Financial Sector _____	53
State-Owned Enterprises _____	54
Responsible Business Conduct _____	55
Corruption _____	56
Political and Security Environment _____	58
Labor Policies and Practices _____	59
OPIC and Other Investment Insurance Programs _____	59
Foreign Direct Investment and Foreign Portfolio Investment Statistics _____	59
Contact for More Information on the Investment Climate Statement _____	62
Trade & Project Financing _____	63
Methods of Payment _____	63
Banking Systems _____	63
Foreign Exchange Controls _____	63

US Banks & Local Correspondent Banks _____	64
Project Financing _____	64
Financing Web Resources _____	65
<i>Business Travel</i> _____	66
Business Customs _____	66
Travel Advisory _____	66
Visa Requirements _____	67
Currency _____	67
Telecommunications/Electronics _____	68
Transportation _____	68
Language _____	68
Health _____	68
Local Time, Business Hours and Holidays _____	69
Temporary Entry of Materials or Personal Belongings _____	69
Travel Related Web Resources _____	69

INTERNATIONAL COPYRIGHT, U.S. & FOREIGN COMMERCIAL SERVICE AND U.S. DEPARTMENT OF STATE, 2018. ALL RIGHTS RESERVED OUTSIDE OF THE UNITED STATES.

Doing Business in the Czech Republic

Market Overview

Introduction

The United States and the former Czechoslovakia forged a close relationship during the beginning of the 20th century, when America pledged its support for Czech independence. This friendship, which stalled during the period of Soviet influence, re-emerged as the Czech Republic gained political independence and joined the European Union. Today, this nation that sits at the heart of Europe has emerged as one of the region's most prosperous and industrialized economies, and serves as an entry point for U.S. companies expanding beyond the more traditional markets in Western Europe to the developing markets in the east. The year 2018 marks the centennial of the founding of Czechoslovakia and the 100th anniversary of U.S.-Czech diplomatic relations.

Economy

In 2017, the Czech economy was one of the fastest growing economies in Europe and grew by a robust 4.6 percent. Nominal GDP rose to \$216.4 billion. The economy is expected to continue to expand in 2018 (est. growth of 3.6 percent) and into 2019. Although growth will be slower than in 2017, it will still be higher than in more advanced European economies. The high growth rate will continue to be driven by domestic demand, investment, and trade. In 2017, unemployment declined (to under three percent) and is among the lowest in the OECD. The tight labor market has led to shortages of skilled employees in many industry sectors and is becoming the main constraint to growth. In April 2017, the CNB removed the currency cap which had kept the crown pegged at 27 CZK to the euro. Since that time, the crown has gained around five percent against the euro and more than 13 percent against the U.S. dollar. The annual targeted inflation rate is around two percent, however, inflation was 2.5 percent in 2017. Services account for around 60 percent of the economy, with manufacturing at around 38 percent, and agriculture at over two percent.

Trade

As a medium-sized, open, export-driven economy, the Czech Republic is heavily dependent on foreign demand, especially from the Eurozone. Around 88 percent of Czech exports go to fellow EU states. Of that amount, around 40 percent is exported to the Czech Republic's largest trading partner, Germany. In 2017, the country's top import source countries were Germany, Poland and Slovakia. The United States ranked 11th among source countries. The trade balance has been positive every year since 2005 and rose substantially in 2017. Czech imports increased by almost 14 percent to \$161.9 billion and exports were up by 11 percent to \$180.2 billion. Import commodities include machinery and transport equipment, manufactures, electronic equipment, chemicals and fuels. The main export commodities are automobiles, machinery, and information and communications technology. In 2017, U.S.-Czech bilateral merchandise trade rose to \$6.9 billion, up 16 percent over 2016. U.S. merchandise exports to the Czech Republic also increased by 16 percent to reach \$2.3 billion in 2017. Czech exports to the United States grew to reach \$4.6 billion, a four percent increase over 2016. U.S. services exports to the Czech Republic were around \$1.2 billion in 2016.

Investment

Since the Velvet Revolution, foreign investment has played a significant role in boosting Czech productivity, including investment from United States. For several years, the United States has been the third largest non-European investor in the country. In 2016, cumulative U.S. FDI in the Czech Republic was reported to be \$5.5 billion (according to the Department of Commerce, Bureau of Economic Analysis). Cumulative Czech FDI in the U.S. was \$101 million in 2016.

Why U.S. Companies Should Consider Exporting to the Czech Republic

The Czech Republic's strategic location, well-developed infrastructure, and skilled labor force have allowed this small nation of 10.6 million to elevate itself as an important regional and international manufacturing hub and consumer market for Central and Eastern Europe. For the third year in a row, the Czech Republic was ranked 31st in the world in the 2017/2018 Global Competitiveness Report. In terms of macroeconomic environment, however, the country was ranked an impressive 8th in the world compared to all other economies. The Czech Republic's economic and business strength in Central and Eastern Europe (CEE) was reflected by its number one ranking in the Overall Index for the region which included areas such as innovation and sophistication factors, efficiency enhancers* and basic requirements. The Czech Republic is a Tier 3, or "innovation driven" economy, placing it on the same level as its neighbors to the west. As such it is very receptive to leading edge U.S. technology products and services. An increasing number of U.S. companies are finding good business opportunities in this market which is also reflected in new and expanding American investments in a country that is very receptive to American business.

*The efficiency enhancers category score is a combination of the following indices: higher education and training; goods market efficiency; labor market efficiency; financial market development; technological readiness; and market size.

Market Challenges

The Czech market complies with EU market entry regulations. Local requirements are also compatible with EU regulations. In the 2017-2018 Global Competitiveness Report, the World Economic Forum cited tax regulations and inefficient government bureaucracy as the two most problematic factors in doing business in the Czech Republic. Tax rates, policy instability, and corruption rounded out the top five challenges. There have been noted improvements in the rule of law (in terms of freedom from corruption) and fiscal freedom. However, the country continues to have issues with the management of government spending. The Czech government faces other challenges and hurdles, such as the slow pace of legislative reforms, industrial restructuring, healthcare and pension reforms, efforts to make the public procurement process more transparent, and a growing shortage of highly skilled technical workers.

Market Opportunities

Demand in the Czech market goes beyond the few best prospect sectors that this report is able to cover. The Czech Republic ranked 30th, out of 190 countries, in the “Ease of Doing Business” category in the 2018 World Bank “Doing Business” report (27th in 2017). Although the country no longer has access to EU accession funds, it continues to receive EU funding directed at such diverse areas as healthcare reform, environment, transportation, infrastructure projects outside of Prague, and education exchange programs. The Czech Republic is not the ideal destination for new-to-export companies, but as an EU member and a place where English is widely understood in the business community, it is an excellent choice for experienced exporters, especially those who are seeking new opportunities outside of Western Europe.

Market Entry Strategy

The Czech Republic is characterized by wide population dispersion. Over 10 percent of the population is centered in Prague, the only city with more than one million inhabitants, while the majority of Czechs live within 30 minutes of other major commercial/industrial hubs (Brno, Plzen, Olomouc, etc.). Urban consumers generally have greater purchasing power than their rural counterparts. Success in this market requires an in-country presence such as an agent, distributor, or representative office. Local distributors generally take responsibility for handling customs clearance, dealing with established wholesalers/retailers, marketing the product directly to major corporations or the government, and handling after-sales service. Companies should consider taking a regional approach to business involving one or more Central or Eastern European countries. Poland and Slovakia tend to fit into a successful regional strategy, with Hungary a close third. Performing detailed market research to identify specific sector opportunities and capitalizing on the experience of successful U.S. companies in the market is a good starting point. The local American Chamber of Commerce is a valuable resource in this regard. The Czech Republic's communications network is well developed. Email communication and website offerings are an increasingly effective means of reaching local buyers. Price remains the most critical factor when positioning a product or service for sale.

For additional information on topics that appear in this report as they relate to the European Union, please refer to *Doing Business in the European Union: 2018 Country Commercial Guide for U.S. Companies* at www.export.gov/ccg/. Sections of that report have been included in the following pages but not the entire report.

Political Environment

For background information on the political and economic environment of the Czech Republic, please read the [U.S. Department of State Background Notes](#)

Selling US Products & Services

Using an Agent to Sell US Products and Services

The Czech Republic has a developed, European-style distribution system and a strong and growing cadre of professional sales agents and distributors in most market segments. A good market entry strategy would be to find and support a strong Czech partner, agent, or distributor. The Czech Republic is geographically small with over ten percent of the population, and most decision-makers, concentrated in the capital city of Prague. Good personal relationships are crucial. An agent or distributor based in Prague can offer good coverage for the entire country, although firms located outside the capital should not be discounted due to their location. Moreover, some industry sectors are concentrated in the regions outside of Prague and better suited partners may be found there. Some firms may offer to represent a U.S. company throughout Central Europe. It is often better to limit a distributor to the Czech Republic and possibly Slovakia since many distributors do not have the ability to cover multiple markets. Potential regional distributors should have experience and contacts in the countries where they will be representing a U.S. company.

Representative offices or industrial sales agents generally handle industrial sales. This cadre of agents has expanded rapidly over the last decade. While U.S. firms will find agents to be very strong technically, many need help with developing marketing and customer service strategies. Margins for distributors are similar to those prevalent in Western European countries. Using a local partner's facilities and staff will bring costs down to competitive levels and the local partner's contacts will be crucial to developing business. Meetings with potential distributors can also help with determining pricing, market obstacles, and opportunities.

In general, agents and distributors will expect exclusivity. We recommend negotiating an agreement that ties exclusivity to performance with either a sunset clause or a provision that allows termination for non-performance. Good support and management of the agent-distributor relationship is crucial. Many distributors are thinly capitalized and understaffed, yet represent a wide variety of foreign companies. They often focus efforts on the bestselling product of the day to the neglect of others. As with any legal agreement, we recommend that a lawyer experienced in Czech law review any contract before signing.

Many U.S. firms use the Commercial Service's Gold Key program and trade missions to meet and interview potential partners. For more information on these and other services, please visit the [Commercial Service website](#).

For information on EU regulations pertaining to data privacy in business, please refer to *Doing Business in the European Union: 2018 Country Commercial Guide for U.S. Companies* report at www.export.gov/ccg/.

Establishing an Office

For most small or mid-sized exporters, establishing an office in the Czech Republic is not worth the time and expense. If a company decides to set up an office, we recommend working with a local attorney or consulting firm that can take on the burden of corporate registration and other paperwork. The time required to fully register a firm is 15 days including tax registration.

The process to register a company is generally comparable for the four types of firms that can be formed under the country's commercial code. Of these, the limited liability company (*společnost s ručením omezeným*, or s.r.o.) and the joint-stock company (*akciová společnost*, or a.s.) are the most preferred as they give shareholders the advantage of having only limited liability for the company's obligations. The other two types are the general partnership (*verejná obchodní společnost*) and limited partnership (*komanditní společnost*). The process for starting a company generally includes creation of a memorandum of association; obtaining appropriate trade authorizations/licenses; creation of registered capital comprising the contributions of the shareholders; registering the firm in the commercial register administered by the regional registration court; and registering

with the tax office, local social security, and the health insurance authorities. Legal advice is available to assist in choosing the type of firm best suited to a U.S. company's legal and tax structure.

Prague has a well-educated, multilingual population, many of whom have years of experience working for Western firms. Companies offering attractive salaries can normally secure talented local staff for a new office. In the past year, however, there have been some shortages of managerial and IT staff. Executive recruiting firms are active in Prague, although most executives use word-of-mouth to make hiring decisions. Unless a firm is investing in large-scale manufacturing, it is unlikely that labor unions will be a factor in the hiring process. Statistics on Czech salaries can be found at a variety of websites. Official information on wages and salaries is available at the [Ministry of Labour and Social Affairs](#) or the [Average Earnings Information System](#) (ISPV) and [Czech Invest](#).

If a firm has non-Czech EU citizens as expatriate staff, these employees may apply for long-term residency permits, although they are not obliged to do so. U.S. citizens and other foreign nationals who intend to reside and work in the Czech Republic are required to apply for a residency visa, normally valid for a period of 90 days to one year. After this period, the visa may either be repeatedly extended or a long-term residency permit may be issued for an additional period of two years. An agent can be used to facilitate the application process. Check [Information on visa requirements for the Czech Republic](#).

Cost of living statistics can be found at a variety of websites, including [Czech Expat](#) or [Xpatistan](#).

Franchising

Franchising has become a well-known, successful, and popular concept in the Czech market and is poised for further growth. After a rather moderate start in the 1990s, franchising grew rapidly, especially after the Czech Republic's accession to the EU in 2004. Czechs have seen the success of the foreign franchising systems and have started to establish domestic franchising concepts and to expand abroad. According to the portal [Franchising.cz](#) - not available in English), in 2017 there were more than 260 fully functional franchised brands and 30 new brands about to be launched in the Czech Republic. It is expected that the total number of international and Czech brands will reach 300 by 2020. In 2017, the number of foreign brands was estimated to be 98, which represented a 27 percent market share. The Czech market for food franchises dominates with 15 percent of the market, but it has slowed down and other franchise opportunities are expected to grow in the future.

The Czech legal system places no barriers to entry and operation of a franchise.

Direct Marketing

Direct marketing encompasses various methods of communication from the company to the consumer. Most of these advertising techniques include cell phone text messaging, emails, interactive consumer websites, online display ads, flyers, catalog distribution, promotional letters, and outdoor advertising. All of these techniques are used in the Czech Republic, although Czech consumers have an above-average affinity for mailings, making them an extremely attractive target group for direct marketing campaigns after print advertising. Voluminous mailings are also leading to the general impression that direct mail is overwhelming its intended target audience. Internet retailing is gaining market share. Telemarketing and call centers have not found the same level of acceptance as mailings and they are used less frequently than in the United States. The Czech Association of Direct Marketing and [Mail Order](#) organizes seminars and promotes international rules for direct marketing such as guarantee periods and the consumer's right to return a product. The [Czech Trade International](#) s.r.o. website contains a list of members that can provide U.S. firms with potential partners in this area. Social media direct marketing is also becoming increasingly popular in the Czech Republic.

EU Regulations

There is a wide range of EU legislation that affects the direct marketing sector. Compliance requirements are strongest for marketing and sales to private consumers. Companies need to focus on the clarity and completeness of the information they provide to consumers prior to purchase and on their approaches to collecting and using customer data. For additional information on EU regulations pertaining to direct marketing, please refer to the report *Doing Business in the European Union: 2018 Country Commercial Guide for U.S. Companies* at www.export.gov/ccg/.

Joint Ventures/Licensing

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

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

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

Selling to the Government

Lack of transparency in the procurement process remains a significant obstacle for U.S. companies. The Global Competitiveness Index ranked the Czech Republic 99th out of 137 nations for "diversion of public funds." While the Czech government has publicly stated its commitment to fair, transparent tenders, rumors of corruption remain commonplace and the Czech media regularly follow high-profile tenders gone awry. U.S. firms active in the market have identified several tenders where they believe the process was corrupt and in many cases government tender decisions were overturned due to allegations that the process was not conducted fairly. Additionally, government decision-making is notoriously slow and due to a lack of transparency, tenders are frequently delayed or cancelled with little political will to reissue the tender again later.

As a member of the EU, the Czech Republic is subject to the rules of the WTO Agreement on Government Procurement. The Czech government's current procurement law requires public tenders for government and government financed procurements exceeding \$83,333 (2 million CZK) for supplies/services or \$250,000 (6 million CZK) for construction. Tenders are publicized in the local daily press, particularly the *Hospodarske Noviny* (Economic News) and *Mlada Fronta Dnes* newspapers, as well as in the *Obchodni Vestnik* (Trade Gazette) published by the Czech government. All public tenders are to be listed at [Vestnik Verejnych Zakazek](#), in Czech

only), and all international public tenders are simultaneously published in English at the EU's [Tender Electronic Daily](#). Major manufacturers of a particular product are usually notified directly.

In most cases, U.S. companies bidding on Czech government tenders must have their products approved for the EU market (see Trade Standards section). U.S. companies that find local Czech partners for joint bids can compete on tenders for environmental, engineering, financial, and management consulting services. Bid bonds from one to five percent may be required for large-scale contracts. An emphasis on total value (rather than low cost) has lessened the disadvantage that U.S. companies once faced against lower-cost domestic and European firms.

Both the Czech national government and major municipal governments make increasing use of bonds to pay for infrastructure improvements but this approach is still far less common than in the United States.

EU Regulations

The public procurement market in the EU is regulated by three Directives. In 2014, the EU adopted new legislation in this area bringing the total up to four Directives. For additional information on EU regulations pertaining to public procurement, please refer to *Doing Business in the European Union: 2018 Country Commercial Guide for U.S. Companies* report at www.export.gov/ccg/.

