

## Czech economy goes back to the future

Before World War II, the former Czechoslovakia was among the world's highly industrialized nations. The fighting ended; the rubble was cleared; and the country rapidly rebuilt its economy to become an industrial powerhouse in Eastern Europe.

But economic growth was challenging during the Cold War, especially because the erstwhile Soviet Union was experiencing its own hardships in the late 1980s and '90s.

With the dismantling of the Iron Curtain and the "Velvet Revolution" in 1989, the country embarked on a mission to regain its former economic status. Even following the peaceful split with what is now Slovakia in 1993, the Czech Republic has stayed the course.

As companies looked toward Central and Eastern Europe for more cost-competitive locations, the Czech Republic attracted most of them with its highly skilled workforce and attractive policies.

Steadily, the country has been achieving its goals.

In 2004, the Czech Republic was admitted into the European Union, which gave a big boost to cross-border trade. Also, it plans to implement the Schengen Agreement in December, which would further ease the movement of people in and out of the country.

Those developments undoubtedly help fuel economic

growth in the country and attract more foreign investment.

According to CzechInvest, the national investment and business development agency,



Hideaki Kumazawa, ambassador of Japan to the Czech Republic

there are around 130,000 Czech firms that are supported by foreign capital.

### Japanese investment

2007 marks the 50th anniversary of the normalization of

economic ties between Japan and the Czech Republic. In February, President Vaclav Klaus flew to Tokyo with a high-profile delegation to mark the milestone and reaffirm the strong bilateral ties.

"Japan is the Czech Republic's No. 1 investor from Asia. The Czech government has very good policies in place to attract foreign investment. This is not only true for Japanese investment but for all foreign investment. I look forward to continuing our strong relationship for the next 50 years," comments Hideaki Kumazawa, Japan's ambassador to the Czech Republic.

In line with its primary mission, the Japan External Trade Organization monitors Japanese investment around the world through its many overseas offices and has observed continuous growth in the Czech Republic.

Japanese companies such as Panasonic, Daikin Industries, Toyota and Denso have used their operations in the Czech Republic not only to serve Central and Eastern European consumers but also



A look inside the well-organized high-tech factory of Toyota Peugeot Citroën Automobile shows the successful marriage of global work cultures and methods.

their thriving Western European markets.

With its strategic location and attractive policies, the Czech Republic can look forward to even more Japanese investment in the long term.

"Among the most remarkable things are the margin and the growth of economic relations between both countries. According to our latest survey, we have 193 Japanese-affiliated companies here. Compared to other countries in Europe, this number is the fourth largest after Britain, France and Germany. The accumulated

amount of investment by Japanese manufacturers in the Czech Republic is the second largest after Germany," says Mineo Hizayaki, director general of JETRO Prague.

### Successful industries

Whether through local companies such as Škoda Auto and TATRA Trucks or foreign firms such as Toyota Peugeot Citroën Automobile and Hyundai, the automotive industry has emerged as the leading sector in the country.

The Czech auto industry has grown so vibrant that many ob-

servers have dubbed the country the "New Detroit."

Large automotive producers such as Škoda are not the only success stories in the industry. Various complementary suppliers have played a critical role in the Czech Republic's economic growth.

The local electronics industry has followed a parallel trajectory to the automotive industry and has exhibited similar success.

Producers such as Panasonic and IPS Alpha have created

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The Japanese External Trade Organization is a government related organization whose mission is to develop favorable economic trade relations between Japan and the Czech Republic. [www.jetro.go.jp](http://www.jetro.go.jp)

Marriott's Prague Hotel offers business and leisure travelers a comfortable stay in the heart of the Czech capital. Located a minute's walk from the center of the Old Town, the hotel combines first-class service and convenience. [www.marriott.com](http://www.marriott.com)

Zoner Software, the Czech Republic's largest software vendor in the fields of digital photography, illustration and bar coding, now provides its quality software products and services to Japan. For more information please visit its Web sites [www.zoner.jp](http://www.zoner.jp) and [www.zoner.com](http://www.zoner.com)

