

# CZECH REPUBLIC

## Overview

The Czech Republic is generally considered to be a political and economic success story among the former East Bloc nations. It has a stable currency, extremely low unemployment, low national debt, and large foreign currency reserves. GDP grew by 4.8 percent in 1995, and is estimated to grow in the range of five to six percent in 1996 and 1997. The inflation rate for 1996 is expected to stay around 9 percent. In 1995, the Czech Republic became the first former Warsaw Pact member to join the OECD, and the first to be given an A rating by Standard and Poor's. The nation also offers an excellent central European location and a highly skilled work force. In July 1997, the Czech Republic, along with Poland and Hungary, was formally invited to join NATO.

In spite of the dramatic progress already made in the restructuring of the Czech Republic's economy and industrial base, there are lingering problems with privatization, corporate restructuring, and transparency in the capital markets and procurement process. Privatization of key sectors such as energy and transportation has been delayed primarily due to the need for clearer pricing and regulatory frameworks. While some observers view these delays as setbacks, if the end result is greater transparency and an improved regulatory environment, potential investors will benefit by being able to more fully assess market opportunities.

Aside from its predictable and unpredictable transition pains, the nation's overall macroeconomic, political, and social stability create an attractive investment climate for foreign investment and trade. It is not surprising that many American firms have developed strong business relationships in a wide range of product and service sectors. Between 1990 and the first half of 1996, the U.S. was the second largest foreign investor in the Czech Republic.

As the Czech Republic moves steadily toward integration with Western institutions, including NATO, its defense sector firms are seeking commercial and operational alliances with foreign companies. Since the Czech Republic was founded in 1993, the U.S. has played a lead role in helping the Czech military transition to NATO compatibility. Programs such as the Warsaw Initiative and Foreign Military Sales (FMS) include advisory assistance for restructuring as well as funds for acquisition. The current Czech market offers promising opportunities for American defense and security firms in both the military and civilian sectors.

## Defense Industry Environment

The MOD's 1995 budget was US \$1.12 billion. Of the US \$220 million that was targeted toward investment, US \$160 million was for acquisition. In 1996, the military's spending was set at US \$1.22 billion (2.3 percent of GDP), of which US \$252 million was scheduled for investment. Most spending was exhausted by expenditures on wages, pensions, food and clothing.

The Czech government's policy has been to cap the MOD budget below 2.5 percent of GDP. While the Ministry of Defense is seeking to claim a larger share of the state budget next year, the current government plan calls for a 1997 military budget of US \$1.16 billion which is only 1.7 percent of GDP. Considering projected 1997 inflation, this would be about an 8 percent cut in real spending power. This projected reduction in spending comes at the same time that the military is struggling to bring the armed forces closer to Western military standards. Sources in the Czech Defense Ministry say that investment should account for roughly 30 percent of the budget in the future, although NATO supporters would like to see that figure increase to 50 percent.

Like defense industries throughout the world, the Czech industry is finding that it must diversify and seek dual-use technologies to expand its market potential. The Czechs have a long industrial history of producing high quality aircraft and heavy equipment, as well as sophisticated technologies for radars. However, the current defense trade sector is struggling with its legacy of state control which includes inefficient production methods and unenlightened management. The process of privatization and its accompanying loss of government subsidies have left the defense sector crushed by debt and crippled by outdated technologies. For example, military aircraft producer AeroVodochody is burdened with enormous debt as a result of unfulfilled contracts, high fixed costs of large production capacities, and relatively low rates of production. Although the aviation sector, along with all other industrial sectors, has been restructured and privatized, major holdings of some of the most important companies are still held by the state (through the National Property Fund) and by large Czech banks (through investment funds).

Structure and ownership of major firms within the Czech defense sector is in a state of transition. When evaluating opportunities within the Czech Republic, U.S. firms should obtain updated information from the U.S. Embassy Prague's Commercial Service, Defense Attache Office, and Office of Defense Cooperation.

