

Czech Trade Focus

News from the Czech Commercial Offices in the United States / January 2007

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ECONOMIC BRIEFS

Czech gross domestic product (GDP) could reach the European Union average by 2013, according to a study by the French Centre for International Studies and Research (CERI). The study pointed to the Czech foreign trade surplus and continuous significant growth as reasons for hope. However, it warned about delayed budget reforms as potential hurdles to GDP growth.

Overall confidence in the economy reached its highest level ever at the end of 2006. The figure increased 1.4 points in November and 6.3 points from the end of 2005. More than half of respondents assessed the economy as good, nearly 40% as satisfactory and 6.2% as bad.

Major Internet retailers expect online sales to increase as much as 40% in 2006 to 14bil Kc (\$643m). Internet Mall, the largest online store, expects to increase sales to 1.4bil Kc (\$64.3m), up from 1bil Kc (\$45m) the previous year. Online shoppers generally buy high-end electronics and household goods.

An increasing number of internal audits have helped Czech companies' bottom lines. Companies have started looking at audits as a way of improving their business model and have also increased the amount of money earmarked for audits.

The price of heavy truck transportation may increase 15 to 20% this year due to electronic tolls. Analysts say the toll may cause

inflation to increase by a few tenths of a percent. Truck transporters will have to pay some 3bil Kc (\$137.8m) in tolls in 2007, of which 1bil Kc (\$46m) will be paid by foreign companies.

A total of 4.7 million guests stayed at Czech hotels in the summer of 2006, an increase of 6.4% on the same period a year before. The number of foreign guests increased 4.3%, while the number of domestic tourists grew 8.3%.

The Czech Republic gained 6.9 bil Kc (\$317m) more from the **EU budget in 2006** than it paid into it. The figure includes 5.7bil Kc (\$261.8m) in budget compensation, which countries that joined in 2004 will no longer receive. The country's net revenue reached 16.2bil Kc (\$744m).

Czech automobile manufacturers rolled out nearly 850,000 new cars in 2006, setting a new high. The industry was buoyed by a record year for Skoda Auto, which produced a record 550,000 cars last year. The entire Czech auto industry only produced 600,000 cars in 2005.

Prices of flats last year increased by ten percent outside Prague and some cities and by 20-30% in Prague alone.

Czech consumer price growth for 2006 reached 2.5%, up from 1.9% a year earlier. In December, inflation accelerated to 1.7% year-on-year from 1.5% the previous month. The monthly growth was led by fruit, potato and fresh vegetable prices. Prices of winter

footwear, newspapers and magazines also went up that month.

As many as 185,075 foreigners from 158 countries worked legally in the Czech Republic at the end of 2006, roughly 13,000 more than the year before. Roughly 117,000 workers were from European Union countries, and Switzerland. The ministry estimates that tens of thousands of foreigners work in the country illegally.

The winter storm Kyrill, which took nearly 50 lives across Europe in January, resulted in claims of up to 485m Kc (\$22.5m). Ceska pojistovna announced that it received some 3,000 claims following the storm. Kyrill had winds that reached 212 kilometers (130 miles) per hour and caused the most damage in the history of state-owned forester Lesy CR.

Trucking companies paid out nearly 61m Kc (\$2.9m) in electronic tolls during the e-toll system's first week in operation. The e-toll system was launched Jan. 1. The Transportation Ministry estimates some 2.4bil Kc (\$110m) will be collected this year, but it also predicts the state will not see a profit from the tolls until 2009.

The number of wealthy Czechs earning a gross monthly wage higher than 31,500 Kc (\$1,445) will increase by 100,000 this year to 430,000. The group which represents less than 10% of the workforce will pay one third of all income taxes collected.

The Czech Retail Inspection approved the practice of rest stops

charging for using the toilet and putting the amount on the bill. Consumer groups have argued that the charge requires restaurants to have a separate business permit for the practice.

Czechs working abroad send nearly 30bil Kc (\$1.4m) back to the Czech Republic each year. The total amounts to nearly 1% of the country's gross domestic product.

The Czech Republic has been largely unsuccessful in having the **money it borrowed under the Communist regime** to "friendly" regimes repaid. The exact amount of the claims is not clear. The unpaid debts increase by interest rates and fines.

Czech cinema attendance grew last year after a heavy slump in 2005. More than 11.5 million tickets were sold in 2006, up 2 million from the year before. Sales rose from 854m Kc (\$22m) to more than 1bil Kc (\$46m).

Homebuilders will no longer have to apply for building permits to construct houses that are smaller than 150 square meters (1,600 square feet) and shorter than four stories, thanks to a new building law. But a new notification requirement makes building permits more complicated and means that owners must obtain approval from neighbors for construction projects.

Czech natural gas prices are some of the highest in the European Union and have been rising faster than the EU average. The Czech Republic ranks sixth among 27 EU nations.

