Czech Trade Focus

News from the Czech Commercial Offices in the United States / May 2004

EU Enlargement Benefits GSP Exclusion US Gov Market Opens IPR Special 301 Czech Investment Incentives Changes Travel and Residence in CR after EU Accession VAT Refunds

EU ENLARGEMENT IS BENEFICIAL TO U.S. BUSINESS

On May 1, 2004 the Czech Republic along with Central European states (Hungary, Poland, Slovakia, Slovenia), the three Baltic states (Estonia, Latvia, Lithuania) and Cyprus and Malta has become formally the member of the European Union. The largest EU enlargement in history brings 20% more population to the European single market and more economic and political stability to the new entrants.

On the whole, the EU enlargement will also benefit U.S. companies in Europe and U.S. exporters. Enlargement will bring more consumers to the single European market, making it the world's largest single market of 450 million consumers.

In short, EU enlargement will likely bring economies of scale and increased competitiveness to EU businesses as well as to businesses in the new member countries, which will be an impetus to increased economic growth. The EU membership resulted in multiplied GDP volumes: 4 – 5x in the case of Greece, Portugal or Spain, and 28 times in the case of Ireland.

The Central European economies of Czech Republic, Hungary, Poland, Slovakia, in particular, hold enormous potential for manufacturers of consumer and engineering products and service providers. Gradual increase of household incomes and spending, easier access to markets and easier movement of goods across borders will be the main benefits.

As business destination, the Czech Republic has been attracting many foreign firms predominantly due to its geographical central location in the prospect of the enlarged single market, supported by excellent infrastructure and highly skilled labor.

The new EU countries gradually aligned their legislation fully with the EU legal and regulatory framework, making them more transparent, a less risky proposition for American business. U.S. business is looking at one set of rules across all the EU member states.

The overall cost of doing business in the new countries will fall as U.S. businesses will consolidate their European operations and simplify corporate structures. Some of the regional corporate headquarters will be moved to Central Europe - hopefully to Prague or other Czech cities.

The new EU states adopted the EU Common External Tariff in its entirety. While the Czech Republic maintained lower tariffs, on average, weighted industrial tariffs in accession states were higher than those in the EU (9%). The average tariff level of the EU is 4%. Therefore, U.S. exporters will see benefits in terms of lower tariffs. Also, tariff differential that disadvantaged U.S. firms in some cases has been phased out.

Adapting products to meet local standards in small markets may be expensive. U.S. firms will now only have to conform to one standard and one certification for the entire EU market. The CR will accept products tested and certified for the EU market without additional national requirements.

Since the EU is a party to international agreements under the WTO, the new member states aligned to EU commitments under these agreements such as GATS (General Agreement on Trade in Services), GPA (government procurement), agreement on information technology or civil aircrafts. The adherence to the WTO agreements to which the EU is a party improves environment also for third-country service providers and exporters.

The commitment to join the EMR regime (Euro monetary regime) by the new member states by 2008 – 2010 will bring twofold benefits for U.S. companies. First, meeting the Maastricht fiscal criteria regarding budgets, debt, inflation, and long-term interest rates results in necessary budgetary control that benefits the business environment for investors. Second, the adoption of Euro will lower costs for business transactions and eliminate risk of exchange rates of national currencies.

The Czech Republic will keep its tax and other investment incentives in place. The Czech investment incentives package has been designed in compliance with EU rules. In some countries (Hungary and Poland) tax breaks were phased out, as they were inconsistent with EU rules. Benefits of skilled, but still relatively cheaper labor, and EU market access will outweigh lost fiscal advantages. The Czech government is determined to improve the country's business climate. Among other measures by bringing the corporate tax burden down to 16% in 2006 and by creating more flexible labor market.

EU will support infrastructure enhancement in the new member states. The improvement in infrastructure and administrative capacities will make Central Europe a better investment destination.

The Czech Republic has been a leading country of the region in the respect of enforcing intellectual property rights. Even more rigorous enforcement will be in effect after EU enlargement, due to stringent regulation by the European Commission.

The EU enlargement will benefit both the U.S. firms in Europe and the European firms in having the same level playing field on the both sides of the Atlantic.

Finally, the economies of Central Europe that had striven to emerge from transition emerging markets to the developed European single market accomplished this goal, set after the break of communism 14 years ago.

EXCLUSION OF THE CR FROM THE GENERALIZED SYSTEM OF PREFERENCES (GSP)

Presidential Proclamation 7758, dated March 1, 2004, published in the Federal Register on March 4, 2004 (Vol. 69, No. 43), modifies the list of beneficiary developing countries eligible for preferential tariff treatment under the GSP program.

The Proclamation modifies the GSP eligibility status of seven

European countries. Section 502(b)(1)(c) of the Trade Act of 1974, as amended

(19 U.S.C. 2462(b)(1)(c)) specifies that European Union member states may not be designated as beneficiary developing countries for purposes of the GSP. As the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, and Slovakia have become the member states of the European Union on May 1, 2004, they have lost their GSP status as of this date.

Proclamation 7758 can be viewed on-line at:

http://a257.g.akamaitech.net/7/257/2422/14mar20010800/edocket.access.gpo.gov/2004/pdf/04-5006.pdf

Questions concerning the US Customs notice from the importing community should be referred to local US Customs and Border Protection Ports. CBP Ports may refer GSP related questions to Anne Marusza, Trade Agreements Branch, at (202) 927-5724.