### **Domestic Defense Industry**

The Czech Republic's massive privatization program includes restructuring and consolidating firms. The descendants of the former state owned defense sector include three primary consortia, or holding companies: Aero Holding, RDP, and Omnipol. Aero Holding now encompasses the aeronautical industries, RDP takes in ground related defense and Omnipol is the trading arm. Below is a brief overview of these three important consortia.

#### *Aero Holding, Inc.*

Aero Holding manages seven independent companies within the aviation sector, however 64 percent of Aero is still state-owned through the National Property Fund. With the disintegration of the Eastern Bloc and the Soviet Union, the aircraft firms in Aero Holding lost their traditional markets. Restructuring the industry to survive in an open economy continues to be a huge task. The process of restructuring began in 1993 under the direction of the newly formed Czech government. Major Czech banks, which were and still are the main creditors of Aero Holding, play an important role in the process. The Czech aviation industry, both civil and military, is regulated by the Ministry of Industry and Trade.

The objectives of the restructuring scheme include restructuring the companies producing civil aircraft and components (primarily Let Kunovice and Walter Prague), and maintaining state influence in companies producing military aircraft and training systems (Aero Vodochody) so that the requirements of the Czech Air Force are met. All companies in this sector are plagued by massive debt and need investment for technology and production upgrades. However, the overall restructuring process has moved from the initial survival stage to the current stage of consolidation and reorganization. This should, hopefully, lay the foundation for the next stage of development and international competitiveness. Because of the nation's small size, the Czech aircraft industry is dependent on exports. But to compete internationally, the Czechs will need to invest in technology, equipment, and management expertise. The sources of investment have yet to be identified. Foreign participation is expected, but for a foreign firm to properly access an opportunity, the questions of debt and ownership must be answered. In short, the sector presents great opportunities wrapped in extreme uncertainty.

The two largest aircraft producers are LET Kunovice (civilian) and Aero Vodochody (military). LET Kunovice is the producer of the highly successful L-410 which has been widely used as a commercial and military transport aircraft throughout Central and Eastern Europe and in Third World countries. A follow-on to the L-410 is the L-420 which is in the process of certification approval in the U.S. and the Czech Republic. LET has recently entered a planned debt-settlement process, and is making steady steps toward restructuring. LET is now producing and selling spare parts and is focusing on development and future production of the L-610, a regional commuter aircraft equipped with General Electric CT7-9D engines. Receptive to joint ventures, Let Kunovice recently formed a joint venture with an American firm to provide computer-aided design and engineering expertise.

Decisions concerning ownership of the largest Czech aircraft enterprise, Aero Vodochody, have been delayed until at least late September 1996. Current ownership is in the hands of three major banks (Konsolidacni, Czechoslovenska Obchodi Banka, and Investicni Postovni Banka) and the National Property Fund. The Czech Minister of Industry and Trade, Vladimir Dlouhy, is taking an active role in deciding Aero Vodochody's fate. Dlouhy has stated that he would like to see a foreign investor buy into Aero Vodochody and that the state would then keep only a blocking minority stake of 34 percent. In spite of its current dismal financial state, Aero Vodochody's future is brightened by its development of the L-159 multi-role combat aircraft which will meet NATO standards. This development project is financed from a credit guaranteed by the Czech Finance Ministry and is not jeopardized by the company's overall debt situation. Two U.S. firms are taking part in the L-159: Rockwell is integrating the avionics and Allied Signal is providing the engines.

### *RDP Group*

RDP Group is a consortium of almost 40 defense firms. It was founded as a joint stock company in June 1993, under the auspices of the Ministry of Defense and the Ministry of Industry and Trade. Its major shareholders include steel producers, military hardware producers and heavy industrial companies.

RDP has a rather controversial reputation. While it presents itself as a the major player in the restructuring of the Czech Armed Forces and their transition to NATO-compatible standards, the consortium's controversial projects (including attempts to sell weaponry to Iran) and personnel conflicts have significantly weakened RDP's credibility.

It is important to remember that all firms within RDP have their own commercial policy and can be approached directly. This direct approach has been the clear preference of the Ministry of Defense. Also, in spite of RDP's public implications to the contrary, not all producers of defense equipment are members of the consortium.

