

CZECH FOCUS

Magazine of the Association for Foreign Investment



Volume 2. Number 3/2005



CR:3rd most advantageous country for offshoring
Quarter in Review
2-3



Czech IT out!
Sector Focus
4-7



Smaller than China, but growing
CR from the U.S. perspective
Country Focus
8-10



SAP's largest shared services center opened in Prague
Czech Investment News
11



Prague offshoring autumn
Events...
12-13



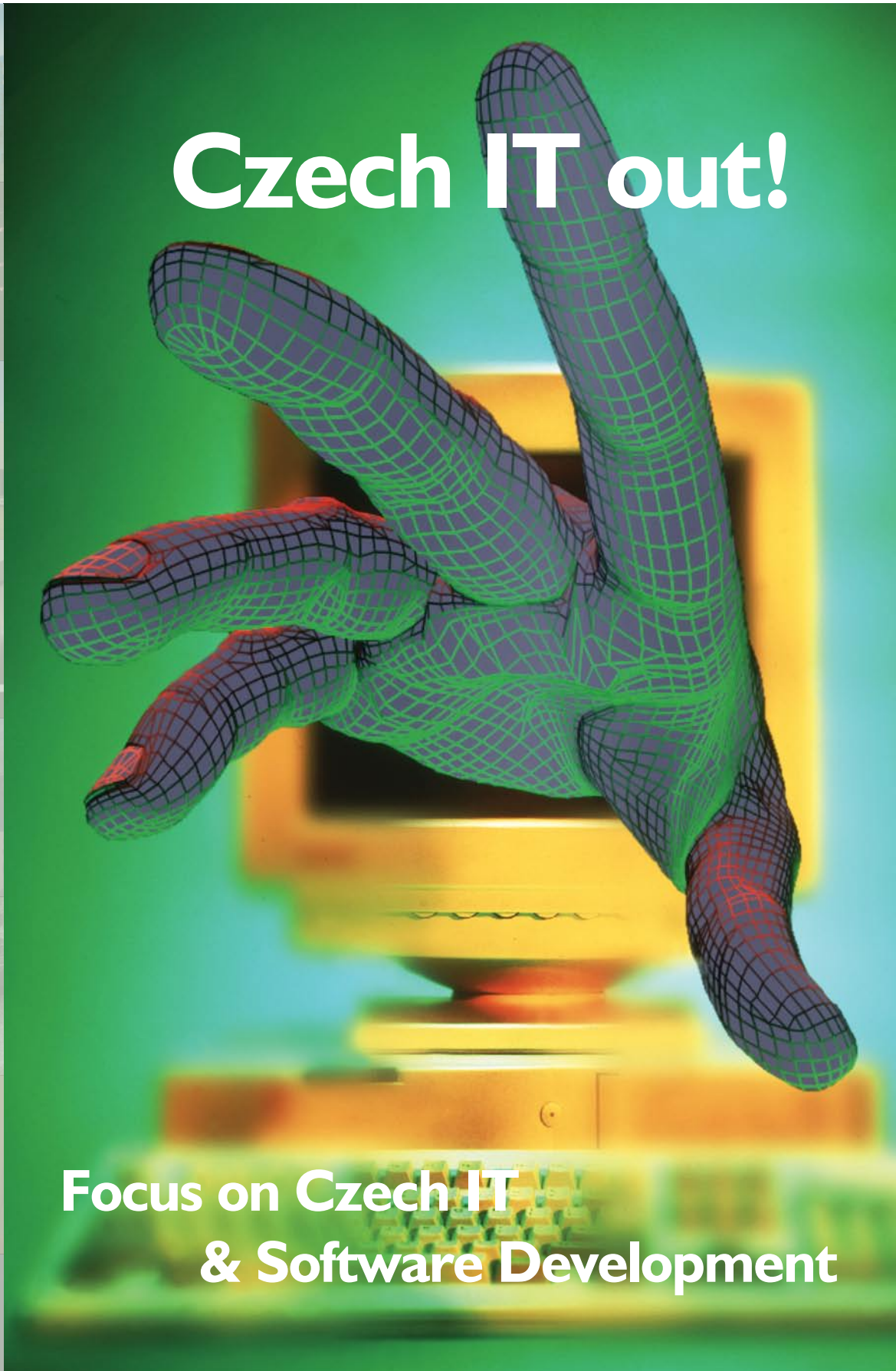
Czech economy again outperforms previous year's results
Business Climate
14



A scientist wooed by companies
Spotlight on People
15



Enjoying Czech culture in America
Living Czech
16



Czech IT out!

Focus on Czech IT & Software Development

Special supplement inside INDUSTRIAL ZONE OF THE YEAR

Association for Foreign Investment



Legal Services

Real Estate Consultancy

Environmental Consultancy

Strategic Marketing

Financial Consultancy
& Services

Auditing

Corporate Financing

Executive Search

Taxation Consultancy
& Services

Personnel Consultancy
& Recruitment

Quality Control

Architecture & Design

Project & Construction
Management

Management Consultancy

Industrial Consultancy

Information Technology
Support

Public Relations & Media
Management

Business Process
Reengineering

Interpreting & Translation
Services

Insurance

Other Professional Services



SERVICE OFFICE

Aiming at providing a real complex of essential services to the investors that have qualified as a project and are handled by CzechInvest, AFI opened its Service Office offering free of charge use of a furnished meeting room/office with internet access. The office is located at the AFI premises next door to CzechInvest thus enabling both investors and CzechInvest representatives to cooperate on a continuous basis.

WHO WE ARE

The Association for Foreign Investment represents a group of service companies with local experience that support the entry of foreign investors to the Czech Republic and offer a wide range of professional services to foreign investors entering the local market.

Thanks to direct and longterm experience with local conditions followed by proven successful performance, AFI members are entitled to be the helping hand to foreign investors.



Vaclav Petricek, Deputy Minister of Industry&Trade, Milan Urban, Minister of Industry&Trade and Martin Jahn, Deputy Prime Minister talking to representatives of AFI members and Partners



Francis Uytendbrouk, Exxon Mobil and Arnaud de la Hosseraye, Komerční pojišťovna

WHAT WE DO

The chief aim of AFI is to ensure that foreign investors' entry into the Czech market is as smooth and easy as possible. Consultants from the AFI group are experts in the field of advisory services, consultancy, project services, inspection or studies with specific specializations.

They provide information in this field so both potential as well as existing investors have the best conditions for their objectives.

AFI & CZECHINVEST

The common aim of both organizations is to create awareness of the Czech Republic as a good location for investment and participate in cultivation of the investment environment. CzechInvest conducts a host of marketing and PR activities thanks to the support of AFI. Besides this support, AFI members offer investors further relevant services that go beyond the framework of CzechInvest's assistance.

AFI MEMBERS:

- ABB Lummus Global
- ABL
- Accord Group
- ADECCO
- Advokátní kancelář Pokorný, Wagner & spol.
- Allan & Overy
- ALPHA MANAGEMENT CONSULTANTS
- American Appraisal
- ATELIER TSUNAMI
- ATLANTTIS
- AYS Placement & Workshops
- B.I.G.
- B.I.R.T. GROUP
- Bovis Lend Lease
- CB Richard Ellis
- CDI Corporate Advisory
- CRA RATING AGENCY
- CTP Project Invest
- CzechInvest
- Deloitte & Touche Czech Republic B.V.
- DELTAX Systems
- EBO Reality
- EC HARRIS
- Ernst & Young
- GLEEDS ČESKÁ REPUBLIKA
- Grafton Recruitment
- GrECo, International, poradensví pro riziko a pojištění
- HAVEL & HOLÁSEK
- Hays Czech Republic
- HELIKA
- HOMOLA Projektmanagement
- CHEMING
- CHEMOPRAG
- ICT PRAGUE
- INSPEKTA
- Investorskó inženýrská
- JONES LANG LASALLE
- JWA Prague
- EarthTech
- KAPPA People
- Kovoprojekta Brno
- KPMG Česká republika
- Kvita, Pawlita & Partneři
- LEWIS + HICKEY PRAHA
- Linklaters
- LOVELLS
- NÖRR STIEFENHOFER LUTZ
- PricewaterhouseCoopers Česká Republika
- Překladatelský servis skřivánek
- PSG
- PST Ostrava
- RAVEN Consulting
- Red Group
- RENOMIA
- Seddons
- SOPHIA, tlumočnické a překladatelské služby
- TACOMA Consulting
- Tebodin Czech Republic
- TMF Czech
- Weinhold Legal
- WHITE & CASE

INVESTOR'S CALENDAR

January - March 2006

January

16. - 17.1.2006 New European Manufacturing Strategies, Munich, Germany
24. - 25.1.2006 Call Center Summit, Conference, Miami, Florida
24. - 25.1.2006 BioBusiness, Conference, Geneva, Switzerland

February

20. - 22.2.2006 Successor's European Youth Summit (SEYS 2006), Prague, Czech Republic

March

9. - 15.3.2006 CeBit, Hannover, Germany
27. - 31.3.2006 Shared Services Week, Fair Trade, Orlando, Florida, USA



The Successor's European Youth Summit (SEYS 2006) is a meeting of young entrepreneurs, managers, scientists, educators and other representatives of the rising generation organized by the European Institute for Social Economic Development in Prague, under the auspices of the government of the Czech Republic.

CzechInvest is lending its support to the project and believes that it will be not only a great contribution to the discussion on issues facing today's world, but will also be an opportunity to deepen business and economic relations with the Czech Republic.

The Summit will take place February 20-22, 2006, in Prague. Information is available at www.seys2006.com.

Dear Readers,

This issue of Czech Focus is devoted to information technologies. For me, as a representative of a global IT leader and yet being of Czech origin myself, it is a real honor and a pleasure to have this opportunity to greet you and welcome you to its very interesting contents.

The IT industry in the Czech Republic is very strong and has already experienced some tremendous growth and great investment over the past couple of years. On the other hand I hope I can speak on behalf of the entire Czech IT industry when I say that we now see a very significant role for IT vendors to play in not only providing our customers with technology and IT solutions, but more importantly in helping the country, it's public administration, schools and small and medium-sized businesses to translate the investments they have made into IT into a real competitive advantage.

The Czech Republic has a unique opportunity among the new EU member states: its infrastructure, outstanding educational system, appetite for new technologies and innovative approaches and, above all, the creative Czech people always willing to go the extra mile. Now is a unique chance for the country to capitalize on those advantages, leverage them together with investment opportunities and ultimately lead by example in showing how this synergy can work to the benefit of investors as well as the country and its citizens. This will of course take even more investment into research and development and into high value-added skills, but I could not be more convinced about the fact that those are the areas where the Czech Republic can and will excel.

Microsoft is taking this topic very seriously and together with thousands of our local partners we are not only fully committed to the Czech market as such and to delivering world-class services and solutions, but even more importantly to delivering real value and help to the Czech government, educational institutions, businesses and Czech consumers so that they can realize their full potential.



Jan Muehlfeit
Vice President, Public Sector
Microsoft Europe, Middle East, Africa

Contact: Editorial Board of Czech Focus
Association for Foreign Investment, czechfocus@afi.cz
Stepanska 11, 120 00 Prague 2, Czech Republic

Published by the Association for Foreign
Investment - AFI under the auspices of CzechInvest,
the Investment and Business Development Agency
of the Ministry of Industry & Trade.



Headline News



■ **International rating agency Fitch upgraded all its ratings of credit reliability for the Czech Republic.** It gave the Czech Republic an A for its long-term foreign currency obligations compared to the previous A-. The rating for long-term debts in Czech crowns was also raised from A to A+. The short-term currency rating jumped to F1 from F2 and the state's rating ceiling reached AA- from A+.

■ **The Czech Republic is the third most advantageous country for offshoring** (i.e. transferring business activities to a country with more advantageous conditions) following India and China. This stems from The Economist Intelligence Unit 2005 study. Firms such as Air France, Lufthansa, Accenture, and Acer have located their call centers or customer service centers in the Czech Republic.

Politics & Legislation



■ The cabinet has approved a draft **bill on bankruptcy**; the new law could take effect in 2007. Submitted by Deputy PM for the economy Martin Jahn, the bill is **designed to cut the time needed to complete bankruptcy procedures and increase the importance of banks during bankruptcy procedures.** Creditors would also get the option to decide on the appointment and sacking of bankruptcy asset administrators, which should limit potential corruption.