Additional tariffs will be applicable for imports of some foodstuffs (1.8 - 6.45%), chemicals (1.5-6.5%), rubber articles (2.5 - 6.5%), apparel, textiles (6.5 - 28%), glassware (6%), ceramic wares (4.6%), imitation jewelry (11%), glass fibers, laboratory glass, glass paving blocks (7.3-8.0%), ferroalloys (4.2%), some engineering components and industrial machinery (8.5-4.4%), machine tools (4.4%), electric motors, electric machinery (1.5 - 4.9%), musical instruments (2.9-4.7%), revolvers and pistols, arms (3.0 - 3.9%),

Importers of Czech products into the U.S. are advised to consult the general tariff of the US Customs HTS Schedule, available online at the International Trade Commission website: http://dataweb.usitc.gov/scripts/tariff2004.asp

U.S. GOVERNMENT PROCUREMENT MARKET OPENS FOR CZECH PRODUCTS AND SERVICES

The EU is a party to the World Trade Organization (WTO) Government Procurement Agreement (GPA) and has assumed rights and obligations under the GPA on behalf of its Member States. According to GPA, suppliers from each of the Parties to the agreement are able to participate, on a reciprocal basis, in the government procurement of the other countries, subject to the terms and conditions set out in the GPA. The terms include a list of the entities from each country that are subject to the GPA rules.

As a result of the formal EU entry on May 1, 2004, the 10 new member states have become also a party to the GPA. On April 23, 2004, the WTO Committee on Government Procurement approved the application of the GPA to the 10 new EC Member States. The U.S., also a party to the GPA, has agreed to waive discriminatory purchasing requirements for eligible products and suppliers of origin in the new member states. The Office of the U.S. Trade Representative released, and published on May 7, 2004 in the Federal Register (Volume 69, Number 89) the corresponding Determination.

Accordingly, eligible products and services of Czech origin enjoy now a waiver on supplies of foreign goods and services to U.S. government entities. This waiver shall be applied by all entities listed in United States Annexes 1 and 3 of the GPA Appendix 1 on all supplies listed in the respective GPA Appendix. It has to be noted that there are several exclusions from this waiver – for example procurement by the Department of Defense, public transportation projects etc., and at the same time not all U.S. states agreed to cover public procurement by GPA.

However, the fact that the Czech Republic is listed among countries as an eligible country source provides for Czech products and services a new market access to previously restricted lucrative government procurement market. U.S. importers and distributors of Czech products can participate in most federal and state procurement programs, including procurements to the GSA (Government Supplies Administration).

For more information on U.S. government procurement and GPA eligibility visit: www.ustr.gov, www.eps.gov, www.FedBizOpps.gov.

Annual "Special 301" Report Endorses Adequate Intellectual Property Protection in the Czech Republic

On May 3, 2004, The Office of the U.S. Trade Representatives released a "Special 301" 2004 annual report on the adequacy and effectiveness of intellectual property rights (IPR) protection of trading partners around the world. The report, examining IPR protection systems in approximately 85 countries, found that although several countries have taken positive steps to improve their regimes, lack of IPR protection and enforcement continues to be a global problem. The report calls for certain governments to take stringer actions to combat commercial piracy and counterfeiting.

This year's Special 301 Report lists 52 countries or economies as Priority Foreign Countries (PFC), Priority Watch List (PWL), Watch List (WL) or Section 306 monitoring.

The Czech Republic has not been mentioned in the Report nor put on the list of countries, which does not protect intellectual property satisfactorily, yet for four successive years. This fact signifies that the Czech Republic belongs to the countries with adequate protection and enforcement laws in place. The CR has been excluded from the Special 301 Watch List for the fourth consecutive year.

REVISED INVESTMENT INCENTIVES PROGRAMS IN THE CR

The Czech government announced significant revisions to its investment incentives programs that represent some of Europe's most progressive policies. In 2003, UNICE (United Nations Information Center) reported that the CR, with a total of \$14.9 billion, has the highest levels of FDI among Central and Eastern European countries. The new revisions strategically increase the incentives' accessibility for projects by innovation driven firms and high tech manufacturing.

The revised *Investment Incentives Act* also transfers the state aid administrative approval from national authority to the European Commission. The European Commission will approve the program as a whole rather than approving individual investment projects. The evaluation process of each project will thus be shortened by approximately 1-2 months.

Eligibility Criteria

1. Minimum amount of investment within 3 years

▶ORIGINALLY

- •15 mil. CZK for an investment into a Technology Centre
- •50 mil. CZK for an investment into a Business Support Services Centre (today called "strategic services" centre)
- •25 mil. CZK for software development, an expert solutions centre or an investment in a region with unemployment more than 25% above the national average
- •Only specified tangible assets land, buildings, equipment under chapters 84, 85 and 90 of the Customs Tariff and office equipment are included toward the minimum amount of investment.
- •Intangible assets only up to 25% of the value of the specified tangible assets.
- •Intangible assets acquired only from third party entities (i.e. outside of the company group).
- •For an investment into a Business Support Services Centre, selected training and retraining expenses are also included in the minimum amount of investment. At the same time, the appropriate training and retraining subsidy is deducted from the minimum amount of investment.

► AMENDMENT

- •15 mil. CZK for an investment into a Technology Centre, software development centre, expert solutions centre, or headquarters
- •30 mil. CZK for an investment into a customer contact centre, high-tech repair centre, or shared services centre (except headquarters)
- •All tangible assets count toward the minimum amount of investment.

- •The full amount of intangible assets can be included.
- •Intangible assets purchased from mother or sister companies can be included as well.
- •For an investment into business support services the training and retraining expenses are not included in the minimum amount of investment.

2. Financing of the project from the recipient's own sources

▶ORIGINALLY

•At least 25% of the total investment must be financed with own sources.

► AMENDMENT

- •7.5 mil. CZK of the total investment must be financed with own sources for an investment into a technology centre, software development centre, expert solutions centre, or headquarters.
- •15 mil. CZK of the total investment must be financed with own sources for an investment into a customer contact centre, high-tech repair centre and shared services centre (except headquarters).

3. Minimum number of newly created jobs within 3 years

▶ORIGINALLY

- •15 new jobs for an investment into a Technology Centre
- •50 new jobs for an investment into Business Support Services

► AMENDMENT

•15 new jobs for an investment into a technology centre, software development centre, expert solutions centre and headquarters

•50 new jobs for an investment into a customer contact centre, high-tech repair centre, or shared services centre (except

headquarters)

Subsidy for Business Activity

1. Max ceiling of state aid - based on gross salaries

▶ORIGINALLY

•Percentage of two-year salaries for employees employed within the first 5 years (the two years are the first two years after the year in which the activity was started).

