



czech trade focus

GOOD NEWS FROM CZECH COMMERCIAL OFFICES IN THE USA - AUGUST 2002

ECONOMIC OUTLOOK

President Appointed the New Government

As the new Czech government was sworn in on July 15, 2002, ministers have started to reveal their main policy goals. The new cabinet pledged to lead the country into the European Union and its policies will be subordinated to this goal. The new team will also have to start tackling problems that their predecessors failed to resolve.

The new Finance Minister, Mr. Bohuslav Sobotka, said his priorities included reform of public finances and the preparation of the country for the adoption of the single European currency. Minister Sobotka suggested that by the end of 2002, the government should have adopted a four-year budget outlook that would set expenditure limits for all budget chapters so that the public finance deficit decreases to around 5 percent of GDP by 2006.

Former Finance Minister, Mr. Jiri Rusnok, became Minister of Industry and Trade. He promised to breed positive environment for investment, support export and entrepreneurial activities. The completion of restructuring of the steel industry and the development strategy for energy sector should his priorities.

Minister for Transportation, Mr. Milan Simonovsky, will transfer a part of his agenda to a newly established Ministry of Information Technology. Yet, Minister Simonovsky will face a difficult task of improving the financial health of Czech Railways and transforming the company.

Minister of Agriculture, Mr. Jaroslav Palas, must integrate the Czech agricultural sector into the EU, a notably difficult task of its own. Mr. Palas would like to negotiate the same benefits for Czech farmers as those enjoyed by their EU competitors.

The Czech gross domestic product in 2001 - Analysis

Although the world economy performance worsened in 2001, the year 2002 brought more hope for recovery of most of the world economic centers. The impact of the global economic slowdown on the Czech economy should be only mild and further growth acceleration is expected in 2003.

The Czech Republic belongs to a relatively small group of European countries with strong economic growth in 2001. The GDP grew 3.2 percent in the last quarter of 2001 and by 3.6 percent in the whole year. The major factors of GDP growth were fixed capital investments and final consumption. The final consumption of households grew by 4.0 percent annually in 2001 (the main increases were registered in services and purchases of long-term consumption goods). The investments in fixed capital grew 6.3 percent annually.

GDP growth was strongly supported by household consumption. In 2001, revenues in services and in retail both grew by 4.3 percent

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The Government of the Czech Republic

Mr. Vladimir Spidla, Prime Minister

Mr. Stanislav Gross, Deputy Prime Minister, Minister of the Interior
Mr. Cyril Svoboda, Deputy Prime Minister, Minister of Foreign Affairs
Mr. Pavel Rychetsky, Deputy Prime Minister, Minister of Justice
Mr. Petr Mares, Deputy Prime Minister
Mr. Bohuslav Sobotka, Minister of Finance
Mr. Jaroslav Tvrdik, Minister of Defense
Mr. Jiri Rusnok, Minister for Industry and Trade
Mr. Zdenek Skromach, Minister of Labor and Social Affairs
Mr. Milan Simonovsky, Minister of Transport and Communications
Mr. Jaroslav Palas, Minister of Agriculture
Ms. Marie Souckova, Minister of Health
Mr. Petra Buzkova, Minister of Education, Youth and PT
Mr. Pavel Dostal, Minister of Culture
Mr. Libor Ambrozek, Minister of the Environment
Mr. Pavel Nemecek, Minister for Regional Development
Mr. Vladimir Mlynar, Minister

annually. The development on the retail market reflects the good and improving financial situation of households. The consumption was strongly influenced by the dynamic growth of both real and nominal wages. Yet the wage increases do not pose a risk to price stability. The nominal wages increased 7.5 percent in 2001 while real wages (increase minus inflation) 3.1 percent.

High increases of growth were also recorded in manufacturing industries. The fastest growth in 2001 was registered in the production of electrical and optical devices, oil products, and industrial machinery. The labor productivity grew 5.0 percent in 2001, while labor costs per unit grew only 1.1 percent. The construction grew significant 9.6 percent in 2001.

A slight downward growth adjustment can be expected in 2002. Export industries will further suffer from the extremely strong Czech crown (which gained 25 percent against most currencies since 2001). It remains a question whether the relatively high rate of investments into fixed capital can be sustained during this year. The strong domestic demand should help overcome the global slowdown. The GDP growth will slow down to about 3.0 percent in 2002.

 UPCOMING EVENT: INVESTMENT FORUM OSTRAVA 2002

Investment Forum Ostrava 2002

The 3rd annual "Investment Forum Ostrava 2002" (IFO) will be held in Ostrava, the Czech Republic, on September 26-27, 2002. Regional institutions will be represented by the Union for Development of North Moravia and Silesia. CzechInvest, a government agency to support foreign investment, will present a program tailored for Moravia-Silesia regional economic development. Presentations of the existing industrial zones, announcement of the prestigious "Industrial Zone of the Year" Award and keynote speakers from the new Czech government are among the highlights of the forum. To attend the forum and learn more about the Moravia-Silesia region, local investment climate, industrial zones, its skilled labor, supply chains, and investment incentives, please register at: www.info.cz.