■ In November, the **government approved the economic growth strategy** up to the end of 2013. According to the strategy, the economic growth rate will increase to 6%. The strategy counts on substantial infrastructure, education, science, and development investments.

■ From this autumn, entrepreneurs are able to maintain **their accounting entirely in electronic form** on computer. This is permitted by the **amendment to the Act on Value Added Tax**, which was signed by the President in September as part of the norms for financial conglomerates.

■ The government has approved an amendment to **the law shortening the period for acquiring permanent residency in the CR from the current 10 years to only 5 years.** The amendment should also **speed up granting visas to foreign business people** staying in the country more than 90 days, and streamline work permits for foreigners in jobs suffering lack of manpower.

■ The government has approved a **speedy integration of financial markets supervision into one institution.** In April 2006, the Czech National Bank (CNB) should take over the supervisory tasks of the Czech Securities Commission (CSC) and the Bureau for Supervision of Credit Unions. CNB will also take over supervision of insurers and pension funds from the finance ministry.

Economy



■ **The Czech economy in Q2 grew 5.1%, the highest figure since 1996.** Foreign trade was the key factor in Q2 economic growth; exports rose 7.6% y/y. Household spending went up 2.1%, and investments 2.3%.

■ **In Q2, the inflow of foreign direct investment into the Czech Republic** was affected by the sales of the state-owned stakes in Cesky Telecom and Unipetrol to foreign investors. **Foreign direct investment reached CZK 136.5 bln** (roughly USD 5.8 bln; EUR 4.5 bln). The largest volume of investment in equity capital went into the transport and telecommunications sector, followed by investment in real estate and business services. In all, 93% of the foreign investors were from EU countries.

■ **The average gross monthly wage** increased by a nominal 5.4% year on year in the second quarter to CZK 18,763 (approx. USD 811; EUR 632), down from 5.8% in January-March. Annual wage growth also slowed in real terms, to 3.7%, after the 4.1% increase recorded in the first quarter.

■ According to an **OECD study, the Czech Republic is one of the states in which the difference between the rich and the poor is the least significant.** The poorest fifth of households owns 10% of all

assets while the richest fifth owns 36%. The domestic "poor fifth" of households is the second richest in the world (after Japan). Conversely, the richest fifth is among the world's five poorest. According to analysts, the small difference between the rich and the poor is the result of a high level of social security.

Business



■ **The Czech Republic has become the second most popular destination after Poland for foreign investment among countries in CEE, a poll conducted by the insurer Atradius among European companies' top managers** showed. Some 74 percent of the respondents said they have already launched business activities in CEE, and some 67 percent believe that the region's fast-developing markets will maintain their pace of growth.

■ **The Czech branch of Microsoft together with the government agency CzechInvest will open a new software development center in the Czech Republic** early next year known as **SoftInvest.** In addition, the **Czech Republic and Hungary are competing with one another to build Microsoft's technical support center** for the region of Europe, the Middle East and Africa. The largest PC manufacturer, American firm **Dell Computer**, is also considering a massive investment in the Czech Republic.



Source: <http://www.microsoft.com/cze/>

■ **Japan's Bank of Tokyo-Mitsubishi** is to open its first representation in Prague and turn it into a full-blown branch during the next year. The bank's move is in response to Japanese investors' growing demand for banking services in the CR.



Hyundai Coupe – illustrative photo

■ Korean automobile manufacturer **Hyundai** has officially announced that it will build a new production facility with an annual capacity of 300,000 vehicles in Central Europe. The Ostrava region in the Czech Republic is the most likely location for the new EUR 1 bln (approx. CZK 30 bln; approx USD 1.28 bln) facility; Hyundai plans to begin production in the second quarter of 2008.

■ Investment firms **Intel Capital** and **Enterprise Investors** have purchased a 65% stake in Czech computer firm **Grisoft**, which develops anti-virus software such as the AVG program. They paid USD 52 mln (roughly CZK 1.2 bln; EUR 40.5 mln) for the stake. The new majority stakeholders want to make the firm one of the largest in the industry and possibly offer it on the bourse.

■ The CR will be home to the **International Clinical Research Centre, ICRC**, which will be built by 2009. This altogether unique project is the result of four-year **cooperation of doctors and scientists of Brno's St.**

Ann's Faculty Hospital with the prestigious American Mayo Clinic. This will be a state-of-the-art, new-generation clinical-research-educational international centre and the first project of its kind ever in the world.

■ **Danish toy company Lego** is closing two of its Swiss factories and is moving part of its production to its plant in Kladno, Czech Republic.

■ **The German medical products manufacturer Primed-Halberstadt** will build a facility for the production of plastic medical consumer products in the municipality of Litvinov. Construction of the facility should cost CZK 60 mln; the firm should launch production in the summer of next year.

■ German company **Intershop Communications**, one of the main suppliers of software solutions for internet trade management, is expanding to the Czech Republic. The Czech subsidiary will be responsible for expanding the company's activities in Eastern Europe.

Source: Siemens



Siemens Electromotors facility in Frenstat pod Radhostem

It is estimated that Siemens will spend about EUR 200 mln (CZK 6 bln, USD 256 mln), most likely on the automotive industry. This year, the company intends to expand only the Siemens Electromotors factory in the town of Frenstat pod Radhostem.

■ **Italian firm Candy** is expanding production of refrigerators in the Czech Republic. Thanks to this expansion Conta, which is a part of the international Candy group, will be able to attain a manufacturing capacity in subsequent years of more than 800 thousand units annually, after which the Czech factory will become the **main manufacturing centre for Candy group refrigerators in Europe**.

■ The international **Lenovo Group**, currently the third largest computer maker in the world, will start operations on the Czech market with its company Lenovo Czech Republic. The Czech Republic has thus been included in the second wave of **transformation of IBM's former personal computer division** into the new company Lenovo.

■ Financial group **Penta** intends to **privatize Prague's Ruzyně Airport**. Penta has already purchased roughly one quarter of the lots on which a parallel runway is to be built through other firms. The runway is necessary to achieve the maximum departure capacity of the recently opened terminal. The financial group has already proposed the joint construction of the runway to state-owned firm Letiste Praha. Penta proposes to create a joint firm into which both firms will deposit their lots.



Prague's Ruzyně Airport

■ **Siemens plans to step up investments in its CR-based production plants.** The German concern hasn't disclosed the precise volume of investment or the targeted industrial sectors. It is

estimated that Siemens will spend about EUR 200 mln (CZK 6 bln, USD 256 mln), most likely on the automotive industry. This year, the company intends to expand only the Siemens Electromotors factory in the town of Frenstat pod Radhostem.

■ Financial group **Penta** intends to **privatize Prague's Ruzyně Airport**. Penta has already purchased roughly one quarter of the lots on which a parallel runway is to be built through other firms. The runway is necessary to achieve the maximum departure capacity of the recently opened terminal. The financial group has already proposed the joint construction of the runway to state-owned firm Letiste Praha. Penta proposes to create a joint firm into which both firms will deposit their lots.

■ German company **Linde Technoplyn a.s.** is starting up special machinery to produce technical gases in the Czech Republic. The company invested nearly CZK 2 bln (roughly USD 85 mln; EUR 67 mln) over two years into construction of state-of-the-art machinery for air condensation and separation.

■ **CTS Corporation, an American designer and manufacturer** of electronic components for the automobile and electronics industries, intends to **invest almost CZK 500 mln** in the construction of a new facility in the Ostrava-Hrabova industrial zone. Production should begin in June of next year. The firm will create more than 160 new jobs within three years.



Miscellaneous

■ According to the OECD, **the average Czech works 1,986 hours per year**, which is roughly 250 hours more than the average Slovak. According to analysts, **fewer part-time employees and longer work loads** in comparison to most OECD states are the result of legislation.

■ The Czech Republic leads the **real estate** market growth and stability ranking compiled by consultant **Cushman&Wakefield Healey&Baker**. The study includes new EU members but not Malta and Cyprus. Croatia, Russia, Romania, Bulgaria, and Turkey were also ranked.

■ According to the Datamar agency, **Skoda Auto is the best-known Czech brand**. The electrical appliance manufacturer ETA and beer brand Pilsner Urquell follow the automobile manufacturer. The three are followed by Bata, Tesla, Budweiser Budvar, Tatra, Vitana, OP Prostejov, and Orion.



Illustrative photo

■ About **60% of Czechs are capable of conversing in foreign languages**, according to a **Eurobarometer survey**. **31% of the Czech population have a command of German, 24% of English, and 19% of Russian.**

■ Air carrier **Lufthansa** started flying between

Prague and Hamburg on 15th October. There are two daily flights on the route. In late October, also low-cost airline Smartwings launched new, four-times-a-week flights **from Prague to Stuttgart**. Last but not least, budget air carrier **easyJet** will begin flying between **Prague and Basel** in the spring 2006.

■ According to an **international survey** published in **Science magazine**, **Czechs are one of the friendliest** cultures in the world. They also ranked very high in terms of **humbleness and altruism**.

■ The past decade has seen nearly a **three-fold rise in the number of Czechs commuting long distances to work**, according to data from the Czech Statistical Office. About 660,000 people now live and work in a different district or region. About 170,000 people make the daily commute to the capital, Prague. Observers say the trend is good for the economy, as the Czech workforce becomes more flexible.

■ The Czech Postal Service has started to issue qualified certificates for **electronic signatures** both for individuals and institutions. It is the second accredited provider of these certificates. The Czech Postal Service will also offer certificates for electronic marks for entire companies or agencies.

(Sources: Czech News Agency, Reuters Press Agency, Interfax, weekly Euro, dailies Hospodarske noviny, Pravo, MF Dnes and Lidove noviny)

Czech IT out!

Czechs are regarded worldwide for their creativity and ability to come up with unique and innovative approaches. For that reason along with high technical skills, more and more companies are choosing the Czech Republic for its IT and software development operations. It is gradually gaining the position of a “nearshoring superpower”.

Renowned organizations have already noticed this trend and reflected the unique properties of the Czech Republic in all of Europe. **For A.T. Kearney the country is the most attractive offshore location in Europe**, as described in its Offshore Location Attractiveness Index 2004, and **fourth in the world**, right behind India, China and Malaysia. According to the authors, “the Czech Republic offers European clients low costs, good language skills and cultural similarities, competitive infrastructure, and a stable political and economic environment.”

Offshoring environment rankings

Country	Score	Rank
India	7.76	1
China	7.34	2
Czech Republic	7.26	3
Singapore	7.25	4
Poland	7.24	5
Canada	7.23	6
Hong Kong	7.19	7
Hungary	7.17	8

Source: PayWell 2005, PWC

Another recent study, the “CEO Briefing, Corporate Priorities for 2005” by the Economist Intelligence Unit, also ranks the Czech Republic #1 in Europe, and even #3 worldwide (behind India and China) in terms of attractiveness of location for offshoring. EIU finds very similar advantages of the country. “The Czech Republic’s potential stems from a combination of relatively low labour costs, an attractive regulatory environment, and close proximity to Western Europe, with which it also shares close cultural and historical ties. The country’s relatively well-educated workforce broadens its attractiveness as an offshoring location beyond those of regional competitors such as Poland and Slovakia.”

IT specialists average base pay

	CZK (month)	EUR (CZK/EUR=30,03)* 30.6.2005	Annual salary (EUR)
Junior Analyst Programmer	27 085	902	10 823
Senior Analyst Programmer	33 540	1 117	13 403
Software Engineer II	25 000	833	9 990
Software Engineer I	35 250	1 174	14 086
Senior IT Consultant	42 450	1 414	16 963
IT Specialist	26 000	866	10 390
DB Administrator	26 000	866	10 390

Note: Wages represent the upper end of the market, as most of the companies surveyed are foreign owned.