► AMENDMENT

•Percentage of two-year salaries for employees employed within the first 3 years (investors can choose which two consecutive calendar years they will use within the three-year period).

Subsidy for Training and Retraining

2. Yearly claiming of business activity subsidy

▶ORIGINALLY

•Investors claim subsidies every year based on real expenses (either assets or gross salaries); there is no binding plan for claiming the subsidies.

► AMENDMENT

•Investors are obliged to provide a binding plan for claiming the business activity subsidy for the next calendar year; investors will be allowed to deviate from this plan by 40% (20% above and 20% below).

1. Max period of granting the subsidies

▶ORIGINALLY

•Max period 5 years.

► AMENDMENT

•Max period 3 years (only investors that create more than 100 job positions within 5 years can claim subsidies based on 5-year training and retraining expenses).

2. Max intensity of state aid

▶ORIGINALLY

•60% (50% in Prague) for general training; 35% (25% in Prague) for special training

► AMENDMENT

•Increase of the percentage in Prague: 55% for general training; 30% for special training.

3. Max ceiling for training and retraining subsidies

▶ORIGINALLY

•There is no max ceiling for training and retraining subsidies; subsidies are claimed based on the above mentioned percentage out of training expenses for the period of max 5 years.

For more information log on www.czechinvest.org.

► AMENDMENT

•Investors have to provide a binding plan for job creation for the next calendar year.

•Max ceiling for training and retraining subsidy is set each year as a product of 120% of the number of jobs anticipated and indicated in the binding job creation plan provided in the previous calendar year and 100,000 CZK (i.e. max subsidy is 100,000 CZK per each new employee); for investors that create more than 100 job positions within 5 years the limit of training and retraining subsidies is increased to 150,000 CZK per head.

4. Obligation to create a certain number of job positions

▶ORIGINALLY

•There is no obligation to employ the exact number of people anticipated and indicated at the beginning, as long as the investor satisfies the condition of creating 15 (technology centre) or 50 (business support services) new job positions within 3 years.

► AMENDMENT

•Besides the basic condition of minimum number of newly created jobs within 3 years, investors are obliged to create at least 80% of the exact number of job positions anticipated in the binding plan; if this obligation is breached investors have to refund the training and retraining subsidy obtained in that calendar year.

ECONOMIC BRIEFS

•State budget deficit reaches 38.1 billion

The Czech Republic's state budget deficit grew to 38.1 billion Czech crowns from 7.82 billion in March. At the same time last year, it had a deficit of 64.4 billion crowns. The Ministry of Finance expects the full-year deficit to reach 115 billion crowns. The Czech Finance Minister Bohuslav Sobotka expects the Czech budget deficit to drop to just below six percent of the GDP this year from last

year's nearly 13 percent. The Czech government needs to cut the fiscal gap below three percent of the GDP to qualify for adopting the euro at the end of the decade.

●Czech 2003 GDP growth faster at 2.9 pct

Czech GDP grew by 2.9 percent in 2003 after a 2.2 percent growth in 2002. In the last quarter of 2003, real GDP growth reached 3.1 percent year-on-year. After

seasonal adjustment, GDP grew by 3.2 percent year-on-year and 0.7 percent month-on-month. The Ministry of Finance estimates that the Czech GDP growth will accelerate to 3.1 percent next year from this year's 2.8 percent.

• Unemployment falls from record highs

The unemployment rate fell to 10.7 percent of the workforce at the end of March, from a record high of 10.9 percent a month earlier. According to the Labor

Ministry, the number of jobless people reached over 559,000.

•Industrial output up in February

Czech industrial output grew by more than 7 percent year-on-year in February from less than 4 percent in January, according to the Czech Statistics Office. Productivity growth more than doubled in February to nearly 11 percent from a 4.2 percent increase a month before.

●Czech foreign debt reaches 37 percent of GDP in 2003

The Czech Republic's foreign debt grew by 81 billion in 2003 to 894 billion, which represents 37 percent of the GDP. Indebtedness of businesses accounted for the biggest part of the total.

•Czech trade surplus at decade high

The Czech foreign trade balance reached its highest monthly surplus in a decade last month. The trade balance swung into a surplus of 3.6 billion crowns (134 million USD) in February, beating market expectations of a two-billion-crown deficit. Nominal exports jumped 18 percent year-on-year in crown terms in February while imports were up 13 percent.

•Czech state debt grows by a quarter in 2003

The Czech Republic's state debt rose to more than 493 billion crowns at the end of December 2003, from 477 billion at the end of September. Overall, the state debt grew by almost 25 percent in 2003. For this year, economists predict both a further acceleration of economic growth and growth of the public debt.

•Inflation accelerates in March

The inflation rate quickened to its fastest annual pace in nearly two years in March, but remained slower than expected. Czech consumer prices rose by 0.1 percent month-on-month in March and 2.5 percent year-on-year, matching the May 2002 level. EU entry-related indirect tax hikes and administrative changes in utility charges have boosted inflation early this year. In 2005 the inflation is expected to drop to 2.8 percent from this year's 3.1 percent.

●Czech average wage grows 6.8 pct in 2003

Average gross monthly wage in the Czech Republic rose by Kc1,083 or 6.8 per cent to Kc16,917 last year, while real wages grew 6.7 per cent, the Czech Statistical Office (CSU) said. In the fourth quarter of 2003 wages increased by Kc1,217 year-on-year to Kc18,697 a month.

•Czech market rents grow at record pace in 2003

Market rents in the Czech Republic increased by a record 18 percent on average last year. The gap between market and regulated rents widened most in cities, mainly due to the fact that regulated rents have not changed for two years. Average market rents in the Czech Republic are 4.5 times higher than regulated rents.

•Over 50% of Czechs work in services

The share of Czechs working in services has grown up to 54.5 percent from 38.4 per cent in the early 1990s. The industry and building sectors, as well as farming are losing employees.