 PAST EVENT: CZECH INFORMATION TECHNOLOGY IN NEW YORK CITY

The Czech Republic: An Emerging IT Hub in Europe

In mid-June the Czech Republic's enticing opportunities and growth potential in information and telecommunication technologies were highlighted at the seminar hosted by computing giant IBM in its midtown Manhattan offices. The goal of the seminar called "The Czech Republic: An Emerging IT Hub in Europe", was to introduce the ample Czech opportunities in hardware and software development, as well as the country's attractive investment incentives, to the IT and finance communities.

In his opening presentation, Director of the Czech Center New York Premysl Pela outlined the government's new investment incentives program in strategic services and technology centers. Among the speakers were also three representatives of Czech companies - ATComputers, Unicorn/Arcorn and European Software Services. Despite these companies' different business specializations, all three share aspects of a common business model, which is based on active sales and marketing representation in the United States with development and production residing in the Czech Republic.

The seminar's participants also had a unique opportunity to learn about IBM's decision-making process in establishing its Global Service Delivery Center in South Moravia. As Mark Patek, IBM's Director for Economic Development, pointed out: "At the end of the day, after all the studies on

the other countries under consideration, the executive decision to go to the Czech Republic was decisively influenced by four main factors: a high level of education in mathematical and technical studies, a flexible and cost-effective workforce, a developed site, and quick response from approachable and cooperative government agencies."

Another representative of an American company who shared his business and personal experiences on Czech cooperation was Matthew Galvez, President and CEO of the Nematron Cooperation. "At the beginning, three years ago, our company outsourced a relatively small contract to ATComputers. Over the years, our cooperation developed into a real partnership. In the area of industrial automotive computers, with the exception of design, we have moved the entire production from Michigan to Ostrava, thus regaining our price competitiveness in European markets while maintaining the high quality of our product," Mr. Galvez concluded.

The seminar was organized by the Czech Center New York in cooperation with IBM and Citibank Czech Republic. The U.S. Department of Commerce, Empire State Development, the Manhattan Chamber of Commerce, and CzechInvest provided additional support.

 FOCUSED ON: FOOD-PROCESSING INDUSTRY

Introduction

The food-processing industry in the Czech Republic, as elsewhere in the world, belongs among the most important sectors of the Czech economy with a good chance to maintain its position or expand in the future. It is closely connected to agricultural production and, like in other sectors, it is currently preparing for EU accession. The priorities are to upgrade production up to EU standards, increase health and safety procedures, increase the quality of food products, and strengthen competitiveness of Czech food producers in the single European market.

As for the current standing of the industry, the manufacturers increased revenues by roughly 7 percent in 2001. They have successfully adjusted to challenging technological and economic conditions on both domestic and foreign markets while facing a growing competition. Medium-sized companies are the core of Czech food-processing, ranging between 100-300 employees. In some production branches, foreign investments play an important role.

For more information on Czech food-processing industry, please contact the following organizations:

Institute of Agriculture and Food Information

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 120 56 Praha 2
 Phone: (+420) 2.2701.0113
 Fax: (+420) 2.270.1014
uzpi@uzpi.cz
www.agronavigator.cz
www.uzpi.cz

Czech and Moravian Association of Independent Food Producers

Nam. W. Churchilla 2
 113 59 Praha 3 - Zizkov
 Phone: (+420) 2.2271.6415
 Fax: (+420) 2.2271.6415

Czech Food Products Union

Dlouha 13
 116 78 Praha 1
 Phone: (+420) 2.2489.8315

> Meat and Meat Products

Production of meat and meat products including poultry occupies the top spot. According to revenues, meat processing accounts for almost 20 percent of total food industry. There are over 200 companies that employ almost 23,000 people. Among the changes that shape future structure of the sector is an increased share of poultry production, mostly at the expense of beef. The largest production volume is still represented by pork manufacturers.

Meat, smoked goods, and various specialty products also claim a growing share of the market. Modern technologies extend the lifespan of perishable goods and enhance the visual appeal of meat products. Current investment, including logistics improvements and changes in the production base, correspond with these trends. Company specialization is increasingly demanded as the economic pressures are leading to production concentration in both butchery and in specialized meat production. Some Czech companies in the sector have already gained a significant market share at home and in exports. For example, the freshwater fish keeps its strong position in the central European market for its great nutrition value and quality level.