Defense Procurement

The Ministry of Defence (MoD) can issue a “direct call” tender when it is considered to be in the government’s interest to use only one source for a purchase or procurement; however, this practice is seldom used. Through this system, the MoD is allowed to submit a Letter of Request (LOR) for a Letter of Offer and Acceptance (LOA) which is a government-to-government agreement identifying the defense articles and services the U.S. Government proposes to sell. This enables the Czech MoD to forego the tender process while maintaining transparency. The “direct call” is characterized as being similar to U.S. Government sole-source contracting, but it lacks defined selection criteria, raising concerns about procedural transparency. Lately, the Czech MoD has started to conduct a market research phase for defense acquisitions, during which it gathers data on capabilities, pricing and availability of various competitors’ products prior to making an internal decision on which products warrant a request for proposal or LOR for LOA.

Even though the Czechs have budgeted for and seek to continue to modernize their military to be more NATO-interoperable and less reliant on Russian equipment, and upgrade infrastructure to meet environmental and other EU requirements, MoD decisiveness in executing major acquisitions is insufficient to achieve full modernizations aims. The Czechs have pledged to increase defense spending from the current level of about 1.0 percent to 1.4 percent of GDP by 2020 and two percent by 2024. U.S. Government, EU, and other international funds are available to help finance purchases.

There is a provision that allows U.S. firms to contract directly with the Ministry of Defence without the need for a Czech intermediary. The purpose of the provision was to improve transparency and bring cost savings to the system. However, the ministry has found ways around this ruling, such as including requirements for all documentation to be in the Czech language, thereby making the use of a local intermediary not a requirement but highly recommended. The ministry still opts to use intermediary companies for two reasons: it is easier to handle receipt of goods and customs clearance, and for cases that require national funding, the ministry cannot obligate funds until the items are delivered in full. Intermediary companies allow the ministry to pay in installments and settle upon final delivery.

Distribution & Sales Channels

Distribution channels in the Czech Republic are similar to those in the European Union. U.S. products are typically shipped to a major European port (often Antwerp), and then transported to Prague by truck or rail. Smaller products often come by air to Prague Airport. The area around Prague has many warehouses and distribution centers, and is the distribution hub for the country.

Prague's winding cobblestone streets are lined with tiny shops -- groceries, pharmacies, music stores, clothing boutiques, and bookstores. These small shops face strong competition from European 'hypermarkets' and shopping malls with a wider selection, lower prices, and extended weekend and evening hours. The larger stores have become increasingly important to the distribution mix over the last decade, attracting customers that used to purchase through traditional retailers. Swedish IKEA, British TESCO, and German OBI, Hornbach and Baumax, among others, operate in multiple locations in Prague and have expanded throughout the nation. At this time, no U.S. big box retailers are present in the market.

Specialized outlets are still important venues for reaching informed customers who seek quality products with specific performance. Virtual shopping is gaining in popularity, with several Czech firms attracting clients with cost savings and home delivery, offering everything from contact lenses to car tires. Some global internet marketplaces are active with localized sites, but most major U.S. firms are still absent. In 2015, U.S. firm Amazon.com opened their Central European corporate offices in Prague and a fulfillment center near Prague. As of the end of 2017, the company employed 4,500 staff. Amazon is continuing to expand its operations in the country.

Logistics capabilities in the Czech Republic mainly serve foreign markets due to the country's strategic and central location. The Czech Republic has excellent flight connections and warehouse space is readily available.

Express Delivery

Three express delivery companies operate in the Czech Republic: DHL, FedEx and UPS.

DHL has been in the country since 1991 and has the largest network. Since 2014, DHL has operated two international distribution centers: one in Prague and the other in Ostrava in Northern Moravia.

UPS entered the Czech market in 1992 working with a local partner. Since 1999, UPS has operated independently with operations at Prague International Airport. The company's main office is in Prague. Last year the company introduced year-round direct daily flights between Prague and Germany and Hungary.

FedEx has been in the Czech market since 1993 and also has its main office in Prague. Express deliveries from major U.S. cities take approximately two days. The main challenge is that Czech customs offices sometimes take a long time to process delivery documents.

All three companies are members of the Czech Association of Express Delivery Companies.

[FedEx](#) Tel: +420 800 133 339

[DHL](#) Tel: +420 840 103 000

[UPS](#) Tel: +420 233 003 300

Selling Factors & Techniques

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

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

eCommerce

Overview

In 2017, the eCommerce market in the Czech Republic was worth \$5.68 billion. The compound annual growth rate is projected to be 6.3 percent over the next five years. The largest market segment will be Electronics & Media, the market size for which is projected to be \$830 million in 2018. Currently, 47.9 percent of the population use eCommerce. This is expected to increase to 51.8 percent by 2022. The average revenue per user is \$515.

eCommerce is widely used in the Czech Republic due to the availability of online shopping for a variety of goods. In 2017, 56 percent of the Czech population were online shoppers, and Internet sales of goods and services rose to an estimated \$4.1 billion. Internet penetration continues to steadily increase and is currently at 94.1 percent for the country. Online purchases reached 9.7 percent of total retail sales in the country in 2017. Competition is very strong among Internet retailers in the Czech Republic. Three out of four shoppers request same day delivery.

Current Market Trends

Virtual shopping is gaining in popularity with several Czech firms attracting clients with cost savings and home delivery, offering everything from contact lenses to car tires. Some global Internet marketplaces are active with localized sites but most major U.S. firms are still absent from the market. The youngest generation (ages 16-24), buy via smartphones, while the financially strongest group (ages 25-45) uses smartphones as well tablets, followed by the remaining population mainly using desktops.

B2B (B2C) eCommerce

The Czech government strongly encourages B2B and B2C eCommerce. These are conducted through well-known business platforms and strategic partners. An eShop can be operated by both Czechs and foreigners. Both need to obtain a trade license from the Czech Trade License Office, unless they are registered elsewhere in the EU. Both also need to be registered with the Czech Commercial Registry. Foreign entities with an established eShop elsewhere in the EU, may wish to use a Czech Republic address. The operator of an eShop needs to determine which legal jurisdiction governs relationships with its customers to ensure that they fulfill all statutory obligations (e.g. rights and obligations of the parties to the contract, customer claims in the case of defects or limitation periods, etc.). There are no market barriers and the infrastructure is integrated with that of other EU countries.

The Czech Republic offers many ebusiness opportunities for worldwide buyers and sellers in areas such as: computers and software; telecommunications; consumer electronics; chemicals; hi-tech; automobiles; transportation; industrial supplies; stone, glass and jewelry; textiles; wood; animal products; etc. Sterkh, Pauls Trading, No Logo, Profod, and Suprotech are among the leading companies. Sales-channels include: direct sales, email marketing, search engine marketing, social & display ads, search engine optimization, public relations, offline ads, existing platforms, and affiliate marketing.

Cross-Border eCommerce

Interest in cross-border eCommerce is growing among Czech customers. The decision to buy through foreign online stores is most often based on lower prices, and on access to products not available in the Czech Republic. The markets most often mentioned for cross-border eCommerce include Germany (\$42.7 billion) and China

(\$8.7 billion), followed by other EU countries and the United States. Customer support and site trustworthiness are important for Czech customers. For cross-border eCommerce, the most sought after items include digital products and electronics, followed by clothes, jewelry/watches and cosmetics. The most popular online shops in the Czech Republic include Alza, Mall cz, Kasa cz, CZC cz, 123 Shop, and Monkey Data.

eCommerce Services

eCommerce services include legal, accounting and consulting services; trade and tax compliance; PR and marketing; and business opportunities (B2B sales). Lists of trade lead contacts for manufacturers, distributors, wholesale agents, buying offices, importers, and exporters, are available at [Scalefast](#) eCommerce web services can be found at [Shopify](#). Czech companies use the above-mentioned non-Czech websites.

eCommerce Intellectual Property Rights

Several principles are important for effective management of intellectual property (IP) rights in the Czech Republic. It is important to have an overall strategy to protect company IP. Second, IP may be protected differently in the Czech Republic than in the United States. Third, the IP rights must be registered and enforced in the Czech Republic under local laws. For example, a U.S. trademark and patent registration will not protect a U.S. company in the Czech Republic. There is no such thing as an “international copyright” that will automatically protect an author’s writings throughout the entire world. Protection against unauthorized use in a particular country depends on the national laws of that country. However, most countries do offer copyright protection to foreign works in accordance with international agreements.

IP Attaché Contact for the Czech Republic

Name: Susan Wilson

Address: U.S. Mission to the European Union, Boulevard du Régent 27, BE-1000, Brussels, Belgium

Telephone: +32 2-811-5308

E-mail: susan.wilson@trade.gov

Online Payment

Credit cards are popular among Czech consumers for online purchases. Multinational financial corporations like Visa, MasterCard, Maestro, American Express, and Discover process payments between merchants and card issuing banks. Although credit card payments are the most popular by a wide margin (around 75-80 percent), other payment methods include pre-paid cards, ewallets, bank transfers, and mobiles. All major international credit cards are accepted. Electronic banking is a common practice. Banks in the Czech Republic are considered safe.

Mobile eCommerce

Mobile devices are a key platform for digital content and communications and they are rapidly gaining ground in the retail and commercial domains. This development is driven by the huge growth in smartphone sales. In 2017, the Czech Republic’s smartphone usage increased again to almost 8.5 million devices (out of a population of 10.5 million). The widespread adoption of increasingly powerful smartphones with larger screens is improving the eCommerce experience. Meanwhile, more and more retailers are optimizing their sites for mobile shopping.

Digital Marketing

Czech digital marketing began in 2004. Only 43 percent of companies invested in Internet advertising at that time. By 2012, smartphones had become popular for eCommerce which resulted in a greater use of digital advertising. Alza, the best known Czech eShop, opened its mobile operation in 2012. Digital marketing agencies

offer advice, assistance, and eCommerce marketing platforms. To successfully enter the Czech market, a company must be technology and data driven. In 2017, companies spent over \$820 million on online advertising. TV advertising was the most popular and consumed almost half of companies' advertising budgets. In 2017, digital marketing was second in advertising spending, with over 22 percent of the market, followed by press advertising. eCommerce digital marketing spending doubled in 2017 (compared to 2014).

Trade Promotion & Advertising

Although choosing and supporting a suitable agent is the most important factor in achieving success in the market, companies can further stimulate sales by working with Czech partners on effective marketing campaigns. Foreign firms most often pay for in-country advertising, while their local distributors provide facilities, warehousing, and equipment. A good agent or distributor should be able to help craft an appropriate strategy. The Czech market is small, and market entry is relatively low-cost; consequently, expensive marketing campaigns are probably not necessary, unless promoting a consumer product.

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

The Czech Republic is a small market and each sector has a few key decision makers and opinion leaders. One way to quickly reach these leaders is to hold an innovative in-country promotion. Examples of good programs include technical seminars or small receptions at industry trade shows in Prague and Brno; media promotions and press conferences related to events such as launching new lines or opening new offices; or annual holiday receptions for key clients and potential clients. The U.S. Commercial Service in Prague can help organize such events and target key decision makers. On the retail side, in-store promotions are extensively utilized. U.S. companies can also take advantage of the Commercial Service's [Featured U.S. Exporter Service](#) (FUSE) to advertise their firm's product or service on our [Czech language website](#).

Pricing

Czech consumers and firms are very price-sensitive and the market is dominated by cost-conscious consumers. Although Prague is the EU's seventh wealthiest region (2016 - based on regional GDP per capita expressed in purchasing power standards) retailers complain they are unable to move goods unless they are on sale. There has been a subtle shift in the consumer market towards prestigious name brands over low-cost competitors for certain goods.

From a pricing perspective, U.S. firms face competition from European firms (which have lower transport costs and no import duties), Czech firms that have home field advantage, and low-cost imports from Asia. A number of larger U.S. firms have lowered costs and improved sales by doing some low-cost assembly or value-added production in the Czech Republic or Europe. Over the past year the dollar has averaged around 21 CZK per U.S. dollar which has improved the export competitiveness of U.S. firms.

Czech VAT law is harmonized with EU VAT law and is levied on goods and services from other EU countries and from third countries. The VAT rate is currently 21 percent on most manufactured goods and services, and 15 percent on selected goods, such as food products, hotel accommodation, public transportation, newspapers and periodicals, and medical and dental care, among other items. A reduced VAT rate of 10 percent applies to foodstuffs classified as essential for child nutrition, pharmaceuticals, and books. VAT is based on the imported price plus applicable duties and is normally paid by the distributor or the importing company. A firm is

obligated to register for Czech VAT once it starts to provide taxable good and services in the Czech Republic or establishes a permanent operation.

Sales Service/Customer Support

Although not yet at the level of Western European standards, customer service has come a long way since the market opened up almost 30 years ago. Attitudes are changing, especially in government services and state-owned businesses. Foreign investment and foreign franchises have had a positive impact on improving customer service.

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

EU institutions have launched a number of initiatives aimed at harmonizing national legislation due to discrepancies among member states in product labeling, language use, legal guarantees, and liabilities, the redress of which inevitably frustrates cross-border shoppers. Suppliers within and outside the EU should be aware of existing and upcoming legislation affecting sales, service, and customer support.

Protecting Intellectual Property

The following information on IPR in the Czech Republic appears in the 2018 National Trade Estimate Report.

While sale of copyright-infringing media in physical form continues at a modest level in outdoor markets, the Czech Republic has not been included on a Special 301 Watch List since 2009. Digital piracy in the Czech Republic, as elsewhere, has migrated primarily online, where right holders have identified several online sites, including “cyberlockers” that feature pirated material for download and streaming. Rights holders have had positive outcomes in a number of instances when they have gone to court, although websites often reappear under a new name. Also commendable is the Czech government interagency IPR task force, led by the [Ministry of Industry and Trade](#), which coordinates policy and oversees implementation of laws involving IPR.

Intellectual property rights (IPR) protection in the Czech Republic is conducted in accordance with European law. For information on EU regulations pertaining to IPR, please refer to *Doing Business in the European Union: 2018 Country Commercial Guide for U.S. Companies* at www.export.gov/ccg/.

In any foreign market companies should consider several general principles for effective management of their intellectual property. For background on these principles please link to our article on [Protecting Intellectual Property](#) and also [Corruption](#).

IP Attaché Contact Czech Republic

Name: Susan Wilson

Address: U.S. Mission to the European Union, Boulevard du Régent 27, BE-1000, Brussels, Belgium

Telephone: +32 2-811-5308

E-mail: susan.wilson@trade.gov

Due Diligence

Due diligence on potential partners (and suppliers, major clients, and other contacts) is important. A U.S. company should conduct due diligence on the Czech company with which it is working, and on its officers or major shareholders. The U.S. Commercial Service offers an [International Company Profile service](#) that

researches the bona fides of Czech firms. [Dun & Bradstreet](#) also offers profiles and financial information on Czech firms.

Product safety testing and certification is mandatory for the EU market. U.S. manufacturers and sellers of goods must perform due diligence in accordance with mandatory EU legislation prior to exporting.

Local Professional Services

Most major U.S. and international firms providing legal, accounting, and consultancy services are represented in the Czech Republic. Many of these firms also publish their own business guides for the Czech Republic, which address legal and taxation issues in more detail than in this country commercial guide. For a full list of firms or industry associations, please contact the Commercial Service in Prague.

Principal Business Associations

American Chamber of Commerce in the Czech Republic

The [American Chamber of Commerce](#) in the Czech Republic (AmCham CR - is a non-profit, nongovernment organization with a membership of around 1,500 top executives and company owners representing nearly 300 companies. The chamber's objective is to improve the Czech Republic business environment and provide members with business opportunities, management improvements, and advocacy. AmCham CR is a member of the U.S. Chamber of Commerce.

U.S. companies are eligible to join Czech business associations provided they are registered to do business in the Czech Republic and meet other association criteria.

Confederation of Industry of the Czech Republic (*Svaz průmyslu a obchodu České Republiky*)

[The Confederation](#) is the largest employer organization, representing members at both national and international level. The organization acts as an umbrella for 33 associations together with 141 direct members. The total number of members is close to 11,000. It regularly meets with government officials to discuss business strategies.

Czech Chamber of Commerce (*Ceska Obchodni Komora*)

[The Czech Chamber of Commerce](#) creates and supports opportunities for business and promotes the strengthening of relationships with other chambers. Currently, the Chamber has more than 15,000 members organized into 62 regional chambers and 110 branch associations. The Chamber meets with other associations in order to exchange views.

Limitations on Selling US Products and Services

The Czech Republic has an open economy and there are no major limitations on selling U.S. products and services in the country. In some cases, limitations may occur in specific grants or tenders. Some sectors, including banking, financial services, insurance, media, or defense equipment, have certain limitations or registration requirements. Foreign entities need to register their permanent branches in the Czech Commercial Register. Some professions, such as architects, physicians, lawyers, and tax advisors, require membership in the appropriate professional chamber. These licensing and membership requirements apply equally to foreign and domestic professionals.