A main project of RDP is modernization of the T-72 Tank. The U.S. firm Allison Transmission is taking part in the modernization program as part of a Nimda (Israel) team with Allison and Perkins (UK) together with Czech Praga and CKD.

### *Omnipol*

Omnipol was once the state owned foreign trading company. In late summer 1996, Omnipol made headline news when the Czech chemical giant Chemapol Group acquired a majority stake in the trading company. The impact of this takeover is not yet clear, but change in ownership and management of the nation's largest domestic arms-trading firm will obviously result in changes within the sector. According to statistics of the Ministry of Industry and Trade, Omnipol and Aero Vodochody have been the largest exporters and importers of military matériel in the past five years. The takeover has also sparked speculation that Omnipol and/or Chemapol will soon seek to gain control of Aero Vodochody.

Omnipol operated in the Czech Republic and the former Czechoslovakia for more than 60 years. While it dealt with a wide range of products, the purchase and sale of arms, munitions and military materiel were its primary activities. Omnipol enjoyed a monopoly in the Czech arms trade from 1968 until 1989 and developed extensive international contacts during this time. In the past, Omnipol was accused of selling weapons to any country that could pay.

Under its previous management, Omnipol acted as an intermediary for interested foreign companies. Operating procedures under its new ownership are still unclear. Below is a summary of Omnipol's primary and traditional trading areas. This information, however, should be viewed within the context of Omnipol's recent takeover by Chemapol:

- *Military materiel:* infantry weapons and ammunition (including NATO standard) for army and police use; sport and hunting arms; artillery ammunition; grenades; mobile repair plants for maintenance of aircraft and vehicles; and chemical explosives.
- *Engineering products, aircraft, motor vehicles:* gliders, training, sport and agriculture aircraft; remote controlled firefighting equipment; amphibious recovery vehicles; electric mobile cranes; water turbines; vertical lathe machines; and small hydro-electric power plants.

## **Trade in Military Matériel**

Trading companies in the defense industry are required to have licenses. Responsibility for issuing licenses is shared by the Ministry of Foreign Affairs, the Ministry of Defense, the Ministry of the Interior, and the Ministry of Industry and Trade. Although the Ministry of Foreign Affairs has the strongest authority in these matters, the Ministry of Industry and Trade issues the licenses necessary for the sale. After 1989, other firms (including RDP Group) obtained arms trading licenses.

According to the Ministry of Industry and Trade, arms exports reached US \$153.3 million in 1995. Four firms, Aero Vodochody, Zenit Prague, Omnipol and Ceska Zbrojovka Uhersky Brod, were responsible for 94 percent of arms exports. Almost three fourths of the total was aviation hardware (primarily MIG-29s for Poland, and Aero Vodochody's L-59 and L-39 aircraft for North Africa). In September 1996, ninety-seven firms, including engineering conglomerate Skoda Plzen, had a military arms trading license. Contacts in the Ministry of Industry and Trade include:

Ministry of Industry and Trade  
Na Frantisku 32  
110 15 Prague 1

- License Office, Dept. Of Special Material  
Tel: (42-2) 2406 2720  
Fax: (42-2)2421 811  
Ing. Bretsislv Gregr
- Information Section  
Ing. Miloslav Marcan, Director  
Tel: (+42-2) 2485 3424  
Fax: (+42-2) 2485 2260
- Aviation  
Jaroslav Borak, Director  
Tel: (42-2) 231-9735  
Fax: (42-2) 231-5351

## **Defense Opportunities**

The Czech Army is being transformed from a Warsaw Pact model to a corps/brigade-based, rapid deployment force along NATO-compatible lines. The limited Czech military budget has forced the MOD to balance everyday operating expenses against the enormous need for restructuring, and rearmament is expected to be a long-term undertaking, with big-ticket acquisitions not beginning for the next several years, depending on the priority of the project. Top modernization priorities for MOD acquisition in the next five years are Command, Control, Communication, Computer and Intelligence (C4I) systems integration and upgrade of air

defenses, and include:

- Computers and software
- Office equipment
- Radio and telephone systems
- Cryptologic equipment
- Long and medium range radars
- Air traffic control systems
- Global position system equipment
- Identify friend/foe systems (IFF)
- Instrument landing systems
- Night vision equipment

Major fighter aircraft producers, including Lockheed Martin and McDonnell Douglas, have actively courted Czech decision makers. The U.S. government has offered to lease American aircraft on extremely generous terms. Concurrently, European manufacturers and their home governments have also been active in marketing advanced aircraft to the Czech Republic as well as to Hungary and Poland.