Czech and Moravian union of pig farmers

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Phone/fax: (+420) 2.2087.5832
schp@login.cz
www.schpcm.cz*

Czech and Moravian poultry and eggs union

*Kozi 4
110 01 Praha 1
Phone: (+420) 2.2481.2447*

Association of butchers of the Czech Republic

*Libuska 319
142 00 Praha 4-Pisnice
Phone: (+420) 2.6191.0027*

Union of pork, poultry and eggs producers

*Tyrsova 59
547 01 Nachod,
Phone: (+420) 441.421.009*

> Milk Processing and Dairy Products

Milk processing represents around 15 percent of the industry. It has also recorded a solid growth in 2001. There are approximately 12,000 people employed in the sector. With a national average consumption of milk and dairy products at 217 kilograms per person per year, the sector aims to actually increase consumption and achieve levels closer to EU average in the coming years. Most of the increase is expected in sour milk products and cheeses. The manufacturers, packaging providers, and distributors are heading in this direction with new lines of high-quality and attractive products. The government has also endorsed the consumption of dairy products by promoting the so-called "school milk" program. Export of dairy products to foreign markets has been gearing up in recent years. At the same time, the preparation for EU membership is under way, which brought, among other changes, the system of milk production quota.

Czech and Moravian Dairy Union

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100 98 Praha 10
Phone: (+420) 2.2481.2447*

Union of Milk Producers

*Nemocnici 53
787 01 Sumperk,
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> Mills, bakeries and confectionery

Complete modernization of bakery production and confectionery is the current issue in the sector. There are 2,000 producers of bakery products registered in the Czech Republic and almost 300 producers of confectionery products, numbers that include small workshops. A trend toward property concentration is pushing forward, as some new capacities are created directly within the large distributors. The consumption of bakery products, which consumers prefer over bread, is at around 42 kilograms per person per year. Consumption of whole-meal and granary products is growing as the population becomes aware of their positive effects on human health.

Association of Czech and Moravian Mills and Bakers

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Association of Chefs and Confectioners of the Czech Republic

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Entrepreneurs Association of Bakers and Confectioners

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> Fruit, vegetables and potatoes, vegetable oils

Production of fruit and vegetable-based food and goods has been steadily growing in recent years along with consumers' interest in healthy and wholesome nutrition. The modernization of production of seasonal goods tends towards more hygienic production, diversification, and high value-added production. A substantial part of potato harvest is used to produce starch with a variety of use at home or overseas. The vegetable oil production highly concentrated with quality standard that meet the European levels.

Czech Fruit Union

*Vyzkumny a slechtitelsky ustav
507 51 Holovousy
Phone: (+420) 435.692.827*

Union of Oil Plants Farmers and Processors

*Jankovcova 18
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Union of Potato Growers of the Czech Republic

*Dobrovskeho 2366
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Phone: (+420) 451.263.14*

Vegetable Union of Czech and Moravia

*Wellnerova 5
772 05 Olomouc
Phone: (+420) 685.413.619*

PRO-BIO - Union of Ecological Farmers

*Nemocnici 53
787 01 Sumperk
Phone/Fax: (+420) 649.214.586
pro-bio@pro-bio.cz
www.pro-bio.cz*

> Beverages

The beer consumption that exceeds 160 liters per person per year and significant volumes of exports make the beer making the dominant part of Czech food industry. Malt and hops are also demanded export commodities. The beer production revenues grew over 5 percent in 2001. The total output of the industry amounts to 18 million hectoliters. The number of employees slightly fell just below 8,000. The local beer market is quite conservative with the local brand names being the most popular ones. There are several beer-pageants held a year, which only increase already very tough local competition, strengthen loyalty of local consumers to high-quality domestic brands, and increase their popularity. The company profiles vary from small restaurant-type mini-breweries (usually supported by tax breaks) to small and medium-sized breweries with high local impact, to large brewery groups – most of them as parts of international chains. Wine production in the Czech Republic is going through the period of revival, when existing vineyards are being restored and new ones expand quickly with the support of the Government. Total Czech production of wine ranges around 56 million liters a year, of which is mostly white wine (over 70 percent). Domestic output covers approximately 50 percent of local consumption. Future growth of the industry is expected as wines' popularity grows and people tend to buy more expensive types and brands (for more information on winemaking in the Czech Republic, please see our June 2002 issue).

Moravin - Union of Moravian Winemakers

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<http://czechwines.cz/moravin/index.html>*

Czech and Moravian Viticulture and Wine Association

*Vyzkumna stanice Mutenice
696 11 Mutenice
Phone: (+420) 628.370.532*

Czech Union of Breweries and Malt Houses

*Lipova 15
120 00 Praha 2
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COMPANIES & BUSINESS