Web Resources

Trade Promotion & Advertising

[ABF](#) (Prague trade show organizer)

[BVV Trade Fairs \(Brno\)](#)

Commercial Service Featured U.S. Exporter Service (FUSE)

[Intellectual Property Rights](#)

[The 2017 National Trade Estimate Report](#)

Due Diligence

[Commercial Service International Company Profile](#)

Dun & Bradstreet

Principal Business Associations

[American Chamber of Commerce in the Czech Republic \[www.amcham.cz/\]\(http://www.amcham.cz/\)](#)

Confederation of Industry of the Czech Republic

Czech Chamber of Commerce

Other

B2B Websites

General business information, news, food products

[Major provider of B2B services in Central Europe](#)

EU Websites

Copyright

European Patent Office (EPO)

[EU Public Procurement](#)

Industrial Property

Office for Harmonization in the Internal Market (OHIM)

World Intellectual Property Organization (WIPO), Madrid

For additional information on EU websites, please refer to *Doing Business in the European Union: 2018 Country Commercial Guide for U.S. Companies* at www.export.gov/ccg/.

Leading Sectors for US Exports & Investments

Agricultural Sector

Overview

Best prospects for U.S. agricultural products are tree nuts such as almonds, dried fruits, food preparations, wines, and distilled spirits, and seafood such as hake, pollock, and salmon. While direct sales from the United States reflect a stagnant market, indirect sales via transshipments through European countries, particularly Germany and the Netherlands, are on the rise, as evidenced by the availability and variety of U.S. food products found in the Czech market today. As in previous years, in 2017 Czech consumers continued to be price conscious, taking advantage of promotions; however, they also becoming more aware of health benefits and food safety issues.

Beef

Unit: USD thousands

	2015	2016	2017	2018 (Estimated)
Total Exports	35,300	44,400	42,800	49,000
Total Imports	106,000	136,000	161,000	180,000
Imports from the US	2,700	2,700	2,550	2,700
Exchange Rates	24.203	25.045	20.884	20.158

Source: Czech Statistical Office; Bureau of Fiscal Service. Exchange rates: U.S. Treasury Department.

Recently Czech consumers have discovered the tastiness of high-quality U.S. beef which has become a new and very promising prospective U.S. product for the Czech market. In the Czech Republic there is growing demand for fresh or chilled high-quality beef from the U.S. (HS code: 0201), mainly in the hotel and restaurant sectors.

Dried Nuts and Fruits

Unit: USD thousands

	2015	2016	2017	2018 (Estimated)
Total Exports	46,400	44,000	39,600	36,000
Total Imports	166,300	164,800	182,000	180,000
Imports from the US	26,600	19,700	21,000	21,000
Exchange Rates	24.203	25.045	20.884	20.158

Source: Czech Statistical Office; Bureau of Fiscal Service. Exchange rates: U.S. Treasury Department.

Almonds are imported almost exclusively from California and sell well in retail outlets, especially in hypermarkets. The processing sector (primarily bakers and confectioners) continually seeks lower cost ingredients while consumers seek higher quality products. Other highly sought imported dried fruits include raisins, prunes, cranberries, and pistachios. (HS codes: 0802, 0806, and 0813).

Fish and Crustaceans

Unit: USD thousands

	2015	2016	2017	2018 (Estimated)
Total Exports	123,200	159,200	178,000	162,000
Total Imports	192,000	220,800	248,000	265,000
Imports from the US	14,000	12,300	12,100	16,000
Exchange Rates	24.203	25.045	20.884	20.158

Source: Czech Statistical Office; Bureau of Fiscal Service. Exchange rates: U.S. Treasury Department.

The Czech Republic, a landlocked country, produces only freshwater fish such as carp (a traditional Christmas dish) and trout. Sea fish and seafood are imported. As Czech consumers move toward a healthier diet and lifestyle, fish consumption is on the rise. U.S. fish and seafood products that have good opportunities in the Czech market include: Alaska pollock, Pacific salmon, hake, scallop, shrimp, and lobster (HS code 03). According to the Czech Statistical Office and Global Trade Atlas data, in the first quarter of 2018, U.S. exports of frozen hake fillets (HS code 030474) almost doubled in both value and quantity compared to the same period in 2017.

Food Preparations

Unit: USD thousands

	2015	2016	2017	2018 (Estimated)
Total Exports	294,000	298,000	341,500	400,000
Total Imports	281,000	292,900	328,000	360,000
Imports from the US	14,000	12,300	11,000	12,000
Exchange Rates	24.203	25.045	20.884	20.158

Source: Czech Statistical Office; Bureau of Fiscal Service. Exchange rates: U.S. Treasury Department.

Imported U.S. food preparations include soft drink concentrates, protein substances, and soup and broth concentrates for the processing sector. (HS code: 2106)

Wine and Spirits

Unit: USD thousands

	2015	2016	2017	2018 (Estimated)
Total Exports	95,300	87,400	98,000	95,000
Total Imports	310,900	330,800	384,000	400,000
Imports from the US	12,300	12,300	14,500	15,000
Exchange Rates	24.203	25.045	20.884	20.158

Source: Czech Statistical Office; Bureau of Fiscal Service. Exchange rates: U.S. Treasury Department.

Consumption of U.S. wines and spirits is on the rise among Czech consumers. The U.S. is a mainstay in the bourbon market, and is seeing its share of wine grow rapidly as the popularity of New World wines expands. In March 2018, a very successful Californian wine tasting promotion event was organized by the Foreign

Agricultural Service Prague Office and California Wine Institute in cooperation with a major Czech importer (HS codes: 2204 and 2208).

Aircraft and Aircraft Parts

Overview

Unit: USD thousands

	2015	2016	2017	2018 (Estimated)
Total Local Production	629,750	645,230	645,230	689,100
Total Exports	357,544	344,987	344,987	394,800
Total Imports	191,440	395,700	395,700	539,610
Imports from the U.S.	82,285	245,451	245,451	281,420
Total Market Size	463,646	695,943	695,943	833,910
Exchange Rates	24.203	25.045	20.884	20.158

Sources: Association of Aircraft Producers; Confederation of the Czech Aviation Industry; Association of Defense and Security Industry; Czech Statistical Office. Unofficial estimates, products incl. 8801-8805. Exchange rates: U.S. Treasury Department.

The Czech Republic has a long aviation history. The industry has developed from basic production to final aircraft assembly and also conducts leading-edge R&D. Investment in the sector is growing as more international companies either come into the market or expand existing operations. Interest in the Czech aviation industry stems from its reputation for high quality and innovation, as well as competitive cost structures.

Aero Vodochody, the largest Czech aircraft producer, has successfully cooperated with leading aerospace manufacturers such as Sikorsky (Lockheed Martin), Alenia Aeronautica, Embraer, Bombardier, EADS, and Boeing. Historically, the company has been the largest producer of military jets in the former eastern bloc countries and it continues to partner with the Czech, Hungarian, and Polish air forces. Aero Vodochody is also the developer and manufacturer of the Aero L159 ALCA light combat aircraft/subsonic attack jet and advanced lead-in fighter trainer. Czech state-owned company LOM Praha was established by the Ministry of Defence. It provides military aircraft lifecycle support. The company also manufactures and repairs piston engines and propellers and provides pilot training at its Flight Training Center.

Avia Propeller sells aircraft propellers and propulsion systems to 50 countries in five continents. Letov, part of the French Latecoere Group, produces parts for the Airbus A380 and A400M as well as composite parts for Boeing B787.

In terms of U.S. companies, GE Aviation entered the small turboprop market in June 2008 following its acquisition of Czech company Walter Aircraft Engines. GE Aviation has already certified three new engines since the acquisition. The company is building a new advanced turboprop engine facility in Prague, thus becoming a turboprop center of excellence for the company. Honeywell's European global engineering strategy is based on their operations in the Czech Republic. The company set up the Prague Laboratory in 1993 which

was followed by the establishment of the Brno Design Center in 2003. The Brno facility conducts R&D, product design and engineering for Honeywell's Aerospace, Automation Control Solutions and Transportations Systems business divisions. Honeywell also has two manufacturing sites in the Czech Republic one of which is for aerospace in Olomouc. Bell Helicopter dominates the market for emergency medical services and the police. The company's European regional customization, delivery and aftermarket service center in Prague serves as an anchor for Bell Helicopter in the region. The facility provides avionics, painting, interior refurbishment, modifications, upgrades, and custom configurations to European customers.

The Czech Republic has two airlines: Czech Airlines (CSA) and Travel Service. The CSA fleet consists of Airbuses and ATR propeller aircraft. Travel Service operates a fleet of 43 aircraft, including 25 Boeing B737-800s. In January 2016, Travel Service signed an agreement to purchase 16 B737-8 MAX for \$110 million. The first Boeing 737 MAX 8 was incorporated into the fleet in January 2018.

Private business jets are gaining a larger share of the Czech travel market. Currently four private operators (ABS Jets, Time Air, Silesia Air, and Grossmann Jet Service) dominate the Czech market using Bombardier Learjets, Embraer Legacy, Gulfstream, Cessna Citation, and Nextant 400XT aircraft.

Leading Sub-Sectors

- Aircraft parts
- Business jets

Opportunities

Event: [NATO Days, Ostrava](#)

Dates: September 15-16, 2018

Venue: Ostrava (Leos Janacek Airport), Czech Republic

Organizer: Jagello 2000 Association in cooperation with the Armed Forces of the Czech Republic and others

Note: The United States will be the Special Partner Nation at the NATO Days 2018 Show

Web Resources

[Ministry of Defense. www.army.cz/en/](#)

[Ministry of Industry and Trade](#)

[Association of Aircraft Producers](#)

[Confederation of Czech Aviation Industry www.sclp.cz/en/](#)

[Defense and Security Industry Association of the Czech Republic](#)

U.S. Commercial Service: Luda.Taylor@trade.gov

Automotive Parts and Equipment

Overview

Unit: USD thousands

	2015	2016	2017	2018 (Estimated)
Total Local Production	18,765,000	18,800,000	19,000,000	18,800,000
Total Exports	14,451,992	15,623,648	16,000,000	16,000,000
Total Imports	10,589,271	11,713,466	12,000,000	11,800,000
Imports from the US	37,209	33,131	35,000	36,000
Total Market Size	14,902,279	14,689,818	15,000,000	15,000,000
Exchange Rates	24.203	25.045	20.884	20.158

Source: United States Department of Commerce, Bureau of the Census, Foreign Trade Division, TPIS Database: USHS EXPORTS, Revised Statistics for 1989-2015, unrevised for 2016-2017; Automotive Industry Association of the Czech Republic (AIA); Czech Statistical Office. Exchange rates: U.S. Treasury Department.

The automotive industry represents the backbone of the Czech national economy. In 2016, the Czech automotive market was the sixth largest in the EU and the fifteenth largest motor vehicle producer in the world. Nevertheless, the Czech automotive industry faces three major challenges:

1. In May 2018, the Czech unemployment rate reached an unprecedented 2.3 percent. A lack of both qualified and unqualified workforce puts limits on local production capacity. Although companies invest in automation and import employees from abroad, a significant drop in automotive production is expected in 2018.
2. Electromobility will change the current fossil fuel propulsion paradigm. All companies will need to consider major changes in production in the coming decades.
3. Chinese production has become more competitive in European markets.

Based on preliminary 2017 figures from the Czech Automotive Industry Association, automotive production was roughly \$45 billion in 2017, which was only a slight increase over the previous record year in 2016. Production of exported automotive parts and accessories was responsible for about 60 percent of total output. The remaining 40 percent represented production of new vehicles for export.

In 2017, annual production of new passenger cars in the Czech Republic reached 1.307 million units, an increase of 4.5 percent. Preliminary numbers for the first quarter of 2018 indicate a decrease of about 2-3 percent in production of new passenger cars.

More than 90 percent of Czech automotive companies are foreign owned. The three major car manufacturers are Skoda Auto/Volkswagen, PSA Peugeot Citroen/Toyota Motor Corporation, and Hyundai. More than half of the world's 50 leading suppliers have had facilities in the country for a decade or longer.

Leading Sub-Sectors

Growing interest in alternative fuel vehicles (CNG, electric propulsion, and hybrids) is the primary factor boosting the demand for alternative fuel propulsion systems and related equipment.

- Automation for automotive parts manufacturers
- Electric car, motorbikes and parts
- Auto security equipment

Opportunities

Event: [Escape6 Prague Car Festival](#)
Dates: September 1-2, 2018
Venue: PVA Expo Prague, Czech Republic
Organizer: Agentura M-S-P, s.r.o.

Event: [Czechbus Prague](#)
Dates: November 20-22, 2018
Venue: Prague Exhibition Grounds
Organizer: Incheba Expo Prague, s.r.o.

Event: [Motosalon Brno](#)
Dates: March 7-10, 2019
Venue: Brno (TBD)
Organizer: BVV Trade Fairs Brno

Web Resources

Automotive Industry Association of the Czech Republic www.autosap.cz

U.S. Commercial Service: Zdenek.Svoboda@trade.gov

Cosmetics/Toiletries

Overview

Unit: USD thousands

	2015	2016	2017	2018 (Estimated)
Total Local Production	1,340,000	1,411,000	1,450,000	1,455,000
Total Exports	733,000	887,337	988,710	995,000
Total Imports	1,047,000	1,210,425	1,296,600	1,300,000
Imports from the US	47,000	86,818	87,110	88,000
Total Market Size	1,654,000	1,734,088	1,757,890	1,760,000
Exchange Rates	24.203	25.045	20.884	20.158

Sources: Unofficial CS Prague estimates; Czech Statistical Office (HS33); PROKOS (Association of Manufacturers, Importers, Exporters and Resellers of Cosmetic Products and Ingredients); World of Beauty and Spa; Union of Beauticians. Exchange rates: U.S. Treasury Department.

Czech consumers are well known for being traditional, conservative, and price sensitive. However, these traits do not generally apply when it comes to purchases of cosmetics and toiletries. The younger generation, which is fashion conscious and travels widely outside the country, has a greater awareness of global trends. Branding plays an important role in purchasing decisions. Most large international players are already present in the market. The reputation of the United States as a source of high quality and innovative products enhances opportunities for U.S. cosmetics firms, however, selecting the right partner and marketing strategy are keys to success in this market.

Hair Care: The market is very competitive with a large number of available brands. However, there are only a handful of strong dominant players. Henkel is the leader in the hair care segment with almost one quarter of the market. Other successful hair care companies include Beiersdorf (Nivea brand), Unilever (Timotei, Dove), L’Oreal (Elseve), Garnier (Fructis), and P&G (Pantene, Head & Shoulders). Customers are not loyal to brands and companies often create novelty products to attract attention. Wella and L’Oreal dominate at hair salons because they provide professional training and excellent product placement options. As long hair remains fashionable, hair extensions and hair growth products have seen increased demand.

Skin Care: Sales of skincare products have been relatively stable, due to the rise of new products (including for men). The skin care sector has also benefitted from an increasing number of image conscious women and adolescent girls using makeup at a younger age. The majority of women use colored cosmetics. Recently, there has been a growing trend towards more natural looking makeup. Additionally, the market for sun care products is growing with a greater awareness of the effects of prolonged sun exposure. Due to the climate, sun tanning products do well and tanned skin continues to be a beauty trend. Anti-aging products are expected to maintain their popularity. On average, a Czech woman uses nine cosmetic items a day and spends \$80 each month on cosmetics. However, this amount also includes hairdresser or cosmetic salon costs. Beiersdorf leads in Czech skin care market sales with almost 20 percent of the market, followed by L’Oreal. In the past five years, a number of new skin care and color cosmetics brands have entered this market. These include Bobby Brown, MAC, Aesop, Sisley, and Kiehl’s.

Nails: For Czech women, well-tended hands and nails have become a necessity, but they still use fewer nail care products than women in the United States. With innovations in the nail care industry and the influence of other Western trends, Czech women are starting to use a wider range of products which will support further growth in the nail care sector. An estimated 45 percent of Czech women use nail polish. The percentage of women using nail art is still relatively low. Most Czech women do not use brightly colored nail polish, although the younger generation is ready to try unusual colors and patterns.

Dental: Currently, the main products in the dental hygiene market are toothpaste and toothbrushes. Diversification in dental hygiene is still relatively limited for most Central and Eastern European customers, including the Czech Republic. There has been a boom in mouthwash products, mainly thanks to Johnson & Johnson’s Listerine brand’s entry into the market which was supported by a strong promotional campaign. There has also been broader promotion of dental hygienist services, electric toothbrushes, dental floss, interdental brushes, and dental water jets.

Fragrances: The Czech fragrance market is mature with a number of well-established international brands in the country. The market has experienced stable growth over the last decade and is expected to continue to grow. Online sales and an increased focus on quality branded products have led to a growth in sales of more luxurious perfumes. Perfumes/fragrances are used by 75 percent of women (one quarter uses them more than once a day) and by 45 percent of men.

Other: Czech women are increasingly sensitive about their appearance and the availability of modern treatments, including aesthetic medicines and plastic surgery. In the past few years, many beauty salons have started to offer new thinning equipment for non-invasive liposuction, crytolysis (freezing liposuction),

lymphatic drainage, and anti-cellulite lipo-massage. In the past these treatments were available to only a limited group of women, but are now more widely available and used.