Czech managers make significantly less than their European Union counterparts, per a survey by German consulting company Kienbaum. The survey showed that a manager of a multinational company in the Czech Republic makes some 2.3m Kc (\$105,600) per year, while a German manager earns 7.2m Kc (\$330,000). Nevertheless, the real wage of Czechs with the highest incomes has grown four times faster than those with the lowest income since 1989.

Dutch-based owners control more than 25% of the capital of foreign companies operating in the Czech Republic. The Dutch hold 182bil Kc

(\$8.4m) in capital in Czech companies. Germans and Austrians follow close behind.

The Czech unemployment rate rose to 7.7% in December, up from 7.3 in November. The figure is still significantly lower than at the end of 2005, when it stood at 8.9%. The region with the highest unemployment was Most, north Bohemia, at 19.5%. Unemployment was the lowest in Prague, at 2%.

The Czech Retail Inspection seized counterfeit goods worth an estimated 743m Kc (\$34m) at open-air markets and shops last year, up from 733m Kc (\$33.6m) a year earlier. About 83% of the forged products were CDs and DVDs, a record amount. Half the CDs in the Czech Republic are counterfeit.

Insurance companies have not seen any major decline in road accidents since the new traffic law in July created a system of penalty points for bad drivers. Insurers attribute the decline in police statistics to drivers' unwillingness to report minor accidents for fear of being penalized. The police say that the number of traffic accidents fell by 10,500 since July, compared to the same period in 2005.

Clients paid some 450m Kc (\$20m) for **Web site hosting** last year, up more than 18% from 2005. The market is expected to grow 13% in 2007

Czech industry consumes too much raw material for its gross domestic product (GDP) output. The Czech Republic uses one ton of raw materials to produce 185 euros (\$246; 5,163 Kc) of GDP — making it six times less efficient than the average of the 15 original European Union countries.

Austrian company Kapsch launched its **electronic toll collection system** in the Czech Republic on January 1. Trucks and buses weighing more than 12 metric tons (13 short tons) have to pay tolls on 970 kilometers of Czech roads. The average rate is 4.05 Kc per kilometer (19 U.S. cents per mile). More than 700,000 Kc (\$32,000) was collected on the first day. However, some residents of towns and villages are complaining about trucks using their roads to avoid paying the electronic toll. Directions about how to

bypass the toll system appeared on the Internet shortly after collection began.

Czech mortgage banks have provided almost 245,000 mortgage loans worth 420bil Kc (\$1.9m) since they launched activities in the mid-1990s. Banks have provided 237,087 mortgage loans worth 299bil Kc (\$13.7m) to individuals, 6,945 loans worth 113.4bil Kc (\$5m) to companies and entrepreneurs, and almost 800 loans worth almost 8bil Kc (\$366.9m) to municipalities.

Modern high-speed European trains cannot run on Czech rails, causing problems for Czech companies and international rail operators. Fast trains began operating direct runs between the Czech Republic and Austria, but their engines have to be changed on the border.

The interest the Czech Republic pays for its state debt has been steadily growing and should reach 38.2bil Kc (\$1.7m) this year, compared with less than 20bil Kc (\$917.8m) five years ago.

Czech trade with Poland grew to a record \$10bil this year, up from \$8.5bil in 2005. The amount of Czech investment in Poland is also increasing, led by state-run power producer CEZ's purchase of two power plants in Poland. Skoda is the top-selling car brand on the Polish market.

Food prices may increase by an average of 5% in 2007, owing to higher energy and raw materials prices. The sugar market will be hit by Eastern Sugar's decision to close three Czech sugar refineries, which will turn the Czech Republic from a sugar exporter into an importer. The drop in sugar production may also increase prices for hard alcohol.

Wages in the Czech agricultural sector should increase by five percent on average this year in line with a collective agreement signed by the unions association OSPZV-ASO, the association of agricultural businesses CMSZP and the Agricultural Association. Czech farmers earned an average 13,960 Kc (\$640) a month in the first three quarters of the year, while the average monthly wage in the economy was 19,635 Kc (\$899).

An educational project called IQ AUTO is being launched in the Hradec Kralove region. Within the project, up to twenty secondary and professional schools will collaborate with

companies in the automobile industry. The aim of the project is to enable students to gain experience and to find employment upon finishing their studies. It will be possible within the

project to tailor the curricula in schools according to the needs of individual firms, thus bringing the experience of graduates closer to the needs of the work environment.