- > **Consumer prices fell 0.3 percent** in June with annualized increase only 1.2 percent in the first half of 2002. Prices have fallen for four straight months, and the annual inflation rate is now the lowest in three years. The current inflation is lower than in most Europe except Germany and Norway. The strong currency and lower food prices were behind the inflation results. Analysts are expecting an interest-rate cut of 0.25 or 0.50 points at the end of July. The June **unemployment rate rose from 8.6 percent to 8.7 percent**, which officials explain as a seasonal inflow of fresh graduates to the job market.
- > In the first half of 2002, **Skoda's** car sales on the domestic market dropped 8.61 percent. Yet, the company sold 39,401 vehicles, which accounts for 51.74 percent market share.
- > UOHS, the anti-monopoly office, launched administrative proceedings against oil refinery **Ceska Rafinerska** for a three-day interruption of oil supplies to petrochemical concern **Unipetrol** due to a price dispute. Unipetrol, which owns a 51 percent stake in Rafinerska, is locked in a long-term wrangle with Rafinerska's foreign shareholders **Agip, Shell, and Conoco**.
- > **Bankgesellschaft Berlin** (BGB) confirmed last week that it had chosen a preferred bidder-Italian bank UniCredito Italiano for the sale of its 85.16 percent stake in Czech bank Zivnostenska Banka. UniCredito is now carrying out due diligence at ZB. Analysts expect that a deal could be reached by mid-August.
- > The largest Czech firearms maker **Ceska Zbrojovka** (CZ) expects this year's profit CZK 53-94 million. A first-quarter profit was at CZK 30.9 million. Sales were flat at CZK 273 million. More than 80 percent of CZ's production is exported to almost 100 countries around the world. The company's most important markets are the United States, Germany, France, Italy and South-East Asia. CZ-USA, located in Kansas City, is the CZ's most successful foreign subsidiary. Last year, it generated \$8.8 million in sales. Sales in the Czech Republic made up 20 percent of total sales. The most popular product of Ceska Zbrojovka is the CZ 75 semiautomatic pistol, of which more than 800,000 have been sold.
- > Other manufacturers also want to benefit from the current market boom. Vsetin-based arms manufacturer **ZVI** offers its original small lightweight pistol that fits into a lady's purse. The capacity of the Czech market is only about 800 weapons annually, so exports are a must. **ZB Arms**, a part of the Brno-based Zbrojovka Holding Company, has high hopes for its new gun. Last year it started assembling a new pistol, designed for commercial purposes as well as for army and police officers, from parts supplied by Italian and Israeli firms. The company aims for sales worth CZK 50 million a year and with monthly output about 1,000 weapons. A total of 80 out of 133 authorized Czech companies traded in arms last year with exports to nearly 100 countries. Trade in non-military arms, ammunition, and explosives grew slightly to \$79 million last year, of which exports made up \$70.7 million and imports \$ 8.3 million.
- > The **National Property Fund** signed a contract to sell stakes in eight regional power companies to **CEZ**. In return, CEZ will give up 66 percent of the **CEPS** grid company. CEZ said this deal would lead to a drop of several percentage points in the price of residential electricity as of next year. The former Minister of Industry Miroslav Gregr said that after CEZ merges with the regional power distributors, it could remain independent (and not be privatized) for 2-3 years or longer.
- > Alternative telecom operator **KPNQwest/GTS** completed construction of its metropolitan cable network in Brno at a total cost of CZK 120 million. The largest Moravian town thus becomes the second city in the Czech Republic after Prague with its own network independent of **Czech Telecom**.
- > Further on telecom liberalization, a "call-by-call" carrier selection became possible in July. Yet, only **Aliatel** is ready to provide the service beside the former monopoly **Czech Telecom**. **Contactel** and **Tele2** have their contracts haven't launched their services yet. Czech Telecom is in talks with four other operators.
- > **CSOB** bank is to merge management of assets, securities and fund collective investment into what will be the largest player on the market and will be named **CSOB Asset Management Group**. The group, with a balance sum of CZK 68 billion, should incorporate Patria Asset Management, OB Invest and Prvni Investicni Spolecnost. Total assets including pension funds, insurers and building savings banks should total CZK 128 billion.
- > **If the policy of public budget deficits doesn't get more stringent, the public finance debt is to grow up to CZK 1 trillion in five years**, which accounts for 35 percent of GDP, Deputy Finance Minister Eduard Janota warned. He added this year's budget deficit will reach at least CZK 65 billion.
- > **President Havel signed an amendment to the law on the Czech SEC**. It gives investment funds until the end of 2003, instead of 2002, to open-end. If the deadline had not been changed, some funds whose open ending is being blocked by shareholder lawsuits could have faced liquidation. The amendment also gives the SEC power to issue capital-markets rules by itself.
- > Newspapers reported that the privatization of **Cesky Telecom** would apparently be one of the first steps of the new cabinet. The new Cabinet now has a chance to correct the questionable privatization project.
- > The sale of **Nova Hut** steel maker to **LNM** is threatened by a decision of the anti-monopoly office UOHS to require the Czech steel producer to repay a CZK 750 million loan to state-owned debt collector **Konsolidacni Agentura**. The loan was issued in 2000 on the decision of the cabinet, but UOHS says it was disallowable state support.