Leading Sub-Sectors

- Natural/Organic/Bio products
- Innovative devices for aesthetic medicine

Opportunities

The U.S. Commercial Service in the Czech Republic has been working with the World of Beauty and Spa Prague trade fair organizer to introduce new U.S. brands to Czech consumers by marketing product catalogs and samples at the fair. The next catalog show is planned for September 2018.

Event: [World of Beauty and Spa](#)

Dates: September 7-8, 2018

Venue: Letnany Fairground, Prague

Organizer: ExpoBeauty Prague s.r.o.

Web Resources

Association of Manufacturers, Importers, Exporters and Resellers of Cosmetic Products and Ingredients (PROKOS) www.sdrprokos.cz

[Ministry of Health](#)

[Union of Beauticians](#)

U.S. Commercial Service: Veronika.Novakova@trade.gov

Electronics

Overview

Unit: USD thousands

	2015	2016	2017	2018 (Estimated)
Total Local Production	12,890,964	12,346,000	12,800,000	12,700,000
Total Exports	23,592,117	22,468,000	23,300,000	23,300,000
Total Imports	24,170,557	22,264,000	23,600,000	23,500,000
Imports from the US	604,432	624,000	723,000	723,000
Total Market Size	13,469,405	12,142,000	13,100,000	13,000,000
Exchange Rates	24.203	25.045	20.884	20.158

Source: Czech Ministry of Industry and Trade: Panorama of the Manufacturing Industry of the Czech Republic in 2016; Czech Statistical Office; Trade Policy Information System (TPIS), NAICS #334 Computers & Electronic Equipment. Exchange rates: U.S. Treasury Department.

Czech manufacturers of Computer, Electronic and Optical Products ([NACE](#) 26, [NAICS](#) 334: electronic components and boards, computers and peripheral equipment, communication equipment, etc.) produced products worth about \$12.3 billion and generated value-added worth \$1.8 billion in 2016. The sector is characterized by a high proportion of imported materials, components and parts for production and assembly. About 75 percent of exports are created by imported parts, imports of which declined to \$22.26 billion in 2016, an eight percent decrease compared to 2015.

The production of computers and peripherals played the most significant role in this category and represented 47 percent of the market followed by communications equipment with a share of 22 percent. The situation is similar for imports, where computer and peripheral products had a 40 percent market share and communications equipment was at 26 percent.

Although foreign investors control less than three percent of companies, they are responsible for more than 90 percent of sector revenues. Among the leading companies in this industry are On Semiconductor Czech Republic, s.r.o., Foxconn CZ s.r.o., Inventec (Czech) s.r.o., CommScope Czech Republic s.r.o., Panasonic AVC Networks Czech s. r. o., Continental Automotive Czech Republic s.r.o., FEI Czech Republic s.r.o, TESCAN ORSAY HOLDING, a.s., and Meopta-optika s.r.o.

Leading Sub-Sectors

According to the Trade Policy Information System ([TPIS](#)), 31.8 percent (\$723 million – NAICS #334) of principal U.S. exports to the Czech Republic were Computer & Electronic products in 2017. This highlights the importance of this sector for American exporters to the Czech Republic. Best prospects include:

- Computer and electronic products
- Automation equipment and parts
- Measuring and controlling equipment for energy saving and renewable energy utilization
- Parts of Intelligent Transport Systems - traffic cameras, radars, scanners, sensors, etc.

Opportunities

Event: [International Engineering Fair 2018](#)

Dates: October 1-5, 2018

Venue: Brno Exhibition Centre

Organizer: BVV Trade Fairs Brno

Event: [Amper](#)

Dates: March 19-22, 2019

Venue: Brno Exhibition Center

Organizer: Terinvest

Web Resources

[Ministry of Industry and Trade](#)

[Czech and Moravian Electrical and Electronic Association](#)

U.S. Commercial Service: Zdenek.Svoboda@trade.gov

Energy

Overview

Unit: USD thousands

	2015	2016	2017	2018 (Estimated)
Total Local Production	16,765,890	16,950,000	17,200,000	17,500,000
Total Exports	7,119,341	8,988,000	9,200,000	9,400,000
Total Imports	5,988,465	3,824,000	4,300,000	4,500,000
Imports from the U.S.	320,200	310,300	340,000	350,000
Total Market Size	15,635,014	11,786,000	12,300,000	12,600,000
Exchange Rates	24.203	25.045	20.884	20.158

Sources: Ministry of Industry and Trade; Czech Energy Works (CEZ); Czech Energy Transmission System (CEPS); Czech Statistical Office. Unofficial estimates products incl. 8401-8416. Exchange rates: U.S. Treasury Department.

In 2017, Czech gross electricity production reached 87 TWh (terawatt-hours), while domestic consumption was around 74 TWh. The Czech energy mix was made up of 57.4 percent fossil fuels (44 percent lignite, 5.5 percent natural gas, 5.4 percent bituminous coal, etc.), 35 percent nuclear power, and 7.6 percent renewable energies (3.6 percent biomass, 2.1 percent solar, 1.4 percent water, 0.45 percent wind energy, etc.). The country's 13 TWh surplus was exported to neighboring countries. As such, the Czech Republic is the ninth largest electricity exporter in the world and the third-largest in the EU.

Leading Sub-Sector:

Coal still provides the majority of fuel used in Czech power generation. While Czech coal production has declined from 13 million tons in 2007 to 8 million tons in 2017, coal imports are increasing, especially from Poland and Germany. Some coal imports are sourced from the United States.

The Czech Republic has no significant production of natural **gas or oil** and is fully dependent on gas and oil imports. The country is integrated into regional transmission systems and can purchase oil and gas from different countries based upon on market prices in Rotterdam or elsewhere. The majority of oil and gas is imported via Germany.

The Czech Republic has two **nuclear** power plants at Dukovany and Temelin, which delivered over 28 TWh of electricity in 2017. Both plants were designed and built and designed in the 1980s and rely on Soviet-era technology. Russia provides fuel for both plants. The reactors at Dukovany are expected to remain in operation until 2035, and Temelin's reactors until the 2040s, but all will ultimately need to be replaced.

The Czech government has placed a priority on nuclear power. The country's June 2015 Czech National Action Plan for Nuclear Energy states that nuclear energy should constitute about 50 percent of the Czech energy mix by 2040. CEZ, the state-controlled operator of the current reactors, launched a tender for new reactors in 2009, but cancelled it in 2014. The Ministry of Industry and Trade (MOIT) later invited nine companies/consortia to discuss their interest in participating in a procurement for the nuclear power plant at Dukovany. In the fall of 2016, six companies/consortia responded to a Request for Information (RFI) issued by MOIT. The companies/consortia were Westinghouse, Rosatom (Russia), KHNP (Korea), EDF (France), CGN (China), and Atmea (Mitsubishi Heavy Industries/EDF). MOIT met with each company to discuss their submissions in late January and early February 2017. Since that time progress has been stalled due to financing issues and a delay in the confirmation of a new government after Parliamentary elections in October 2017.

Despite strong and long-standing government and public support for nuclear power, the strategy of building a new unit at the Dukovany Nuclear Power Plant has not yet translated into an offer of state financial support for the project. The Czech Republic sees the expansion of nuclear power production as an energy security imperative to maintain its position as an electricity exporter, while phasing out old coal-fired power plants. The government is wary of promoting gas power plants as this could increase Czech dependency on Russian gas.

The European Union and the Czech Government support conservation efforts and increasing the use of **renewable energy sources**. To meet EU and Czech targets, the country will likely need to invest \$3 billion annually through 2030. Such funding should provide opportunities for U.S. innovative technologies and smart solutions.

Several projects are being developed to increase **transmission network** capacity. In order to maintain the internal stability and integrity of the distribution network, the Czech Transmission System Operator (CEPS) has been investing approximately \$45 million annually to strengthen both cross-border transmission capabilities and its own domestic grid. There is an ongoing replacement and expansion project for the 400 kV grid that is to be completed by 2030.

- Power distribution networks
- Smart grid technology
- Energy storage technology
- Nuclear power plant technology (if the tender is approved)

Opportunities

Event: International Engineering Fair 2017

Dates: October 1-5, 2018

Venue: Brno Exhibition Center

Organizer: BVV Trade Fairs Brno

URL: www.bvv.cz/en/msv/

Web Resources

Ministry of Industry and Trade www.mpo.cz/en/

Czech Energy Works (CEZ) www.cez.cz/en/home.html

Czech Energy Transmission System (CEPS) www.ceps.cz/en/homepage

Energy Regulatory Office (ERU) www.eru.cz/cs/

U.S. Commercial Service: Zdenek.Svoboda@trade.gov

Information Technology

Overview

Unit: USD thousands

	2015	2016	2017	2018 (Estimated)
Total Local Production	19,510,400	19,871,126	20,182,100	21,075,215
Total Exports	12,299,621	12,545,614	13,120,111	13,180,112
Total Imports	14,095,599	14,377,510	15,275,424	15,968,035
Imports from the U.S.	214,758	217,979	218,100	218,120
Total Market Size	21,306,378	21,703,022	22,337,413	23,863,138
Exchange Rates	24.203	25.045	20.884	20.158

Sources: Ministry of Industry and Trade; Czech Statistical Office (products include computers and peripherals category and communication devices category). Exchange rates: U.S. Treasury Department.

The Information, Communications and Technology (ICT) market in the Czech Republic is highly competitive with robust U.S. and European companies, and increasingly competitive Czech firms. The Czech Republic's ICT-friendly policies, skilled workforce, good infrastructure, and well-developed optical fiber network make it the most prominent ICT location in the Central and Eastern European region. U.S. companies with niche products and services will continue to find good opportunities in the Czech Republic. The best market entry strategy continues to be working with a local partner, either an agent or an original equipment manufacturer (OEM). The Czech Government is a potential partner but it takes a long time for purchasing decisions to be made.

ICT is one of the Czech Government's designated priority sectors and substantial investments in ICT infrastructure are anticipated. Spending on hardware is projected to increase at an average annual rate of two percent and software by four percent. Over 73 percent of Czech households have a personal computer and Internet connection.

There are no trade barriers to imports into the Czech Republic. The EU's "WEEE/RoHS"* compliance legislation has had an impact on U.S. firms. U.S. exporters are required to hold an IIC (International Import Certificate) from an importer in order to obtain an export permit from the U.S. Department of Commerce. In some cases (sensitive security products), the U.S. Department of State approves and issues the export license. Some products require government licenses for trade that are issued by the Czech Ministry of Industry and Trade. All Czech companies that import commercial products must apply for import licenses and present a business contract with the foreign exporter.

*Waste Electrical and Electronic Equipment Directive (WEEE Directive) and Restriction of Hazardous Substances Directive (RoHS Directive)

Leading Sub-Sectors: Security/Cyber Security

The Czech Government, the business community, and public at large are very aware of the dangers facing modern society. Hacking, in particular, is being taken seriously. Security has been considerably tightened since the hacking attempt at two major banks almost three years ago. In 2017, the Ministry of Foreign Affairs (MFA) announced that dozens of MFA email accounts had been hacked, although no data compromises were reported.

The Czech Parliament amended the cyber security law in fall of 2016. The Cyber Security Branch is no longer under the Czech Ministry of Interior and now reports directly to the Prime Minister. The National Cyber Security Strategy Action Plan went into effect in 2015 and will continue through 2020. The government is increasing the budget to actively combat ever growing problems of attempted/real hacking and to raise existing technology to a higher standard. The Czech Republic complies with all aspects of the EU Cyber Security Strategy and cooperates with other member states.

The Cyber Security market consists of three key segments: the Czech Government, SMEs, and corporations.

Best prospects include:

- electronic systems for banking, government ministries, and financial services companies
- network equipment
- video conferencing equipment
- border protection
- utilities
- software as a service (SaaS)
- data services and equipment
- wireless equipment

Opportunities

Event: The 11th International Conference on Agents and Artificial Intelligence (ICAART 2019)

Dates: February 19-21, 2019

Venue: Congress Center, Prague

Organizer: [ICAART](#) and the Czech Technical University Prague

Event: [QuBit Conference](#) (Secure World), organized by QuBit, New York, USA

Dates: April 18-19, 2019

Venue: Hotel International Prague

Organizer: QuBit New York

URL: www.qubit.com

Web Resources

[General Directorate of Customs](#)

Association for Information Society

Czech Association of Competitive Communications

Office for State information System

The Czech Telecommunication Office (Government appointed “watchdog”)

National CERT of the Czech Republic

Ministry of the Interior

National Security Agency (NBU)

Czech Association of Cyber Security

U.S. Commercial Service: Luda.Taylor@trade.gov

Medical Equipment

Overview

Unit: USD thousands

	2015	2016	2017	2018 (Estimated)
Total Local Production	933,000	951,000	953,000	954,000
Total Exports	562,000	648,581	653,490	660,000
Total Imports	870,000	839,346	849,820	861,000
Imports from the US	164,000	162,749	149,930	160,000
Total Market Size	1,241,000	1,141,765	1,149,330	1,155,000
Exchange Rates	24.203	25.045	20.884	20.158

Sources: Unofficial estimates (products including HS 9018, 9019, 9021, 9022); Czech Statistical Office. Exchange rates: U.S. Treasury Department.

The Czech Republic ranked 37th overall in the Department of Commerce 2016 Top Markets Study (TMS). The Czech market for exports and imports is closely tied with the German market which ranked first in the same report. The health care sector is very active in the Czech Republic. Although domestic manufacturers are increasingly competitive, the majority of medical devices used in the Czech Republic are imported. Germany dominates the market and is followed by the United States. American products, particularly high-tech equipment, have a good reputation for quality.

The Czech healthcare system is predominantly financed by the public sector through mandatory insurance contributions. In 2016, most expenditures (government or personal) were covered by mandatory healthcare insurance and other public sources (82.4 percent). Private expenditure accounted for 17.6 percent (the OECD average is around 20 percent). The Czech Republic spends around 7.5 percent of its GDP on healthcare each year. The use of health services is among the highest in the OECD. This may be due to patients perceiving medical services as being free of charge (according to the Czech Constitution, everyone is entitled to the best available care). The health system is heavily regulated.

There are 188 hospitals in the Czech Republic, ten of which are faculty hospitals directly managed by the Ministry of Health. Czech hospitals and clinics are looking for quality products to keep pace with the latest trends in the sector. The Czech Republic offers excellent opportunities for medical device companies.

eHealth and telemedicine are much-discussed topics in the Czech Republic. The Czech Ministry of Health introduced a new National Concept of eHealth for 2014-2020 which should help to establish a politically acceptable program for the national introduction of eHealth in the future. The introduction of eHealth faces challenges including the low motivation of market constituents (e.g., doctors, patients, state institutions, etc.), limited legislation in this area, and a lack of financing. The Czech Government is looking into the possibility of obtaining EU funds to help introduce eHealth throughout the country. The Vysocina and Karlovy Vary regions have already introduced some small-scale eHealth projects. Similarly, the plan for potential EU funding is to start with smaller pilot projects.

The Czech Republic is a popular destination for medical tourism. It is known for reasonably priced and quality treatment. Aesthetic medicine procedures, IVD treatment, obesity treatment, and gynecological procedures are in the highest demand.

Leading Sub-Sectors

The best market opportunities exist for cutting-edge, high quality, and technically sophisticated medical equipment, especially equipment that increases efficiency and reduces occupancy rates in hospitals. Products, such as those listed below, have the best sales potential in the Czech market:

- Minimally invasive surgery (MIS)
- Patient monitoring systems
- Telemedicine & eHealth
- Home-care equipment

Opportunities

Czech institutions are very interested in partnering with U.S. companies, hospitals, and universities to create medical research partnerships.

In November 2016, the Czech government allocated \$336 million to invest in the modernization of seven large state run hospitals over the next decade.

Web Resources

[Association of Hospitals in the Czech Republic](#)

[CzechMed \(Czech Medical Device Association\)](#)

[Czech Medical Chamber](#)

[Institute of Health Information and Statistics](#)

[Ministry of Health](#)

[State Health Institute](#)

U.S. Commercial Service: Veronika.Novakova@trade.gov

Pet and Veterinary

Overview

Unit: USD thousands

	2015	2016	2017	2018 (Estimated)
--	------	------	------	------------------

Total Local Production	412,000	434,000	462,810	470,000
Total Exports	243,758	274,357	339,660	345,000
Total Imports	169,427	170,392	207,850	210,000
Imports from the US	5,433	6,156	6,344	6,500
Total Market Size	337,669	330,035	331,000	335,000
Exchange Rates	24.203	25.045	20.884	20.158

Sources: Unofficial estimates (products including only HS230910, pet food); Czech Statistical Office. Exchange rates: U.S. Treasury Department.

The Czech market for pet products has seen continuous growth over the past five years. The country remains a substantial pet market for its size. In general, the sector is expected to grow by three to four percent a year in the future with a wider assortment of available products as one of the market drivers. Statistically, nearly every family owns a pet (including cats, dogs, fish, hamsters, etc.) – a guarantee for driving pet care sales, together with the revival of the economy and increasing salaries. Additionally, the status of pets (mainly cats and dogs) in the family is increasing. The ‘humanization’ of pets leads to higher spending on premium food, health supplements, entertainment and wellness. The number of animals per capita in the Czech Republic is one of the highest in Europe.