## **Defense Procurement Process**

There was no western-style public procurement prior to the 1989 changes in the Czech government, so the process of letting out tenders is relatively new. Procurement laws were written in 1993 and amended in 1996 in response to recurrent complaints which centered around lack of transparency. While there have been problems with tenders throughout Czech government agencies, the MOD experience has been especially controversial, but only in high cost acquisitions. Since 1993, the MOD has let out 523 public tenders. Thirty-five violations were found in 13 tenders. The newly appointed Minister of Defense, Miloslav Vyborny, has a legal background and a stellar reputation. He is highly regarded across party lines and is expected to keep tight control over the procedures for future MOD tenders.

After President Clinton unveiled the "Partnership for Peace" program, the number of U.S. defense and electronics firms visiting the region increased dramatically. The Czech Government plan to upgrade its defense capabilities to become compatible with NATO forces presents significant export opportunities for U.S. firms. Procurement in the defense sector, however, has been marred by some of the following difficulties:

- *Lack of familiarity with local contacts and business practices.*

Many U.S. firms have established local contacts and are satisfied with their ability to compete, but many other firms have found the process difficult. The first major difficulty is language. While many Czech commercial firms have English-speaking staff members, the same is not true at the Ministry of Defense (MOD) and in the Armed Forces. The second difficulty is the lack of presence in the Czech Republic. Many U.S. firms have local offices registered in the Czech Republic, others have affiliation arrangements with Czech firms, but a large number of

firms interested in doing business in the Czech defense sector have only limited local presence. This shortcoming is very important because of the recent opening of the defense sector to Western commercial relations and because of the rapid and unpredictable development of the acquisition process at the official level. In addition, the dramatic organizational transformations in the defense sector at the official and commercial levels have left many U.S. firms with outdated contacts and an obsolete understanding of current acquisition activities.

- *Lack of sufficient personnel and experience among MOD and Armed Forces staff.*

The Czech defense sector has been open to widespread commercial relations with Western firms only since 1990. There has been a huge turnover in civilian and military staff. Most of the senior civilian and military officials have only been in place since that time and most of them have very little prior experience with Western commercial practices.

- *Lack of a stable planning and programming system for Defense procurement.*

Major efforts to transform the old defense procurement system only began in 1990 following the "Velvet Revolution." Out of necessity, the Czech Defense Ministry has taken an incremental approach to the transformation. Major reorganizations and personnel turnover, combined with lack of experience, have made it difficult to implement a Western-style system all at once. The need to continue with a few critical acquisition projects, even under the current austerity, prevents the Ministry from halting the process and starting over. The Ministry of Defense is determined to implement a stable, long-range system analogous to the U.S. Planning, Programming, Budgeting System (PPBS), which will enable the Czechs to predict and plan ahead for their acquisition projects. It will also allow them to respond to sudden changes in circumstances. Until this system is in place, the acquisition process will tend to lurch from project to project with shifting priorities and criteria; past experience will not be a good predictor for future practice.

- *Lack of transparency and accountability in the defense acquisition process.*

One of the results of this lack of transparency is the tendency to bury responsibility for evaluation and selection of bids. This takes two forms: failure to set and stick with objective criteria for the evaluation process; and referral of decisions to ad hoc committees that are not publicly accountable for their recommendations. Experience with several recent acquisition projects has raised questions along both of these lines. First, acquisition tenders have been made on the basis of required military capability, but during the evaluation and selection process, the relative weights of capability-based versus economically or politically-based criteria have tended to shift unpredictably. Second, ad hoc commissions have been used at the evaluation and decision stage of the acquisition, but there has been little understanding in advance about the composition and responsibility of the commission or even about whether part of the process would be referred to a commission at all. The exact responsibilities and qualifications of these commissions have been unclear and there has been little direct information--either in advance or after the fact--about the criteria they used and the information they considered in the selection process. This has left an air of mystery that has led to accusations of unfairness, bias, and

improper influence, and has not contributed to confidence in the accuracy of the evaluation process or the integrity of the specific findings used in making key decisions.