TOP 10 CZECH COMPANIES IN 2001

Rank	Name	Industry	Sales 2001	Net Assets 2001
			Millions of CZK	
1	Skoda Auto	automobiles, transportation vehicles	146,041	66,610
2	Unipetrol	chemicals, pharmaceuticals, rubber and plastic, petrol, uranium processing	80,864	87,107
3	CEZ	power generation, distribution of energy, water, gas and steam	52,283	202,373
4	Ceska Rafinerska	chemicals, pharmaceuticals, rubber and plastic products, petrol, uranium processing	47,009	29,480
5	Cesky Telecom	telecommunications and postal services, information services	40,787	143,563
6	Transgas	power generation, distribution of energy, water, gas and steam	38,342	49,218
7	Siemens Group	electrical engineering, electronics, optics	37,935	19,216
8	Moravia Steel	Trade	35,159	8,641
9	Agrofert	agriculture, forestry, lumber mining, fishery	32,913	20,393
10	Eurotel Praha	telecommunications and postal services, information services	28,933	36,135

Source: Czech Top 100 (www.czechtop100.cz); current exchange rate 30.2 CZK / 1USD (July 26, 2002)

 EU WATCH

The Czech Republic and the European Union

The Czech Republic views European integration primarily as its historic chance to arrange a community of European states based on the principles of peace, equality, and co-operation. It links its EU membership with a vision of a strong and dynamic Europe, a Europe with a prosperous economy and cultural diversity, melted together by rich national and regional influences.

Creating conditions for EU membership has been the core principle of the Czech Republic's economic transition since the beginning of the 1990s. The country's internal preparation is built on its tradition of democratic and

Political Consensus After Czech Elections

The results of the parliamentary elections on June 14-15, 2002, will not have any significant influence on the country's speedy accession to the EU. All parties with significant political influence support our rapid entry.

There is a political consensus that sets up mechanism for debating laws needed to harmonize Czech legislation with corresponding EU code. All democratic parties have supported current minority government in its aim to make Czech laws EU-ready. As a result of this broad support on EU issues, the transposition of the "acquis" (i.e. community law) into Czech legislation is practically complete. As the new parliament comes in, only about 30 legislative pieces are left.

EU Regular Report

The most recent Regular Report of the European Commission noted a significant progress in judiciary reforms. They have led to fundamental changes of the criminal code and to faster criminal proceedings. The report also appreciated changes in civil law, such as increased effectiveness of law enforcement.

The Government paid great attention to the protection of minorities with special attention to the most numerous - Roma. The improvement of their social status and general welfare is, however, a long-term effort. Government's Policy on Roma Integration is a good start and sound framework for this process.

The European Commission's Report positively evaluated the economic criteria. It stated that the Czech Republic is a functioning market economy. GDP grew by 3.3 percent and the economy is able to deal with the competitive pressures of the single European market.

Public Support for EU Membership

Various opinion polls on future referendum on the accession show that the result would be unambiguous: 68 percent of respondents would vote for the EU accession. The Czech public understands the opportunity to decide on the EU accession is a necessary step in the integration process. The readiness to participate in a referendum remains stable at high levels.

At the same time it is important that Czechs have an access to information on the European Union and the possible impact of the country's membership on each citizen. In the fall of 2001, a nation-wide information campaign was launched. An easy and free access to information was the

industrialized society. The current most challenging political task is the need to press on with responsible and well thought-out preparations for entry to the EU, and to negotiate the Accession Agreement.

After careful consideration, the Czech Republic set the 1st January 2003 as the date by which it wants to be prepared for EU membership. The Czech negotiators are ready to conclude the accession negotiations by the end of 2002. Getting a full membership at the beginning of 2004 would allow Czech citizens to elect their representatives to the new European Parliament later that year.

In June 2002, a constitutional amendment became effective, making international law, including international treaties, a part of domestic law for the first time in history. This amendment also allows the state's sovereign authorities to transfer their powers to the common bodies of the European Union. The Deputies also passed a constitutional act on referenda, a prerequisite for public vote on entry into the EU. The country will become EU member if called for by the simple majority of voters. This act is now awaiting the Senate approval.

As a result of the fast adoption of European standards, the quality of the environment has shown a significant improvement. Air quality corresponds with EU average and environmental damage in northern Bohemia is briskly disappearing. The important indicators of most pollutants have recorded a dramatic decrease over the past decade. Emissions of nitrogen oxide have been reduced up to 80 percent, sulphur 88 percent, and solid particles 92 percent. The Czech Republic exceeded OECD expectations by a full 20 years.

After ten years of intense political discussion, the Czech Parliament passed a bill on civil service. The President signed the law on May 14, 2002. The bill fulfills the constitution and represents a vital step towards improved service and professionalism of public administration.

key element of the campaign. A toll-free phone line was set up, which deals with several hundreds of call a day. The total of 17 regional EU information centers and numerous other information sources are also available to citizens.

Over ninety percent of Czech companies support the objective of rapid accession to the EU (surveyed in May 2002 by the Czech Economic Chamber). Businessmen see their prospects optimistically, devote a great deal of attention to increasing competitiveness and only one in ten anticipates difficulties after the accession.

 INVESTMENT UPDATE

Czech government approved two new programs called the Support Program for Strategic Services and the Support Program for the Creation and Enhancement of Technology Centers, and has, therefore, extended the existing framework of investment incentives for the manufacturing industry.

As for the first program, investors into strategic services such as customer care centers, shared services centers, SW development centers, expert and IT/CT solution centers, and high-tech repair centers, may now get direct state subsidies for both their entrepreneurial activities and the training and

retraining of their employees. The subsidies are distributed over a ten-year period. Their amount further depends on the target location. In general, the subsidies will amount to twenty to fifty percent of the total investment.