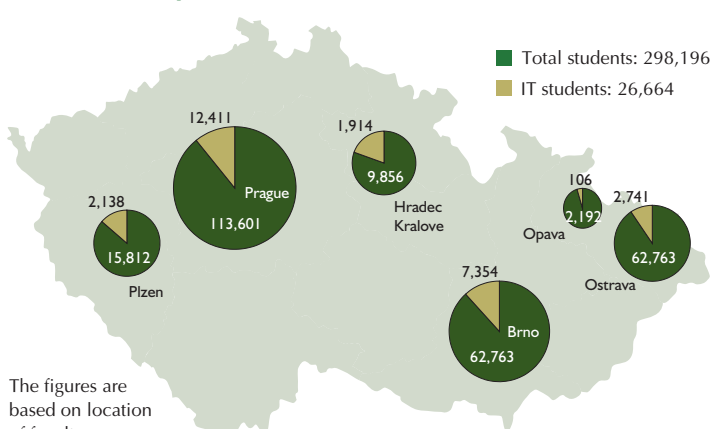
Valid as of 30 June 2005

Source: PayWell 2005, PWC

Such hospitable conditions for IT investments are of course likely to remain and improve, with the possibility of drawing from a large pool of students from IT related majors. For example Prague’s Czech Technical

University with its 23 thousand students is the second largest technical school in Europe, and of course there are other large universities such as Brno University of Technology (VUT) or the Technical University of Ostrava (VSB-TUO). Overall, there are almost 27,000 students in IT related majors throughout the country, yielding between 2 and 3 thousand graduates every year. The ratio of students in technical fields to other university students is higher in the Czech Republic than in Europe and up to twice as high as in other countries of Central and Eastern Europe.

Intellectual capital – Czech universities



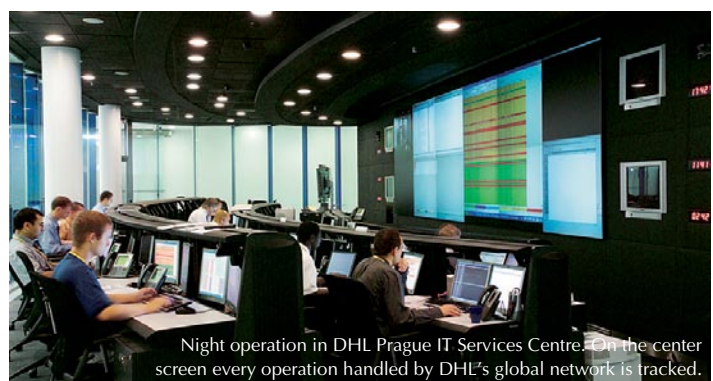
The figures are based on location of faculty.

Source: Institute for Information on Education, 2005

The country’s competitiveness as a location for ICT activities also helps explain why **the Czech Republic attracted one of the largest IT consolidation projects in Europe in recent times** - in 2003, DHL, the world’s largest logistics company, decided to move most of its IT activities from Great Britain and Switzerland to Prague, where its new Operations Centre would support DHL’s entire European IT infrastructure from a single, state-of-the-art location.

DHL

In April 2003, the creation of the new DHL, formed by the integration of DHL, Danzas, and Deutsche Post EuroExpress, meant that none of the existing IT data centres in Europe had the capacity to support the business volumes of the new DHL or the anticipated growth. After an extensive review of alternative locations against a number of stringent selection criteria, Prague was chosen as the site for the new IT Services Centre. The facility was constructed and fitted out in record time to be opened and ready for operation in June 2004.



Source: DHL

Source: DHL



Prague DHL's IT Services Centre building in Prague - Chodov

Between June and December 2004, more than 600 highly skilled IT professionals were recruited, the majority of whom are Czech nationals. At the same time, more than 500 servers were installed and configured to enable the migration of the processing of business transactions from the IT Data Centres in Staines, UK and Basel, Switzerland. By the 1st January 2005, the migration was largely complete and the IT Services Centre Prague became fully operational.

Since 1st January 2005, the IT Services organization has been integrated to support the DPWN Mail, Express & Logistics businesses from four key locations – the IT Services Centres in Prague; Scottsdale, AZ, USA; Cyberjaya, Malaysia; and Bonn, Germany.

IT Services Centre, Prague - Facts & Figures

- More than 900 highly qualified employees working in skilled jobs. The current expected final headcount is 1500.
- 15,000 sqm office space.
- Total investment of € 500 million over five years.
- The European center in Prague together with DHL's centres in the USA and Malaysia, interconnected via a global corporate broadband IP telecommunications network, form a global IT infrastructure to support DHL's activities around the world.

State-of-the-Art Facility

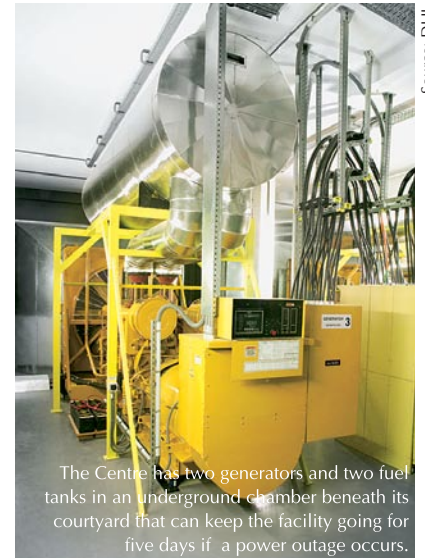
To be able to support DHL's business needs, the new IT Services Centre in Prague has been built to the highest standards, including:

Power – two independent commercial providers supply up to 4.1MW power to the building. In addition there are four generators with enough fuel on site to power the IT Services Centre continuously for five days. Approximately 4,800 batteries on site provide uninterrupted transfer from mains to generator power.

Telecommunications Network - Underpinning the business, DHL has two independently managed Metropolitan Area Networks (MANs), providing the

company with a highly available and resilient IP (Internet Protocol) telecommunications network connecting the IT Services Centre to international and domestic telecommunication partners' facilities in Prague. The network consists of 56 km of 48-strand optical fibre and 1,000 km of copper cabling and supports 60 million transactions, or 65 terabytes of data throughput, every day.

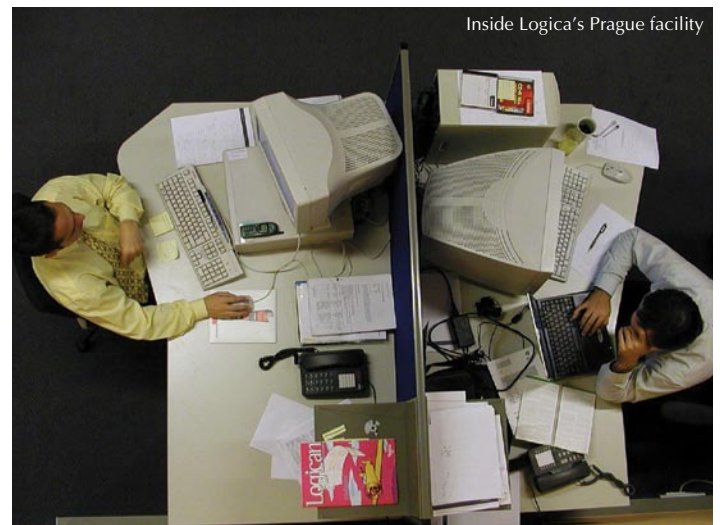
Data Centre - The IT Services Centre hosts data rooms of 3,500 sqm with over 1,000 servers and 30,000 connections. The data room is capable of housing up to 5,000 servers.



Source: DHL

The Centre has two generators and two fuel tanks in an underground chamber beneath its courtyard that can keep the facility going for five days if a power outage occurs.

Since 1995 the **Czech Republic** has been a “**model investment location**” in the Central European region; DHL's investment clearly demonstrates the feasibility of operating global state-of-the-art facilities from the Czech Republic and that the CR has become a major centre for business support services. “We ultimately chose the Czech Republic for its availability of a skilled and flexible labour force, well established and reliable telecommunications networks, good air links as well as for the optimum incentives package offered by the Czech government,” said Stephen McGuckin, global CIO of DHL.



Inside Logica's Prague facility

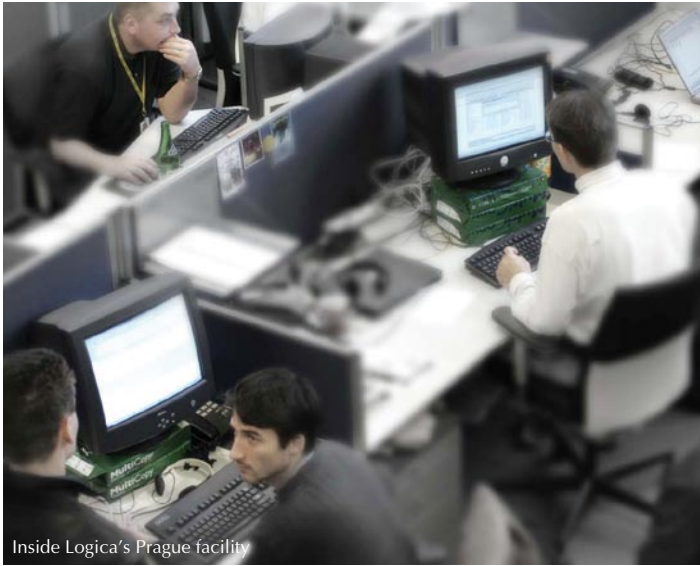
Logica

A few months before DHL's arrival, LogicaCMG, the leading global provider of consultancy and software solutions, present in the Czech Republic since 1995, decided to expand its **Prague Development Centre** and to open a new **Software Development Centre in Brno**, making the Czech Republic the hub of its CEE activities.

Logica's first development center in Prague was established in 2002. The original concept assumed that Czech staff should undergo a thorough training in Dublin. However, after short experience it was obvious that this introduction programme was not necessary for most employees. In six months, more than 100 people (both senior experts and graduates) were recruited and the centre could be trusted with the most critical tasks. For example, the Prague team carried full responsibility for support of LogicaCMG's SMS centres which transferred more than one half of world SMS traffic during the New Year's Peak in 2001. Since then, the centre has grown to more than 150 people, plays an important role in LogicaCMG wireless product strategy and is expected to be expanded significantly in the next few years.

In addition to the Prague Development Centre, LogicaCMG's Czech staff supports the company's clients worldwide, including Reuters, Shell, South West Gas and other blue-chip companies. Its nearshore services

are integrated into LogicaCMG's approach of blended outsourcing to offer clients the best mix of local, nearshore and offshore services.



Inside Logica's Prague facility

According to Joe Walsh, LogicaCMG's Global Telecoms vice president for Prague Product Centre, the following expectations have been confirmed in the Czech Republic: strong technical skills, very committed staff, very good work culture and discipline, high flexibility, and staff ambitions and motivation factors in line with business needs. This has resulted in very good quality of work, easy product switching and strong ability to deliver on commitments.

Microsoft

As recently announced, the Czech branch of software company Microsoft together with the government agency CzechInvest will open a new software development centre in the Czech Republic early next year known as **SoftInvest**. In cooperation with universities there will be approximately 20 start-up companies created that within a two to three-year time horizon will supply some 50 certified applications to the market. The development centre project will also involve about a hundred other partner companies.

The future of the centre will be in teaming up technical universities on one side and local partners from the software industry on the other side. It is part of CzechInvest's new, thus far wholly unique, project called ChipInvest, which should help the Czech economy to become the Central European center of development of integrated circuits and systems for aerospace programmes and medical technology.

IBM

Another prestigious company that has laid its roots in the south Moravian metropolis of Brno is IBM with its **GS Delivery Centre**. The project in Brno is gradually consolidating IBM's operations throughout all of Europe to a single location. The GS Delivery Centre is undergoing a ma-

job hiring at the moment, with expected final headcount anywhere from several hundred to thousands of employees.

EDS

In June 1994, EDS established its wholly owned subsidiary in the Czech Republic. Presently, it operates primarily in five sectors: financial services, government, manufacturing, telecommunications, and utilities. In 1998 EDS established the Czech Republic Solution Centre to deliver application development and maintenance (ADM) services. The CRSC staff is experienced in mainframe, client-server and web technologies, as well as project management, process improvement and consulting services. The majority of its clients are based in the European Union and include GM, Coca-Cola, Opel, Delphi and Thyssen. As a recognised Best Shore (SM) centre, the Czech Republic Solution Centre is a strategic location for ADM services.

Computer Associates

CA's newly established **Mainframe Centre of Excellence** is a major expansion of the company's presence in the Czech Republic. "This Centre of Excellence will provide mainframe users worldwide with a host of innovations, and will help strengthen the Czech Republic's position as a hub of IT activity," said Guy Harrison, senior vice president, Development Operations at CA. The new Centre will focus on software development, maintenance, validation and quality assurance for the mainframe computing environment. It expects to hire and train more than 200 people including talented students, mainframe experts and experienced managers.