FOREIGN DIRECT INVESTMENT (FDI) IN THE CZECH REPUBLIC

According to new Eurostat data, foreign direct investments (FDI) implemented in the Czech Republic last year were higher than investments implemented in any other new European Union member. Last year foreign investors spent EUR 8.8bil (248bil Kc; \$11.4bil) in the Czech Republic while, for example, Slovakia received only EUR 1.7bil (47.8bil Kc; \$2.2bil) in FDI. The World Investment Report 2006 released recently by the United Nations Conference on Trade and Development (UNCTAD) also confirms these figures. The volume of long-term and strategic investments in the Czech economy doubled in comparison with the previous year. The Czech Republic is the only new EU member country to rank among the world's top twenty FDI recipients.

AMERICAN INVESTMENTS INTO R&D

American investments in the Czech Republic announced this year and directly related to research and development (R&D) account for roughly 60% of all investments made by US firms. Twelve of the newly announced investments were in R&D. Almost 80% of the 21 projects recorded by CzechInvest's California office are related to R&D. Roughly one third of these projects are from small Silicon Valley firms that develop software or semi-conductors.

INVESTMENT BRIEFS

J&T Real Estate will build a 2.5bil Kc (\$114.7m) shopping and office center in the Prague 8 neighborhood of Karlín on the site of former engineering company Prazske strojirny. Construction of the 60,000-square-meter (644,834-square-foot) facility will begin in 2009. Karlín was hit the hardest by the major floods of 2002.

The software firm Microsoft is opening a mobile-technology support centre in Prague. The centre, which is to support the European expansion of the Windows Mobile operating system, will provide services to mobile operators, their customers, and mobile-device manufacturers.

A brand new integrated-circuit development centre has been opened at the Faculty of Electrical Engineering of the Brno University of Technology in cooperation with the companies ON Semiconductor and Cadence. This is the first step toward implementation of ChipInvest, a joint project of leading global firms operating in the field of microelectronics. The goal of the project is to create an incubation environment for development of integrated systems in the area of aviation and space programmes and medical technology. ChipInvest is focused on analog and mixed signal domain and embedded systems.

Lufthansa has opened a new centre for cargo management and aircraft load control in Brno. The Global Load Centre is responsible for weighing Lufthansa aircraft operating in the European air space.

The Taiwanese portable-computer and household-electronics manufacturer Wistron is headed to the Czech Republic. The firm is primarily planning to manufacture LCD television displays in the country. Production is expected to begin this year.

South Korean car maker Hyundai Motor Company plans to invest EUR 1.3bil (37bil Kc; \$1.7m) in its plant in northern Moravia, which should be completed by 2011. Most of the sum will be spent on machinery and the rest on construction work.

A centre for small and medium-sized firms engaged in development of technologies and research will be established on the site of the airport in Hradec Kralove. The centre will include a business incubator for start-up companies, a science and technology park with ties to the University of Hradec Kralove, and a technology-transfer centre. The first firms will be able to move to the centre at the beginning of 2008. The project is being supported from the European Regional Development Fund.

Belgian car components producer Recticel will build a new plant in northern Bohemia but has not decided yet between the Triangle industrial park near Zatec and Joseph business park in Havran near Most. The plant would employ 450 people.

Less & Forest has won tenders for logger work worth billions of crowns on an area accounting for 43% of the forested area managed by state-run forest company Lesy Ceske republiky (LCR) (278 territorial units), which is 119 units. Krušnohorské lesy came next with 44 units and the biggest logging company in the Czech Republic, CE Wood, is third with 13 units.

A new biotechnology centre of the Academy of Sciences of the Czech Republic is to be built in Vestec near Prague. The centre will be focused on two areas - molecular biotechnology and regenerative medicine. Biotechnology incubators intended for the establishment of firms will be linked to the centre, which will focus particularly on basic research. The centre is expected to begin operation in 2011. Funding for the establishment and operation of the centre will be drawn from EU structural funds, specifically from the Research and Development for Innovation

programme.

Hill's Pet Nutrition, one of the world's largest pet-food makers, will build a plant in Hustopeč, South Moravia, employing 350 staff. The company, which has over one million customers and operates plants throughout the world, has picked the Czech Republic as its base for markets in Central and Eastern Europe. The plant covering 160,000 square metres will produce 160,000 tonnes of granulated pet food a year. At present, the annual Czech pet-food output amounts to approximately 100,000 tonnes.

Global Trade Centre (GTC), a leading Polish developer, will build a retail and office complex worth roughly EUR 265m (\$342m) near Prague's Sazka Arena. The project is a joint venture of GTC, the Israeli firm Scorpio BSG, and the real estate fund RREEF, which is part of Deutsche Bank. Construction of the roughly 40,000 m² of retail space and 80,000 m² of office space will begin in the last quarter of 2007. The project developer is C&R Developments, a member of the international Lighthouse Group.

Skype, which offers cost-competitive internet telephony services worldwide,

will open a development centre in Prague. The firm selected the Czech Republic from among twelve Central and Eastern European countries. The local centre will be the first one outside of Skype's hometown of Tallinn, Estonia. Thirty Czech programmers should find employment at the centre by the end of 2007.