Proman is a leading supplier of storage systems in Europe. From its headquarters in the Czech Republic, the company assembles rack systems that are adaptable to any line of business and can be customized according to different needs. It recently launched a Japanese version of the Web site as its popularity among Japanese companies continues to rise. [www.proman.cz](http://www.proman.cz)

The Association of Engineering Technology brings together the major manufacturers and suppliers within the Czech machining industry, and plays an active role in connecting the industry with incoming foreign investors. [www.sst.cz](http://www.sst.cz)

The Automotive Industry Association, established in 1989, represents the growing automotive industry in the Czech Republic. With over 150 members, the AIA is the best initial point of contact for any interested foreign company. [www.autosap.cz](http://www.autosap.cz)

Czech Top 100 is the most authoritative yearly ranking of and the most prestigious award given to the most important Czech companies. [www.czechtop100.cz](http://www.czechtop100.cz)

The Association for Foreign Investment is a partnership of local Czech companies with an interest in foreign investment. It offers a wide range of services to interested companies from abroad. [www.afi.cz](http://www.afi.cz)

## A Czech icon establishes itself abroad

In June 2007, Škoda Auto was named the Czech Republic's most iconic and influential companies. The ranking, compiled by the Czech Top 100, recognized not only the carmaker's success in business but was also a clear testament to Škoda's successful efforts to grow into a global brand.

Founded in 1895, Škoda Auto began as a two-man operation making bicycles in the city of Mlada Boleslav, some 50 km northeast of the capital Prague. Then, it began producing motorcycles in 1900 and its first automobile appeared five years later.

That was more than 100 years ago. It was in the early 1900s when the company established a partnership with Skoda Manufacturers and adopted the name that it still carries today.

Throughout the 20th century, the company built a strong reputation throughout Eastern Europe, where for many people, owning a Škoda was at the top of their wish list.

In design and function, Škodas have reflected the sensibility of the Czech people — versatile and reliable.

"Škodas are family cars. Throughout the region, families usually buy only one car, and this car must be many things. It must have enough space to fit the family and

luggage in, but it also must be contemporary and sporty," says Chairman Detlef Wittig.

Following the so-called "Velvet Revolution" in 1989 that toppled the communist regime, the newly installed government agreed to privatize Škoda Auto, a move that would ensure the company's long-term future. In the end, Volkswagen took over the ownership of the revered car company.

Since its privatization, Škoda has scored much success. It leads the market in the Czech Republic and throughout Eastern Europe. Today, it is looking beyond the region to boost growth.

Škoda's long history in the automotive industry allowed for a successful and impressive transition after it was privatized.

"The miracle of our success was not a miracle at all. There is a rich tradition here at Škoda. There is much experience and expertise. Bohemia was one of the centers

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Detlef Wittig, chairman of the board of directors of Škoda Auto

SIMPLY CLEVER

SKODA AUTO

Octavia

WE DON'T JUST REPEAT HISTORY.  
WE MAKE IT BETTER.

[www.skoda-auto.com](http://www.skoda-auto.com)

Combined fuel consumption and CO<sub>2</sub> emissions for models Octavia: 4.9-7.4 l/100 km, 110-176 g/km



DAIKIN



From its new production plant near Pízen, Daikin Industries Czech Republic supplies residential air conditioning units across southern Europe.

The factory also produces air conditioning units for Russia, the Middle East and South Africa.

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# Giving companies the right start

One of the most successful emerging European markets for the past several years, the Czech Republic has remained an attractive destination for foreign investors in search of a reliable production base in continental Europe.

Amid this increased economic activity, personnel recruitment firms have found themselves busy meeting the high demand for middle man-



START CZ General Manager Nunzio Totaro

agers and skilled workers in the country. Since beginning operations in the Czech Republic in 1992, START CZ has grown to become the fifth-largest recruiter in Europe. Owned by START Holding in the Netherlands, the company also oversees the neighboring country of Slovakia.

"We are a quality player. We have 30 years of extensive experience. People know us and we know our market. We can guarantee the best delivery," says General Manager Nunzio Totaro.