U.S. products’ excellent reputation for quality and innovation provides an excellent foundation for trend setting American pet food and accessories firms to sell into this market. Major sales growth is expected in products for dogs and cats. Spending on cats is growing faster than spending on dogs. Cat owners and singles tend to spend more on their pets.

Leading Sub-Sectors

- High quality pet foods (with an emphasis on food ingredients such as holistic and natural products)
- Dental hygiene
- Pet traveling products
- Pet accessories
- Pet vitamins and supplements
- Tech toys, smart feeders

Opportunities

The U.S. Commercial Service has been working with the FOR PETS trade fair organizer to introduce new U.S. brands to the market through catalogs and individual company presentations. The next event will be held at the April 2019 FOR PETS fair.

Event: [FOR PETS](#) (a part of FOR FAMILY fairs)

Dates: April 2019

Venue: Letnany Fairground, Prague

Organizer: ABF a.s.

Web Resources

[Association of Unions of Horse Breeders](#)

[Chamber of Vets in the Czech Republic](#)

[General Directorate of Customs](#)

[Institute for the State Control of Veterinary Biologicals and Medicaments](#)

[Ministry of Agriculture](#)

U.S. Commercial Service: Veronika.Novakova@trade.gov

Customs, Regulations & Standards

Trade Barriers

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

Goods transported to the Czech Republic under the Community Transit regime must be declared at a customs office in the Czech Republic. Check for applicable [European Union legislation](#).

For information on existing trade barriers, please see the [National Trade Estimate Report](#) on Foreign Trade Barriers.

Information on agricultural trade barriers can be found at the following website: www.usda-eu.org/.

To report existing or new trade barriers and obtain assistance to remove them, contact either the Trade Compliance Center at <https://tcc.export.gov/> or the U.S. Mission to the European Union at www.export.gov/europeanunion/.

Import Tariff

When products enter the EU, they need to be declared to customs according to their classification in the Combined Nomenclature (CN). The CN document is updated and published every year, and the latest version can be found on the [European Commission's website](#).

U.S. exports to the European Union enjoy an average tariff of just three percent. All the same, U.S. exporters should consult "The Integrated Tariff of the Community," referred to as TARIC (Tarif Intégré de la Communauté), to identify the various rules which apply to specific products being imported into the customs territory of the EU. To determine if a license is required for a particular product, check the TARIC.

The TARIC can be searched by country of origin, Harmonized System (HS) Code, and product description on the interactive website of the Directorate-General for Taxation and the Customs Union. The online [TARIC](#) is updated daily. Tariff information is also available through the [Customs Administration of the Czech Republic](#).

VAT and excise taxes are payable by the recipient of goods on the basis of Czech regulations. The value-added tax (VAT) applies to all goods, both domestic and foreign, sold within the Czech Republic. The standard VAT rate is 21 percent. The first reduced VAT rate of 15 percent is charged for selected goods, such as food. The second reduced VAT rate of 10 percent came into force on January 1, 2015 and applies mainly to baby food, medicines, and books. VAT on imports is calculated on the declared customs value plus applicable duty and excise tax.

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

Import Requirements & Documentation

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

- Commercial invoice;
- Bill of lading;

- Shipper's export declaration (SED) for items requiring an export license or valued above \$2,500 (submitted only to U.S. Customs); and
- Declaration of conformity (issued by importer).

A shipper should be able to provide copies of the required forms for the commercial invoice, bill of lading, and shipper's export declaration (if required).

The Czech Ministry of Industry and Trade issues import licenses to those seeking to import selected goods into the Czech Republic. While most products and services are exempt from the licensing process, oil, natural gas, pyrotechnical products, sporting guns, ammunition, and military equipment require a license. For further information on import licenses for specific products, please contact the U.S. Commercial Service, U.S. Embassy Prague at office.prague@trade.gov.

The TARIC (Tarif Intégré de la Communauté), described above, is available to help determine if a license is required for a particular product. Moreover, the European Commission maintains a [Trade Helpdesk](#) with information on import restrictions of various products.

For information pertaining to EU regulations on imports, please refer to *Doing Business in the European Union: 2018 Country Commercial Guide for U.S. Companies* at www.export.gov/ccg/.

Labeling/Marking Requirements

Czech importers and distributors are responsible for the appropriate labeling of products that are sold in the Czech market and can advise the U.S. exporter about specific requirements.

Czech product labeling and marking requirements depend on the type of product and the intended use. In general, labels must be in the Czech language and can be affixed to the product or on a leaflet attached to the product. However, in some cases, these requirements are not always observed. Czech consumers continue to complain about German products, specifically cosmetics and household items, being labelled in German only. 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 information on the content or composition. There are special labeling rules for products with biotech content. In addition, international norms for warning labels on consumer products apply.

Czech labeling requirements were harmonized with EU norms in 2002. EU regulations require that all labels use metric units. A Commission Communication encourages multilingual labels, while preserving the freedom of Member States to require the use of local language in the country of consumption.

For information on EU regulations pertaining to labeling and marking requirements, please refer to *Doing Business in the European Union: 2018 Country Commercial Guide for U.S. Companies* at www.export.gov/ccg/.

U.S. Export Controls

The U.S. Department of Commerce Bureau of Industry and Security (BIS) is responsible for implementing and enforcing the Export Administration Regulations (EAR), which regulate the export and re-export of some commercial items, including 'production' and 'development' technology.

The items that BIS regulates are often referred to as 'dual use' since they have both commercial and military applications. Locate more information [on export controls](#).

For additional information please go to www.bis.doc.gov/index.php/enforcement.

BIS has developed a list of 'red flags,' or warning signs, intended to discover possible violations of the EAR. The list can be found in the "[Know Your Customer](#)" guidance document.

The [Consolidated Screening List](#) (CSL) is a list of parties for which the U.S. Government maintains restrictions on certain exports, reexports or transfers of items.

If there is reason to believe a violation is taking place or has occurred, report it to the Department of Commerce by calling the 24-hour [hotline](#) at +1(800) 424-2980, or via the confidential lead page.

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

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

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

For additional information on [ECR](#).

BIS provides a variety of training sessions to U.S. exporters throughout the year. These sessions range from one to two-day seminars and focus on the basics of exporting as well as more advanced topics. Check a list of [upcoming seminars](#).

For further details about the Bureau of Industry and Security and its programs, please visit the [BIS website](#).

Czech Republic 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. In addition to the Department of Commerce, Bureau of Industry and Security, companies can also obtain guidance from their local Department of Commerce Export Assistance Center.

Temporary Entry

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 Department of Commerce Export Assistance Center. Commercial samples of zero or low value can usually be imported free of customs duty by means of a written statement to Czech customs confirming the value of the sample and that it will stay in the possession of the importing entity. Promotional materials must be clearly marked 'no commercial value' in order to clear customs.

Companies may export goods to the Czech Republic for temporary use 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 with Czech Customs. When the goods are re-exported, three percent of the duty value per month (when the goods were in the Czech

Republic) must be paid if the goods were used (maximum will not exceed the full duty amount). The potential customs debt must be secured by a guarantee.

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

Prohibited & Restricted Imports

The Integrated Tariff of the European Union (Tarif Intégré de la Communauté – TARIC) is designed to show various rules that apply to specific products imported into the customs territory of the EU or, in some cases, when exported from it. To determine whether a product is prohibited or subject to restriction, check the TARIC for the following codes:

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

For information on how to access the TARIC, see the Import Requirements and Documentation Section above.

Customs Regulations

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

[The Customs Administration of the Czech Republic](#)

Budejovicka 7, 140 96 Praha 4

Tel: +420 261 331 111

Standards for Trade

Overview

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

For further information on EU regulations pertaining to standards, please refer to *Doing Business in the European Union: 2018 Country Commercial Guide for U.S. Companies* at www.export.gov/ccg/.

Agricultural Standards

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

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

Standards

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

For further information on EU regulations pertaining to standards, please refer to *Doing Business in the European Union: 2018 Country Commercial Guide for U.S. Companies* at www.export.gov/ccg/.

Testing, inspection and certification

Conformity Assessment is a mandatory step for the manufacturer in the process of complying with specific EU harmonized legislation. The purpose of conformity assessment is to ensure consistency of compliance during all stages, from design to production, to facilitate acceptance of the final product. EU product legislation gives manufacturers some choice regarding conformity assessment, depending on the level of risk involved in the use of their product. These range from self-certification, type examination and production quality control system, to full quality assurance system.

For further information on EU testing, inspection and certification, please refer to *Doing Business in the European Union: 2018 Country Commercial Guide for U.S. Companies* at www.export.gov/ccg/.

Publication of technical regulations

[The Official Journal of the EU](#) is the official publication of the European Union. It is published daily on the internet and consists of two series covering adopted legislation as well as case law, studies by committees. It also lists the [standards reference numbers linked to legislation](#).

[National technical regulations](#) are published on the Commission's website to allow other countries and interested parties to comment.

National Institute of Standards and Technology's (NIST) Notify U.S. Service

Members of the World Trade Organization (WTO) are required under the Agreement on Technical Barriers to Trade (TBT Agreement) to notify to the WTO proposed technical regulations and conformity assessment procedures that could affect trade. Notify U.S. (www.nist.gov/notifyus) is a free, web-based e-mail registration service that captures and makes available for review and comment key information on draft regulations and conformity assessment procedures. Users receive customized e-mail alerts when new notifications are added by selected country(ies) and industry sector(s) of interest, and can also request full texts of regulations. This service and its associated web site are managed and operated by the USA WTO TBT Inquiry Point housed within the National Institute of Standards and Technology, part of the U.S. Department of Commerce.

Contact Information

Commercial Service Prague

Zdenek Svoboda, Commercial Assistant

Zdenek.Svoboda@trade.gov

Tel: +420 257 022 323

U.S. Mission to the EU

Marianne Drain, Standards Attaché

Marianne.Drain@trade.gov

Tel: +32 2 811 5034

Liliana Popescu, Commercial Specialist

Liliana.Popescu@trade.gov

Tel: +32 2 811 5001

National Institute of Standards and Technology

Gordon Gillerman Standards Coordination Office

100 Bureau Dr.

Mail Stop 2100

Gaithersburg, Maryland 20899

Tel: (301) 975-4000

Please refer to *Doing Business in the European Union: 2018 Country Commercial Guide for U.S. Companies* at www.export.gov/ccg/ for a list of EU standards contacts.

Trade Agreements

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

For a list of trade agreements with the EU and its Member States, as well as concise explanations, please check [European Commission's](http://www.european-commission.eu) website.

Licensing Requirements for Professional Services

The Czech Republic is an open economy and there are no major limitations on selling U.S. services in the country. In some cases, limitations may occur in specific grants or tenders, especially in regard to the requirement to have an established office in the Czech Republic or European Union countries. Some sectors, including banking, financial services, insurance, or media have certain limitations or registration requirements, and foreign entities need to register their permanent branches in the Czech Commercial Register. Some professions, such as architects, physicians, lawyers, and tax advisors, require membership in the appropriate professional chamber. These licensing and membership requirements apply equally to foreign and domestic professionals.

For further information on EU licensing requirements for professional services, please refer to *Doing Business in the European Union: 2018 Country Commercial Guide for U.S. Companies* at www.export.gov/ccg/.

Web Resources

EU websites

For a list of EU websites, please refer to *Doing Business in the European Union: 2018 Country Commercial Guide for U.S. Companies* at www.export.gov/ccg/.

U.S. websites

[National Trade Estimate Report on Foreign Trade Barriers](#)

[Agricultural Trade Barriers](#)

[Trade Compliance Center](#)

[U.S. Mission to the European Union](#)

[The New EU Battery Directive](#)

The Latest on [REACH](#)

[CE Marking](#)

[WEEE and RoHS in the EU](#)

[Overview of EU Certificates \(FAS\)](#)

[Center for Food Safety and Applied Nutrition](#)

[Trade Agreements](#)

Investment Climate Statement

Executive Summary

The Czech Republic is a medium-sized, open, export-driven economy with 80 percent of its GDP based on exports – mostly from the automotive and engineering industries. According to the Czech Statistical Office, most of the country’s exports go to the European Union (EU), with around 40 percent going to Germany alone. The Czech banking sector remains healthy. The country has enjoyed some of the highest GDP growth rates of the EU, with 4.6 percent GDP growth in 2017.

The Czech National Bank ended its foreign exchange intervention in the Czech crown (CZK) in April 2017, which had kept the crown at 27 to the euro (EUR). Since then, the CZK has appreciated by about 5 percent against the EUR and by more than 13 percent against the U.S. dollar (USD), according to Bloomberg. The crown is fully convertible and all international transfers of investment-related profits and royalties can be carried out freely. While the Czech Republic meets the Maastricht criteria for adoption of the EUR and agreed to join the Eurozone under the country’s EU accession agreement, the Czech government has said it will not seek to join the common currency in the next few years and the possibility remains widely unpopular among Czech voters.

The Czech Republic fully complies with EU and the Organization for Economic Co-operation and Development (OECD) standards for labor laws and equal treatment of foreign and domestic investors. Labor laws are comparable with those of most developed nations. While wages continue to trail those in neighboring Western European countries (Czech wages are roughly one-third of comparable German wages), they have risen about five to seven percent annually over the past two years, according to the Czech Statistical Office. The country is now facing a labor shortage as most companies struggle to find workers with the unemployment rate hovering below three percent – the lowest rate in the EU. The 1992 U.S.-Czech Bilateral Investment Treaty provides for international arbitration of investor–state disputes.

Great strides have been taken since the fall of communism to open the market to competition and privatization, but the Czech Republic still lacks sufficient enforcement of anti-trust violations. The Czech Republic is committed to improving transparency and reducing corruption. Czech intellectual property rights (IPR) protections are still not optimal, especially in the area of cyberspace, but IPR protections are enforced.

There are few restrictions on foreign investment except in certain sectors that require access to sensitive information. The Czech Republic has taken strides to diversify its traditional investments in engineering into new fields of research and development and innovative technologies. EU structural funding has enabled the country to open a number of world-class scientific and high-tech centers. EU member states are the largest investors, but the government has signaled a desire to seek more investment opportunities from non-European countries, including the United States, China, and South Korea.

Table 1

Measure	Year	Index/Rank	Website Address
TI Corruption Perceptions Index	2017	42 of 180	www.transparency.org/research/cpi/overview
World Bank’s Doing	2018	30 of 190	www.doingbusiness.org/rankings

Global Innovation Index	2017	24 of 127	www.globalinnovationindex.org/analysis-indicator
U.S. FDI in Partner Country (M USD, stock positions)	2016	5510	www.bea.gov/international/factsheet/
World Bank GNI per capita	2018	17,570	http://data.worldbank.org/indicator/NY.GNP.PCAP.CD

Openness to and Restrictions upon Foreign Investment

Policies Towards Foreign Direct Investment

The Czech government actively seeks to attract foreign investment via policies that make the country an attractive destination for companies to locate, operate, and expand. Act No. 72/2000 allows the Czech government to give investment incentives to investors who make new investments or expand their existing investments in the country. CzechInvest, the government investment promotion agency that operates under the Ministry of Trade and Industry, negotiates on behalf of the Czech government with foreign investors. In addition, CzechInvest provides: assistance during implementation of investment projects, consulting services for foreign investors entering the Czech market, support for suppliers, and assistance for the development of innovative start-up firms.

The Czech Republic is a recipient of substantial foreign direct investment (FDI). As a medium-sized, open, export-driven economy, the Czech economy is strongly dependent on foreign demand, especially from the Eurozone. In 2017, almost 80 percent of Czech exports went to fellow EU member states, with more than 60 percent of this volume shipped to the Eurozone and 40 percent to the Czech Republic’s largest trading partner, Germany, according to the Czech Statistical Office. The global economic crisis pulled the Czech Republic into its longest historical recession and highlighted its sensitivity to economic developments in the Eurozone. Since emerging from recession in 2013, the economy has enjoyed some of the highest GDP growth rates of the European Union. In 2015, GDP growth reached 5.3 percent, followed by 2.6 percent in 2016. The 2017 GDP growth rate of 4.6 percent was the second best performing year in the last decade, according to the Czech Statistical Office.

The Czech trade balance has been positive every year since 2005, and in 2016 and 2017 rose substantially, with surpluses of around USD20.5 billion and USD18.9 billion, respectively. Export revenues were just over 83.2 percent of GDP in 2016, according to the Czech Statistical Office. The main export commodities are automobiles, machinery, and information and communications technology.

The Czech Republic has no plans to adopt the EUR and instead has taken a wait-and-see approach to taking on the common currency. Economic difficulties in the Eurozone during the global downturn weakened public support for the country’s adoption of the EUR, as did the more recent Greek crisis, and the current government opposes setting a target date for accession.

Some unfinished elements in the economic transition, such as the slow pace of legislative and judicial reforms, have posed obstacles to investment, competitiveness, and company restructuring. The Czech government has

harmonized its laws with EU legislation and the *acquis communautaire*. This effort involved positive reforms of the judicial system, civil administration, financial markets regulation, intellectual property rights protection, and in many other areas important to investors.