The French automobile-component manufacturer **Faurecia** has invested more than 2bil Kc (\$91.7m) in three new production plants in Pisek. Two facilities are already operational and manufacturing exhaust systems and automobile door panels. The third facility will begin manufacturing automobile seat frames at the start of 2007. The company will employ more than 1,000 workers once the three plants in the Cizovska industrial zone are operating at full capacity.

Bureau Veritas Certification Czech Republic has opened an international certification centre at its headquarters in Prague 4. The centre is to improve the efficiency of issuing foreign accreditation certificates to clients in the Czech Republic and other European countries. Bureau Veritas Certification is the independent certification body of the international

corporation Bureau Veritas, which provides services in quality, hygiene, security, the environment and other sectors.

Siemens has opened a centre for the research and development of automobile sensors in the municipality of Frenstat pod Radhostem in the northeast of the country. The centre will expand gradually - the firm intends to employ roughly 50 top developers and designers by the end of 2007. The sensors developed in Frenstat will be produced around the world. Siemens employs 16,000 people in the Czech Republic and by the end of 2007 intends to increase this number by an additional 1,500 new employees.

The American firm **Solectron** will build a high-tech service centre in Plzeň-Borska Pole. The firm will invest more than 100m Kc (\$4.6m) and expects to open the facility in the spring of 2007. Solectron will employ 50 university students and will create even more support service positions at the centre. This is Selectron's first investment of this type in Central and Eastern Europe.

TWO CZECH UNIVERSITIES RANKED IN THE TOP 500

In an international ranking compiled by *The Times*, Charles University and the Technical University in Brno are among the world's 500 best universities. The main criteria include the quality of research at the schools, employability of graduates, international standing of the schools and quality of instruction.

THE CZECH CROWN

The Czech crown firmed to a new all-time high to the US dollar at 20.7333 CZK to 1 US Dollar on January 3, 2007. This is an amazing accomplishment for the developing economy. Just in 2000, the average exchange rate was at 38.590 CZK to 1 US Dollar. Hence, the Czech crown is almost twice as strong to the dollar now then seven years ago.

Although the Czech crown has slipped since January 3, confidence in the Czech economy grew to a new record high in January as the aggregate indicator added 0.6 points against December. Year-on-year, overall confidence rose by 5.5 points.

COMPANIES AND BUSINESSES

Power producer CEZ topped the annual "Czech 100 Best" company list created by Comenius. Skoda Auto finished second, ahead of Kooperativa, Ceska sporitelna, and Telefonica. Companies entering the competition must have at least 20 employees, an annual turnover of more than 30m Kc

(\$1.4m) and pay taxes in the Czech Republic.

Irish-owned company CzechAircraft is taking over Czech plane maker Moravan-Aeroplanes. CzechAircraft has paid more than 50m Kc (\$2.3m) to the creditors of Moravan-Aeroplanes

and its former parent Moravan. The Zlin-based Moravan-Aeroplanes declared bankruptcy in 2004. The company now employs about 170 people.

The Portuguese Patent Office ruled that **Czech brewery Budejovicky**

Budvar is entitled to use the Budweiser Budvar trademark in Portugal, after a seven-year registration process. U.S. brewing giant Anheuser-Busch filed an appeal against the verdict of the European Court of Human Rights. The two breweries are involved in nearly 110 legal disputes around the world.

The French automotive firm Hutchinson has decided to change the focus of production in its Czech branch in Rokycany. Simple assembly work will be transferred from the Czech Republic to countries with cheaper labor, while more technically demanding products requiring specialist workers will commence in Rokycany. The construction of a new production hall and introduction of new technologies will result in the preservation of jobs in the Czech branch.

Rodeo Drive, a fast food restaurant chain, has opened its first restaurant in the Czech Republic in Brno and plans to open two other restaurants in Prague. Czechs spend up to 25bil Kc (\$1.1m) annually on fast food.

Dow Jones sold its 23.5% stake in **Czech publisher Economia** to majority owner Verlagsgruppe Handelsblatt for nearly 435m Kc (\$20m). Economia publishes economic and trade magazines including *Hospodarske noviny*.

U.S. brewing giant Anheuser-Busch announced a deal to distribute Ceskobudejovicky Czechvar Premium Lager in the United States in an effort to add more high-end imports to its portfolio. Both companies claim exclusive rights to the Budweiser name and are currently locked in several trademark disputes throughout Europe. The U.S. agreement will not affect those disputes.

Czech power giant CEZ is one of four groups shortlisted to modernize the energy sector in Kosovo. The main project of modernization is a power plant with a capacity around 2,000 megawatts. The modernization would cost nearly \$3bil and should be completed by 2012.