•Structural reforms needed before Euro adoption

The CR will need structural reforms of its labor market and business environment to

be able to adopt the single European currency Euro, according to Czech Finance Minister Bohuslav Sobotka, who discussed the issue in Washington at a CSIS seminar on March 26, 2004. He believes the country will comply with the Maastricht fiscal criteria by 2008, provided the next Czech government continues with fiscal reforms. The Czech government plans to introduce the Euro by 2010.

•Legislation clearing the way for the Czech capital market to interact with the European Union and vice versa was passed by the Chamber of Deputies March 2. The package of bills sets the terms for Czech investment companies and issuers to do business in the EU and for their EU counterparts to operate on the Czech capital market.

•Mass exodus of Czechs to EU for work unlikely

It is highly unlikely that many Czechs will seek jobs in the EU after the Czech Republic's accession in May. In a recent survey, only 17.5 percent of respondents said that they were considering moving abroad for work, primarily students and young people under the age of 29.

• Foreigners will not be able to buy real estate freely after EU accession

Citizens of both EU member and nonmember countries will be allowed to buy real estate for housing purposes in the Czech Republic after its EU accession freely only if they have permanent or long-term residence in the country. There will be an exception for EU citizens with the status of a migrating worker. The limitations will be in place for five years after accession.

ECONOMIC POLICY

□CzechRep cuts 22% VAT to 19%

Effective May 1, the CR lowered the basic 22% value added tax rate to 19%, while the 5% rate will remain unchanged and some goods and services will be newly subject to higher VAT. The government expects the changes to VAT to bring some Kc17bn to the state budget next year but wants to pay the money back to citizens and companies. Some VAT alignment and adjustments were also necessary due to the EU entry.

©CNB wants to keep inflation in the 2-4 % range

The Czech National Bank wants inflation to remain between 2 and 4% from the

beginning of 2006 and until the adoption of the single currency euro planned for the end of the decade.

Ministry has completed a draft overhaul of the country's telecommunications law. The bill will increase competition, reduce prices and enable development of new services through reforms such as scrapping the current system for licensing telecom providers to give new companies a better shot at securing a foothold in the market. If approved, the legislation will take effect in September.

■Taxation of labor might decrease in 2008

According to Premier Spidla the taxation of labor could be lowered as of 2008 when environmental taxes on energy will be introduced. The Czech Republic has to introduce the so-called environmental taxes on electricity, coal, coke and gas as required by the European Union, and therefore the government is considering cutting the taxation of labor.

■No tax increases on other goods than cigarettes

The government in this term of office is not preparing any tax increases besides a planned hike in excise duty on tobacco products, finance Minister Bohuslav Sobotka informed.

□Government approves energy policy, keeps coal mining limits

The government approved the state energy policy until 2030 worked out by the Industry and Trade Ministry. Passages concerning the cancellation of coal mining limits were removed from the document and replaced by a proposal to consider the issue again in the future.

■Czechs to spend billions to develop tourist industry

The CR will spend more than 8 billion crowns on developing the tourist industry between 2004 and 2006. The money will come from both domestic resources and EU funds. Most of the money would be spent on infrastructure as well as on the country's promotion as a premier tourist destination.

■Interest rate hike not in sight

The Czech National Bank does not currently plan to increase the interest rates, given subdued inflation pressures. However, due to the rebounding inflation and accelerating growth, analysts predict the bank will tighten policy later this year to keep price growth under control.

□Housing rents not to grow

The Finance Ministry informed that regulated rents will not be raised this year. Rents were to rise as of July 1 in line with a new bill, but the bill was recently rejected by the Chamber of Deputies. An entirely new bill has to be drafted now. Rents cannot be raised now unless agreement is reached between lessor and lessee.

nCR to get Kc8bn in cash, goods for Russian debt

The CR will receive a total of some Kc8bn as payment for the Russian debt, of which Kc4.25bn in cash through Falkon Capital and the rest in supplies of goods, among them Mi-24 and Mi-17 helicopters. The Russian debt was worth some \$700m, or nearly Kc19bn. The CR will thus get over 40 pct of the debt's worth. The Czech state budget should receive Kc2bn this year and Kc2.25bn in 2005.

plans to put a ceiling on social-insurance payments. The country now calculates the insurance based on the payer's whole income; all other current and incoming European Union members cap payments

above a certain income level. The new scale would be introduced in 2005.

The Prague and Bratislava stock exchanges are taking steps to merge in what officials say could be the first step toward a common Central European securities market. A prior attempt to harmonize regulations among five of the region's stock exchanges failed due to high cost and technical difficulties. No capital merger is planned.

□Firms to invest up to Kc50bn/year in state orders

According to the National Property Fund FNM private firms will in the future be able to invest up to Kc50bn in state orders a year, and in the next 2 years, they will be allowed to contribute some Kc15-30bn. The government will transfer many of its activities onto the private sector, which should raise efficiency and reduce costs of implemented projects. In the future, firms will be able to build and operate e.g. schools, hospitals, roads etc. They will get the first money from the state at the moment the project is completed and functioning well. Once the investment is repaid, the public sector will either extend the contract or take over the facility and operate it itself.

BUSINESS PROJECTS UPDATE

\Box Japan's Asmo builds a car part plant in the Czech Republic

Japanese automotive company Asmo will start production at its new plant in Zruc nad Sazavou. The new plant will manufacture motors for window regulators, air conditioners and throttle valve controls. By the end of 2010, Asmo estimates sales of around 43 million euro at the new company. The new company will supply its products to companies manufacturing automotive systems in Europe.

□AmGen to enter Czech market

US AmGen, the world's number one in biotechnologies, launched activities on the Czech market. The company is active in all EU countries.

□VW set to build technology, cultural centre in Prague

German VW plans to build a technology and cultural center for the Czech public in Prague. Volkswagen is to invest substantial funds in this project.