The second program is aimed at innovation in pre-production phase as opposed to fundamental research. Firms that invest into the construction of centers and staff training are eligible for support.

Main criteria for the allocation of subsidies are:

(1) Strategic services:

- > Minimum investment CZK 50 million or CZK 25 million in regions with higher unemployment
- > Must create at least 50 new jobs for Czech citizens
- > At least 50 percent must be exported
- > Minimum 25 percent must be financed from equity capital
- > Retention of the investment for a 5-year period

(2) Technology centers:

- > Minimum investment CZK 15 million
- > Must create at least 15 new jobs for people with permanent residence in the Czech Republic
- > Ratio of foreign workers must not exceed 40 percent
- > Minimum 25 percent must be financed from equity capital
- > 50 percent of the production must be exported
- > Retention of the investment for a 5-year period

> **Currently, there are 93 Japanese companies registered in the Czech Republic** including 36 manufacturers. The first Japanese development laboratory launched its activities in Pilsen last year under the name of Panasonic Europe Software Development Laboratory to develop software for digital televisions and now employs 45 researchers. Japanese investors have committed to invest \$1.83 billion and to create over 21,000 direct jobs.

> **VDO Ceska Republika**, the Czech subsidiary of **Siemens VDO Automotive**, plans to gradually enlarge its production capacities in Brandys nad Labem. As part of a global optimizing program of Siemens's electronic production, the already existing factory in Brandys nad Labem will be enlarged by the production of instrument clusters, fuel supply systems and components for air conditioning control. Siemens VDO Automotive is one of the world's leading suppliers of electronics, electrical products and mechatronics to the automotive industry with worldwide sales euro5.7 billion in 2001.

> CzechInvest announced that Japanese-based **Shimizu Industry Co.** would build a new factory in the Industrial Park Liberec-South to produce plastic automotive components. Shimizu Industry will invest over \$12 million. Construction of the new factory is scheduled to begin in August

this year and be completed by the end of February 2003. Most of the production will be intended for car manufacturers in the Czech Republic.

> According to EU statistical office Eurostat, **most direct investments of EU origin in the Czech Republic come from Germany, which has invested euro 3.5 billion, followed by the Netherlands with 1.4 billion and Austria with 0.9 billion.**

> **Accenture's** center for outsourcing shared financial and accounting services, which opened in Prague last October, was the second pilot project in strategic services to be approved for investment incentives by the government. The incentives are in the form of a subsidy for business activity amounting to one half of the tax liability and are limited both by the maximum allowable intensity of state aid and by a time limit of 10 years. The incentives are granted on condition that a minimum of 200 jobs is created for highly qualified employees within three years. Accenture met this condition within six months. Since last October, the company hired 200 highly qualified experts that use a total of 9 languages to interact with the different countries supported by the Center. The plan is to create at least another 300 job opportunities for people with university and secondary school education. The Prague center currently provides financial and accounting services to two global clients with significant pan-European operations. It currently serves these clients across nine European countries and there are plans to expand the services into human resources, procurement and customer relations management. Accenture currently operates in 46 countries in the world, where they employ more than 75 000 employees.

> **Aisan Bitron Czech** officially opened its new plant in Louny. In the first phase, Aisan committed to invest CZK 664 million and employ 170 people. Aisan Bitron Europe announced their investment intent in August and construction of the new plant started in March 2001. Aisan's satisfaction with the investment climate in the Czech Republic made the company expand their production by investing additional CZK 795 million and employ extra 72 people. Aisan ranks among major Japanese automotive component manufacturers. The company was founded in 1938 and currently has 8 plants manufacturing complete fuel systems worldwide. Their major customers include Toyota, Daihatsu, Mitsubishi, Suzuki, Mazda, Yamaha and Nissan. Aisan Bitron Czech was set up in September 2000 and launched production of electric fuel pumps in April of this year. Aisan is going to produce electronically controlled throttle valves in Louny.

CZECH COMPANIES LOOKING FOR PARTNERS, REPRESENTATIVES, IMPORTERS, DISTRIBUTORS

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www.crystal-chandelier.org
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www.boomtisk.cz

Broxtec

An experienced >CONSULTANT AND CONTRACTOR FOR MECHANICAL ENGINEERING PROJECTS< in Central Europe. Long partnership with forging, casting, machine and plastic parts, assemblies, moulds, press dies, tools manufacturers in the regions are essential for a custom project for an interested U.S. company.

Lesetin I/674
760 01 Zlin
Czech Republic
Phone: (+420) 67.700.1374
Fax: (+420) 67.722.1081
marek.gajdusek@broxtec.cz
www.broxtec.com
Mr. Marek Gajdusek

Cipos

The company provides >HIGH PRESSURE PIPE/DRAIN CLEANING, TV PIPE INSPECTION SERVICES, PIPE LINE NO-DIG REHABILITATION AND RECONSTRUCTION SERVICES<. The company is looking for an investment partner to expand its business activities. Target sum is around Euro 300-600 thousands, return in 3-5 years.