Successful collaboration with counterparts such as Toyota in Belgium provided START CZ with a huge boost in the Czech market, which hosts the largest number of Japanese companies in Eastern Europe.

"We are working very closely with Toyota here as they open up their logistics center in Usti nad Labem. We've already found their HR manager, warehouse staff and secretary," he cites.

START CZ has 14 strategic recruitment and temp staff offices covering the entire country. Manned by 75 of its employees, the company has 5,000 people up for temporary hire and more than 20,000 other applicants in its database.

"I want everyone who comes here looking for a job to have their data stored in our systems. We are convinced that we can help improve the lives of people by finding them jobs and speeding up the process that allows people to do the jobs that really fit them. In that sense, I think we do help economies," Totaro explains.

"I am very confident because we are more successful than we could have imagined. Now, we are No. 5 but my personal ambition is to be No. 1 within the next two to three years," he also says. ◆

www.start.cz

# Hayes Lemmerz secures the confidence of Japanese carmakers

Operating out of its regional hub in the Czech city of Ostrava, Hayes Lemmerz has remained a leading manufacturer of steel wheels in Eastern Europe. It works closely with major carmakers in the region, including Skoda, Volkswagen, Kia, Toyota, PSA Peugeot Citroën and Suzuki.

"Clients choose us because we have the best people in the industry. Also, our location is ideal. We can solve any problem for the majority of our clients in a matter of hours," points out Ing. Jiří Adáček, the managing director of Hayes Lemmerz Autokola.

The advantages of location and quick turnaround are particularly attractive to Japanese automakers such as Toyota Peugeot Citroën Automobile (TPCA) and Suzuki.

The partnership between Hayes Lemmerz and Suzuki is characterized not by volume but by experience and trust as the two companies have been working together for seven years.

Although collaboration with TPCA is just 2-years-old, Hayes Lemmerz has had previous working relationships with Toyota and PSA Peugeot Citroën.

With TPCA working at full capacity at around 300,000 cars per year, Adáček and Hayes Lemmerz have focused on further strengthening the relationship with the auto giant and addressing its



Leak testing machinery on the factory floor of Hayes Lemmerz in Ostrava-Kuncice, Czech Republic



Jiří Adáček, general manager of Hayes Lemmerz Autokola

different needs.

In fact, Adáček traveled to Japan to study TPCA's production processes and managerial techniques, which he has applied to operations in Ostrava.

"It is not easy to implement Japanese techniques, but we have successfully implemented different Japanese philosophies that have helped to improve our efficiency and quality," he says.

As the Czech Republic continues to attract Japan-based automakers, the keener understanding of Japanese practices is crucial to the continued success of Hayes Lemmerz.

"Our Japanese clients have been very helpful in working with us to improve our efficiency and techniques, in turn we look forward to supplying our Japanese customers with our quality products," concludes Adáček. ◆

www.hayes-lemmerz.com

## Country File

**Area:** 78,866 sq. km  
**Population:** 10.23 million  
**Currency:** Czech koruna (CZK)  
**Ave. exchange rate:** \$1 = 19.47

**GDP:** \$221.4 billion  
**GDP real growth:** 6.2%  
**GDP per capita (PPP):** \$21,600

**Unemployment:** 8.4%  
**Inflation:** 2.7%

**Main industries:** Metallurgy, machinery and equipment, motor vehicles, glass, armaments

**Exports:** \$89.34 billion f.o.b.  
**Imports:** \$87.7 billion f.o.b.

**Major exports:** Machinery and transport equipment, chemicals, raw materials and fuel

**Main export markets (% share):** Germany (30%), Russia (5.7%), Slovakia (5.4%), China (5.1%), Poland (5%), Italy (4.8%), France (4.5%), Netherlands (4%)

**Main import markets (% share):** Germany (33.5%), Slovakia (8.7%), Austria (5.5%), Poland (5.5%), France (5.3%), U.K. (4.6%), Italy (4.3%)



Source: CIA World Factbook

# Being at the center of Europe

There have been many claims to the heart and gateway of Europe over the last century. But just looking at the number of Japanese and Asian investors in the country, the Czech Republic has truly become a leading industrial center in Eastern Europe.