Selected IT investments in the Czech Republic



Progeon

In the past decade, Indian companies have become major players in the world of IT and software development with the application of the off-shore/nearshore concept and are still gaining in importance. With all its advantages, the Czech Republic obviously came into their focus and is currently providing grounds for Progeon s.r.o, a subsidiary of Progeon Ltd, one of India's leading business-process outsourcing companies. Progeon is one of the Top 10 third-party business process outsourcing companies in India according to NASSCOM 2004-05 rankings. It was incorporated in April 2002 as a subsidiary of Infosys Technologies, India's second largest software exporter. Progeon currently has centres in Bangalore and Pune in India, and in Brno in the Czech Republic. The first phase of operations in Brno in the Czech Republic has been completed recently. This is the first significant project in this field in the Czech Republic by an Indian company, with more to come hopefully. The centre will provide its clients with end-to-end process management services in multiple languages.

Monster Technologies

This American software company chose Prague as its base for its pan-European development centre. The Prague development centre started its activity in early 2000 and from the outset concentrated on website development and creation. In 2002 it expanded to include another development team focusing on the company's venture initiatives. One year later it also decided to develop key software companies in the Czech Republic, adding a team to develop business application software. The number of employees of the centre is over one hundred and more are expected to be hired.



IBM also has its Czech facility in THE PARK center in Prague - Chodov

Sun Microsystems

Although Sun Microsystems has been present in the country since 1994, the real milestone from the point of view of software development came in 1999, when it acquired **NetBeans**. This originally Czech company specialising in development tools for Java became the basis for Sun's first authorized Java Centre in Eastern Europe. The number of engineers in Prague then grew to more than 100 and the facility became one of the key Sun Java Centres worldwide. Sun decided to collaborate with NetBeans because of its experience with Java development and implementation and because of the abundance of highly trained mathematicians and computer engineers. Since the acquisition, the headcount has grown to approximately 2,000 and recently Sun has announced that it would expand its development capabilities in the Czech Republic and double or triple the number of engineers working for them.

Not Tiny Anymore Czech companies in the spotlight

NetBeans is certainly not the only example of a Czech firm that has become successful and recognized worldwide for its technological solutions. In fact, the security of your computer may rely on Czechs, if you run Grisoft's AVG anti-virus software or you are using firewalls from Kerio Technology or Tiny Software.

This September saw the announcement of the purchase of Czech software company **Grisoft, best known for its AVG security program**. A 65% stake was purchased by Intel's sister company Intel Capital and its Polish partner Enterprise Investors for \$52 million.

The company was established in Brno by programmer Jan Gritzbach together with Grisoft's current sales manager Tomas Hofer as a small firm specializing in development of single-purpose security programs. The first antivirus program was thus created in a 2-employee firm. Today the company is a major global producer of anti-virus programs. Its AVG software, now including firewall, protects 25 million computers worldwide.

Computer Associates not only has its Centre of Excellence in the Czech Republic. **Tiny Software**, the Czech developer of the security technology **Tiny Personal Firewall** for workstations and servers with the Windows system (e.g. Host Security, Personal Firewall and Firewall 64), was recently acquired by Computer Associates. Tiny Software also offers a set of tools to develop software that allows independent developers to integrate other specific features into Tiny security platforms. Its products are used all around the world and companies holding OEM licenses for it include Microsoft, Unisys and the U.S. Air Force.

Tiny Software Inc. was established in Silicon Valley, California in the spring of 1999. It was founded by a group of Czech programmers and managers but the development team has been based in Czech Republic, namely in Pilsen, right from the outset. The company has been doing very well since its start. Their model of "company headquarters and sales activity coordination in America, development team in the CR" has proved to be excellent: in 1999, revenues for worldwide sales of licences for its products worth USD 2.3 million were achieved, while the American market had an approximately 65% share of this result and the Czech market roughly 15%. Tiny Software quickly gained more and more fame, could boast of good references from American customers and among other things won the prestigious Winner99! prize awarded by WinFiles magazine.

Kerio Technologies Inc., a Czech-owned private company, provides Internet messaging and firewall products. It is headquartered in Santa Clara, California and its worldwide operations are covered by offices in the UK and the Czech Republic. The city of Pilsen, Czech Republic also hosts Kerio's software development team. With its product certified WinRoute Pro, Kerio supplies customers with high security requirements such as US Air Naval Systems and travel reservation giant Amadeus. Kerio MailServer is another well-known product that has become very successful.

Systinet is another example of an internationally successful company with very Czech roots, as Roman Stanek, former founder and CEO of NetBeans (acquired by Sun Microsystems), is its chief software architect. Systinet provides the foundation for SOA governance and lifecycle

management and its clients include Amazon.com, BMC Software, The Hartford, Interwoven, JP Morgan, Motorola, Defense Information Systems Agency, and Société Générale.

USU Software is a Brno-based company that will soon be rapidly expanding its 13-member team that is working for the world's largest open source company, Red Hat, Inc. Based on excellent cooperation in past years, Brno was visited by top executives of Red Hat, CEO Matthew J. Szulik and CTO Paul Cormier in October 2005 and the expansion was announced by USU's CEO Martin Sebesta.

In 1996, **CertiCon** was founded as a spin-off company of the Czech Technical University (CVUT). The company produces analogue and digital integrated circuits for highly sophisticated IT applications, specializing in areas of medical applications, communications, industrial process control and decision-making. Vitatron B.V., Frequentis GmbH., automotive aftermarket division of Robert Bosch GmbH. and Grundfos A/S are among CertiCon's clients.



Other Czech-based companies have also worked on large projects for big multinational companies and organizations, such as **Logos** for world famous Harrod's, **ICZ** for NATO, **CN Resources** for Lufthansa Technik and Commerzbank.



was the #1 selling game in the UK, Germany, France, Australia and the Czech Republic. When a special version of the game was released for the US market, it ranked among the best sellers on the US market as well. So far, over 1.2 million copies of Operation Flashpoint have been sold since its release.

Though **Illusion Softworks** was founded in 1997 (in Brno) and is therefore quite a young company, it has released several world-renowned titles such as Mafia – City of Lost Heaven, Hidden and Dangerous, and Vietcong.



Jan Rancak
IT and software development specialist
CzechInvest

Smaller than China, but growing

The Czech Republic from the U.S. perspective

The collapse of communism over 15 years ago created conditions that the world had not seen before. In an abrupt change the free world doubled in size geographically, the population living in a free-market setting increased by hundreds of millions and vast populations of educated workers became available for the world economy. Western companies soon began to realize the opportunities of reduced labor costs and began moving into the formerly communist countries of Central and Eastern Europe.

What is so unique and what the similarities are

Unlike Central and Eastern Europe, China has not seen a major regime change and it has been over an even shorter time that it has really begun to attract significant attention. China came from behind and advanced quickly. Today, China is the leading growth area in the world and the most prominent location on the radar of many US companies. It might seem that there is no comparing China, a country of 1.2 billion people and the Czech Republic with 10 million. However, in a broader context, comparison is possible. **There is a very comparable location for business that offers growth opportunities and talent in a historically unique setting – Central and Eastern Europe (CEE), of which the Czech Republic is an integral, if not the core part.**

Looking at China today, we see perhaps 200 million consumers. Comparing that to the European Union with over 400 million consumers, and a growing unsaturated market in the new member states and countries still waiting to join, we will see clear parallels. China is not a homogenous region, but a diverse country with prominent centers of growth and areas that are still many years from true development. We can see a similar situation in Europe. There are the old member states of the European economic area (the EU plus Iceland and Norway), and a rapidly developing belt of countries in the east with growth levels approaching those of China.

Sustainability of growth and stock of human resources

For those that fear that in CEE the labor costs and general economic levels will soon climb to the levels of “Old Europe”, we propose the argument that labor costs cannot sustainably grow faster than labor productivity. With the transfer of production into Central and Eastern Europe, costs have been reduced dramatically, but much of that reduction was passed on to the customer under competitive pressures. Therefore a greatly accelerated growth of salaries is not possible as there is simply no discretionary cushion in companies to allow for it. Truly, as more and more companies seek to utilize the low labor costs, there will be pressures on wages but those pressures will drive more simple production out of business or to cheaper locations. This transformation will take time and indeed most predictions state that it will take **around fifteen years to reach the EU average level of wages** even for the most developed countries of the former Eastern bloc.

A threat to this scenario is posed by the accelerated embrace of new technologies. Investors seeking cost reduction can feel threatened by the high capability to use and develop modern technology in Central and Eastern Europe. Whereas China has only brought about one-fifth of its total population into the 21st century, **Central and Eastern Europe is catching up with its western neighbors**, in some cases very quickly. This can be a threat to cost reduction, but at the same time it definitely improves the chances of stability of the region as a whole. On the other hand, China is facing many unresolved issues compared to which Central and Eastern Europe is a terribly boring place. The rapid aging of the population, for instance, as well as political changes will pose a great challenge.

Second wind for the sick men of Europe

Another important aspect of Central and Eastern European development

is its impact on the EU. The European Union has been struggling with the challenge of its eastern expansion. So far the countries in Western Europe have been, with some exceptions, reluctant to embrace the opportunity offered by their eastern neighbors. Many businesses have taken the initiative and expanded or relocated their labor-intensive functions to the east but a political decision to open the labor market has yet to follow. Certainly social stability is an issue and even the Central and Eastern European countries can see some advantage in this artificial barrier to a brain-drain, but from a long term-perspective a free flow of ideas and optimal use of resources would benefit everyone in Europe.



Illustrative photo

Some of the countries in Central and Eastern Europe are definitely more liberal than their western neighbors and their influence on the EU as a whole could be an impetus for reforms that could put the whole Union back on track to improve its competitiveness and innovation potential.

The Central and Eastern European countries constitute a large and stable market with high growth levels, whereas the cultural proximity and high education level of the region provide a very convenient environment. Finally, these countries will play an important role in the future of Europe as a whole. Perhaps the key to a better and stronger European Union is to see the differences between the new EU members and the old ones as an opportunity rather than as a threat.

Czech Republic: catching the next wave of U.S. investments

Fortune 500 corporations like Rockwell Automation, Honeywell International, Visteon, Motorola, IBM and many more have selected the Czech Republic to leverage the nation's highly skilled engineers, leading-edge information technology infrastructure and multilingual professionals. But this didn't happen overnight. Let's have a look at those riding the waves across the Atlantic.



Honeywell's Global Design Center in Brno



PRŮMYSLOVÁ ZÓNA ROKU INDUSTRIAL ZONE OF THE YEAR 2004

Czech government ministers handed out awards in October 2005 for the best quality and most beneficial industrial zones in the Czech Republic. "Industrial Zone of the Year" was announced under the auspices of the Ministry of Industry and Trade and **CzechInvest** in cooperation with the

Association for Foreign Investment (AFI) and Partners of the project of *Partnership to Support Foreign Direct Investment in the Czech Republic*. This fifth annual award ceremony was also attended by representatives of regional governments and cities throughout the whole Czech Republic.



Joint photo of all awarded

Based on the Programme to Support Industrial Zone Development of the Ministry of Industry & Trade a total of 89 industrial zones were supported as of the end of 2004. Investors have already occupied nearly 70% of prepared land, which is optimal occupancy. The land remaining is now available to dozens of interested investors who are currently searching for an ideal location in the Czech Republic.

The professionalism of the manager of an industrial zone also has a great impact on the zone's quality and success. For this reason this year saw the awarding of a special prize for

Industrial Zone Manager

An industrial zone manager can be a core employee of the municipal, city or magistrate authority or an employee of a company who performs the respective service for the owner of the industrial zone. This manager must be, among other things, able to professionally ensure the presentation, administration and development of the industrial zone, and to coordinate the further needed preparations for an investor's arrival. The final selection this year was among nearly 30 candidates. After three rounds of evaluation, an independent committee chose the nominees: Jiri Stradal, Manager of the Cheb Industrial Park, Petr Matousek, Manager of the Pisek – Cizovska Northern Industrial Zone and Miroslav Netolicky, Manager of the Moravska Trebova Industrial Zone.



The special award for Industrial Zone Manager this year was won by Petr Matousek, Manager of the Pisek – Cizovska Northern Industrial Zone



PRŮMYSLOVÁ ZÓNA ROKU
INDUSTRIAL ZONE OF THE YEAR
2004

Industrial Zone with the Most Economic Benefit

The evaluation criterion in this category is the quantitative economic benefit created based on the creation of jobs and other effects resulting from the amount of investment.