Vrato 4
37001 Ceske Budejovice
Phone: (+420) 608.500.001
Fax: (+420) 387.310.229
cipos@cipos.cz
www.cipos.cz

CrossWorld Cerveny Adverstising

An advertising agency, member of international network, would like to offer >PROMOTION SERVICES< both in the Czech and Slovak Republic.

Revolucni 25
11000 Praha 1
Phone: (+420) 2. 4446.0324
Fax: (+420) 2. 444.61303
jedlicka@crossworld.cz
www.crossworld.cz
Mr. Tomas Jedlicka

Eduard Zboril

A manufacturer of the >POLYPROPYLENE FUNERAL URNS< and related items would like to cooperate with similarly specialized stores and funeral houses in the United States.

Prazska 9
796 01 Prostejov
Czech Republic
Phone: (+420) 603. 970.173
eduard.zboril@niscal.cz
www.cremationurns.tripod.com
Mr. Eduard Zboril

Eurointerier

The company, that represents an extensive number of >GLASS, CRYSTAL, CHINAWARE AND POTTERY< manufacturers in the Czech Republic, would like to start a business relationship with U.S. partners.

Opavska 430
747 31 Velke Hostice
Czech Republic
Phone: (+420) 653.764.422
Fax: (+420) 653.764.005
eurointerier@eurointerier.cz
www.eurointerier.cz
Mr. Pavel Kubita

Glass Tomes

Manufacturer of >DECORATIVE TABLE GLASS< (selection of colors) decorated with gold and enamel, >HAND PAINTED DECORATIVE GLOBES, CUT LEAD CRYSTAL GLASS FIGURES, CRYSTAL CHANDELIERS (SELECTION OF COLORS) AND WALL LIGHT FITTINGS< is looking for a U.S. distributor.

Vilova 2
46601 Jablonec n. Nisou
Czech Republic
Phone/fax: (+420) 483.714.126
glasstomes@iol.cz
www.glasstomes.cz
Mr. Borivoj Tomes

Gulliver

manufactures >HAND CRAFTED WOODEN CLOCKS, REPLICAS OF 14TH CENTURY FULLY WOODEN MECHANICAL CLOCK<, based on a simple weigh-beam, invented in Italy at the turn of the 13th - 14th century. The product is designed as a highly decorative

interior object of a high utility value. The clocks are made in two sizes, in three wooden styles with three types of dials and three figures motives (brewers, blacksmiths, wine makers). Gulliver is looking for agents/distributors in the U.S.

Rvacovska 792
539 01 Hlinsko
Phone/Fax: (+420) 454.21039
gulliver@xaz.cz
Mr. Jiri Kosina, Director

Lion Agency

Agentura Lion is a promoting agency that provides >COMPANY LOGO LABELS, PAPER AND PLASTIC BAG PRINTING, LOGO LETTER PAPER, STAMPS, GIFT ARTICLES<, brochures, large panels and calendars, neon tubes, business cards, billboards, wall painting, advertising in newspapers, radio, TV and Internet

Vitorazska 80
378 10 Ceske Velenice
Czech Republic
Phone/Fax: (+420) 333.794.213
agenturalion@agenturalion.com
www.agenturalion.com
Mr. Dusan Jokl

Lux

Machine shop offers a quality >CNC MILLING, CNC TURNING, SURFACE GRINDING, MANUAL MILLING AND TURNING< (capacitor production equipment, RFID transponder manufacturing equipment NC80, spring probe machine handler for semiconductors components, micro-resistance welding machines) services to the prospective U.S. partner. Lux company is ISO 9001 certified by TÜV.

Mlynska 701
Jablonec nad Orlicí 561 64
Czech Republic
Phone: (+420) 446.676.661
Fax: (+420) 446.641.421
Cell: (+420) 777.257.200
smetana@lux.cz
www.lux.cz
Mr. Jiri Smetana

Maxima

A real estate company helps to >RENT OR BUY APARTMENTS AND HOUSES< in Prague and Central Bohemia

Washingtonova 5
110 00, Praha 1
Phone: (+420) 2.2111.0111, 605.227.000
Fax: (+420) 2.2111.0555
info@maxima.cz
www.maxima.cz
Ms. Veronika Borkova

Mode

The Czech producer of >CLOTHES FOR CHILDREN, T-SHIRTS, SHIRTS, JACKETS AND TROUSERS< is looking for an U.S. distributor.

Luby 13
Klatovy 33901
Phone: (+420) 186.315.155
Fax: (+420) 186.310.867
mam.model@iol.cz
Mrs. Makovcova

Skoda Machine Tool

The top manufacturer of the heavy machinery - >HORIZONTAL BORING MACHINES (SKODA FCW/FC HORIZONTAL BORING AND MILLING MACHINES, SKODA HC4-HEAVYCUT HORIZONTAL BORING AND MILLING MACHINES, SKODA HCW HORIZONTAL BORING AND MILLING MACHINES), LATHES, SPECIAL MACHINE TOOLS,< Special machining centers would like to start a solid partnership with the U.S. partners.