However, there are some general selection criteria followed by the MPD throughout the procurement process:

- Domestic content will weigh heavily in purchasing decisions. Ideally, the MOD would like to see foreign suppliers transfer technology and manufacturing capability to local joint-ventures.
- Lack of domestic content may be balanced by offsets or other compensation to Czech industry. In the past, firms have contractually agreed to purchase Czech products and services so that the total value of these purchases would be equal to that of the Ministry's purchase.
- The MOD has demonstrated that it will give preference to modern, NATO-compatible equipment from stable suppliers.

Czech MOD contacts are as follows:

Director of Office for Defense Procurement  
Namesti svobody 471  
160 01 Prague 6  
Czech Republic  
Tel: (42-2) 2021-4701  
Fax: (42-2) 312-0052  
Vit Sevick

Czech Army Foreign Relations Office  
11 Delostrelecka  
160 00 Prague 6  
Czech Republic  
Tel: (42-2) 2021-1989  
Jaroslav Stojan

## **Diversification and Commercial Opportunities**

In the first half of 1996, foreign direct investment (FDI) in the Czech republic amounted to US \$458 million. The U.S. was the largest investor with 26.2 percent of FDI for the half year. This was primarily due to Conoco's part in the International Oil Consortium (IOC includes three foreign investors: Conoco, Shell and Agip) and the IOC's entry into refining operations.

Cumulative FDI since 1990 has been approximately US \$6 billion. The U.S. ranks as the second largest investor, with 14.5 percent. Germany is first with 29.6 percent, Switzerland is third with 13.7 percent, and the Netherlands is fourth with 13.5 percent.



The most common forms of direct investment are as follows:

- Establishing a joint-venture company with a local firm: This has been the primary form of foreign investment.
- Participation in privatization process: Although the second wave of privatization is finished, many approved projects have been designed to accommodate future foreign investors (e.g. electricity, gas and water distribution companies, municipality heating plants).
- Direct purchase: Though the second wave of privatization has been completed, the National Property Fund still owns stock worth US \$8 billion, of which US \$6.2 billion is in strategic sectors including telecommunications, energy and banking. In the second half of 1996, the privatization process began to stall and political skirmishes are expected to further delay privatization decisions.

In addition to privatization and investment strategies, there are many commercial opportunities in dual use or related technology fields. The following are industry sectors that offer good potential markets for U.S. firms.

#### *Telecommunications*

In 1995, 27 percent of the state telecommunications company SPT Telecom, was acquired by Tel-Source, a consortium of Dutch and Swiss firms. As a result of this US \$1.32 billion deal, FDI in communications accounted for 52.8 percent in 1996, far outpacing investment in any other sector.

Despite this telecom acquisition, diverse opportunities for U.S. firms in standard and wireless telecommunications abound, as well as in information services. In the wake of the SPT deal, all equipment for standard wired telecommunications must be supplied, including SDH (synchronized digital hierarchy) technology. In wireless telecommunications, mobile phone and paging systems offer the most intriguing possibilities for American firms. Other information service opportunities worth looking into are call forwarding and voice mail services, Internet services, and voice/data/video conferencing.

#### *Environment*

The market for environmental technology and services is booming, as the Republic struggles to contain and reverse widespread environmental damage caused by years of neglect. The Czech government has given priority to reducing air, water and solid waste pollution. Air pollution is a severe problem in Prague and in the industrial regions of northern Bohemia and northeast Moravia. Soil contamination is also a problem in these regions, as well as at old Soviet army bases and surrounding areas. Local production in the environmental sector is comprised mainly of less advanced equipment and materials. The need to meet EU environmental standards during the next few years will create great demand for high technology equipment. The most

promising environmental subsectors are air pollution control equipment, water pollution control equipment, and recycling technologies.