1st Prize

“Cernovicka Terasa” Industrial Zone in Brno

The 179-hectare Cernovicka Terasa industrial zone is one of the leading strategic zones on Czech territory. Further proof that this is a very successful project is the fact that it has managed to become fully occupied within a relatively short time, and by major global companies such as Daikin Industries, Aguna, Daido Metal and Ohmori. The example of this industrial zone also attested to the cooperation of a public entity, in this case the City of Brno, and a private developer, who is successfully developing part of the zone into leased hall projects.



Radomir Jonas, Deputy Lord Mayor of Brno, receiving first prize from Minister of Industry & Trade Milan Urban and a representative of CSOB, General Partner of the project

2nd Prize

“Kralovský vrch” Industrial Zone in Kadan

This zone is a pilot project of a supported zone in private ownership. The site at present is fully prepared and thanks to the proximity of an electric power plant fully satisfies even the most demanding energy requirements of investors. The site has recently succeeded in attracting a large number of major investors such as Kyocera Solar Europe, Donaldson Industrial, Arla Plast, Zanini and Staba-Service Antikor.



Vlastimil Hofman, Director of S.I.R. company, accepting the award from the Deputy Minister of Industry & Trade

3rd Prize

Cheb Industrial Park

This zone offers an attractive location between the most important transport junctions in proximity to the motorway leading to Germany, as well as good road connections and infrastructured land for investors, with preference given to investors having production with higher added value. At present this zone is practically full. Investors that have decided to locate their investment here include JSP International, Sneeberger, Playmobil, TUP Bohemia and Granit Union. The quality of the Cheb Industrial Park is also attested to the fact that last year it was recognized as the “Industrial Zone with the Best Town Planning Design”.



Accepting the award is Jan Svoboda, Mayor of Cheb, from CzechInvest's then CEO Radomil Novak



PRŮMYSLOVÁ ZÓNA ROKU
INDUSTRIAL ZONE OF THE YEAR
2004

Since the social value of newly created jobs is greater in regions with high unemployment, awards are also given every year in the category of

Industrial Zone with the Most Social Benefit

1st Prize

Ostrava Hrabova Industrial Zone - 1st Stage

Because of the high unemployment in the Moravia-Silesia region the investment of companies such as ASUSTek is of great significance in improving the situation in the region. The zone is also another example of successful cooperation between municipal government and a private developer, who in addition to production halls is also providing modern office buildings. Thanks to this joint project more than 2,200 people will find employment here in the coming years.



Petr Kajnar, Deputy Lord Mayor of Ostrava, receiving the award from Minister of Social Affairs Zdenek Skromach

2nd Prize

Trinec - Baliny Industrial Zone

This zone lies in a region with unemployment reaching nearly 13%. The decision of investors such as Ergon, JAP Trading and the companies Kern and Vesuvius, which supply and cooperate with Trinec Railways, has contributed significantly to improving the situation and creating new jobs, ranking the Trinec - Baliny industrial zone rightly among projects with broad community-wide support and importance for the region. The good news for investors is that, although the existing zone is currently fully occupied, another 20 hectares are being developed.



Receiving the award for the city of Trinec is Deputy Mayor of Trinec Vera Palkovska. Next to her is the Deputy Minister of Industry and Trade.

3rd Prize

Kopřivnice Industrial Park

The Kopřivnice zone is a favourite among investors, which is also shown by the fact that it won first place in this category last year. Unemployment in the region dropped to 10%, which was undoubtedly helped by the jobs created in this industrial zone. Investors who have recently decided to invest include the companies MGG and Seiber, in addition to the investment of Bang & Olufsen announced last year.



Accepting the award from CzechInvest's CEO and a representative of the General Partner, CSOB Bank, is Vladislav Kryske, Deputy Mayor of Kopřivnice



PRŮMYSLOVÁ ZÓNA ROKU
INDUSTRIAL ZONE OF THE YEAR
2004

Last year started a new category: **Brownfield of the Year**. This category reflects the strategy of the Ministry of Industry & Trade to motivate owners of old industrial facilities and other unused land to recultivate and prepare them for further use. In view of this year's selected projects nominated for awards it is clear that this category has successfully taken root.

Winner

SKODA – PLZEN/ HQU International a.s. Industrial Zone in Brno

This is a demanding project to renew an extensive territory that is unlike any other in the Czech Republic. The aim is to regenerate and prepare 160 hectares of space and buildings in the former Skoda – Plzen complex for further use. This complex had to undergo complete regeneration including demolishing buildings, decontaminating the soil, etc. The project is all the more demanding in that production is ongoing in several localities in the complex close to the centre and that the area's position in the city is very demanding on the organization and running of the regeneration. Once regeneration is completed this complex will become a full-fledged part of the city of Plzen.



Karel Klima, General Director of HQU International, and Hynek Gloser, Chairman of the Board at Ceska inzenyrska receiving the award from Minister of Industry and Trade Milan Urban

This year we decided to award projects in this category that besides regenerating industrial properties or complexes are also outstanding architectural works. This year's winner is:

Benes and Lat – Best Reconstruction of a Business Property in 2004

(under the Real Estate Programme/OPIE)

This shows that even projects of smaller volume that are not financially demanding can be of great interest in terms of architectural/town planning design. The project of Benes and Lat called "Reconstructing an industrial building on the complex of a former spinning factory in the municipality of Slana u Semil to a foundry" was recognized by an independent expert commission not only for its location, integration into the landscape and transport connections, which guarantee good access to larger towns in the region, but also for the overall architectural design.



Minister of Industry and Trade Milan Urban handing out the award to Lumir al Dabbagh, General Director of Benes and Lat

Industrial zones should not be built without regard to the surrounding environment and should respect existing built-up areas and transport connections. Furthermore, industrial properties can have a certain architectural value. Industrial Zone with the Best Town Planning Solution this year is the

CTPark Ostrava

CTPark Ostrava is a well-designed industrial zone whose conception offers not only space for production but also for business support services or R&D. The architectural-town planning solution has been deemed very successful by an independent commission. The Industrial Zone is very well integrated in the city and is becoming a part of it. The commission decided to recognize this project for its overall town planning solution, professional approach to project preparation and for its benefit to research & development.



Accepting the award is Remon Vos, Executive Director, CTP Project Invest. Presenting out the prize is Radko Martinek, Minister of Regional Development

U.S. companies early to recognize privatization opportunities

U.S. companies were among the first to recognize the opportunities that were brought about by the large-scale privatization of Czech businesses in the '90s. Among other companies, Florida-based **IVAX Pharmaceuticals** became a majority owner of the second largest pharmaceutical company in the country (formerly Galena) and **Eastman Chemical** entered the Czech chemical sector. In the late '90s more companies entered the Czech market through successful acquisitions: the global research-based and integrated specialty pharmaceutical company **Valeant Pharmaceuticals Int.** (formerly ICN Pharmaceuticals) bought the Czech Research Institute of Antibiotics and Biotransformations and **Sun Microsystems** decided to enhance its JAVA development offerings by acquiring a Czech start-up, JAVA application developer NetBeans. Recently, Tiny Software, the Czech developer of Tiny Personal Firewall security technology was acquired by **Computer Associates**.



The latest IR facility in the CR

First greenfield investments across sectors

The Czech Republic started winning new greenfield investments because of the combination of an educated and skilled labor force, logistically excellent location and lower overall costs. A package of corporate tax breaks first announced by the Czech government in 1998 made the country an even more attractive location for multinational corporations. **TRW** began operations at multiple manufacturing sites, **Visteon Corporation**, a leading global automotive supplier, was recognized as one of the most important investors in the Czech Republic when it received the "Investor of the Year 2003" award from the Czech Prime Minister. Outside the automotive industry, a number of companies across sectors have made the area their location of choice. **Baxter International**, a global healthcare company, established a new state-of-art facility to produce the world's first cell-culture-based influenza vaccine in 2002. **Precision Castparts**, a leading maker of castings used in aerospace and power-generation applications, was among the first to settle in what is now probably the most successful industrial zone in the country – Plzen Borska Pole. The global engineering business **Ingersoll Rand** now owns three major manufacturing sites in the country: the Thermo King plant producing cooling and air conditioning devices, the Bobcat plant producing loaders and dredgers and IRCR Manufacturing, the latest IR facility in the Czech Republic built on a new greenfield zone in Unicov in less than seven months. IRCR is a "CENTER OF EXCELLENCE" for the final assembly and testing of electro-mechanical equipment and systems. The newest addition to the family of American investors in the Czech Republic is **American CTS Corporation**, a leading designer and producer of electronic components for the automotive and electronics industry. This company intends to build a new facility in the North Moravian city of Ostrava, where it will produce electro-mechanical sub-systems and sensors for the auto industry.

Innovation centers on the rise

The region has been recognized for its engineering capabilities worldwide. American companies also tapped into the potential soon after the Velvet Revolution. In 1993, the Fortune 500 company **Rockwell Auto-**



Inside ON Semiconductor Czech facility

mation established, in cooperation with the Czech Technical University, the Rockwell Automation Research Center in Prague, the only Rockwell research center outside the U.S. In the same year **Motorola** located its design center in the Czech Republic. The country now also hosts the

Selected U.S. investments in the Czech Republic

company	sector
Abbott Laboratories	Pharmaceuticals & Healthcare
Air Products and Chemicals, Inc.	Chemical
AMI Semiconductor	Semiconductor
Arrow International	Pharmaceuticals & Healthcare
AVX Corporation	Electronics
Baxter Corp.	Biotechnology
Black & Decker	Electronics
Boeing	Aerospace
Cadence Design Systems	Software for electronic design
Citibank	Banking
Computer Associates International, Inc	IT
Computer Sciences Corporation	IT
ConocoPhillips	Chemical
DELL Corp.	IT
Delphi Corp.	Automotive
Dura Automotive Systems	Automotive
Eastman Chemical Comp.	Chemical
Eaton	Automotive
EDS	IT
ExxonMobil	Financial & Accounting
Federal Mogul Corporation	Automotive
FEI Company	Semiconductor
Ford Motor Company	Automotive
General Electric Capital Services	Banking
Hayes Lemmerz International	Automotive
Hewlett-Packard Company	IT
Honeywell	Electronics/Aerospace
IBM World Trade Corporation	IT
Ingersoll Rand	Engineering
Ivax Corporation	Pharmaceuticals & Healthcare
Johnson Controls Inc.	Plastics
Johnson & Johnson	Medical
Kimberly-Clark Corp.	Pharmaceuticals & Healthcare
Lear Corporation	Automotive
Laird Technologies	Electronics
Mars, Incorporated	Food & Beverages
Medtronic Inc.	Pharmaceuticals & Healthcare
Microsoft Corporation	IT
Monster Technologies	IT
Motorola	Semiconductor
ON Semiconductor	Semiconductor
Oracle	IT
Parker Hannifin Corporation	Plastics
Precision Castparts	Engineering
Pfizer	Pharmaceuticals & Healthcare

"The Czech Republic offers a highly skilled and very efficient workforce with a strong technically oriented educational background and a large number of engineering graduates. The country has a rich industrial innovation history and a university system that is highly recognized."

Jaroslav Dolezal,
Honeywell National Executive for the Czech Republic

design centers of semiconductor companies like **FEI Company**, **AMI Semiconductor** and **ON Semiconductor**. In addition to a design center, ON Semiconductor runs a wafer fab and crystal growing company in the Czech Republic. "The Czech Republic has provided us with a location where we have built product-development and design capabilities that drive our key programs for advanced analogue and power-management devices," said Bill George, Senior Vice President of Manufacturing and Technology at ON Semiconductor.

Leading U.S. companies are now establishing a number of their own centers of innovation in the Czech Republic with the goal of enhancing existing product lines, developing completely new technologies and solving critical issues. **Honeywell**, a major global industrial player, manages both manufacturing and R&D activities in the Czech Republic. In 1993, Honeywell's first R&D center outside the United States was opened in Prague followed by the foundation of its Global Design Center in Brno in 2003. Today, Honeywell's Aerospace and Automation and Control Solutions businesses are present in the Czech Republic with over 1,600 people in Prague, Brno, and Olomouc. Another example is Ingersoll Rand's technology center for innovation in the field of mobile cooling and air conditioning components.