□Further low-cost airlines flying to Prague

Two more low-cost air carriers, Swiss firm Helvetic and Hungarian company Wizz Air, have picked Prague as their destination. They will fly between Prague and Zurich, respective from Prague to Budapest and Katowice, Poland. At the moment, eight low-cost air carriers fly from Prague. In May, the Czech company Travel Servis begins to offer regular low-cost flights to Paris, Zurich, Madrid, Amsterdam and Copenhagen.

□New design center to enhance competitiveness of Czech kitchen equipment company

One of the five largest European producers of kitchen equipment, TESCOMA, is building a center in South Moravia to develop, innovate and test their products, technology and materials. TESCOMA, the only Czech company in this field that works on its own innovations, is investing at least 4.4 million USD into building their technology center.

$\hfill \Box British \ R\&D$ center for combustion engines and components

Ricardo Group will undertake a major expansion of its Czech technology center.

The company will invest at least 2.1 million EUR into R&D of combustion engines. British-based Ricardo is one of the world's largest automotive R&D companies. Their customers include leading manufacturers as Audi, BMW, Ford, Land Rover, Renault and Volvo.

□Honeywell expands production capacities

U.S. Honeywell plans a potential expansion of aerospace production in Olomouc. The expansion of the Moravian Mora Aerospace will bring manufacturing growth, centered around turbine engine components. Mora Aerospace specializes in production of sheet metal parts for the aerospace industry, such as combustion chambers, input jets and compressor boxes.

□Irish companies to the CR

Mergon International, one of Europe's leading technical blow-molding companies with manufacturing and development facilities in Ireland and the USA, opened a new plant in Brno-Modrice. The plant will produce technical blow-molded components for automotive industry as well as the office supplies and

power tool sectors. Mergon's investment reaches approx. 3 million Euro.

□Realtime Technologies, Ireland's leading independent provider of electronic manufacturing services including Reverse Logistics, RMA Processing, prototyping, inspection, testing, rework and certified technical training to the electronics industry, moved into a leased facility in Pardubice, 80 km east of Prague, from which it will support its European customer base.

□Laminar Medica to open new production facility

The leading European producer of insulated shipping systems for the pharmaceutical and biotech industries, Laminar Medica Limited, decided to locate a new production facility in Vodnany. In total Laminar Medica is going to invest around GBP 1.5 million.

□Laird Technologies opens its Central European branch

Laird Technologies, the leading global producer of shielding materials, has opened a new production plant and development center in Liberec. Investment into construction and machinery at the new facility has reached 19 million. In addition to production the facility will also provide complete product service, engineering and development and is supposed to become the main center for all operations of Laird Technologies in Central Europe within one year.

$\square New$ manufacturing plant for food inspection systems

Loma Systems, one of the largest global providers of automatic in-line contaminant inspection systems for the food and pharmaceutical production industries, have decided to locate a new manufacturing plant near Pilsen. The new facility will be completed during the latter part of 2004 and fully operational from the beginning of 2005. The investment into the facility and technology will reach GBP 2 million before the end of 2005.

□Siemens expands in the CR

Siemens Kolejova vozidla is expanding its technology center in Prague and builds another one in North Moravia. These centers will gradually take charge of development and construction activities for all divisions of Siemens in Europe. Siemens Kolejová vozidla is a subsidiary of Siemens Transportation Systems from Erlangen, Germany. The company now produces metro cars, power units for local transport, passenger trains and trams.

□Global customer center for Air France in Prague

The French Europ Assistance and Frequence Plus Services opened a joint customer support center in Prague. Team Trackers, which is the name of the joint company, offers global assistance in searching for lost luggage for Air France.

□Dutch company to develop highprofile site in Ostrava

Dutch developer CTP Project Invest has signed an agreement to build high-quality office buildings in Ostrava-Hrabova industrial zone. The company wants to build approximately eleven industrial buildings that will suit investors foremost from the fields of manufacturing, logistics, as well as research and development. CTP Project Invest offers their clients construction, financing, lease and maintenance of industrial property.

COMPANIES AND BUSINESS

■Government sells Unipetrol to PKN Orlen

The Czech government agreed to sell the country's biggest downstream oil group Unipetrol to Poland's PKN Orlen, the sole bidder. PKN Orlen offered just over 13 billion crowns for the state's 63 percent stake. British-Dutch concern Royal Dutch/Shell had pulled out of the tender, while Hungarian company MOL abandoned its plans to submit a bid. PKN Orlen made the bid independently, without official partners. However, in January it signed a preliminary agreement with US giant ConocoPhillips.

■Government decides on coal-mines privatization

The Czech government has made a final decision on the privatization of its stakes in two coal-mining companies. It decided to sell its majority stake in Sokolovska uhelna for 2.6 billion crowns to a company established for this purpose by the mining company's management. The government also announced it was selling its 46-percent stake in the North Moravian OKD black coal mine to its majority owner Karbon Invest for 2.25 billion crowns. As for the biggest coal-mining

firm Severoceske doly (SD), the government has decided to stop the sale.

■Deutsche Telecom interested in Czech Telecom

German telecommunications company Deutsche Telecom is reportedly interested in acquiring the Czech national operator Czech Telecom. The privatisation of Telecom is to begin in the second half of this year and will probably end in 2005. According to unofficial reports, several companies have already expressed an interest, such as TDC and Goldman Sachs, and Swisscom together with CVC Partners.

■Czech Airlines to buy new mid-range aircrafts

Czech flagship carrier Czech Airlines will open a tender for 12 airplanes to renew its mid-range fleet. The company said in a statement that both the new generation of Boeing 737 and planes of the Airbus A320 family fulfill CSA's demands for modernization of its mid-range fleet. Czech Airlines now have 28 Boeings 737 serving mid-range destinations. CSA will also add one Airbus A310-300 to its long-haul fleet this year.

■Government decides to continue negotiating with Sweden on fighters

The Czech government decided in March that the CR will continue negotiations with Sweden on the lease of 14 Jas-39 Gripen fighters for the Czech air force. The definitive draft treaty should be submitted by end-May. The cost of the ten-year lease should not exceed 20.3 billion crowns. The first Gripens should be received in the spring next year.