While there have been many success stories involving American and other foreign investors, a handful have experienced problems, mainly in heavily regulated sectors of the economy, such as media. The slow pace of the courts is often compounded by judges' lack of familiarity with commercial or intellectual property law.

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

Since 1990, the Czech Republic has become one of the leading destinations for FDI in the region. Total foreign investment in the Czech Republic (equity capital + reinvested earnings + other capital) equaled USD121.9 billion at the end of 2016, compared to USD116.6 billion in 2015. The increased activity of foreign investors reflects the solid state of the Czech economy and recovery in Europe. Of these, CzechInvest negotiated 76 new investment projects by foreign investors in the Czech Republic in 2016, worth USD1.95 billion.

Limits on Foreign Control and Right to Private Ownership and Establishment

Foreign individuals or entities can operate a business under the same conditions as Czechs. Some areas, such as banking, financial services, insurance, or defense equipment have certain limitations or registration requirements, and foreign entities need to register their permanent branches in the Czech Commercial Register. Some professionals, such as architects, physicians, lawyers, auditors, and tax advisors, must register for membership in the appropriate professional chamber. In general, licensing and membership requirements apply equally to foreign and domestic professionals.

As of early 2012, U.S. and other non-EU nationals can purchase real property, including agricultural land, in the Czech Republic without restrictions. Czech legal entities, including 100 percent foreign-owned subsidiaries, may own real estate without any limitations. The right of foreign and domestic private entities to establish and own business enterprises is guaranteed by law. Enterprises are permitted to engage in any legal activity with the previously noted limitations in sensitive sectors. Laws on auditing, accounting, and bankruptcy are in force, including the use of international accounting standards (IAS).

The government does not differentiate between foreign investors from different countries, and does not screen foreign investment projects other than in the banking, insurance, and defense sectors for money laundering, transparency, origin of funds, and security purposes. Following the European Commission (EC) September 2017 investment screening proposal, the Czech government is expected to launch expert discussions on developing an investment screening mechanism that would effectively combine the national screening criteria with those newly proposed by the EC.

U.S. investors are not disadvantaged or singled out by any of the aforementioned Czech policies. The U.S.-Czech Bilateral Investment Treaty contains specific guarantees of national treatment and Most Favored Nation treatment for U.S. investors in all areas of the economy other than insurance and real estate (see the section on the Bilateral Investment Treaty below).

Other Investment Policy Reviews

The Czech Republic scores well on recent "doing business" surveys. For example, the World Bank's Doing Business 2018 Economic Profile and the Economist Intelligence Unit provide further detail on the Czech Republic's investment climate. More information can be found at <http://www.doingbusiness.org/data/exploreeconomies/czech-republic>.

Business Facilitation

Individuals have a number of bureaucratic requirements to set up a business or operate as a freelancer or contractor. The Ministry of Industry and Trade provides an electronic guide on obtaining a business license, presenting step-by-step assistance, including links to related legislation and statistical data, and specifying authorities with whom to work (such as business registration, tax administration, social security, and municipal authorities), available at: <https://www.mpo.cz/en/business/licensed-trades/guide-to-licensed-trades/>. The Ministry of Industry and Trade has also established regional information points to provide consultancy services related to doing business in the Czech Republic and EU. A list of contact points is available at: <http://www.businessinfo.cz/en/psc.html>.

Establishing a business requires visits to various Czech offices and on average takes nine days. The Czech Republic's Business Register is publicly accessible and provides details on business entities. An application for an entry into the Business Register can be submitted in a hard copy, via a direct entry by a public notary, or electronically, subject to meeting online registration criteria requirements. The Business Register is publically available at: https://www.czso.cz/csu/res/business_register. The Czech Republic's Trade Register is an online information system that collects and provides information on entities facilitating small trade and craft-oriented business activities, as specifically determined by related legislation. It is available online at: <http://www.rzp.cz/eng/index.html>.

The Ministry of Industry and Trade has two organizations that promote trade and investment. CzechTrade supports the development of international trade and cooperation between Czech and foreign entities and offers information and assistance to exporters and investors to facilitate business between Czech and foreign businesses. CzechInvest, established in 1992, seeks to attract foreign investment and develop domestic companies through its services and development programs. The organization also runs a number of EU programs to promote business. The organization also has the mandate to offer investment incentives to foreign investors.

Outward Investment

While the government does not restrict domestic investors from investing abroad, the volume of outward investment remains significantly lower than incoming FDI. This is primarily due to the fact that most Czech companies have only gotten to a point in the last few years where they are mature enough and generate sufficient capital to seek out more distant markets like the United States. The Czech government does not incentivize outward investment.

Bilateral Investment Agreements and Taxation Treaties

The Czech Republic and the United States have a bilateral investment treaty (BIT). The government of Czechoslovakia signed the original BIT with the United States in 1992, and the Czech Republic adopted this treaty in 1993, after the split with Slovakia. The Czechs amended the treaty in 2003, along with other new EU entrants that had U.S. BITs, following negotiations with the European Commission about conflicts within the EU *acquis communautaire*.

Several dozen other countries have signed and ratified investment agreements with the Czech Republic, and some are in the process of ratification. The full list of agreements, including ratification dates, can be found on the Ministry of Finance website in Czech only at <http://www.mfcr.cz/cs/legislativa/dohody-o-podpore-a-ochrane-investic/prehled-platnych-dohod-o-podpore-a-ochra>.

A bilateral U.S.-Czech Convention on Avoidance of Double Taxation has been in force since 1993. In 2007, the U.S. and Czech governments signed a bilateral Totalization Agreement that exempts Americans working in the Czech Republic from paying into both the Czech and U.S. social security systems. The agreement took effect January 1, 2009. In 2013, the U.S. and Czech governments signed a Supplementary Totalization Agreement

amending the original agreement to reflect new Czech legislation on health insurance. In 2014, the United States and the Czech Republic signed an Agreement on Improvement of International Tax Compliance and to implement the Foreign Account Tax Compliance Act (FATCA).

Legal Regime

Transparency of the Regulatory System

Tax, labor, environment, health and safety, and other laws generally do not distort or impede investment. Policy frameworks are consistent with a market economy. Fair market competition is overseen by the Office for the Protection of Competition (UOHS) <http://www.uohs.cz/en/homepage.html>. UOHS is a central administrative body entirely independent in its decision-making practice. The office is mandated to create conditions for support and protection of competition and to supervise public procurement and state aid.

All laws and regulations in the Czech Republic are published before they enter into force. Opportunities for prior consultation on pending regulations exist, and all interested parties, including foreign entities, can participate. A biannual governmental plan of legislative and non-legislative work is available online, along with information on draft laws and regulations (often only in the Czech language). Business associations, consumer groups, and other non-governmental organizations, including the American Chamber of Commerce, can submit comments on laws and regulations. Laws on auditing, accounting, and bankruptcy are in force. These laws include the use of international accounting standards (IAS) for consolidated corporate groups.

International Regulatory Considerations

Membership in the EU requires the Czech Republic to adopt EU laws and regulations, including rulings by the European Court of Justice (ECJ).

Czechoslovakia (the predecessor to the Czech Republic) was a founding member of the GATT in 1947, and a member of the World Trade Organization (WTO). Since the country's entry into the EU in 2004, the European Commission – an independent body representing all EU members – oversees Czech interests in the WTO.

Legal System and Judicial Independence

The Czech Commercial Code and Civil Code are largely based on the German legal system, which follows a continental legal system where the principle areas of law and procedures are codified. The commercial code details rules pertaining to legal entities and is analogous to corporate law in the United States. The civil code deals primarily with contractual relationships among parties.

The Czech Civil Code, Act. No. 89/2012 Coll. and the Act on Business Corporations, Act No. 90/2012 Coll. (Corporations Act) govern business and investment activities. The Act on Business Corporations introduced substantial changes to Czech corporate law such as supervision over the performance of a company's management team, decision-making process, and remuneration and damage liability. Detailed provisions for mergers and time limits on decisions by the authorities on registration of companies are covered, as well as protection of creditors and minority shareholders.

The judiciary is independent, but decisions may vary from court to court. The reason for diverse legislative approaches may well be the fact that the new civil code did not only rewrite the system, but also introduced new terminology. Consequently, the two substantive laws, the Penal Code and the Civil Code, have been adopted without a new procedural law to explain how the laws should be applied, which would allow courts to proceed according to clearly outlined jurisdictional guidelines. Regulations and enforcement actions are appealable and the judicial process is procedurally competent, fair, and reliable.

Laws and Regulations on Foreign Direct Investment

The Foreign Direct Investment agenda is governed by the Civil Code and by the Act on Business Corporations.

The Czech Ministry of Industry and Trade maintains a “doing business” website at <http://www.businessinfo.cz/en/> which aids foreign companies in establishing and managing a foreign-owned business in the Czech Republic, including navigating the legal requirements, licensing, and operating in the EU market.

Competition and Anti-Trust Laws

The Office for the Protection of Competition (UOHS) is the central authority responsible for creating conditions that favor and protect competition. UOHS also supervises public procurement and monitors state aid programs. UOHS is led by a chairperson who is appointed by the president of the Czech Republic for a six-year term.

Expropriation and Compensation

Government acquisition of property is done only for public purposes in a non-discriminatory manner and in full compliance with international law. The process of tracing the history of property and land acquisition by potential investors can be complex and time-consuming, but it is necessary to ensure clear title. Title insurance is still a relatively new concept in the Czech Republic. Investors participating in privatization of state-owned companies are protected from restitution claims through a binding contract with the government.

Dispute Settlement

ICSID Convention and New York Convention

The Czech Republic is a signatory and contracting state to the Convention on the Settlement of Investment Disputes between States and Nations of Other States (ICSID Convention). It also has ratified the convention on the Recognition and Enforcement of Arbitral Awards (New York Convention of 1958), which obligates local courts to enforce a foreign arbitral award if it meets the legal criteria.

Investor-State Dispute Settlement

In 1993, the Czech Republic became a member state to the ICSID Convention. The 1993 U.S.-Czech Bilateral Investment Treaty contains provisions regarding the settling of disputes through international arbitration.

International Commercial Arbitration and Foreign Courts

Mediation is an option in nearly every area of law including family law, commercial law, and criminal law. Mediators can be contracted between the parties to the dispute and found through such sources as the Czech Mediators Association, the Czech Bar Association, or the Union for Arbitration and Mediation Procedures of the Czech Republic. A number of other non-governmental organizations (NGOs) and entities work in the area of mediation. Directive 2008/52/EC allows those involved in a dispute to request that a written agreement arising from mediation be made enforceable. The results of mediation may be taken into account by the public prosecutor and the court in their decision in a given case. The local courts recognize and enforce foreign arbitral awards issued against the government.

Bankruptcy Regulations

A significant amendment to the bankruptcy law came into force on June 1, 2017. The amendment includes provisions prohibiting insolvency tourism, restriction of voting rights of the creditors from the debtor’s group, provisions against “bullying” insolvency petitions, and stricter rules for documenting the existence of a claim when filing a creditor’s insolvency petitions. It also sets penalties for bankruptcy administrators of up to CZK5 million (USD200,000) for serious administrative violations such as failure to state the address of the bankruptcy administrator where the administrator actually executes his activities. The 2018 edition of the World Bank’s Doing Business Report ranked the Czech Republic twenty-fifth for ease of resolving insolvency.

There is a nationwide Central Register of Credits for the Czech Republic, governed by the Czech National Bank, which serves as the country's credit monitoring authority.

Industrial Policies

Investment Incentives

The Czech Republic offers incentives to foreign and domestic firms that invest in the manufacturing sector, technology, research and development centers, business support service centers, and others. Incentives are funded from the Czech Republic's national budget as well as from European Union Structural Funds. In October 2017, the government approved amendments to the existing legislation on investment incentives to address a necessary shift from supporting manufacturing toward support of projects with higher added value such as science and technology and business support services centers. The amended legislation should take effect in the first half of 2019.

Foreign Trade Zones/Free Ports/Trade Facilitation

Both Czech and EU laws permit foreign investors involved in joint ventures to take advantage of commercial or industrial customs-free zones into which goods may be imported and later exported without depositing customs duty. Free trade zone treatment means duties need to be paid only in the event that the goods brought into the free trade zone are introduced into the local economy. Since the Czech Republic became part of the single customs territory of the European Community, and now offers various exemptions on customs tariffs, the original tariff-driven use of these free trade zones has declined. While there were some instances of abuse of customs-free zones for tax evasion purposes, new Customs Act No. 242/2016 Coll. now precludes this practice by repealing a clause on exemption from value added taxation in customs-free zones.

Performance and Data Localization Requirements

The Czech Republic abides by EU law governing data localization and performance. That being said, within the EU, the Czech Republic is highly critical of data localization policies. On December 2, 2016, it published a joint statement alongside 13 other countries stressing the importance of the free flow of data within Europe.

The host government does not mandate local employment. There are no government-imposed conditions on permission to invest. The host government does not follow "forced localization."

The visa process for non-EU foreign investors and their employees is time consuming and slow, but the requirements are the same for domestic, EU, and non-EU companies. Worker mobility is currently a difficult issue for all companies operating in the Czech Republic due to the extremely low unemployment rate.

Protection of Property Rights

Real Property

Real estate (land and buildings) located in the Czech Republic must be registered in the Cadastral Register under the Cadastral Office. The Cadastral Register, containing information on plots of land and buildings, housing units and non-residential premises, liens, and other information, is publicly available in the local Cadastral Register. Transfer of ownership title to real estate (e.g., sale and purchase agreement) is effective from the date of execution of a written agreement and registration of the transfer of the ownership title in the Cadastral Register. The Czech Republic ranked 32nd for ease of registering property in the 2018 World Bank's Doing Business Index.

There is a negligible proportion of land that does not have clear title. If property legally purchased is unoccupied, property ownership does not revert to squatters.

Intellectual Property Rights

The Czech Republic is a signatory to the Bern, Paris, and Universal Copyright Conventions. In 2001, the government ratified the World Intellectual Property Organization (WIPO) Copyright Treaty and the WIPO Treaty on Performances and Phonograms. Domestic legislation protects all intellectual property rights, including patents, copyrights, trademarks, industrial designs, and utility models. Amendments to the trademark law and the copyright law have brought Czech law into compliance with relevant EU directives and WTO Trade-Related Aspects of Intellectual Property Rights (TRIPS) requirements. The customs service and the Czech Commercial Inspection have legal authority to seize counterfeit goods. The Criminal Code, which came into effect January 1, 2010, increased maximum penalties for trademark, industrial rights, and copyright violations from two to eight years. Information on seizures of counterfeit goods and cases of IPR infringement are tracked by [the Customs Office](#).

IPR violations at markets on the borders of Germany and Austria were once an issue of great concern, but since 2008 Czech authorities have made substantial efforts against physical markets and have adopted an acceptable legal framework for IPR protection. In recognition of this fact, USTR removed the Czech Republic from the Special 301 Watch List in 2011. While online piracy is a growing concern, the legal framework for IPR protection has been tested and proven successful in punishing infringers. The Czech Republic is not listed in the Notorious Markets Report.

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

Financial Sector

Capital Markets and Portfolio Investment

The Czech Republic is open to portfolio investment. The Prague Stock Exchange (PSE) is small, with only 13 listed companies. Over the past year, some of these companies threatened to withdraw from the exchange. The overall trade volume of stocks decreased from CZK 168.03 billion (USD6.8 billion) in 2016 to CZK 138.78 billion (USD5.8 billion) in 2017, with an average daily trading volume of CZK 555.13 million (USD23.0 million). The PSE index, which had stagnated for the past five years, increased by 14.3 percent in 2017, according to the Prague Stock Exchange 2017 Annual Report.

In March 2007, the PSE created the Prague Energy Exchange (PXE) to trade electricity in the Czech Republic and Slovakia and, later, Hungary. PXE's goal is to increase liquidity in the electricity market and create a standardized platform for trading energy. Following a June 2017 merger of PXE's trading platform with German power exchange EEX, the PXE benefited from both an increased number of traders and increased trade volume.

The Czech National Bank, as the financial market supervisory authority, sets rules to safeguard the stability of the banking sector, the capital markets, the insurance industry, and the pension scheme industry, and systematically regulates, supervises and, where appropriate, issues penalties for non-compliance with these rules.

The Central Credit Register (CCR) is an information system that pools information on the credit commitments of individual entrepreneurs and legal entities, and facilitates the efficient exchange of this information between CCR participants. CCR participants consist of all of the banks and branches of foreign banks carrying on business in the Czech Republic, as well as other persons where so provided in a special legislative act.

As an EU member country, the local market provides credits and credit instruments on market terms. Foreign investors are able to get credit on the local market and a variety of credit instruments are available.

The Czech Republic respects IMF Article VIII.