Sharing services from Prague

Thanks to the continuous development of skills and further enhancement of communication and information technology, the Czech Republic is becoming a recognized partner for American as well European companies delivering high value-added services. In July 2004, **ExxonMobil** opened its Prague Business Support Center just a couple of weeks before the official opening of DHL's eventually 1,500-seat IT Operations Center. **Symbol Technologies** took up residence in Brno at the end of last year, and Schneider Logistics began serving its clients out of Brno in March 2005. From the Moravian metropolis, both companies provide shared customer support and financial services.

"We selected Prague based on a thorough assessment of all relevant factors. In the end, the quality of the local infrastructure, telecommunications service, availability of skilled personnel with the required education and language proficiency, operating costs and legal and statutory requirements convinced us that Prague was the right location."

*Marc Van Eeckhoudt,
ExxonMobil, General Manager of the Business Support Centers*

Computer Associates also established its **first worldwide Mainframe Center of Excellence in Prague** this year. The new Center will focus on software development, maintenance, validation and quality assurance for the mainframe computing environment. One of the reasons for choosing Prague was its highly qualified and educated workforce and a strong program of mainframe education at Czech universities. The system of university education in the area of information technology, the trained workforce, and the large number of IT professionals have attracted a wide range of American IT companies to the CR. **IBM** opened its expert solution center in Brno in 2001; the software company **Monster Technologies** has established itself in Prague; and **Microsoft**, in cooperation with the governmental agency CzechInvest, will open a new software development center in the Czech Republic at the beginning of next year.



IBM's building in the THE PARK center in Prague

The competitiveness of the Czech Republic as an investment location is increasingly driven by skills availability, technical expertise and problem solving capabilities. With the continuing government commitment to invest in the nation's technological infrastructure, with the quality of math and science education being second best globally and with fresh talent available, the Czech Republic remains an attractive location particularly for high value-added investments - sophisticated production, R&D and design centers followed by knowledge-based services operations.

*authors: Radomil Novak, Director of CzechInvest's Californian office
Bohuslav Frelich, Director of CzechInvest's Chicago office
Tomas Novak, Project Manager, CzechInvest (Prague),
former Director of CzechInvest's Californian office*

CzechInvest's glimpses from BIO 2005

The Annual International Convention BIO 2005, the biggest biotech event in the U.S., was held in Philadelphia in June. Exhibitors from more than 60 countries were on hand, including the Czech Republic, represented by CzechInvest - the Investment and Business Development Agency, and generated extraordinary interest from biotech companies. There is solid demand, even from the biggest American pharmaceutical and biotech companies, for the results and products of research and development from the Czech Republic. This can substantially increase the importance of our country in the global research effort for new drugs and medicines.

The next BIO Convention will be held in Chicago in April 2006. CzechInvest is working on preparations in cooperation with CzechTrade and the state of Illinois. To further realize their potential in these globally attractive fields, Czech firms will also join us in this important event.

We are glad to welcome you to our stand. See you in Chicago!

Useful contacts

CzechInvest – U.S.A. – Silicon Valley

51 East Campbell Ave. 107F
Campbell, CA 95008
Phone: (408) 376 45 55
Fax: (408) 376 45 57
e-mail: california@czechinvest.org
web: www.czechinvest.org

Consulate General in Los Angeles

10990 Wilshire Blvd., Suite 1100
Los Angeles, CA 90024
Phone: (310) 473-0889
Fax: (310) 473-9813
e-mail: losangeles@embassy.mzv.cz

CzechInvest – U.S.A. - Chicago

Suite 938, The Merchandise Mart
200 World Trade Center
Chicago, IL 60654
Phone: (312) 245 01 80
Fax: (312) 245 01 83
e-mail: chicago@czechinvest.org
web: www.czechinvest.org

Czech Embassy in Washington

3900 Spring of Freedom St
NW, Washington D.C. 20008
Phone: (202) 274-9100
Fax: (202) 966-8540
e-mail: washington@embassy.mzv.cz
web: www.mzv.cz/washington

U.S. Embassy in Prague

Commercial Service
Trziste 15, 118 01 Prague 1
Czech Republic
Phone: +420 257 531 162
Fax: +420 257 531 165
e-mail: prague.office.box@mail.doc.gov
web: www.usembassy.cz

Amcham Prague

Dusni 10, 110 01 Prague 1
Czech Republic
Phone: + 420 222 329 430
Fax: +420 222 329 433
e-mail: amcham@amcham.cz
web: www.amcham.cz

SAP's largest shared services center in the world opened in Prague

This September SAP AG officially opened its newest shared services center, the **SAP Business Services Center Europe (BSCE)** in **Prague**, Czech Republic. SAP BSCE provides human resources (HR) and finance and administration (F&A) services to SAP branch offices in the Europe, the Middle East and Africa (EMEA) region, and supports **70 countries in 15 different languages**. SAP analyzed and evaluated 18 European cities to determine the best location for the new BSCE. The company ultimately chose Prague because of the city's highly skilled and flexible workforce, advanced telecommunications and IT infrastructure, cultural compatibility and stable economic and political conditions. In addition, the city is ideally located within Central and Eastern Europe. SAP has three shared service centers located in the U.S., supporting employees in the Americas region; Singapore, supporting employees in the Asia Pacific region; and now the Czech Republic, supporting SAP EMEA employees.



Prague's SAP Business Services Center Europe opening ceremony. From the left: Claus Henrich, SAP board member, Eva Megova, general director of SAP BSCE, and Martin Jahn, Deputy Prime Minister for Economics

Source: SAP CR

Leading Indian BPO provider Progeon establishes operations in the Czech Republic

Progeon s.r.o., a subsidiary of **Progeon Ltd**, one of India's leading business-process outsourcing (BPO) companies, has completed its first phase of operations in the Czech Republic's second biggest city. This is the first significant project in this field in the Czech Republic by an Indian company. The center will provide its clients with end-to-end process management services in multiple languages.

"The Czech Republic is an attractive destination for companies like ours that hope to reach a wide European market," said Akshaya Bhargava, managing director and CEO, Progeon Ltd. "Brno has **excellent infrastructure and facilities, a supportive government, and people with multiple language skills.**"

Taiwanese investor to open a high-tech repair center in the Czech Republic

Nearly one million dollars is being invested in **Brno** (South Moravia) by Taiwanese firm **GigaByte Technology**, which produces **computer components**. This leading global IT manufacturer is building a high-tech repair centre in the Czech Republic, where customers from all over Europe will send their laptops, graphics cards and motherboards. GigaByte Technology chose the CR over

the other Central European countries, including Hungary, which was the Czech Republic's main competitor. Brno won mainly owing to its quality infrastructure and abundant, qualified work force. The service centre will be built in Brno despite the fact that the company will not be receiving government investment incentives. Its executives thereby confirmed that our country has a lot to offer foreign investors.

Kyocera launches unique production of solar panels

Japanese giant Kyocera Corporation, a well-known manufacturer of electrical components, opened its new solar panel production plant in **Kadan**, Czech Republic. This is the first production facility of its kind in the Czech Republic. "We believe that economic development can be in harmony with the environment. The new plant in the Czech Republic should make a significant contribution to overall production. We anticipate that the company's share of the European solar panel market should increase from 16% to 21% and of the world market from 11% to 18%," said Isao Iike Yukawa, General Manager of Solar Energy Production at Kyocera Corporation.

"Kyocera Corporation's new plant is actually **the company's second project in the Czech Republic**. The first was in 1992 when the company AVX Czechoslovakia, now AVX Czech Republic s.r.o, which is also owned by Kyocera, was established in Lanskrout," said Josef Lebl, Advisor to CzechInvest's CEO, and added: "Japanese companies rank among the most significant investors in the Czech Republic. The size of planned Japanese investment coming through CzechInvest has already exceeded 2.5 billion dollars, which represents a 20% share of all investment mediated by CzechInvest."

Kiekert expands and doubles production in the Czech Republic

German automotive component manufacturer **Kiekert** has decided to **double its production capacity in the Czech Republic**. "The world is globalizing and competition is getting tougher and tougher. The Czech subsidiary

has extraordinary significance for us to continue to maintain our position and competitiveness on world markets," said Wolfgang Theis, Chairman of the Board of Kiekert.



Visualization of Kiekert's new facility

Source: Kiekert

Kiekert-CS is a subsidiary of the German concern Kiekert AG, the largest world manufacturer of latches and lock systems for the automotive industry, and, employing some 1400 people, the Czech branch is one of the biggest employers in the East Bohemia region.

"Each expansion is the best reference for all potential investors who are considering entering the **Czech Republic**," commented Tomas Bohrn, Head of the Department of Strategic Projects and New Technologies at CzechInvest, and added: "It's a sign of the **competitiveness of the Czech Republic, a healthy business climate and qualified employees.**"

Prague offshoring autumn

On November 1st - 3rd Prague hosted the fourth annual Offshore Customer Management International Conference, one of the most important events in the field of offshoring shared services. The conference was organized by the British firm ICT Communications in cooperation with CzechInvest. It combined a state-of-the-art interactive program with the opportunity to visit functioning offshoring businesses in Central and Eastern Europe, e.g. in the Czech Republic, Poland and Hungary.

The meeting was part of the **regular cycle of conferences** taking place around the world, and especially **in regions with something to offer in terms of offshoring**. Organizers gave preference to the Czech Republic this year over the traditional offshoring powerhouse – India. The choice of Prague for such an event (the first city ever chosen from Central and Eastern Europe), proves that the region as a whole, and the Czech Republic in particular, have become key players in offshoring/nearshoring. According to the latest study by The Economist Intelligence Unit 2005 the Czech Republic is the third best offshoring country in the world after India and China.

Nearly 200 specialists from around the world gathered in Prague for this event, including representatives from the UN (Torbjörn Fredriksson, Senior Economist) and HSBC Group (Rob Muth, Head of Global Resourcing). Presentations were also given by representatives of shared services centres that exemplify successful operations in the Czech Republic, e.g. Alexandr Pilar (ITSC Prague Director, DHL Information Services) and Roman Tesar (Managing Director, Global Telesales Brno - Lufthansa Company). Accenture, which opened one of the first shared services centres in the Czech Republic, was one of the main partners of the event. The conference was officially opened by Deputy Prime Minister Martin Jahn with an appearance also by CzechInvest's new CEO Tomas Hruza.

The discussions focused on offshoring developments, its likely evolution and the potential of areas such as Central and Eastern Europe, Asia and Africa. Based on the delegates' speeches and from many studies and surveys it is clear that the CEE region is one of the driving forces of business process offshoring (shared services, software development, high-tech repair centres, call centres, etc.). Abundant qualified labour, the high level of technologies and infrastructure coupled with relatively low prices and cultural proximity to Western Europe and the USA are the aces that CEE states hold.

Best Practices for Offshored Shared Services

At the beginning of autumn Prague was also the focal point of offshoring events. On September 8th-9th the international conference of **Best Practice for Offshored Shared Services** was held where representa-



CzechInvest's new CEO Tomas Hruza speaks at the Offshore Customer Management International Conference

tives from world-class companies from the most varied sectors exchanged their experience in offshoring and outsourcing their services.

Sixty experts from banking, ICT, mass-media, as well as from manufacturing sectors and from consulting and outsourcing companies discussed the procedures and risks of setting up offshored services, necessary costs, the best locations and the challenges that the future may bring. As in the case of the Offshore Customer Management International Conference the event was ceremoniously opened by Czech Deputy Prime Minister for Economic Affairs Martin Jahn. His attendance at both events shows that the sector of business support services is a priority for the Czech government.

The Czech Republic has been unequivocally one of the hot favourites for offshoring lately. This is supported by, among other things, the fact that interest in Prague and other Czech cities as hosts of such events as the Offshore Customer Management International Conference and the Best Practices for Offshored Shared Services continues to grow. Today we have already received signs indicating that we can hope for similar conferences to take place next year.

ed.

Are you considering offshoring? Think about nearshoring: Prague is about a two-hour flight from all major European cities, whereas other offshore locations like India require much longer journeys and are in different time zones. English is widely spoken in business as well as daily life and many more languages bridge the West and East to the Czech Republic. The latest technology and a modern working environment highlight the benefits of a Central European location.

You will be very welcome in the Czech Republic.