■Skoda Automotive No.2 in UK Car Customer Satisfaction Index

Following only Japanese luxury brand Lexus, Czech carmaker Skoda is ranked second in the J.D. Power and Associates/WhatCar? Magazine 2004 UK Car Customer Satisfaction Study. Dave Sargent, director of European operations at J.D. Power and Associates, says, "While the performance of Lexus continues to impress, Skoda's emergence as one of the top-ranked manufacturers is a surprising success story to many, considering its image just a decade ago". The 2004 J.D. Power and Associates/What Car? study is based on the evaluation of more than 23,000 owners of '51' and '02' registration vehicles, after an average of two years on the road and covers 33 brands and 120 models.

■Skoda Auto to start producing super economy cars

Czech car maker Skoda Auto is planning to launch the production of the first mini car in its history. VW, Skoda's parent company, first considered to make it as a replacement of the Superb limousine. VW eventually decided that the Superb will have a successor in the same category and the mini will be added to Skoda's portfolio.

■Czech beer exports on record high

Czech breweries have reported record high exports in 2003. The 48 Czech breweries

exported over 2 million hectolitres of beer, which is an 8-percent increase year-onyear. Exports account for more than 11 percent of total Czech beer production. The most successful exporters were Pilsner Urquell with 30 percent of the total exports, Budvar with about 25 percent, and Staropramen with 20 percent.

CZECH AIRLINES SHOW RECORD RESULTS FOR NORTH AMERICAN ROUTES

Last year, over 211 thousand passengers traveled on CSA flights over the Atlantic, which represents forty thousand passengers more than in the previous year (2002). 105,000 traveled to JFK Airport in New York, and almost 30 thousand passengers were on flights to Newark where CSA resumed flying to in June 2003.

CSA offer ten non-stop flights a week between New York and Prague. According to Mr. Miroslav Belovsky, CSA General Manager North America, the total number of CSA passengers between New York and Prague increased by 12.2% in 2003. From Canada, there are three direct flights from Montreal and four flights from Toronto a week.

The CSA air cargo shipments also showed significant increases with 2,162 tons of cargo transported between North America and Europe.

TRAVEL - CHANGES AFTER CZECH ACCESSION TO THE EU

CHANGES IN CZECH IMMIGRATION POLICY

Temporary Residence in the CR

After the EU accession, there are three categories of countries to which the Czech Republic applies different immigration policy:

- Citizens of EU member states that did not impose a transition period on free movement of citizens can stay in the CR up to
 three months, either for employment or business purposes, and no immigration obligations shall be imposed during this period,
 except for the general notification obligation. This option will be a benefit especially to the employees sent to the CR on shortterm business trips.
- 2. Citizens of EU member states that have imposed a transition period on free movement of citizens (EU15 except for Ireland and Great Britain) shall be obliged to obtain a work permit and visa before entering the Czech Republic.
- 3. Citizens of non-EU member states (U.S., Canada, Japan, Australia etc.) will be subject to the same immigration rules as before (work permits, visas).

Permanent residence in the Czech Republic

There will also be a change in the possibility to apply for permanent residence in the CR. Compared to the current general time limit of 10 years of interrupted temporary residence after which every foreigner may apply for permanent residence, EU citizens will be able to apply for permanent residence much earlier. EU citizens working in the CR will have the right to reside here for at least three uninterrupted years. EU citizens residing in the CR for other purposes than work will be able to obtain a permanent residence permit under specific conditions. Time limits and conditions are enacted in the amended Foreign Residence Act.

THE "SCHENGEN TREATY" AND ITS IMPLICATIOS ON TRAVEL

Accession to EU has significantly modified several aspects of travel of Czech citizens within the EU. Czech citizens, as other EU citizens, are allowed to travel freely within EU borders without passports, while a national ID (Czech "Obcansky prukaz") is a sufficient proof of EU citizenship.

EU states, except UK and Ireland, are parties to the Schengen Treaty. The Schengen Treaty's main objective is to eliminate mandatory immigration and custom control on the internal borders of the member states and therefore enable and safeguard free movement of EU citizens and goods. Another advantage of Schengenland is the unified "Schengen visa". Travelers to any number of countries within Schengenland are required to obtain only "Schengen visa".

However, the CR must meet several Schengen criteria and standards, especially in the area of security of external borders. Presumably until 2006, immigration controls will be exercised on all border crossings and the "Schengen visa" will not be valid for entry to the CR.

Citizens of USA have enjoyed visa waiver status since 1991. Beginning May 1, 2004 citizens of Canada, Australia and some other countries may enjoy visa waiver regime for stay up to 90 days. For a full list of visa waiver countries please check the Embassy website at the www.mzv.cz/washington under consular and visa information.

VAT REFUNDS AFTER EU ACCESSION

There are no major changes in the process of obtaining a VAT refund after the CR accession to EU. Non-EU citizens, including U.S. citizens are eligible for a VAT refund on goods purchased in retail shops for non-commercial export.

The VAT tax refund form must be stamped by customs when leaving the EU single market area. This means that U.S. citizens may have the refund form stamped at the Prague airport or any other airport when departing from other EU countries for the U.S. The stamp may also be obtained at the border of the last visited EU country.

This simplifies the VAT tax refund process for those travelers leaving the CR by other means of transportation than by air.

CZECH COMPANIES LOOKING FOR REPRESENTATIVES, IMPORTERS, DISTRIBUTORS

MACHINERY AND ENGINEERING

Machines and Tools

TOS Kurim is a manufacturer of milling machines, single machines, purpose and automatic machining lines, large milling machines as well as machine centers for non rotary parts equipped with chain type tool magazines for automatic tool change. The company is seeking representation in the U.S.

TOS Kurim-OS Mr. Michal Kolar Blanenska 257 6643 34 Kurim

tel.: +420 541 102 705 fax: +420 541 103 266

e-mail: michal.kolar@toskurim.cz

web: www.tos-kurim.cz

Cable Harnesses

RAYSERVICE is a manufacturer of cable harnesses for transportation, military systems and the game machines. It is looking for importers and distributors in the U.S.