Chinese television maker Changhong Europe launched TV production in Nymburk, Central

Bohemia. The company had 100 employees by the end of 2006 and expects 300 by the end of 2007. Changhong wants to produce 1 million plasma TV sets in Nymburk annually.

Ashok Leyland, the Indian industrial group and producer mainly of freight vehicles, which in May purchased the Czech company Avia, is planning to establish a centre in the Czech Republic for the company's European expansion. The company is interested in several other acquisitions within and outside of the Czech Republic, from which they would be managed.

Barrandov Studios completed the construction of the largest soundproof stage in Europe. The cost of the project, which began in March of last year, doubled to 200m Kc (\$9m). The new complex consists of two 1,000-square-meter (10,764-square-foot) stages, and a third stage measuring 2,000 square meters. It is possible to combine the stages to create a 4,000-square-meter studio.

The SABMiller-owned Plzensky Prazdroj opened a new 1bil Kc (\$46m) filling room. The room, which is able to produce 60,000 bottles of beer and 38,000 cans per hour, is the largest investment in the company's history. It will help the company meet increasing demand for its Pilsner Urquell beer. Plzensky Prazdroj is the largest brewery in the Czech Republic.

The low-cost airline **SkyEurope** will add a flight connecting Prague and Brussels to its summer schedule. The carrier will join Czech Airlines and SN Brussels Airlines on this route. SkyEurope will fly to Brussels three times each week. **Smartwings**, a Czech low-cost carrier, is planning to expand to the east - the airline plans to fly between Prague and Moscow four times per week.

Czech Airlines (CSA) plans to lay off 200 staff members by April to save nearly 100m Kc (\$4.6m) annually. The cut would reduce CSA's workforce to 5,100. Some 142 employees accepted a buyout to leave the company in August. The dismissals are part of a long-term restructuring plan designed to return the company to profitability.

The largest aviation service centre in Central and Eastern Europe will be

established in Ostrava (Moravia-Silesia region). The Czech company **Central Europe Aircraft Maintenance a.s. (CEAM)** will invest approximately EUR 35m (\$45m) in its construction. The company plans to perform repairs and maintenance of large aircraft at the centre, which is to begin operating within one year.

Czech energy company CEZ is considering the construction of a new coal-fired power station worth roughly 1bil EUR, or nearly 30bil Kc (\$1.4m), in Poland. CEZ stressed that the construction of a new power station would concern the supplying of the Polish market. The project should therefore have no impact on the plan to modernise and build coal-fired power stations worth over 100bil Kc (\$4.6m) in the Czech Republic.

Seznam, the largest Czech Internet search engine, increased its profits to 480m Kc (\$22m) last year, up 113m Kc (\$5m) from 2005. Visits to Seznam's main page rose 50% on the year to 2.1 million per day, according to November figures. Rival portal Centrum had 451,000 users, and Atlas registered 187,000 visitors per day.

Austrian company UBM Bohemia plans to build a 1bil Kc (\$46m) recreation park at the Lipno dam in South Bohemia. The park will be modeled after a village, containing hundreds of houses and a port for yachts and could serve 2,000 people. The Hrustice civic association is opposed to the project and claims it will seriously deteriorate the environment and the quality of the water in the dam.

Cedar Capital Partners purchased the newly opened Mandarin Oriental Hotel in Prague, along with one of its institutional investors. The hotel was originally a 14th-century Dominican monastery.

Belgian company Delhaize has sold its Delvita grocery stores in the Czech Republic to German retail group Rewe AG for 100m euros (\$128m; 2.8bil Kc). Rewe operates Billa supermarkets and Penny Market discount stores in the Czech Republic. Delvita sold its Slovak stores to Rewe, while posting a loss of 1.5m euros (\$1.9m) in 2005.

Dominant mineral water producer Karlovarské minerální vody (KMV) bought the remaining 49% of rival Pobebradka. KMV already owned 51% of the company. The Anti-Monopoly Office rejected a merger between the two companies in 2003. KMV owns the Mattoni, Dobra voda, and Aquila brands.

Czech Aircraft, which is owned by the Irish firm **QucomHaps Holdings**, is the new owner of aircraft manufacturer **Moravan-Aeroplanes** located in the Otrokovice municipality of the Zlín

district. The firm offered more than 50m Kc (\$2.3m) for the aviation firm. The plant employs roughly 170 people.

Czech power plants will be unable to produce enough electricity to cover the entire domestic consumption in 2020, an expert group of the Industry and Trade Ministry, power company CEZ and the Nuclear Research Institute found. The group advocated constructing new nuclear power plants. The current coalition has agreed not to support any new nuclear units.

National air carrier Czech Airlines transported nearly 5.5 million passengers last year, a growth of 4.7% on the year and a record high. The airline passed the 5 million-passenger mark in 2005. Still, it is expected to sustain a 500 m Kc (\$23m) loss for 2006.