Envisioning the future at INVEX

The INVEX international trade fair for information and telecommunication technologies was held at the Brno Fairgrounds on October 24 – 27. The main themes of this year's 15th annual trade fair were mobile telephony, digital entertainment and business information systems. The number of visitors to this event, who were made up mostly of specialists, reached 630. This year's Invex also featured for the first time a trade fair for consumer electronics and digital entertainment - DIGITEX.

The trade fair, which is number one in its field in the new EU member countries, was also accompanied by the most varied events such as an independent thematic project aimed at telephony via the internet, a special programme for amateur digital photography and an exhibition of all the latest mobile telephones. **CzechInvest had its own special programme at Invex**, too, which the investment and business development agency pulled off in rather non-traditional fashion.

Discussing the present

The first day, Tuesday, October 25, was devoted to secondary school students, their relationship to education and their ideas on future life paths. On Wednesday CzechInvest invited university and college students and discussed the quality of education provided and possibilities for doing business. This programme culminated on Thursday, October 27, with the presentation of the **VISION of the Czech Republic in 2015**. Invited guests commented before a diverse audience about investment, doing business, education and research & development.

Inventing the future

Will the Czech Republic continue to modernize and develop its knowledge-based character? Will it succeed in optimally combining funds from the state budget, EU structural funds for 2007-13 and other sources?

Will the Czech Republic continue to be sought after for long-term foreign investment? Will the education system be able to produce quality graduates who are competitive on global markets? How will knowledge be transferred from scientific



A scene from the Invex international trade fair for information and telecommunication technologies held at the Brno Fairgrounds

research labs to practice? Will a Czech scientist win the Nobel Prize?

These and other questions were posed by the presentation which attempted to answer them. The envisioned macroeconomic indicators and characteristics of doing business, foreign investment, the education system and R&D were conceived as ideal, albeit not always unrealistic. Indicators were chosen from various sources – from the government Strategy of Economic Growth and economic prognoses of independent institutions to opinions expressed throughout the discussion of expert panels preparing materials for the EU 2007-13 programming period. Besides macroeconomic indicators a major part of the presentation focused on interviews with fictitious persons in 2015.

How might the Czech Republic look in 2015?

As for the **business environment**, the Czech Republic in 2015 is very modern and flexible. It takes up to 4 days to found a commercial company and individual entrepreneurs can perform the necessary administrative tasks on a while-you-wait basis on-line. Now in its ninth year, the education and motivation programme to support business and enterprise is successfully running. Every region has its own business incubator offering the needed infrastructure and services including financing schemes. More than 60 percent of incubator companies move forward in their business activity.

The Czech Republic has succeeded in becoming the fourth most preferred destination in the world for **foreign direct investment** while total FDI stock in the Czech Republic is nearly USD 250 billion. We are also an economy that exports investment: direct investment of Czech companies abroad reached USD 98 billion.

The main attraction for foreign investors is unequivocally our **education system**. Each region has a cluster of comprehensive education consisting of tertiary and secondary schools. Nearly everyone has access to education 24 hours a day, during which time schools are open. 63% of the population actively takes part in this system. Thanks to the government's successfully run English for Everyone programme, now in its tenth year, 54% of the Czech population possesses active English knowledge.

Research & development is, of course, linked to universities. Several institutes of the Academy of Sciences merged with universities, and the number of centres of excellence has increased. In 2015 the Czech Republic has 60 researchers for every 10,000 people and almost one fourth of scientists came here from abroad.

How might a Czech entrepreneur look in 10 years' time? How did he/she get into business and what opportunities does he/she have in the Czech Republic? A fictitious young and aspiring businesswoman answers these questions for us...

How did you get into business in the first place?

In my third year of university I found out I could take part in the activity of a business incubator that was set up in Liberec at the university in 2008. I started working temp there, helping companies put together their business plans. As soon as I learned about the financial scheme known as "Capital", which can be used to develop business activities, I just went ahead and took the chance. I started out in the incubator and we even received money from European funds for equipment.

Do you still enjoy having your own business?

I must admit it hasn't always been easy, but I still like it. And the fact that the conditions for doing business have improved drastically over the past 12 years, that there's a country-wide business support programme, I consider it all to be the key to today's success, including my own. I work as a consultant myself in the business support programme. I am a "guarantor" for four start-ups (including one company that I believe in so much that I've even guaranteed their credit). The fact that having one's own business today is considered an equally viable alternative to being an employee I feel is a tremendous success and a big plus.

What do you think are the chances for those who decide to go into business for themselves today?

I have to admit I slightly envy young people today who want to start their own business. Within a few days you can set up your company and getting the money to develop an interesting idea is a matter of several hours. It's also no problem getting sound advice from advisors in various fields of business operations including support for export.

Czech economy again outperforms previous year's results

The evolution of the Czech economy in the first half of 2005 delighted not only government types, economists and consumers. Existing investors view it as proof that they made the right choice, while for potential investors it's a sign of confidence. The same holds for international rating institutions. One of the most esteemed, Fitch Ratings, raised its rating for the Czech Republic this year for all indicators measuring the country's financial credibility. Obviously there's no argument more convincing than when the economic data can speak for itself. And the latest figures for the Czech economy truly can.

The overall economic position has improved. Compared to previous mid-term developments it achieved greater compliance among basic economic parameters, which include **economic growth, price stability, domestic and outward balance, falling unemployment and rising employment.**

The overall economic situation compared to last year is even better. The Czech economy continued to grow briskly and **GDP accelerated** in H1 2005 year-on-year. Half-year GDP growth (in real terms by **4.9%**, in Q2 by **5.1%**), **manifestly overtook the six-year average.** Such growth was markedly affected by net exports. Such a positive effect of net exports on GDP as seen in this year has never before been recorded in the Czech economy. At the same time, demand for exports gathered strength at the expense of domestic demand while domestic supply outpaced imports. Year-on-year GDP growth of 1.2% for Q2 2005 in the EU-15 states was substantially lower than in the Czech Republic and the growth differential continues to widen, which resulted in the **strengthening of the Czech Republic's economic position.**

Year-on-year growth of consumer prices was lower (1.6%) and slowed down. Manufacturers' prices rose faster than consumer prices, with the exception of prices of market services, and partly reflected the movement of raw materials prices on world markets. The impact of the sizeable rise in prices, especially skyrocketing oil prices, on the Czech economy and in relation to import prices was alleviated by the strengthening exchange rate of CZK to USD.

Faster growth of income over expenses in the state budget led to a slight surplus, which in relation to GDP represented a positive change.

Market conditions in H1 2005 y/y were better overall. The rise in employment was a reflection of new job creation after outlays to create gross fixed capital from previous years, and factored into the drop in unemployment.

Manufacturing drawn by foreign companies

From a sector perspective, the increase of revenues from industrial activity in H1 2005 was determined by companies under foreign control, whose total revenues increased y/y in real terms by 13.4%, and revenue from direct exports by 13.6%.

Demands of sales on salaries decreased

Labour productivity in industry improved by 6.4% in the first half of 2005 and contributed to a sales increase of more than 0.9%; the rest was attributed to a 0.5% increase in the number of employees, whose average monthly wages rose by 4.2%. As a result unit wage costs dropped by 2.1%. Primary income of industrial companies (profits, etc.) grew substantially faster than primary income of active persons (employees). Total nominal wages paid rose by 4.7% while revenues from industrial activity rose by 8.8% in ordinary prices, and so the ratio of total wages to revenues decreased from 9.8% in H1 2004 to 9.4% in H1 2005.

Favourable development of balance of payment accounts

The current account deficit was CZK 12.3 bln for the H1 2005, which was CZK 39.3 bln less year-on-year, and was due to higher growth in income over expenses. The lower deficit positively influenced the trade balance most noticeably. The **financial account surplus of CZK 90.4 bln** for H1 2005 was CZK 40.2 bln greater y/y and represented 6.3% of GDP. This increase was mainly caused by the net influx of foreign direct investment, which increased CZK 112.3 bln year-on-year. Privatization of state assets had the biggest effect on this result (sale of stake in Český Telecom and Unipetrol to foreign investors).

Nominal foreign exchange rate

The exchange rate was **CZK 30.07 to the Euro** and **CZK 23.41 to the U.S. dollar** on average for H1 2005. The index of nominal effective exchange rate of CZK (NEER) was 7.1% greater y/y in H1 2005, and by 5.9% in Q2, which shows the relatively major influence of currencies other than the Euro and dollar on valuing the Czech national currency.

Labour market

In the first half of 2005 there was a year-on-year **rise in employment** and a **drop in unemployment.** Growth of average gross wages slowed and created no risk in relation to labour productivity. The general level of unemployment based on LFSS (age group 15 years and older) of 8.10% on average for H1 2005 was 0.35 p.p. lower year-on-year. Average gross monthly nominal wages of physical persons in H1 2005 were CZK 18,220.

Quarterly macroeconomic indicators		2004				2005	
		Q1	Q2	Q3	Q4	Q1	Q2
Gross domestic product	in CZK bln, current prices	644.7	705.9	703.6	695.9	684.2	743.5
Gross domestic product	in real terms, in %, y/y	4.1	4.5	4.6	4.6	4.7	5.1
Final consumption	in real terms, in %, y/y	1.8	1.4	0.3	-0.1	0.0	1.8
of which: household consumption	in real terms, in %, y/y	2.8	1.9	1.8	1.5	1.6	2.1
Creation of gross capital	in real terms, in %, y/y	11.2	10.1	8.1	1.2	-1.0	-4.1
of which: fixed	in real terms, in %, y/y	7.9	7.4	8.0	7.0	2.9	2.3
Exports of goods and services	in real terms, in %, y/y	10.9	29.5	23.6	23.0	17.9	6.9
Imports of goods and services	in real terms, in %, y/y	11.0	27.8	19.3	15.5	10.3	0.1
Net exports to GDP	in % of current prices	0.5	-0.4	-0.5	-0.9	4.4	2.9
Current account to GDP	in % of current prices	-2.1	-5.4	-7.9	-5.2	2.7	-4.1
Final account to GDP	in % of current prices	0.8	6.4	7.7	10.9	-1.6	13.7
Balance of state budget to GDP	in % of current prices	-1.2	-5.9	1.3	-7.6	1.2	-0.6

Source: Czech Statistical Office, Czech Ministry of Finance, Czech National Bank, Ministry of Labour & Social Affairs, calculations by Czech Statistical Office
Source of entire report: Czech Statistical Office

A scientist wooed by companies

His discoveries are like something out of Jules Verne: robot scouts that can talk to each other, submarine engines that report defects a week in advance so that they can be repaired before breaking down, and cardiostimulators that perform diagnoses. And this is only a small sample. Professor Vladimir Marik is head of a department whose ideas are bought not only by companies like Bosch, Toyota, Rockwell, Honeywell, Boeing and Samsung, but also by the American military.

The key to each discovery is cybernetics, which Marik studied in the early 1970s. Cybernetics is pervading many fields and borders disciplines like automatic control, informatics, as well as biomedical engineering and linguistics. The idea behind this science is to capture how information is created, transferred and processed in various systems, from natural science and technical systems to economic systems. It also endeavours to find ways to replace human labour with machines.

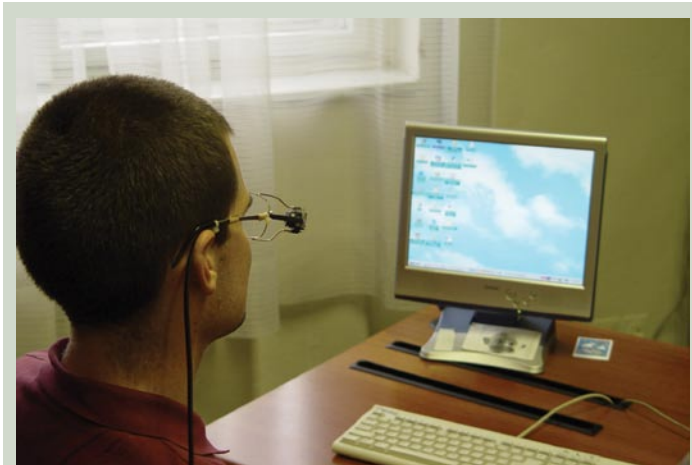
The fifty-three year old professor is one of the founders of the cybernetics department at the Prague Technical University CVUT, whose development started 15 years ago and which today cooperates with Austrian universities. It now has 120 researchers and doctoral students organized in eight teams with an average age of 32 and with internationally comparable results, some even unique. The renowned scientist considers working with the students to be very enriching.