RAYSERVICE Mr. Josef Pilat Sadova 1385

686 05 Uherske Hradiste tel.: +420 572-434-311 e-mail: pilat@rayservice.com

web: www.rayservice.com

Lifts for Car Shops

Auto Motive Industrial is a manufacturer of quality lifting equipment for the garages. The firm is seeking importers and distributors in the U.S.

Auto Motive Industrial Ms. Jana Malkova Dvorecka 460/13 147 01 Praque 4 tel.: +420 261-216-405

e-mail: *malkova@automotive-prague.cz*

web: www.automotive.cz

Fittings

DAVID-ARMATURY is a manufacturer of wide assortment of fittings and flanges, including custom made fittings according to customer's design and specifications. The company is looking for U.S. partners and importers.

DAVID-ARMATURY, s.r.o. Mr. Peter Cekul, Executive Manager Druzstevni 40 779 00 Olomouc e-mail: davidarm@volny.cz web: www.david-armatury.cz

CONSUMER PRODUCTS

Headwear

Tonak is one of the world's largest and most prominent manufacturers of headwear and with over 200 years of experience and extensive know-how guarantee excellence in products quality. It is seeking importers (distributors) in the U.S.

Tonak a.s. Zborovska 823 741 11 Novy Jicin tel.: +420 556 202 111 fax: +420 556 202 202 e-mail: tonak@tonak.cz web: www.tonak.cz

Household Glassware & Laboratory Glass

Bohemia Crystalex Trading is an exclusive exporter of products of four major Czech manufacturers of household glassware and technical glass. The company is seeking importers, wholesalers and distributors in the U.S.

Bohemia Crystalex Trading Liberec tel.: +420 486 121 111 fax: +420 485 104 976 e-mail: bct@bct.cz, jana.van.bebberova@bct.cz web: www.bct.cz

Cut Crystal

Preciosa represents the best traditions of Bohemian cut crystal. The company follows the pathfinders of industrially produced cut glass fashion jewelry stones and crystal chandeliers in Northern Bohemia. The company is looking for new business partners & importers for the crystal glass line.

Preciosa – Lustry, a. s. Mr. Radan Haiblik, VP Sales & Marketing Opletalova 3197 466 67 Jablonec nad Nisou tel.: +420 488 115 324 fax: +420 488 115 399 e-mail: radan.haiblik@preciosa.com web: www.preciosa.com

North America: Preciosa International Mr. Scott Glasser, President 2316 Wehrle Drive Williamsville, NY 14221 tel.: 716 626 9759 fax: 716 626 9758 e-mail: sglaser@speakeasy.net

Leather Gloves

RZ BOHEMIA Dobris is the largest European producer of high quality leather gloves (driver's gloves, golf gloves and other high-end gloves)..The company is seeking importers, distributors or wholesalers all over the USA.

RZ BOHEMIA Dobris s.r.o. Ms.Gabriela Hruba Na Zlate stezce 1055 263 01 Dobris tel: +420 318 530 421 e-mail·

gabriela.hruba@rzbohemia.cz web: www.rzbohemia.cz

Crystal Jewelry

AG PLUS is a famous producer of Czech crystal jewelry. It produces plastic bandings, metal set bandings, rhinestone chains, beads and other glass stones and jewelry. The company is seeking agents all over the USA.

AG Plus, s.r.o. Ms. Alena Zavurkova Podhorska 132 466 01 Jablonec nad Nisou tel: +420 483 368 771 fax: +420 483 368 770 e-mail: alena@agplus.cz web: www.agplus.cz

Wooden Floors and Furniture

Antico is a manufacturer of wooden floors and solid wood furniture. The company is looking for wholesalers, importers and distributors in the U.S.

Antico Mr. Vladislav Tomek Zborovska 1358 282 01 Cesky Brod tel.: +420 321 620 970 web: www.antico.cz

Furniture

Custom made, design kitchen units, built-in wardrobes, sitting sets, living-room units, bedroom furniture and office furniture. The company offers its skills to U.S. furniture companies, distributors, importers and wholesalers.

Stolarstvi Patrik Pesna Mr. Patrik Pesna 735 34 Stonava tel.: +420 604 831 933 fax: +420 596 422 397 e-mail:

pesnapesna@seznam.cz

Glass Decorations

Rautis AG is the world's largest manufacturer of traditional blown glass beaded Christmas ornaments and a large variety of decorations other festivities (Halloween, Easter etc.). The firm is looking for agents, wholesalers, importers and distributors.

Rautis, a.s. Mr. Marek Kulhavy 468 71 Lucany n./Nisou 133 tel.: +420 483 300 036 fax: +420 483 300 260 e-mail: rautis@iol.cz web: www.rautis.cz

Ceramics

Figural and decorative ceramics suitable for gardens and interiors. The company is looking for wholesalers, importers and distributors in the U.S.

Keramika Oznice
Ms. Nada Latalova
Oznice 139
756 24 Bystricka
tel.: +420 571 453 280
e-mail: karemiko@post.cz
web:
www.keramiko.aktualne.cz

Plum Brandy "Slivovitz"

Producer of traditional Czech plum brandy Slivovitz is seeking agents, importers and distributors for nationwide distribution in the U.S.

PPP-Pohorilky Mr. Ladislav Tetera tel: + 420 556 410 107 fax: + 420 596 244 026 e-mail: dekomte@dekomte.cz

Czech and Moravian Wines

Center for Czech Vineyards represents a number of Czech and Moravian winemakers and is seeking agents for distribution of Czech and Moravian wines in the U.S.

Center for Czech Vineyards Mr Milan Ballik, Executive Director Jungmannova 12 110 00 Prague 1 tel.: +420 604 843 347, +420

603 355 224 e-mail: *millan@post*

e-mail: *millan@post.cz, cervino@atlas.cz*

Wooden Toys

Skanel Co. is a manufacturer of wooden toys seeking U.S. importers and distributors.