Czech Minister of Trade and Industry Martin Rimán, gives WER a glance of the current state of relations between his country and the rest of the world, as well as his insights into its future.

**WER: The Czech Republic and Japan are celebrating 50 years since the establishment of diplomatic relations. What do you think are the contributing factors to the continued success of bilateral relations?**

We believe that excellent economic cooperation, which has developed between our two countries since 1989, contributed a great deal to the success of our bilateral relations. Japan and the Czech Republic are very developed states, which is the precondition for a strong and equal partnership. The economic development of the Czech Republic is reflected in the constant GDP growth. Last year, real growth was 6.1 percent and so is the projection for the present year.

We can see the growth of our bilateral trade volume, which reached \$3.1 billion in 2006, with indications for further substantial increase in the years to come. We appreciate that Czech exports to Japan showed an increase of 18 percent in 2006 as compared to 2005, with main items being industrial machinery and equipment, road vehicles and power-generation machinery.

Worth noting is the fact that, in recent years, high value-added items like electrical machinery, telecommunications equipment and special chemical products have been profiled in a growing rate of Czech exports to Japan. In the same period, Japanese exports to the Czech Republic rose by 11 percent, made up mostly of telecommunications equipment and electrical machinery. However, in terms of absolute volume, the mutual trade exchange is still distinctly in favor of Japan.

Since May 2004, the Czech Republic has been a member of the European Union, and so Japanese businessmen take our country as a part of a big, unified and advanced market. We have got an advantage. We are in the center of Europe, which with some other favorable factors, has persuaded Japanese investors that the Czech Republic can be an excellent "gateway" to the EU.

Probably the high level of bilateral investment activities is one of the most important features of our contemporary economic relations. We are very glad that the tendency of investment is being more oriented to the high-tech and high value-added sectors like R&D, software, data processing, etc. Particularly encouraging is the fact that Czech companies have established branches in Japan in sophisticated sectors like nanotechnologies and computer services.

We really believe bilateral trade and economic relations have a good prospect for further growth and will be developed for the benefit of both sides.

**What is the midterm forecast of the Ministry of Trade and Industry regarding the growth of investment in the country?**

The IP analysis of December 2006 indicates that the investors using this system are expected to invest altogether more than 414 billion CZK (\$21.65 billion) and generate



Czech Minister of Trade and Industry Martin Rimán

more than 94,000 new jobs from 397 approved projects supported by incentives by 2010.

**As Asian countries increase their presence around the world, how does Japan fare among its regional neighbors in terms of investment in the Czech Republic?**

In terms of the number of projects, Japanese investors are in fourth position (with 39.5 projects). That investment amount represents almost 532.5 billion CZK (\$27.84 billion) and generated more than 13,300 new jobs.

**With the Czech Republic's inclusion in the EU in 2004, what positive changes has the minister of trade and industry seen in the Czech marketplace?**

EU entry brings to the Czech Republic new opportunities in the penetration of the "old" EU markets, a sequential reduction of administration and new opportunities for foreign investors.

**How is the Czech Republic responding to the challenge of the demands for an increased labor force?**

The Czech Ministry of Industry and Trade, the Ministry of the Interior and the Ministry of Labor and Social Affairs are working on a project called "Green Cards," or permission for foreigners to work in the country.

Green Cards are to be classified into three categories of applicants: highly qualified experts in academic positions (programmers and other IT positions, physicians, university teachers, etc.); qualified professionals in critical professions (toolmakers, welders, nurses, etc.); and essential management staff for companies, in particular managers and experts on the specific arts of manufacturing. ◆

# It's much more than trade

Global. Glowing. Generating. These are the three basic principles that have guided Japan-based trading group Toyota Tsusho in the Czech Republic.

Established in 2001, the company was set up to support any Toyota Group company that was interested in locating its facilities in the Czech Republic, and provide information about living conditions and the work culture in the country.

"The typical difficulty was the living environment, especially for Japanese, but after three, four years, the scenario has totally changed," says Kenichiro Nishikawa, manager of the company's Czech branch.