CZECH INFORMATION TECHNOLOGIES

Through the legislative process, the Ministry of Informatics has eliminated most of the serious legislative obstacles to the liberalisation of the telecommunication market and created the legal prerequisites for the further development of electronic communication. With a volume of 6.8 billion EUR (\$8.8 billion) on its IT and communication technologies market, the Czech Republic surpassed Ireland in 2005. The dynamic development of the market and the country's advantageous geographic location have attracted several large foreign companies to the Czech Republic in the last three years, creating several thousands of new jobs.

Survey of Successful Firms Operating in the Information Technology Sector

Sun Microsystems Czech, s.r.o.: provides products, services, and supporting solutions for the construction and maintenance of computer networks. It offers computer and storage systems that allow further expansion, high speed microprocessors, and a broad range of highly efficient software for the operation of computer networks. www.sun.cz

Software602, a.s.: operates on the market as a traditional Czech supplier of software since 1991. It operates a subsidiary in the USA. www.software602.cz

TietoEnator, a.s.: builds a more efficient information society and is one of the largest providers of IT services in Europe. It specializes in consulting and the development and operation of trade. www.tietoenator.cz

Grisoft, s.r.s.: ranks among world's largest suppliers of security software. Since its founding in 1991, the regional Czech company has grown into an international enterprise with branches in many countries including the USA. www.grisoft.cz

AEC, spol. s.r.o.: leading Czech producer and provider of security software and services. www.aec-security.com

Computer Associates CZ, s.r.o.: one of the world's largest providers of IT management software. It helps businesses to unify and simplify the management of company information systems. It is based in USA and has a branch in Prague. www.ca.com/cz

RED HAT DEVELOPS A CENTER IN THE CZECH REPUBLIC

The American company Red Hat, the leading provider of open source solutions, has established a development center in the Czech Republic. With its 207 specialists, the Brno centre will become a globally significant branch of the company. Red Hat is known for its operating systems based on Linux, which at this time is the greatest competitor of the Windows operating system.

Red Hat chose Brno as a center of technological advancement for Red Hat solutions because of its rich talent base.

The center will be located on leased premises measuring 3,000m² in the vicinity of Masaryk University's Faculty of Informatics. Investment in the technical assessment of the building, purchase of information technologies and other equipment will exceed EUR 1.3m (\$1.6m; 36m Kc).

The company anticipates extensive cooperation with universities, especially with Masaryk University in Brno. Such cooperation will happen on many levels, from submission of dissertation work, through student internships in the company, to the possible creation of new departments at the faculty in cooperation with and at the instigation of Red Hat.

The Czech Republic and other EU newcomers will enter the **Schengen zone**, in which there are no inspections at internal EU borders, on 31 December 2007. This decision was made by the Interior Ministers of EU member states. Airport controls on flights to most EU states will end in March 2008. The new member countries faced the possibility of having to until 2009 wait to join the zone due to the introduction of the second version of the database that stores data on wanted persons and stolen vehicles. The newcomers have however promised to help defray the costs of expanding the current system.

Investors will use state subsidies to build **two solar power plants** near the Temelin nuclear power plant in South Bohemia. Each plant will cost 30m Kc (\$1.4m), and construction could begin

in 2007. The country has a solar power capacity of 1 megawatt (MW), compared to 800 MW in Germany.

The government has approved the **national strategy and operational programmes** that allocate European funding for the 2007-2013 period. According to the Regional Development Ministry's draft, the money will primarily be spent on the development of transport infrastructure, the environment, and regional development. Subjects in the Czech Republic could receive a total of up to 750bil Kc (\$34.4m) for this period. Government approval is required for the Czech Republic to be able to formally submit the documents to the European Commission.

Growing household consumption may lead to higher prices and force the

Czech National Bank to raise interest rates. Czech gross domestic product per capita grew to 424,910 Kc (\$20,157) in 2005, ranking the country 17th among the 25 European Union members.

The Czech Republic may adopt **the euro** in 2012. This is the closest date that the country could carry out the necessary pension and public finance reforms. An official date for changing currencies has not yet been set.

A referendum that would have reduced the limits on coal mining in the area surrounding Litvinov, north Bohemia, failed when only 38 % of voters went to the polls. The law requires at least 50% voter turnout for a valid referendum. Nearly 95% of voters chose to keep the current limits, which the government set in 1991.

CZECH COMPANY LOOKING FOR REPRESENTATIVES, IMPORTERS, DISTRIBUTORS

STROJEXPORT a.s. is a leading Czech export company with headquarters in Prague. It has been in continuous business for 54 years. The company is known for its ability and persistence to connect the elite of Czech industrial manufacturers with the needs of their international clientele in more than fifty (50) countries.