Money and Banking System

Large domestic banks belong to European banking groups. Most operate conservatively and concentrate almost exclusively on the domestic Czech market. As a result, Czech banks remained relatively healthy throughout the last global financial crisis. Results of regular banking sector stress tests, as conducted by the Czech National Bank, repeatedly confirm the outstanding state of the Czech banking sector, presenting a capital adequacy ratio exceeding 18 percent, on average, which is deemed sufficient resistance to potential shocks. The stress test conditions developed by the Czech National Bank present substantially stricter criteria than those established by the European Central Bank (ECB). [Results of the most recent stress test](#) conducted by the Czech National Bank are available at [As of December 31, 2017](#), the total assets of commercial banks stood at CZK7.06 trillion (approximately USD336 billion), according to the Czech National Bank. Foreign investors have access to bank credit on the local market, and credit is generally allocated on market terms. Domestic household borrowing in foreign currencies is negligible.

The Czech National Bank has 10 correspondent banking relationships. The Czech Republic has not lost any correspondent banking relationships in the past three years and there are no relationships in jeopardy.

The Czech National Bank does not determine crypto currencies to be standard currency units and, therefore, does not regulate them. An amendment to the Anti-Money Laundering Act No. 253/2008 Col., effective from January 2017, expands the list of entities that are likely to be confronted with money laundering cases as a result of access to virtual currencies, such as currency platforms and wallet providers, and subjects them to additional reporting requirements.

Foreign Exchange and Remittances

Foreign Exchange Policies

The CZK is fully convertible. From November 2013 to April 2017, the Czech National Bank intervened to weaken the CZK relative to the EUR, and to prevent deflation. In April 2017, the Czech National Bank returned to conventional monetary policy and the CZK floats freely. The Czech National Bank supervises the foreign exchange market and its compliance with foreign exchange regulations. The law permits conversion into any currency.

Imports or exports equal to or exceeding EUR10,000 (~USD12,200) in cash, travelers' checks, money orders, securities, other investment tools or commodities of high value (such as precious metals or stones) must be declared at the border.

Remittance Policies

All international transfers of investment-related profits and royalties can be carried out freely. The U.S.-Czech Bilateral Investment Treaty guarantees repatriation of earnings from U.S. investments in the Czech Republic. However, a 15 percent withholding tax is charged on repatriation of profits from the Czech Republic. This tax is reduced under the terms of applicable double taxation treaties. There are no administrative obstacles for removing capital. The average delay for remitting investment returns meets the international standard of three working days.

Mk Sovereign Wealth Funds

The Czech government does not operate a sovereign wealth fund.

State-Owned Enterprises

The Ministry of Finance administers ownership rights of state-owned enterprises (SOEs). Potential conflicts of interest are covered by existing Act No. 159/2006 on Conflicts of Interest, and newly adopted Act No. 14/2017 on Amendments to the Act on Conflict of Interest. Legislation on the civil service, which took effect January 1,

2015, established measures to prevent political influence over public administration, including operation of SOEs.

Private enterprises are generally allowed to compete with public enterprises under the same terms and conditions with respect to access to markets, credit, government contracts and other business operations, although there are frequent accusations that large domestic companies – including both SOEs and private firms – use their political clout and connections to gain unfair advantage. SOEs purchase or supply goods or services from private sector/foreign firms. SOEs are subject to the same domestic accounting standards, rules, and taxation policies as their private competitors, and are not given any material advantages compared to private entities. State-owned or majority state-owned companies are present in several (strategic) fields, including the energy, postal service, information & communication, and transport sectors.

SOEs are usually structured as joint-stock companies. They do not report directly to government ministries, but are managed by a board of directors (statutory body) and a supervisory board that generally includes representatives of the government and trade unions (representing employees, both union and non-union, as required by law). Like privately owned joint-stock companies, the SOEs are fully responsible for their obligations toward third parties, although shareholders are not personally liable for a company's obligations. SOEs are required by law to publish an annual report, disclose their accounting books, and submit to an independent audit. Private enterprises and SOEs carry out procurement in accordance with the Act on Public Procurement No. 134/2016, and its addendum No. 147/2017, which is fully harmonized with the existing EU legislation on public procurement.

The Czech Republic has 13 wholly-owned SOEs and five majority-owned SOEs. Wholly-owned SOEs employ roughly 80,000 people, have more than USD18 billion in annual income, and own more than USD42 billion in assets. A [list of all companies with some percentage of state ownership](#) is available in Czech.

As an OECD member, the Czech Republic promotes the OECD Principles of Corporate Governance and the affiliated Guidelines on Corporate Governance for SOEs. SOEs are subject to the same legislation as private enterprises regarding their commercial activities.

Privatization Program

According to the Ministry of Finance, as a result of several waves of privatization of formerly state-owned companies since 1989, over 90 percent of the Czech economy is now in private hands. Privatization programs have generally been open to foreign investors. In fact, most major state-owned companies were privatized with foreign participation. The government evaluates all investment offers for state enterprises. Many complainants have alleged non-transparent or unfair practices in connection with past privatizations. No privatization program is currently underway.

Responsible Business Conduct

The concept of responsible business conduct (RBC) is now widely understood and every year is implemented by more companies in the Czech Republic. The government understands and supports the concept of corporate social responsibility (CSR).

In April 2014, the Czech government adopted a National Action Plan (NAP) for CSR. The major goal of the NAP is to establish fundamental principles and to support and encourage CSR, highlighting that CSR should remain a voluntary policy. In 2015, the Sustainable Development Section of the Quality Council of the Czech Republic - an advisory and coordination body of the government - actively encouraged CSR in the Czech Republic through creation of a National Informational CSR Portal that provides businesses, NGOs, representatives of state administration, and the public with updates related to CSR in the Czech Republic. In 2016, the government updated the NAP to address public tenders and encourage businesses and state administration to consider the potential long-term social and environmental impacts of their procurement decisions instead of deciding

strictly based on financial costs. The new NAP (2019-2023) is currently being prepared by the Ministry of Industry and Trade with input from NGOs, expert individuals, the private sector, and academic institutions.

Post is not aware of any controversial instances of corporate impact on human rights. The government strictly and effectively enforces legislation in the area of human rights, labor rights, consumer protection, and environmental protection to protect individuals from adverse business impacts. Domestic standards are generally very high and in many instances exceed EU-wide requirements. Negligence or failure to comply with this legislation results in serious consequences.

Shareholders are protected by developed legislation that clearly describes legal processes, organizational structures, administration, and management of all business components, including stakeholders.

Companies are not required to disclose publicly information about their RBC or CSR activities. Various local NGOs monitor and advise CSR programs, such as the Association for Corporate Social Responsibility, the Business Leaders Forum, Business for Society, and the CSR Committee of the American Chamber of Commerce. The Association for CSR is the host entity in the Czech Republic for the UN Global Compact, a UN strategic policy initiative for businesses that are committed to aligning their operations and strategies with 10 universally accepted principles in the areas of human rights, labor, environment, and anti-corruption.

The host government encourages local as well as foreign enterprises to follow generally accepted RBC principles on grounds of adherence to the OECD Guidelines for Multinational Enterprises (MNE) and to the United Nations Guiding Principles of Business and Human Rights. The OECD Guidelines for MNE are actively promoted by the National Contact Point (NCP) and the United Nations Principles are being reviewed at the Office of the Government, with the goal to issue a separate national action plan to secure its implementation. The NCP working group consists of representatives of the government, employer organizations (Confederation of Industry and Trade), employee organizations (Czech-Moravian Confederation of Trade Unions), and NGOs (Frank Bold). The NCP closely and actively cooperates with other regional NCPs to share best practices, procedures, and experience.

The host government adheres to the OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Afflicted and High-Risk Areas. The implementer of this agenda in the Czech Republic is the Ministry of Industry and Trade.

The Czech Republic does not have any significant oil and natural gas resources and is dependent on purchasing these commodities from abroad. There are no special domestic transparency measures requiring the disclosure of payments made to governments for projects related to the commercial development of oil, natural gas, or minerals. Payments for extraction of minerals in the Czech Republic abide by the Mining Law, which requires that payments are processed for extracted minerals as well as for mined areas. International trade with oil, natural gas, and minerals is not subject to any special legislation; it follows the general rules of international trade. The Czech Republic is not an Extractive Industries Transparency Initiative (EITI)-compliant country or an EITI candidate.

Corruption

Despite concerns about corruption, U.S. companies have not been significantly deterred from investing in the Czech Republic. Current law criminalizes both payment and receipt of bribes, regardless of the perpetrator's nationality. Prison sentences for bribery or abuse of power can be as high as 12 years for officials. Corruption of public officials is prosecuted on the regional level to ensure that prosecutors have specialized knowledge and avoid bias; the government believes that regional prosecutors know the local environment and actors better than their colleagues on the national level. There have been several successful cases prosecuting corruption, but cases are often lengthy and face many delays. The 2016 police reform merged the special Organized Crime Police Unit (UOOZ) and the Unit for Combating Corruption and Serious Financial Criminality

(UOKFK) into a new body called the National Center for Organized Crime (NCOZ). NCOZ is now primarily responsible for investigating high-level corruption cases. Anti-corruption laws apply equally to Czech and foreign investors. Criminal procedure law allows for the seizure of criminal proceeds paid or transferred to family members of corrupt officials, although their prosecutions depend on evidence.

Czech law obliges legislators, members of the cabinet, and other selected public officials to declare their assets annually. The public can view the declarations with limited content on a website, but access to more details remains complicated because it requires a password issued by the Justice Ministry that is only valid for 30 days.

In addition to the financial disclosure law, the Bohuslav Sobotka government (2014-2017) was successful in passing an amendment to the law on public procurement, a law on the register of public tenders, and a law on transparent financing of political parties. The government failed to enact a debated bill on the public prosecution service that contained measures to ensure stronger prosecutor independence. The amended law on public procurement seeks to counter conflict-of-interest in awarding contracts or government procurement.

The government ratified the OECD Anti-Bribery Convention in January 2000 and the UN Convention against Corruption in January 2014. According to the 2017 OECD Phase 4 Evaluation Report, the Czech Republic demonstrates its commitment to improvement in the implementation of the Convention; however, it must take significant steps to enforce its foreign bribery laws and its efforts to detect, investigate, and prosecute foreign bribes. The report calls for better protection of whistleblowers and for better implementation of the criminal liability of legal entities law that has been amended six times since it came into force in 2012. Based on the report, no legal person has been prosecuted for the bribery of foreign public officials.

In October 2016, the government passed a new public procurement law that introduces new tools for evaluation of tenders that takes into account not only the price, but also the quality of the offer. The law also requires every contracting authority to post the winning contract on its public profile within 15 working days after the contract has been signed and increases the threshold for the simplified procedure of construction tenders from CZK10 to CZK50 million (USD2.5 million). Many NGOs criticized this amendment because many construction tenders fall under CZK50 million, resulting in decreased transparency. The law requires more than one bidder for all procurements and requires bidders to disclose more of their ownership structure in the bidding process, but it also contains some exceptions to those obligations. American businesses have expressed some concerns about such frequent changes in competition policies as obstacles to investment.

The government encourages companies to establish internal codes of conduct that, among other things, prohibit bribery of public officials. Many companies have adopted such codes but it is not an obligatory government requirement.

An amendment to the Law on the Central Registry of Contracts was enacted in December 2015 and took effect July 1, 2016. The amendment requires all national, regional, and local authorities and companies to make public all newly concluded contracts valued at CZK50,000 (USD2,400) or more. As of July 1, 2017 contracts not posted publicly in the Registry within 30 days will not be acknowledged as effective. [The Registry of Contracts](#) has its own government web page in Czech.

Several NGOs such as Oziveni, Transparency International, and Anticorruption Endowment receive corruption reports online. In 2015, Oziveni introduced a new software GlobalLeaks that enables absolute anonymity to those who decide to report corruption. While there is not a specific law to protect NGOs involved in investigating corruption, NGO activities are protected under the Charter of Fundamental Rights and Freedom that protects civil society and free speech.

Resources to Report Corruption

Contact at government agency responsible for combating corruption:

Department for Combating Corruption

Regulatory Impact Assessment Unit

Office of the Government

Nábřeží E.Beneše 4

11801 Praha 1

+420 224 002 158

korupceweb@vlada.cz

Contact at “watchdog” organizations:

David Ondracka

Director

[Transparency International Czech Republic](http://www.transparency.org)

Sokolovska 260/143

+420-224 240 895-7

ondracka@transparency.cz

[Oziveni](http://www.oziveni.cz)

Muchova 13, 160 00 Praha 6

tel: +420 257 531 983

oziveni@oziveni.cz

Anticorruption Endowment

[Nadacni Fond Proti Korupci](http://www.nadacni-fond-proti-korupci.cz)

Revoluční 8, building A, 5th floor, 110 00 Praha 1

+420 226 209 047

info@nfpk.cz

Political and Security Environment

The risk of political violence in the Czech Republic is extremely low. Two historic political changes – the Velvet Revolution, which ended the communist era in 1989, and the division of Czechoslovakia into the Czech Republic and Slovakia in 1993 – occurred without loss of life or significant violence. The political institutions underpinning parliamentary democracy generally function smoothly. Elections have resulted in orderly and peaceful changes of government.

Labor Policies and Practices

A historically strong and well-developed machinery industry, one of the key drivers of Czech exports, requires a wide range of technically qualified staff, including the entire spectrum of professions from manual workers to engineers and designers. The rapidly growing electronics and information technology sectors are also creating demand for highly skilled workers. Key economic growth and export-driven industries are facing the challenge of demand for highly skilled technical workers that exceeds supply. Robotic automation and digitalization are also impacting many industries.

The wide availability in the Czech Republic of an educated, relatively low-cost labor force on the doorstep of Western Europe was a major attraction for foreign investors in the 1990s. While the wage gap continues to narrow and the income convergence process reflects the Czech Republic's economic growth in recent years, Czech wages still trail significantly those of neighbors like Germany and Austria. Labor productivity in the Czech Republic is about 71 percent of the EU average. In 2017, wage levels increased by an average of 7 percent. An exceptional wage increase in the automotive industry reflects the imbalance between a massively growing automotive sector and a critical deficiency of qualified labor available on the market. According to Eurostat, the Czech Republic's unemployment rate was 2.4 percent in March 2018, the lowest in the EU. However, unemployment rates vary significantly between regions. In February 2018, the unemployment rate was lowest in Prague (2.3 percent) and highest in the Moravia-Silesia region (5.6 percent).

Unemployment insurance and other social safety net programs exist for workers laid off for economic reasons. Labor laws differentiate between layoffs and firing. Labor laws are generally very strict and favor the employee rather than the employer.

Given the current record low unemployment and a booming economy, employers are facing labor shortages and some companies have started to rethink investment or expansion plans fearing they cannot find workers to fill new jobs.

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

Strikes can be restricted or prohibited in essential service sectors such as hospitals, electricity/water supply services, air traffic control, the nuclear energy sector, and oil /natural gas sectors. Members of the armed forces, prosecutors, and judges may not form trade unions or strike. The scope for collective bargaining is limited for civil servants, whose wages are regulated by law. Only trade unions may legally represent workers, including non-members. Labor dispute resolutions are carried out in civil court proceedings. There were no strikes in the last year that posed an investment risk.

OPIC and Other Investment Insurance Programs

A bilateral agreement was signed in 1990 between the Overseas Private Investment Corporation (OPIC) and Czech Republic. Finance programs of 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 Czech Republic is a member of the World Bank Group's Multilateral Investment Guarantee Agency (MIGA).

Foreign Direct Investment and Foreign Portfolio Investment Statistics

Table 2: Key Macroeconomic Data, U.S. FDI in Host Country/Economy

	Host Country Statistical Source*	USG or International Statistical Source	USG or International Statistical Source	USG or International Statistical Source	Source of Data: BEA; IMF; Eurostat; UNCTAD, Other
Economic Data	Year	Amount	Year	Amount	
Host Country Gross Domestic Product (GDP) (M USD)	2017	USD 236,915	2016	USD 195,305	http://data.worldbank.org/country/czech-republic
Foreign Investment	Direct	Host Country Statistical source*	USG or International Statistical Source	USG or International Statistical Source	Source of Data: BEA; IMF; Eurostat; UNCTAD, Other
U.S. FDI in Partner Country (M USD, stock positions)	2016	USD 1,383	2016	USD 5,524	www.bea.gov/international/direct-investment-multinational-companies-comprehensive-data.htm
Host Country's FDI in the United States (M USD, stock positions)	2016	USD 69.7	2016	USD 101	www.bea.gov/international/direct-investment-multinational-companies-comprehensive-data.htm
Total Inbound Stock of FDI as % host GDP	2016	69.5%	2015	59.7%	World Bank, IMF

Sources: Ministry of [Finance of the Czech Republic](#), [Czech Statistical Office \(www.czso.cz\)](#), and [Czech National Bank](#).

As of 2015, the Czech National Bank records cross-border equity capital stocks for quoted shares (in line with the ESA 2010 and BPM6 international manuals) at market value instead of book value, rather than valuing FDI as the sum of historical flows, which is the methodology used by the United States. As a result, while the 2014 figure for total U.S. FDI stock was listed at USD4.388 billion under the sum of historical flows method, under the new methodology, it is valued at USD1.567 billion. This explains the large discrepancy between U.S. and Czech figures for 2016.