In the last few years, the company has excelled not only in the trading business (it is the fifth-largest importer of goods to the Czech Republic) but has also helped create a supportive working environment for Japanese companies.

In fact, many Japanese companies have used the

company as a primary point of contact when looking to invest in the Czech Republic.

With more than 100 companies, the Czech branch of Toyota Tsusho is the second-largest operation in Europe. Aside from trading, its lines of business include trading for automotive parts, machinery and metals, resource management, delivery service and insurance.

"There are many trading companies that just move things from right to left and get commissions as intermediaries. That's very easy. We are more a total supply chain management and manufacturing company. We have a one-stop service for delivery and we even do some very easy manufacturing processes for our end-users who don't want to do the production in-house," he explains.

Apart from minimizing transportation or import and export costs, the company adds value for its partners and clients by supporting them. The help allows clients to focus more on production and image-building. For example, one division is assigned to waste management and recycling, which strengthens Toyota's global image as a green company.

As part of plans to maximize profits, the company will expand its business into other sectors such as home appliances. Its current profit base is derived from the automotive sector.

Looking toward the future, the company's first priority is to localize its staff so that it can grow with the country, the region and all its partners.

"We can create value for you," points out Nishikawa. ◆ www.ttesa.cz

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"By establishing our company here and by producing our products here, we would like to make a contribution to the Czech economy and to Czech society itself."  
- Yukihiro Sato, managing director, IPS Alpha Technology Europe

"To be a foreign investor with innovative ideas, I would really set up my European technological center here because you can easily move all those technicians and scientists. It would really make sense to do that. Compared to the countries around the region, the Czech Republic is freer, more open and still cheaper."  
- Jaroslav Mil, president, Confederation of Industry of the Czech Republic

"GDP growth may not be double digit like in some Asian countries in the past, but it is still far, far higher than in Western European countries. Some Czech companies are also starting to look and invest in other countries in the region. I think it is a very interesting story to see local companies starting to act regionally."  
- Petr Koblíček, chairman and CEO, Prague Stock Exchange

"The Czech Republic, being close to the European market, as well as its large community of automotive suppliers and its industrial history, made it a very attractive country for TPCA to invest in."  
- Yasuhiro Takahashi, president, Toyota Peugeot Citroën Automobile

"Panasonic chose to locate its operations in the Czech Republic because of its good logistical location, competitive labor market, and supportive national and regional governments. We see our decision to locate here as very successful."  
- Noriaki Yussu, managing director, Panasonic AVC Networks

# A Czech icon establishes itself abroad

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 for automotive manufacturing in this region. In addition, the skilled workers were already here," comments Wittig.

Skoda Auto has three manufacturing facilities in the Czech Republic. In 1991, the original factory was refurbished with the latest technology. It opened its Octavia production facility, the most modern automotive production facility in Europe, in 1996.

Aside from operations in the Czech Republic, the company has begun production abroad, a testament to its commitment to global expansion.

Skoda has assembly plants in Ukraine, India, Bosnia and Kazakhstan. This year, it has also launched assembly plants in Russia and production in China.

"We are the market leader in Central Europe. We can defend our position but there is not a lot of potential for growth. For this, we must look outside the region. Future growth will be found in the East, in the emerging and dynamic markets of Russia, India and China," says Wittig.

With its illustrious history, unflinching support from Volkswagen and promising potential for international success, Skoda is well positioned to lead the way for other Czech companies seeking a stronger global presence.

"Today, we are showing the international community that Czech craftsmanship and Czech skills are prominently displayed and put into our Skoda cars, and that's why they are so successful internationally," Wittig says. ◆

(Editor's note: Since the time of the interview, Detlef Wittig has retired from Skoda Auto and been replaced by Reinhard Jung.) www.skoda-auto.com



Two Japanese nobles prepare for their first ride in a Laurin & Klement (Skoda) car.

# Czech economy goes back to the future

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 ed a demand for auxiliary industries to move to the Czech Republic and service their new facilities.

While the electronics and automotive industries have powered the Czech economy, things may soon change.