STROJEXPORT exports:

1. Air Handling, Heating and Cooling Equipment.
2. Sewage Disposal Plants, Incineration Plants.
3. Power Engineering Equipment.
4. Modular and Mobile Airports and Heliports.
5. Multifunctional Containerised Kits Construction.
6. Industrial Furnaces.
7. Building, Road-Making.
8. Special Purpose Vehicles.
9. Material Handling Equipment.
10. Fuel Dispensers and Gas Stations.
11. Equipment for Railways.
12. Pneumatic Knocking and Drilling Tools.
13. Equipment for the Food Processing Industry.
14. Medical Field Equipment.
15. JAWA motorcycles.

STROJEXPORT is seeking U.S. importers / distributors primarily (but not limited) for the following products / equipment:

- **Mini breweries (pub breweries) for alcoholic and / or nonalcoholic beer.**
- **Track stabilizers and / or other special railroad repair and maintenance vehicles.**
- **Sewage disposal plants.**
- **Industrial furnaces**
- **Medical field equipment (mobile ambulances, inflatable field hospital tents etc.)**

For more information, please visit **STROJEXPORT's** website at <http://www.strojexport.cz>. For all your inquiries, questions and comments please contact the company at the address as follows:

STROJEXPORT a.s.
Vaclavske namesti 802/56
11000 Praha 1
Czech Republic
Phone: +420 224 032 789
Mobile: +420 606 734 833
Fax: +420 222 212 026
E-Mail: haroun@strojexport.cz
Web: <http://www.strojexport.cz>

TRADESHOWS AND EXHIBITIONS IN THE CZECH REPUBLIC/ SPRING 2007

03. 02. - 03. 03. 2007

BEAUTY EXPO

International trade fair of cosmetics and hair-dressing

Organizer: Beauty Expo

Contact person: Lenka Konecna

tel.: +420 257 941 691

fax: +420 257 941702

e-mail: info@beautyexpo.cz

www.beautyexpo.cz

03. 08. - 03. 11. 2007

MOTOCYKL

11 th international motorcycle and accessories trad-fair

Organizer: Incheba Praha

Contact person: Eva Nogolova

tel.: +420 220 103 461

fax: +420 220 103 220

e-mail: e.nogolova@incheba.cz

www.motocykl-praha.cz

03.14. - 03.18. 2007

PRODITE

International Fair of Children's Products

Contact person: Milon Mlcak

e-mail: prodite@bvvcz

www.bvv.cz/prodite

03.14. - 03.18. 2007

MOBITEX

International Fair of Living

Contact person: Milon Mlcak

e-mail: mobitex@bvvcz

www.bvv.cz/mobitex

03. 16. - 03. 18. 2007

ESOTERIKA / BIOSTYL

Trade-fair of esotherapy, spiritual science, healthy life style, alternative medicine and ecology

International trade-fair of healthy nutrition, ecology and healthy lifestyle

Organizer: Incheba Praha

Contact person: Ctirad Hemelik

tel.: +420 220 103 555

fax: +420 220 103 505

e-mail: c.hemelik@incheba.cz

www.veletrhesoterika.cz

www.biostyl.cz

03.27. - 03.29. 2007

SCHOLA NOVA

International Specialized Fair - School, Training and Equipment (Fair Palace Prague)

Contact person: Marcela Zelinkova

e-mail: schola@bvvcz

www.bvv.cz/scholanova

03.27. - 03.29. 2007

G+H

International Trade Fair for Hotels, Restaurants and Catering

Contact person: Vera Mensikova

e-mail: gh@bvvcz

www.bvv.cz/gh

03. 27. - 03. 30. 2007

POLYGRAF

14th international fair of polygraphy, paper, packaging and packaging technology

14th international fair of advertising services,

Organizer: marketing, media M.I.P. Group

Contact person: Monika Hrubalova

tel.: +420 267 315 585-8

fax: +420 267 315 589

e-mail: hruhalova@mip.cz

www.polygraf.cz

01. 11. - 04. 13. 2007

PRAGOALARM / PRAGOSEC

16th international trade-fair of safety equipment, systems and services, fire protection and rescue equipment

Organizer: Incheba Praha

Contact person: Vera Voriskova

tel.: +420 220 103 307

fax: +420 233 378 225

e-mail: v.voriskova@incheba.cz

www.pragoalarm.cz

04. 17. - 04. 21. 2007

IBF

International Building Fair

Contact person: Jana Ostra

e-mail: ibf@bvvcz

www.bvv.cz/ibf

04. 17. - 04. 21. 2007

SHK BRNO

International Trade Fair for Sanitation, Heating, Airconditioning and Building Automation

Contact person: Jana Ostra

e-mail: shk@bvvcz

www.bvv.cz/shk

04. 17. - 04. 21. 2007

ELEKTRO

International Fair of Lighting Technology, Electrical Installation and Integration of Buildings