Skanel, LLC
Mr. Ladislav Bodnaruk,
Director
Na Buncaku 1092/5
710 00 Slezska Ostrava
tel.: +420 602 557 705
fax: +420 596 247 220
e-mail: skanel@tiscali.cz,
bod.l@tiscali.cz

Assembly and storage services

Czech company in Ostrava offers industrial custom orientated services such as assembly jobs, storage facilities to U.S. companies active in the region.

Frantisek Teplik Lumirova 522/26 700 30 Ostrava-Vitkovice e-mail: fanapo@volny.cz

KNOW-HOW, SERVICES

Wireless Business Solution

iPlato is a results oriented consultancy and application developer specializing in mobile and wireless solutions for business. The company is seeking cooperation with U.S firms.

iPlato

Mr. Stanislav Spelda Marakova 12 160 00 Praha 6 tel: +420 224 317 736 e-mail: info@iplato.net web: www.iplato.net

Translation Services

Skrivanek Translation Services offers translations to and from 43 languages. The company is seeking mutual cooperation with translation agencies based in the U.S.

Skrivanek Translation Services, Ltd. International Coordination Center, Prague Nad Zaloznou 499/6 182 00 Prague 8 tel.: +420 233 320 560 fax : +420 224 321 556

e-mail:

david.matuska@skrivanek.net web: www.skrivanek.net

Czech IT companies mission to the U.S.

A mission of Czech software companies visited Silicon Valley early May 2004 in order to highlight professional resources and advantages of gaming up with the Czech firms in this field. Following Czech IT companies participated and expressed their interest to partner with U.S. firms.

Cleverbee s.r.o.

Mr. Michal Stepanek Nadrazni 56 150 00 Praha 5

tel.: +420 2 5110 6110 fax. +420 2 5110 6111

e-mail:

mstepanek@cleverbee.com web: www.cleverbee.com

CN Resources International (CZ), a.s.

Mr. Petr Niedoba GSM: +420 606 729 600 tel.: +420 296 337 858 e-mail: niedoba@cncz.cz web: www.cncz.cz Ganymed

Mr. Daniel Cinatl Branicka 79 147 00 Praha 7

tel.: +420 244 466 101 e-mail: dan@ganymed.cz web: www.ganymed.cz

Globe Internet Mr. Karel Umlauf Mr. Libor Kopecky Planickova 1

160 00 Praha 6

tel.: +420 235 365 000 fax: +420 235 365 009 e-mail:

Umlauf.karel@globe.cz, kopecky.libor@globe.cz web: www.globe.cz

Iguassu Software Systems

Mr. Petr Bares Evropska 61 160 00 Praha 6 Czech Republic

tel.: +420-235 351 000 (-1) fax: +420-23535 1934 US fax: (516)977 1826 e-mail: petr@compuserve.com web: www.iguassu.cz,

www.infor.cz

Mr. Robert Samanek Hnevkovska 54 120 00 Praha 2 tel.: +420 272 937 237

fax: +420 272 937 238 e-mail: info@stringdata.cz web: www.stringdata.cz

StringData s.r.o.

For more information visit http://www.czechtradeoffices.com/Global?xml=/novinky/novinky.xml&id_novinka=2202

TRADESHOWS AND EXHIBITIONS / SPRING - SUMER 2004

Prague Exhibition Grounds / www.incheba.cz

May 6-9

△BOOK WORLD / International Book Fair

May 18 - 20

△WINE & SPIRITS / International Exhibition of Beverages △ROADWARE / Internationar Road Fair

May 25 - 27

△WATER SUPPLY AND SEWERAGE / International Water **Industry Exhibition**

July 15 - 18

△RETRO PRAGUE 2004 / International Veteran Car Exhibition

Brno Exhibition Center / www.bvv.cz

May 18 - 21

△PYROS / International Fair of Fire Fighting Equipment △INTERPROTEC / International Fair of Personal Protective Equipment, Health and Safety at Work

△ISET / International Exhibition of Security Technology and Services

△NEW SIMET / International Workshop Fair △WELDING / International Welding Engineering Fair

△FOND-EX / International Foundry Fair

△TEX-TEC / International Fair of Textile Technology △AUTOTEC 2004 / International Fair of Utility Vehicles

June 26 - 27

△INTERCANIS / International Dog Show △INTERFELIS / International Cat Show

CZECHTRADE'S NEW ONLINE SERVICES

Early May CzechTrade, Czech trade promotion agency, organized an internet web trade fair. 80 Czech engineering companies presented their products. Information on companies and products is available on web site: http://www.czechfair.cz/engineering/reception/mapa_vystaviste.php?

Also, CzechTrade introduced a new version of its Internet portal assisting foreign importers in locating Czech suppliers. Visit www.czechtrade.info

CZECH COMMERCIAL OFFICES IN THE UNITED STATES

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.

Contact: Ms. Marketa Janikova, 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.

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.

Contact: Mr. Josef Dvoracek, Phone: 212.717.5643 Fax: 212.717.5064, consulate.newyork@embassy.mzv.cz

CzechTrade - Chicago Office (Czech producers & Opportunities) Contact: Ms. Ivana Ingram, Phone: 312.644.1790, Fax: 312.527.5544, chicago@czechtrade.cz

CzechTrade - Miami Office (Czech producers & Opportunities) Contact: Mr. Michal Rozkydalek, Phone: 305.261.6313, Fax: 305.261.6314, miami@czechtrade.cz

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Czech Center New York

Contact: Mr. Jan Zahour, Phone: 212.288.0830 x.106,

Fax: 212.288.0971, zahour@czechcenter.com

CzechInvest - Chicago Offce

(investment opportunities in the CR)

Contact: Ms. Hana Lasslerova, Phone: 312.245.0180,

Fax: 312.245.0183, chicago@czechinvest.org

CzechInvest - San Jose Office

(investment opportunities in the CR)

Contact: Ms. Karolina Bockova, Phone: 408.376.4555,

Fax: 408.376.4557, california@czechinvest.org

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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