The Czech economy has matured a lot and labor costs have risen consequently, which has prompted some companies to move production facilities further east to countries like Romania or Ukraine.

Amid that development, several Czech companies have shifted their focus to "knowledge-based" industries such as information and communications technologies.

In the Czech IT industry, companies such as Grisoft/AVG and Zoner Software have attracted the attention of their global peers. Grisoft/AVG has seen robust growth in the use of its products around the world while Zoner Software — a specialist in photography, graphics and multimedia — has emerged as one of the largest providers of software solutions and online services in the Czech Republic.

Zoner Software is best known for its multiaward photo software program, Zoner Photo Studio, which is widely used in many schools across the Czech Republic and is gaining a strong worldwide distribution.

Created to be the best all-in-one photo management software available in the market, the latest version of the program — Zoner Photo Studio 9 — offers pioneering functions such as GPS support, panoramas and a 3-D photo function, which can easily turn photographs into 3-D images. A free version in Japanese is available for download from its Web site.

Like many successful Czech companies, Zoner is aggressively expanding its global operations and has recently opened offices in the U.S. and Japan.

The company plans to expand its distribution network and would like to offer its software developing expertise to potential partners across sectors, whether in retail, for OEM, schools or corporate markets. It is preparing a worldwide OEM bundle of Zoner Photo Studio 9 with Japanese-brand EIZO monitors.

As Zoner Software's operations in Brno show, the Czech Republic's economic growth is not centered around the capital city like many other countries. Successful investments can be found from Plzen to Ostrava and several other areas. ◆



# Cooling down a red-hot market

The recent rise in demand for air conditioners in Europe prompted Japanese air conditioner giant Daikin to establish manufacturing facilities in the Czech city of Plzen in 2003. Daikin chose the location as it was ideally situated, and had advanced and reliable infrastructure.

The home of carmaker Škoda, Plzen had a long history of being an industrial center and could therefore provide a highly skilled labor force.

Employing 1,800 people, the Daikin factory manufactures residential air conditioning units not only for Europe but also for South Africa, the Middle East and Russia.

On a global scale, the Plzen facility produces 70 percent of Daikin's residential air conditioning units, making it a critical location for the multinational corporation.

With the success of the Plzen operations, Daikin plans to increase the site's production and diversify its product line from there.

"The highest demand for commercial air conditioning units is in the European market. For this reason, the Plzen operations have been discussing the possibility of moving commercial production to Plzen," says Yoshiaki Bando, president of Daikin Industries Czech Republic.

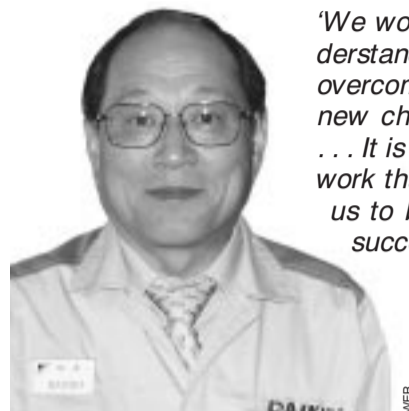
Bando also hopes to move R&D operations to Plzen, a trend found throughout the Czech Republic as companies move away from manufacturing and look toward the future.

In the immediate future, Daikin plans to release in 2008 new technologies that combat carbon emissions.

"Every year, we release new models that conserve more energy and prove to be more environmentally friendly. This is a must when serving a market like Europe, where consumers are increasingly aware of environmental pressures," comments Bando.

Because of its continuous growth, Daikin has maintained its position as a leader in Europe and the Middle East. More importantly, the company has served as an example of success for Japanese companies in the Czech Republic.

"Every year we grow. But every year, we also face new challenges. We work to understand how to overcome these new challenges and continue to grow, continue to 'break through.' It is our hard work that allows us to be successful," Bando says. ◆  
www.daikinczech.cz



Yoshiaki Bando, president of Daikin Industries Czech Republic

*'We work to understand how to overcome these new challenges . . . It is our hard work that allows us to be successful'*

# It's more than just science for Astellas

Within its global network, Astellas Pharma in the United States and Europe posted higher financial growth from 2006 to 2007 than in its home market Japan.