### *Security and Safety Equipment*

With the rapid development of private businesses and the banking sector, coupled with an increasing crime rate, the market for safety and security equipment is growing. However, 85 percent of electronic security equipment is currently imported. The most promising subsectors are electro-optical surveillance, video and optical systems, explosive and contraband detection, access control, parking systems, shotguns, alarm systems for homes and businesses, safes for businesses, and auto alarm and immobilization equipment. Competition is fierce within this market. All systems have to be tested and approved by the central office of the police as well as the Czech office for Standards, Meteorology, and Testing.

### *Selling to the Government*

The Czech government is required by law to hold tenders for major procurement. American firms have been major suppliers of radio and telecommunication equipment, computers, software, and other services. In July 1996, revisions to the Czech Republic's Procurement Law went into effect. Changes should help to clarify and simplify procedures for public tenders. A new emphasis on total value rather than simple cost should help U.S. firms compete. Competing in the bidding process used to be problematic for American firms, as their services and products are often priced higher than those of domestic and European competitors. However, American firms have a reputation for providing high quality, low maintenance products, and top management expertise. Because these factors are now considered along with cost, disadvantages for U.S. firms are minimized, although a lack of transparency throughout the procurement process may still provide a formidable obstacle for some firms.

Tenders are publicized in the local daily press (e.g., *Hospodarske noviny* and *Mlada Fronta Dnes*), as well as in the *Obchodni vestnik* (Trade Gazette), which is published by the Czech government. Major manufacturers of a particular product are usually notified directly.

Under the current Procurement Law, a public tender must be carried out any time procurement is ordered by a state/municipal organization or when the source of financing is the state budget, state funds, municipal budget or a grant or loan from an international organization. A procedural change that may be of interest to U.S. firms is that the period of time between calling and closing tenders has been extended to 180 days when procurement is financed by international funds. An unchanged portion of the law specifies that Czech firms will enjoy a 10 percent preference when competing in the bidding process. Joint ventures between foreign and Czech firms are considered "foreign" for procurement purposes. However, the Minister of Economic Competition has stated publicly that this law will be amended within the next few years due to objections by the European Union.

All products offered to a tender must be approved for the Czech market. Certificates of confirmation that a product meets Czech standards are issued by the Office for Standards and

Meteorology according to results of testing in an appropriate testing institute, such as the Electrotechnical Testing Institute, Research Institute for Motor Vehicles, or the Czech Telecommunications Office.

*The Ministry of the Interior*

In addition to the Ministry of Defense, many trade opportunities exist within the Ministry of the Interior. This ministry administers Czech police, border patrols, its own corps, and other law enforcement entities. The Ministry of the Interior increasingly uses tenders for procurement. Of the four sections with procurement responsibilities, one is the office of the Czech Government Flying Service and the other three are under the control of the police presidium.

Technical proposals should be directed to the appropriate section of the Ministry. Companies are also encouraged to organize presentations of their products. Most resources are allocated through the "service section" (Tylova Sekce), which is responsible for procurement of items such as uniforms, weapons, and vehicles.

Contacts in the Ministry of the Interior include:

Service Section	Tel: (+42-2) 2421 9922 Fax: (+42-2) 2421 7065 Mudr. T. Strnadel
Ripotocni 300 101 45 Prague 10 Tel: (+42-2) 746 447 Fax: (+42-2) 734 956 Mr. Z. Vodslon	Czech Government Flying Service Post. Urad 614, P.O. Box 35 161 00 Prague 6 Tel: (+42-2) 341 262 Fax: (+42-2) 311 5329 Judr. Z. Friedrich
Information & Computer Systems P.O. Box 62 170 89 Prague 7 Tel: (+42-2) 683 6637 Fax: (+42-2) 691 9442	Police Aviation Dept. Post. Urad 614, P.O. Box 35 161 00 Prague 6 Tel: (+42-2) 328 343 Fax: (+42-2) 320 151 Judr. V. Panenka
Rndr. J. Teska	
Telecommunications and Encryption P.O. Box 21/sk 170 34 Prague 7 Tel: (+42-2) 6631 0054 Fax: (+42-2) 373 014 Ing. J. Mraz	
Health and Social Security P.O. Box 21/zs 170 34 Prague 7	