As a second job he heads the Prague research centre of the American company Rockwell Automation with 50 researchers. He also manages to travel around the world giving lectures. Two years ago, he was even awarded the Cross of Honour by the Austrian government.

Another very important result is, for example, the **method of testing software for vitally important applications**. This also interested the Dutch manufacturer **Vitatron Medical**, which has half the global market of cardiostimulators. After five years of cooperation the company has already transferred all its cardiostimulator testing to the Czech Republic. This is in two private firms besides CVUT, which is responsible for overseeing technical quality. The company also transferred its chip development to the CR and let the department design an expert diagnostic system. This enables doctors to find out what condition the cardiostimulator is in for which patient without having to remove the device from the body. Previously doctors had to estimate. Within five years the **Czech Republic** has become a **global hub of software development for cardiostimulators**.



Professor
Vladimir Marik



Developed by researchers from the Czech Technical University (CVUT) in Prague, the **eye-controlled computer device** designed to serve handless computer users has been nominated for the European Union Grand Prix for information technologies. Among the twenty best inventions, the device is the only project from Central and Eastern Europe that has advanced to the competition final.

The principle of the device is simple. The computer user puts on glasses frames with a miniature camera that scans movement of the eye's pupil which is then transferred to the movement of the cursor on the computer screen. It is enough for the user to blink in order for the cursor to make a click and the eye should be kept shut longer for a double click. The device allows the user to browse the internet, play computer games, read e-mail messages and even write e-mail messages using the virtual keyboard on the monitor screen.

Fortune-telling devices

Of all his research team's inventions he is proudest of the **system for predictive diagnostics of asynchronous engines**, which he describes in his own words: "You have an engine and a small box on it that immediately, or up to a week in advance, can diagnose defects. It tells you if an engine rod is starting to crack or the insulation is starting to burn through. In critical places you need to know this ahead of time, for example in the chemical industry where it could cause an environmental accident, or on submarines which come up to the surface once every three months."

Miraculous cameras

Among the technical innovations that have come out of the research department we can also include **Bosch's system for centring wheels** and **cameras** that can **recognize faces**, designed for **Samsung**. Work is also being done on a system to guide firemen in burning buildings, which is coordinated by up to six robots.

Last year, the cybernetics department's collection of innovations was expanded with a solution which won the "Czech Brain" special jury prize for scientists, and which will bring joy especially to the disabled. Designed and developed by doctoral candidates, the device enables placing a cursor around the screen using only eye movement instead of a mouse. This is made possible by a cleverly placed **camera** that precisely tracks what the eye is doing. The European Commission chose this solution among the 20 most important inventions nominated for the prestigious 2006 **European Union Grand Prix** for information technologies.

Even magic is about money

In order to guarantee copyright protection of these discoveries they had to be patented not only in the Czech Republic but also in the United States, Germany and Japan, for which the department does not have money. Therefore this is done by companies that pay for the department's research and its results. Contracts with foreign companies are long-term, independent projects lasting two to three years. Last year there were eight such projects. There is also good cooperation in place with Toyota, for example.

The department also established **several spin-offs**. The first three companies (CertiCon, Neovision and ProTys) already have larger capacity than the whole department and recently a fourth small company called Eydea Reconstruction was also established.

Professor Marik also works together with Czech hospitals, with whom he feels close due to the fact that his wife is a doctor, and engages in problems of Czech science. In this area he fights for, among other things, increasing state funds for basic research and education.

Enjoying Czech culture in America

Tens of thousands of Czechs left their homes in Bohemia, Moravia and Silesia in the late 1800s in search of adventure and good fortune in the United States. Most of these newly arrived immigrants joined tight-knit communities in rapidly industrialising American cities like New York, Chicago, St. Louis, and Cleveland — at least briefly — before moving on to the wide open spaces of the Midwest to work their own patch of land, or down the Mississippi River and on to the big, open skies of oil-rich Texas.

Traces of these earliest Czech-American urban centres are still evident today, in street names recalling Czech patriots and historic towns, churches, and the like. Evidence of the Czech migration lives on in the names of rural towns: states like Nebraska, Minnesota and Texas are home not only to the towns of “Prague”, but also to “Praha”, “Plzen”, and several “Tabors”. It is in America’s heartland where Czech traditions are perhaps best preserved and most widely celebrated.

The home to the mother of all Czech-American celebrations, the epicentre of it all, at least for one day every August for the last forty-odd years, is the town of **Wilber, Nebraska**; population 1,789 at last count, with 40 percent of its residents boasting Czech heritage.

Czech Capital of the USA

Every first weekend in August, a festival atmosphere comes over the town of Wilber, Nebraska. Czechs from around the United States and Canada have



In 1987, the small town of Wilber, Nebraska, was officially declared the Czech capital of the USA by Ronald Reagan

been descending on the town for the **three-day Czech Festival every year since 1961**.

The first Czech settlers came to the Wilber area in 1865. Even though the United States became their home, they attempted to preserve their customs and traditions for future generations. This effort reached its peak in 1961 when the company Nebraska Czechs, Inc. was

established. In 1963 Governor Frank Morrison declared Wilber the “Czech Capital of Nebraska”, a title that was enhanced by President Ronald Reagan on 10 July 1987 when he signed an official declaration making Wilber the “Czech Capital of the USA”.

The festival features everything from traditional crafts, theatrical performances, competitions in traditional Czech dances, and culinary arts to a selection of Czech-Slovak beauty queens from the United States, and all of this accompanied by Czech music.

Every year the Wilber festival attracts **30,000 to 50,000 visitors** and is thus perhaps the largest Czech festival in the USA, though each year from June to October over twenty such festivals are organized around the entire United States.



Source: photo.czechtourism.com

The kolac is a small, traditional Czech dinner pastry which is folded, enclosing filling in the center. The most common fillings include prune, poppy-seed, apricot, apple, blueberry and raspberry. There are several American Kolache Festivals/Kolacky Days celebrating this Czech sweet.

Did you know that:

- The **first Czech to set foot on American soil** was a fellow by the name of Joachim Ganz who came to North Carolina in 1585, 35 years before the Pilgrims on the Mayflower. He was related to the Prague astronomer David Ganz, the first scientist, actually, to come to America.

Selected Czech-American festivals

When	Where	What
July	Colorado Springs, CO.	Czech and Slovak Dinner Dance
	Kewaunee, WI	Czech Fest
	State Bridge, CO	Music/Camp Fest in the Rocky Mountains
	Dwight, NE	Dwight Czech Festival
August	Wilson, KS	Wilson Czech Fest
	Montgomery, MN	Kolacky Days - Czech Festival
	Wilber, NE	Nebraska Czech Festival
September	Bechyn, MN	Bechyn CzechFest
	Chicago-Yorkville, IL	CS Rockfest USA
	West, TX	WestFest
	St. Paul, MN	Czech and Slovak Festival
	Caldwell, TX	Kolache Festival
	New Prague, MN	Dozinky - Czechoslovakian Harvest Festival
	Hallettsville, TX	Kolache Festival
	Dallas, TX	Czech Fun Fest
	Countryside, IL	Moravian Day - The Premier Moravian-Czech Festival
	Prague, NE	Czech Heritage Day
October	Victoria, TX	Czech Festival
	Yukon, OK	Oklahoma Czech Festival
	York City, NE	Oktoberfest - Nebraska Czechs of York
	Baltimore, MD	Czech and Slovak Festival
	St. Louis, MO	ACEC Homecoming - Czech Dinner, Booths & Dancing
	San Fernando, CA	Czech, Moravian & Slovak Fall Heritage Celebration Lunch and Dance
	San Antonio, TX	Bexar County Annual Czech Heritage Day

- The **Czechs were among the first people in Europe who knew about the discovery of the New World**. There still exists a Czech publication from 1500 describing the discovery of the New World.

- The famous **mayor of Chicago Anton Cermak** was born in Kladno, Bohemia (now the Czech Republic). Cermak emigrated with his parents to the United States in 1874. He was elected mayor of Chicago in 1931. In February 1933, while riding in an open car next to President-elect Franklin D. Roosevelt in Miami Beach, Florida, Cermak was shot and seriously wounded when Giuseppe Zangara tried to assassinate Roosevelt and hit Cermak instead. Later, rumours circulated that Cermak, not Roosevelt, had been the intended target, as his promise to clean up Chicago’s rampant lawlessness posed a threat to Al Capone and the Chicago organized crime syndicate.

ed.
Source: monthly Lide a zeme 10/2005, web site of Czechoslovak Society of Arts and Sciences (SVU)

Partnership to Support Foreign Direct Investment to the CR



A joint project of the **Association for Foreign Investment - AFI** and **CzechInvest**, intended for stable companies that offer highly competitive services and products, aimed at supporting a competitive investment climate in the Czech Republic and creating good awareness about the Czech Republic abroad.



- The main aim of the project is to support the inflow of foreign direct investment to the Czech Republic, mainly by ensuring quality service for foreign investors, and to support the competitiveness of the Czech economy.
- Another aim is to create a space for communication between foreign investors, state administration and Czech companies that will lead to fulfillment of the project's main aim.
- This space is ensured by the Programme's activities supported by the involved Partners – CzechInvest, AFI and private companies.
- The project's main activities include a series of formal and informal gatherings with investors, award ceremonies such as **Investor of the Year, Industrial Zone of the Year and Supplier of the Year, working breakfasts with cabinet members** and other major representatives of Czech state administration, **meetings with regional governors, seminars** and **trade fairs with expert topics** and **other activities** in the form of sporting events, etc.



Main Partners



Partners



Supporting Partners



YOUR CZECH E-GUIDE



■ English version of the CTK (Czech Press Agency) news server

www.ceskenoviny.cz/news/



■ Information about American businesses in the Czech Republic

www.amcham.cz



■ My Czech Republic - more than a destination guide

www.myczechrepublic.com



■ The Embassy of the United States of America

www.usembassy.cz

USEFUL CONTACTS

CZECH REPUBLIC

CzechInvest
E-mail: info@czechinvest.org
Phone: +420 296 342 500
Stepanska 15
120 00 Prague 2, Czech Republic

BELGIUM

Mr. Ales Hala, CzechInvest
E-mail: benelux@czechinvest.org
Phone: +32 2 550 35 53
Bastion Tower, level 20
5, Place du Champ de Mars
1050 Brussels, Belgium

FRANCE

Mr. Jakub Mikulasek, CzechInvest
E-mail: paris@czechinvest.org
Phone: +33 1 56 24 87 72
Centre Tchèque,
18, rue Bonaparte
75006 Paris, France

GERMANY

Ms. Renata Haklova, CzechInvest
E-mail: cologne@czechinvest.org
Phone: +49 221 1612 145
Hansaring 61
50670 Cologne, Germany

JAPAN

Mr. Jan Kubicek, CzechInvest
E-mail: yokohama@czechinvest.org
Phone: +81 45 222 2075
6th fl., Yokohama World Porters
2-2-1 Shinko, Naka-ku
Yokohama, 231-0001, Japan

SOUTHEAST ASIA – HONG KONG

Mr. Jaromir Cernik, CzechInvest
E-mail: southeast-asia@czechinvest.org
Phone: +852 2530 8806
Room 2207-9, Tower II, Lippo Centre
89 Queensway, Admiralty, Hong Kong

U.K. & IRELAND

Mrs. Hana Chlebna, CzechInvest
E-mail: london@czechinvest.org
Phone: +44 20 7291 4610
1 Harley Street
London W1G 9QD, United Kingdom

U.S.A. - CHICAGO

Mr. Bohuslav Frelich, CzechInvest
E-mail: chicago@czechinvest.org
Phone: +1 312 245 01 80
Suite 938, The Merchandise Mart
200 World Trade Center
Chicago, IL 60654, U.S.A.

U.S.A. - SILICON VALLEY

Mr. Radomil Novak, CzechInvest
E-mail: california@czechinvest.org
Phone: +1 408 376 45 55
51 East Campbell Avenue, Suite 107-F
Campbell, CA 95008, U.S.A.

Association for Foreign Investment
Stepanska 11, 120 00 Prague 2, Czech Republic
Phone: +420 224 911 750-1, E-mail: info@afi.cz, www.afi.cz