The Czech Republic represents an important part of growth in Europe as the domestic pharmaceutical industry reached a value of 1.6 billion euros. Yet, it also presents a challenge for Astellas as lower production costs attract generic drug makers.

"Generics are very present in the market and they are necessary to the Czech Republic because they make many medications affordable to many people. However, in addition, the Czech Republic needs companies like Astellas to lead the way in innovative health care and to bring new products to the market," points out Luboš Chadim, general manager of Astellas Pharma in the Czech Republic.

Just as Astellas makes a name for itself globally in the R&D of new medications, the Czech affiliate of the drug giant is following that lead. Chadim takes pride in the company's leading medications in transplantation, urology, dermatology and the emerging therapy area of anti-infectives.

In the coming year, Chadim will consolidate Astellas' leading position in those fields by advancing the company's portfolio of treatments as well as launching new, innovative products.

The highlight for Astellas this year was the launch of the modified release formulation of Tacrolimus, Astellas' groundbreaking product that prevents rejection during organ transplants. The product was a result of many hours work, committed research, and continued clinical trials in the Czech Republic and other parts of the world.

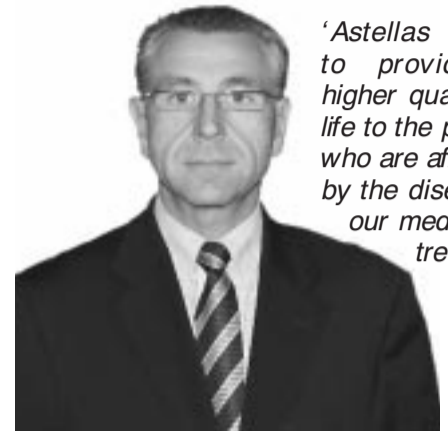
"The presence of clinical trials in the country is very important. Clinical trials enable doctors and administrators in local hospitals to see that Astellas is investing in local R&D and therefore giving back to the local medical community, which is very important," says Chadim.

In urology, Astellas leads with its cornerstone product Tamsulosin. As the market becomes flooded with generic medications,

Tamsulosin maintains its position as a leading treatment for benign prostatic hyperplasia (BPH).

"Astellas wants to provide a higher quality of life to the people who are affected by the diseases our medicines treat. It's not just about addressing the chemical elements in the lab but about the human element as well," says Chadim. ◆

www.astellas-europe.co.uk; www.astellas.cz



Luboš Chadim, general manager of Astellas Pharma in the Czech Republic

*'Astellas wants to provide a higher quality of life to the people who are affected by the diseases our medicines treat'*

# TATRA: a company re-energized

It's been 110 years since Czech automotive manufacturer TATRA built its first passenger car in Europe and 109 years since it built its first truck. Since its establishment in 1850, the company's growth, or the lack of it, reflected the sometimes tumultuous history of the country.

At its peak during the 1980s, when it was operating in what was then Czechoslovakia, TATRA had 17,000 workers. Following the collapse of the Iron Curtain in the early 1990s and the advent of the free-market economy, it declined steadily to a point where its workforce shrank to 3,100 as of last year.

"It's been tossed around, managed and mismanaged, owned and then disowned for 15 years. So, when my group of four investors took over in September 2006, we had already developed a certain vision for TATRA's future. Proud people make

products they can be proud of," recalls Chairman and CEO Ronald A. Adams, who from the outset mapped out to workers a clear vision of the company and its future.

This year, TATRA produced and sold 2,300 of its highly specialized trucks and the numbers are predicted to rise further. TATRA is looking for more than 2,500 units in 2008 and Adams wants to push for 3,000 in the near future.

"People are smiling, people are working. The attitude is better now than most people remember. The great change came quickly once ownership changed, and we also had a nice portion of very good luck with our timing. It's really been a lot of fun and it's really satisfying to see this company going forward strongly rather than backward," recalls Adams.

A focus on excellent customer service has been the company's initial approach toward success. But going beyond, TATRA is focusing on other ways to satisfy its clients.