Tylova 57
316 00 Plzen
Czech Republic
Phone: (+420) 19.773. 2788
Fax: (+420) 19.773.4427
ljanousek@smt.skoda.cz
www.skoda.cz/machtool/
Mr. Lubos Janousek

Starglass

Starglass is a producer of >GLASS HANDMADE LAMP SHADES<. The company is looking for a U.S. partner.

Podhorska 22
Jablonec nad Nisou 46601
Phone: (+420) 428.318.479
Fax: (+420) 428.305.315
starglass@seznam.cz
Ms. Iveta Zidkova

Svit ZPS Prefix

The production of the >SHOE-MAKING MACHINERY< in ZPS Prefix has nearly 100 years long tradition, being established in 1903 as an engineering shop by the famous Bata company. ZPS would like to find a business representation in the USA.

Ratibor 551
Ratibor 75621
Phone/Fax: (+420) 657.423.407
sales@prefix.cz
www.prefix.cz
Mr. Martin Skrabanek

 FEATURED TRADESHOWS AND EXHIBITIONS

PRAGODENT - International Dental Equipment and Services Tradeshow

November 7- 9, 2002, Prague Exhibition Grounds
 Praointerier is the tradeshow of modern Czech and international design.
 Ms. Marcela Benesova, Exhibition Manager
 Phone: (+420) 2.2010.3491
 Fax: (+420) 2.2010.3492
m.benesova@incheba.cz

INTERIER 2002 - Furniture, Interior Equipment, Design

September 5 – 8, 2002, BVV-Prague office
 Furniture for residential and non-residential interiors, furniture for cabins and weekend houses, garden furniture, interior accessories, glass interior accessories, chinaware, ceramics, light fittings, soft furnishings, materials for the furniture production, restoration and renovation of furniture, made-to-order production of furniture, specialized magazines & literature, software for architects and designers.
 Ms. Jana Beranova, Project Director
 Phone: (+420) 2.2422.8243
 Fax: (+420) 2.2422.8243
interier@bvv.cz
www.bvv.cz/interier

Major Organizers

For more information on the listed events and a complete schedule of tradeshow and exhibitions in the Czech Republic, please contact the following organizers:

BVV

Vystaviste 1
 647 00 Brno
 Phone: (+420) 5.4115.1111
 Fax: (+420) 5.4115.3070
info@bvv.cz
www.bvv.cz

INCHEBA PRAHA

Vystaviste Holesovice
 170 90 Prague 7 - Holesovice
 Phone: (+420) 2.2010.3482
 Fax: (+420) 2.3337.8225
info@incheba.cz
www.incheba.cz

 CZECH COMMERCIAL OFFICES IN THE UNITED STATES

For information on Czech products, companies, and/or investment opportunities in the Czech Republic, please contact:

Czech Embassy in Washington, D.C.: Alabama, Arkansas, Florida, Georgia, Illinois, Indiana, Iowa, Kansas, Kentucky, Louisiana, Maryland, Michigan, Minnesota, Mississippi, Missouri, Nebraska, North Carolina, North Dakota, Ohio, Oklahoma, South Carolina, South Dakota, Texas, Tennessee, Virginia, West Virginia, Wisconsin (Midwest, South, and eastern part of the West)
 Contact: Ms. Veronika Lukasova, Phone: 202.274.9104,
 Fax: 202.244.2147, eco_washington@embassy.mzv.cz

Consulate General in Los Angeles: Alaska, Arizona, California, Colorado, Hawaii, Idaho, Montana, Nevada, New Mexico, Oregon, Utah, Washington, Wyoming (western portion of the West).
 Contact: Mr. Michal Korycanek, Phone: 310.473.0889 x.229 Fax: 310.473.9813, losangeles@embassy.mzv.cz

Consulate General in New York: Connecticut, Delaware, Maine, Massachusetts, New Hampshire, New Jersey, New York, Pennsylvania, Rhode Island, Vermont (Northeast).
 Contact: Mr. Josef Dvoracek, Phone: 212.717.5643
 Fax: 212.717.5064, consulate.newyork@embassy.mzv.cz

CzechTrade - Chicago Office

Contact: Ms. Jana Sevcikova, Phone: 312.644.1790,
 Fax: 312.527.5544, sevcikova@czechtrade.tpo.cz

CzechTrade - Miami Office

Contact: Mr. Roman Matyas, Phone: 305.261.6313,
 Fax: 305.261.6314, matyas@czechtrade.tpo.cz

Czech Center New York

Contact: Ms. Michaela Palkova, Phone: 212.288.0830 x.106, Fax: 212.288.0971, palkova@pop.net

CzechInvest - U.S. Operations East

Contact: Ms. Hana Lasslerova, Phone: 312.245.0180,
 Fax: 312.245.0183, lasslerova@czechinvest.org

CzechInvest - U.S. Operations West

Contact: Mr. Radomil Novak, Phone: 408.376.4555,
 Fax: 408.376.4557, california@czechinvest.org

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