Contact person: Jana Ostra

e-mail: elektro@bvvcz

www.bvv.cz/elektro

04. 17. - 04. 21. 2007

URBIS INVEST

International Fair for Investments, Finances, Real Estate and Technologies for Towns and Communities

Contact person: Jana Ostra

e-mail: urbis@bvvcz

www.bvv.cz/urbisinvest

04. 17. - 04. 20. 2007

PRAGOMEDICA

29th international medical fair

Organizer: Incheba Praha

Contact person: Marcela Benesova

tel.: +420 220 103 491

fax: +420 220 103 492

e-mail: m.benesova@incheba.cz

www.incheba.cz/pragomedica

04. 17. - 04. 20. 2007

NON-HANDICAP

11th specialized exhibition for the handicapped people

Organizer: Incheba Praha

Contact person: Pavla Bubenikova

tel.: +420 220 103 304

fax: +420 220 103 492

e-mail: p.bubenikova@incheba.cz
www.incheba.cz/non-handicap

04. 24. - 04. 26. 2007

WORLD OF ENTERTAINMENT

15th international exhibition of
entertainment industry
Organizer: Svet zabavy
Contact person: Olga Vaclavkova
tel.: +420 224 933 349
fax: +420 224 933 915
e-mail: info@svetabavy.cz
www.svetabavy.cz

05. 02. - 05. 04. 2007

IDET

International Exhibition of Defence
and Security Technologies
Contact person: Karel Torn
e-mail: idet@bvv.cz
www.bvv.cz/idet

05. 03. - 05. 06. 2007

BOOK WORLD

1 3th international book fair
Organizer: Svet knihy
Contact person: Andrea Horcikova
tel.: +420 224 498 236
fax: +420 224 498 754
e-mail: info@svetknihy.cz
www.svetknihy.cz

05. 09. - 05. 10. 2007

GLASSMAN EUROPE

International glass manufacturing
trade-fair dmg world media (uk) Ltd.
Neil Roberts
tel. +44 1737 855 124
e-mail:
neilroberts@uk.dmgwordmedia.com

05. 11. - 05. 13. 2007

VENIA

International Funeral Fair
Contact person: Petr Navrátil
e-mail: venia@bvv.cz
www.bvv.cz/venia

05. 15. - 05. 17. 2007

WINE AND SPIRITS

10th international exhibition of
beverages for gastronomy
Organizer: Vego Prag
Contact person: Frantisek Vesely
tel.: +420 222 580 040
fax: +420 222 584 589
e-mail: vegoprag@volny.cz

05. 22. - 05. 25. 2007

EMBAXPRINT

International Trade Fair of Packaging,
Paper and Printing Industry –
materials, machines and technologies
Contact person: Petr Navratil
e-mail: embaxprint@bvv.cz
www.bvv.cz/embaxprint

05. 22. - 05. 24. 2007

ROADWARE

13th international road fair
Organizer: Agentura VIACO
Contact person: Jindrich Volf
tel.: +420 224 390 941-3
fax: +420 224 390 944
e-mail: agentura@viaco.cz

05. 25. - 05. 27. 2007

**VETERAN MOTOR SHOW
PRAHA**

Exhibition of vintage cars and
accessories
Organizer: Incheba Praha
Contact person: Vladimir Janous
tel.: +420 220 103 475
fax: +420 233 376 444
e-mail: v.janous@incheba.cz
e-mail: veteran@incheba.cz
www.incheba.cz/veteranshow

05. 29. - 05. 31. 2007

VODOVODY-KANALIZACE

International Water Management
Exhibition
Contact person: Jana Ostra
e-mail: vodka@bvv.cz
www.bvv.cz/vodka

05. 29. - 05. 31. 2007

ENVIBRNO

International Environmental Fair
Contact person: Jana Ostra
e-mail: envibrno@bvv.cz
www.bvv.cz/envibrno

CZECH COMMERCIAL OFFICES IN THE UNITED STATES

Czech Embassy in Washington, D.C.: Alabama, Arkansas,
Florida, Georgia, Kentucky, Louisiana, Maryland, Mississippi,
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Dakota a Wisconsin.
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chicago@embassy.mzv.cz

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Fax: 212.717.5064, consulate.newyork@embassy.mzv.cz

CzechTrade - Chicago Office (Czech producers & Opportunities)
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CzechInvest – U.S. Operation West, Campbell Office

(investment opportunities in the CR)
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BUSINESS AND TRADE WEBSITES

General Information	www.czech.cz	CzechInvest	www.czechinvest.org
Czech Supplier	www.supplier.cz	Tradeshows	www.veletrhyavystavy.cz
CzechTrade	www.czechtrade.cz	Czech Embassy	www.mzv.cz/washington

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