Table 3: Sources and Destination of FDI

Direct Investment from/in Counterpart Economy Data - 2016

From Top Five Sources/To Top Five Destinations (US Dollars, Millions)

Inward Direct Investment			Outward Direct Investment		
Total Inward	121,855	100%	Total Outward	19,426	100%
Netherlands	28,490	23%	Netherlands	6,582	34%
Germany	17,207	14%	Slovak Republic	3,085	16%
Luxembourg	14,444	12%	Cyprus	1,924	10%
Austria	13,451	11%	Romania	1,039	5%
France	9,498	8%	Luxembourg	953	5%
"0" reflects amounts rounded to +/- USD 500,000.					

Sources: [Czech National Bank](#) and the [IMF](#).

The IMF rankings for the top five sources of FDI stock are consistent with data from the Czech National Bank. IMF rankings for destinations of FDI stock vary, with the IMF listing Germany and Romania in the fourth and fifth positions, respectively (as opposed to Czech National Bank data, which places Romania and Luxembourg in the fourth and fifth positions, respectively). IMF and Czech National Bank figures for inward direct investment vary by up to 7 percent and figures for outward direct investment vary by up to 23 percent. These statistical distortions should dissipate in future years with the global adoption of the recently revised OECD Benchmark Definition for FDI, which is designed to discount investment flows from special purpose entities.

The top sources of and destinations of Czech FDI represent a combination of major EU trading partners and favored tax havens. The leading country for both inward and outward direct investment flows is the Netherlands. In the early 1990s, the Netherlands became a popular place for corporate registration for domestic and foreign businesses active in the Czech Republic. In recent years, the main rationale for registering a business in the Netherlands is favorable corporate income taxes, stimulating rapid development of offshore corporate structures in the Czech Republic. While the tax haven effect has dissipated (corporate income tax rates in the Czech Republic and Netherlands are nearly equal), the Netherlands remains a popular country for large corporations. Luxembourg attracts Czech businesses for the same reason. Among other FDI partner countries, Cyprus offers one of the lowest corporate income tax rates in the EU (currently 12.5 percent), and tax exemption of dividends.

Table 4: Sources of Portfolio Investment

Portfolio Investment Assets - 2016

Top Five Partners (Millions, US Dollars)

Total			Equity Securities			Total Debt Securities		
All Countries	29,386	100%	All Countries	14,293	100%	All Countries	15,093	100%
Luxembourg	4,845	16%	Luxembourg	4,082	29%	Slovak Republic	2,346	16%
Austria	3,947	13%	Belgium	2,489	17%	Austria	2,152	14%
Slovak Republic	2,692	9%	Austria	1,794	13%	Netherlands	1,891	13%
United States	2,599	9%	United States	1,573	11%	Poland	1,700	11%
Belgium	2,581	9%	Ireland	901	6%	United States	1,026	7%

Source: [IMF](#)

Contact for More Information on the Investment Climate Statement

Patrick Ellsworth

Senior Economic Officer

Trziste 15, 118 01 Prague 1

+420 257 022 000

PragueInvestmentClimate@state.gov

Trade & Project Financing

Methods of Payment

Most Czech firms use prepayment or partial prepayment, with the balance due upon delivery or net 30-day terms. For shipments under \$2,000, consider asking the buyer to pay by credit card. Czech firms are familiar with letters of credit, documentary collections, and wire transfer/cash in advance. Most would prefer not to use a letter of credit due to the high cost. Although smaller sales of U.S. goods (up to about \$50,000) are common, above this threshold many small Czech businesses cannot afford or secure financing. A U.S. firm's ability to provide or arrange financing can be effective in building significant market share.

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

Moody's Investors Service EMEA Limited Czech Branch is the only credit rating agency in the [Czech Republic](#). There are 25 major collection agencies, 80 percent of which are members of the [Collection Agencies Association](#) - in Czech only). The Association is a member of FENCA (European Federation).

The main credit cards used in the Czech Republic are MasterCard and Visa which are issued by all major local banks. The most common type is debit cards (about 70 percent of all cards) followed by credit cards (about 28 percent). Charge cards issued by Diners Club and American Express are rarely used by Czechs although they are generally accepted in tourist area shops, large hotels and shopping malls. American Express Personal Cards are available in the Czech Republic. They are denominated in U.S. dollars or euros, issued in the UK and serviced in English.

Banking Systems

The banking sector is dominated by three banks: Ceska sporitelna, CSOB, and Komerčni banks, which are owned by foreign bank financial groups. The Czech banking sector is comparable to most similar-sized Western European economies. Foreign and large domestic banks offer a diverse range of products and services, including investment banking, investment funds and advisory, brokerage, underwriting, insurance, pension funds, and leasing, among other services. The Czech National Bank supervises the banking sector.

Internal bank transfers are completed within the same day; domestic transfers are completed within the next working day; and transfers between major U.S. and Czech banks usually take less than a week. Both commercial and retail banking offer accounts in numerous currencies, including the Czech crown, the euro, and the U.S. dollar.

Foreign Exchange Controls

The Czech crown (CZK) is fully convertible and there are no foreign exchange controls affecting trade in goods. Companies operating in the Czech Republic have free access to foreign currency and there has been no failure by the banking system to provide hard currency on demand. Profits can be repatriated by law including through bonds and securities. Under the terms of its EU Accession, the Czech Republic is required to adopt the euro (EUR) although the government has no fixed date for euro adoption. Between November 2013 and April 2017, the Czech National Bank (CNB) set an upper limit for the Czech crown of CZK 27/EUR and intervened in the foreign exchange markets to prevent further crown appreciation. The rationale for the currency cap was to prevent deflation. On April 6, 2017, the CNB removed the currency cap as the risk of deflation subsided and inflation appeared at or near the Bank's two percent target (with a range of +/- one percentage point). The CNB

has projected an average inflation rate of 1.7 percent for the first quarter of 2019. The average year-on-year inflation rate in 2017 was 2.5 percent.

US Banks & Local Correspondent Banks

U.S. Banks

[Citibank](#)

Tel: +420233061530

Local Correspondent Banks

[CSOB](#) – Ceskoslovenska obchodni banka – owned by KBC Bank N.V.

Tel: +420 224 111 111

[Ceska Sporitelna](#) – part of Erste Group Bank AG

Tel: +420 800 207 207

[Komerčni banka](#)

Tel: +420 955 559 550

UniCredit Bank Czech Republic and Slovakia a.s. – Part of the Italian [UniCredit Group](#)

[Website](#)

Tel: +420 955 911 111

Project Financing

The EU supports projects within its member states, as well as EU-wide “economic integration” projects that cross both internal and external EU borders. The EU provides project financing through grants from the European Commission and loans from the European Investment Bank. Grants from the Structural Funds are distributed through the member states’ national and regional authorities, and are only available for projects in the 28 EU member states. Neither the European Bank for Reconstruction and Development (EBRD) nor the Trade and Development Agency (TDA) operates in the Czech Republic.

Because most Czech firms and government agencies lack expertise in assembling financing packages for major projects or acquisitions, an ability to aid them in this process can be an asset to help win a contract. When looking beyond the first stage into project development, a firm will need to work with Czech counterparts to assemble a complex package from several sources. Besides private financing from banks or other sources, possible funding sources include:

- U.S. Eximbank (to finance U.S. equipment purchases)
- Local bond offerings (for municipal and government projects)
- International Finance Institutions (such as the European Investment Bank)

- The European Union's structural and cohesion funds

For further information on EU financing, please refer to *Doing Business in the European Union: 2018 Country Commercial Guide for U.S. Companies* at www.export.gov/ccg/.

Financing Web Resources

EU websites

The EU regional policies, the [EU Structural and Cohesion Funds](#)

[EU Grants and Loans indexes](#)

[EuropeAid Co-operation Office](#)

[EU tenders Databases](#)

[The European Investment Bank](#)

[EIB-financed projects](#)

U.S. websites

[Trade Finance Guide: A Quick Reference for U.S. Exporters](#)

[Market research section on the website of the U.S. Mission to the EU](#)

[Export-Import Bank of the United States](#)

[Country Limitation Schedule](#)

[OPIC](#)

[U.S. Trade and Development Agency](#)

[SBA's Office of International Trade](#)

[U.S. Agency for International Development](#)

[USDA Commodity Credit Corporation](#)

Business Travel

Business Customs

Although the Czech Republic is considerably more liberal than the United States, Czechs are typically more reserved than Americans, especially when meeting people for the first time. Czechs do not always smile as a social greeting as Americans, the British, and many other Westerners do. This can create a false impression that Czechs are cold or unfriendly. Czechs are more formal than Americans and a serious demeanor is regarded as a sign of respect for the visitor and the business being transacted. The Czech language uses the formal and informal forms of "you" so even if you do not speak the language, consider the fact that it is normal course for Czechs to refer to new people in a more formal manner. Business partners do not usually call each other by their first names; however, Czech businesses are becoming more comfortable with informality when dealing with foreigners. Most Czechs will not be insulted if their foreign visitors address them by their first names early in a relationship. Although Czechs are reserved, they are forgiving.

Start slowly by building a few good relationships. Let your new Czech friends introduce you to their contacts, and soon you will have a good business network. An attempt to accomplish business with a flurry of quick meetings and barrage of emails is more likely to result in failure. Czechs prefer to get to know you, to learn about your background and your company, and then, if they are comfortable with you, get down to deal-making around the dessert course, or even at a follow-up meeting. Most Czechs want to build long-term, two-way business relationships and will be put off by too much emphasis on an immediate sale.

Because the Czech Republic is a small country where industry leaders know each other well, word-of-mouth reputation is extremely important, especially where business and government intersect. News about you - good or bad - can spread quickly. Political and business circles often interlink, and at higher levels it is not uncommon for individuals to move from a ministry job to the private sector and back to the government over a several year period. Therefore, it is important to maintain strong contacts, even if your associate leaves the firm with which you are dealing.

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

Czechs are very gracious and will open a meeting with the offer of a beverage when they host business visitors. It is polite to accept at least a glass of water. Business luncheons normally are more formal and leisurely than in the United States. Even if dining alone with one business contact, expect to order multiple courses and do not expect the lunch to be finished in less than two hours. Rushing through lunch is considered ill-mannered. Working breakfasts are not common in the Czech Republic. Although the Czechs regard the custom as an amusing American oddity, they are also very amenable to attending, as an offer of food is considered gracious and the typical Czech working day starts early.

Travel Advisory

Credible information indicates terrorist groups continue plotting possible attacks in Europe. European governments are taking action to guard against terrorist attacks; however, all European countries remain potentially vulnerable to attacks from transnational terrorist organizations.

Strikes and demonstrations do occur in the Czech Republic, and authorities are generally well-prepared and handle disruptions in a professional manner. Protect your security, **avoid demonstrations** whenever possible, and bear in mind that even demonstrations intended to be peaceful may turn **violent**.

Crime: The Czech Republic generally has little crime. However, you should still take precautions against becoming a victim of crime.

Emergencies: dial 112

Police: dial 158

Firefighters: dial 150

Rescue and First Aid: dial 1

Pickpocketing is problematic, especially in major **tourist areas** in Prague. Criminals operate in professional, highly organized groups and may be armed with simple **weapons**, so avoid direct confrontation. Do not leave your belongings unattended. High-risk areas include:

- public transportation,
- The city center,
- crowded areas and outdoor cafes.

Consult the State Department's Consular Information Sheet on the [Travel.State.Gov](https://travel.state.gov) before traveling abroad or visit Travel – [U.S. Department of State](https://www.state.gov) for up-to-date travel advisories and warnings.

Visa Requirements

The Czech Republic (official short name: Czechia) is a party to the [Schengen Agreement](https://www.schengenarea.org/). Visit the Embassy of the Czech Republic's website for the most current visa and entry requirement information for U.S. citizens and its FAQ section on Schengen visas.

- **Passports** should be valid for at least **six months beyond the arrival date into the Schengen area** to avoid difficulties entering and traveling within the Schengen zone. For additional details about travel into and within Schengen countries, please see our Schengen fact sheet.
- You may enter the Czech Republic for up to **90 days** for tourism, business, study, and most other purposes (except work) without a visa. This is counted along with presence in all Schengen countries for up to 90 days out of any 180-day period.
- You will need a **visa for longer stays** or to **work for any period of time** in the Czech Republic. When a visa is required, submit your application to the nearest Czech diplomatic mission *at least 3-4 months in advance of traveling* to the Czech Republic. The U.S. Embassy cannot help speed up foreign visa applications.
- The Czech Government requires travelers to be able to show proof, upon request, of **sufficient finances** to cover the cost of a traveler's stay.
- You must also carry proof of a **valid medical insurance** policy contracted for payment of all costs for hospitalization and medical treatment while in the Czech Republic.

U.S. companies that require travel of foreign businesspersons to the United States are advised that security evaluations are handled via an interagency process. Visa applicants should go to the following link(s):

- [State Department Visa Website](https://travel.state.gov)
- [U.S. Embassy Prague Visa Website](https://www.usembassyprague.cz/)

Currency

Currency exchange is widely available. Local currency (koruna) dispensing ATMs accept most U.S. bankcards. Please note that the euro has not yet been adopted in the Czech Republic.

Telecommunications/Electronics

The Czech telecommunications infrastructure was updated to meet EU requirements before accession and is comparable to Western Europe. There is excellent coverage throughout the country. Internet access in Prague and other major cities and towns is readily available and is offered in most hotels. Additionally, Wi-Fi can be found free of charge in many cafes and bars in major cities.

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

Country code: 420 + number

Call to U.S. from Czech Republic: 001 + number

Electric

The Czech Republic uses a 220 current. Adaptors are required unless European round plugs are already part of the device.

Transportation

Visitors will find travel in the Czech Republic to be similar to travel in Western Europe, except that costs are lower, particularly in the low season (November through April).

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

[Airport information](#) +420 220 111 888

[AAA Taxi](#) +420 140 14

[Profi Taxi](#) +420 140 15

Language

The official language of the Czech Republic is Czech, part of the Slavic language family. Czechs have strong linguistic abilities. Younger Czechs are more likely to speak English whereas many older Czechs (especially those living outside Prague) speak Russian or German as second and third languages. In general, about half of likely business partners will speak good (or at least basic) English. The rate of spoken English is much higher in Prague. Basic English is widely spoken in most hotels and restaurants.

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

Health

Prague has good Western-style medical clinics and English-speaking doctors and dentists. For major operations and complicated illnesses, most Westerners return to the United States or go to Western Europe. We recommend travel insurance sufficient to cover costs of medical evacuation out of the country. This can be purchased through companies such as Europ Assistance and International SOS. Prague and most major outlying cities have pharmacies that stock many Western medicines or that can order specialized prescriptions in 24 hours. U.S. prescription drugs often have different names in Europe. Travelers should carry prescriptions noting generic names. Keep all prescription drugs in original containers to avoid problems with Customs officials.

U.S. Embassy	+420 257 022 000
Canadian Medical Center	+420 235 360 133
Atoda Medical Center	+420 277 003 100; +420 773 793 074
Motol Hospital	+420 224 433 681; +420 224 433 682
Central Military Hospital	+420 973 208 333

Local Time, Business Hours and Holidays

Local time is Central European Time (Eastern Standard Time plus six hours, although the U.S. changes to Daylight Savings Time three weeks earlier, and reverts to Eastern Standard Time one week later, during which the difference is five hours).

A typical Czech business day is from 8:00 am to 4:30 pm, with a break for lunch. The workweek is 40 hours (Monday through Friday).

When scheduling meetings or events to which Czech business guests are invited, it is best to avoid Friday afternoon during summertime (and Friday morning, if possible), as many Czechs have country houses to which they travel as early as possible on Friday. Czechs regard weekends and holidays as near sacrosanct family time, and they avoid allowing business to intrude on this time. As is the case in much of Europe, it is harder to make business appointments and contacts in the Czech Republic during July and August and close to major holidays, such as Christmas or Easter. Unlike in the United States, if a Czech holiday falls on the weekend, the government does not observe that holiday on the preceding Friday or on the following Monday, and no work day is taken off in observance of that holiday. A full list of Czech holidays (as well as U.S. holidays) can be found on the [Embassy Prague website](#).

Temporary Entry of Materials or Personal Belongings

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

Travel Related Web Resources

Airport

[Airport information](#)

Czech Government

[Czech Embassy in Washington](#)

[The Czech Ministry of Foreign Affairs](#)

Express Delivery

[DHL](#)

[Federal Express](#)

[UPS](#)

Health

[U.S. Embassy](#)

[Canadian Medical Center](#)

[Motol Hospital](#)

[Central Military Hospital](#)

Public Transportation

[Prague Public Transportation](#)

State Department

[State Department's Consular Information Sheet on the Czech Republic](#)

[State Department Travel Abroad website](#)

Taxi Services

[AAA Taxi](#)

[Profi Taxi](#)

U.S. Embassy Prague

[Consular Section](#)