## *Ministry of Transport*

The Czech Ministry of Transport regulates civil air transportation within the Czech Republic. It also regulates the development of the Czech civil airport infrastructure. Some companies previously managed by the Czech Ministry of Transport have been transformed into state-owned enterprises that operate as independent entities. Some of the companies have been privatized and have the status of joint stock companies. However, majority ownership is still maintained by the state through the National Property Fund.

At present, there are 68 civil airports in the Czech Republic. Eleven of these have international status. Only four international airports are still under the supervision of the Czech Airports Administration (CAA), but these four, Prague, Brno, Karlovy Vary, and Ostrava constitute the major upcoming projects in airport infrastructure. Other airports have been privatized and are owned primarily by local municipalities. Plans for development of these airports are still being discussed. Liberec, a city in the North Central part of the country is currently completing plans for construction of an airport.

Privatization and upgrading of international and regional airports will create demands for products and technologies for airport infrastructure including information technologies, and security systems.

Contacts in the Ministry of Transport include:

Ministry of Transport  
Nabr L. Sovobody 12  
110 115 Praha 1  
Tel: (42-2) 2303 1357  
Fax: (42-2) 2481 0596  
Oldrich Gorgol, Director for Aviation

Czech Airport Administration  
Letiste Ruzyne  
160 00 Praha 6  
Tel: (42-2) 325 169  
Fax: (42-2) 360 922  
Milos Stastny, General Manager

Air Navigation Services  
Smetanovo nabr. 334/4  
11800 Praha 1  
Tel: (42-2) 2422 9459  
Fax: (4202) 3166 0078  
Petr Materna, General Director

Airport Liberec

Snehurcina 708  
460 15 Liberec 15  
Jindrich Kostinec, General Manager

## **Doing Business in the Czech Republic**

### *Business Customs*

Standard European business customs apply in the Czech Republic. Czechs dress much the same as U.S. business people, in standard business attire. The business custom is to be punctual for appointments. Many Americans feel that Czech business people are not warm and friendly. Initial business meetings are often not overly cordial, but serious and matter-of-fact. Business partners do not usually call each other by their first names. Unless the Czech business person has had experience dealing with Americans, he or she may appear to be unfriendly and overly reserved. It takes several meetings to establish a sense of rapport and a more relaxed attitude. As is the case in much of Europe, it may be more difficult to make business appointments and contacts in the Czech Republic during the month of August and close to major holidays, such as Christmas.

### *Business Structure*

The Czech Commercial Code establishes various types of business structures and organizations, i.e., Joint stock company (a.s.), Limited liability company (s.r.o.), Branch of a foreign company, Limited partnership (k.s.), Unlimited liability company or General partnership (v.o.s.), and Cooperative (druzstvo). Individuals may also do business as entrepreneurs. This structure is modeled largely on German and Austrian commercial codes.

## **U.S. Government Point of Contact**

Listed below are useful points of contact for U.S. firms interested in the Czech market.

### **U.S. Embassy**

U.S. & Foreign Commercial Service  
American Embassy Prague  
Hybernska 7a  
117 16 Prague 1  
Kathleen Kriger, Commercial Attache  
Tel: (42-2) 2421 9844  
Fax: (42-2) 2421 9965

Defense Attache Office  
American Embassy Prague  
Trziste 15

David Potts, Defense Attache  
Tel: (42-2) 2451-0847  
Fax: (42-2) 532-988

Office of Defense Cooperation  
Trziste 15  
118 01 Prague 1  
Jeffrey M. Cukr, Chief  
Tel: (42-2) 2451 0847  
Fax: (42-2) 2451 0209

**American Chamber of Commerce**  
Karlovo namesti 24  
110 00 Prague 1  
Tim Whipple, President  
Tel: (42-2) 299 887  
Fax: (42-2) 291 481