For the first time in its history, the company will begin manufacturing rigid axle trucks. TATRA is also coming out with new chassis systems that will increase the mobility of its already superbly mobile trucks.

A unique feature of a TATRA truck is its air-cooled diesel engine, which makes it the only vehicle of its kind resistant to the most extreme weather conditions.

To help its plans to go global, the company will also offer water-cooled engines to complement sales of air-cooled diesel-engine trucks.

TATRA supplies trucks to the Czech and Slovak military, and civilian markets. But it has increased sales in other parts of the world also.

Russia, the U.S., India and Australia have been its biggest overseas growth markets. To boost sales further, it is looking



Ronald A. Adams, chairman of the board of directors and CEO of TATRA (left), and William J. Cabaniss, the former U.S. ambassador to the Czech Republic and current chairman of the supervisory board

toward developing countries, particularly in Asia, where its specialized trucks will prove useful.

"We are guardians of 150 years of history and it is our responsibility that there are 150 years more," states Adams. ◆  
www.tatra.cz

# Power moving with property professionals

The business environment in the Czech Republic clearly improves by the year. With growth potential remaining immense, the country stands fast as one of the preferred destinations of investment in the former Eastern bloc.

"When I first came here in 2002, it was still very difficult. The market wasn't very liquid. There were very few 'arm's-length' transactions and everything was being done client to client. I think what people needed was international expertise and of course we've had 200 years of that!" recalls Angus Wade, managing director of King Sturge, the country's largest one-stop shop for property-related services that include commercial services, property management, investment and consultancy.

"We find a piece of land, buy it for them, advise them on what to build on it, manage the construction of the building, then lease it, manage the property for them and eventually sell it," says Wade, explaining his company's total solutions package — a unique strength that distinguishes itself from its competitors.



Angus Wade, managing director of King Sturge

*'I'd definitely like to broaden our already existing relationship with the Japanese, not only on the industrial market but also with regard to office space and the residential and investment markets'*

# Taiwan-based firm posts strong growth in Czech Republic

Foxconn, a Taiwanese maker of electronic components, established operations in the Czech Republic seven years ago in line with its commitment to better serve its European customers. From the city of Pardubice, it supplies global giants, including HP, Cisco, IBM, Dell, Sony, Nokia and NEC.

"We wanted to invest in the Czech Republic to be close to our customer's marketplace. We are focused on customer satisfaction, therefore we allow our customers the product flexibility and accessibility they need in the European market," says Foxconn CZ Managing Director Jim Chang.

Foxconn's commitment to excellent customer service is also reflected in the company's structure. The Czech operations are broken into separate business units, each of which is assigned a single customer.

Its presence in the Czech Republic has proven so successful that Chang plans to open a second site to meet the market's growing demand.

Foxconn employs about 5,000 people in Pardubice but by 2008, it will double this number with the opening of the new facility.

As the company continues to grow, it has also met some challenges, particularly finding enough workers to meet demand. Despite that, Chang sees the Czech Republic as an ideal location for investment.

"I think any foreign investment can be successful here. The business environment is very welcoming and the work ethic of the Czech people is great," he comments.

The country also enjoys a very strategic location as it is close to important Western European markets and is seen as a gateway to the East. In addition, it also provides a stable and open political environment, a critical factor for any business.

As more Japanese electronics companies move their operations to the Czech Republic, Foxconn looks forward to more robust business.

"Japanese companies are very important to our overall business and we welcome more Japanese clients. Whether they need after-sales service or manufacturing, we can work with them to fulfill their unique needs," Chang points out. ◆  
www.foxconn.cz

*'The business environment is very welcoming and the work ethic of the Czech people is great'*

# Orco Property Group seeks partners to share in its success

Judging by its separate listings in the Czech, Hungarian, Polish and Euronext stock exchanges, Orco Property Group is clearly committed to the European property market.



Steven Davis, senior vice president of Orco Property Group

the Orco Property Group, sees vast potential in commercial development throughout the Czech Republic as well.

"In Prague, our Bubny site, located in the downtown area, is the largest downtown site in Central Europe. At Bubny, we want to create the Canary Wharf of Central Europe, targeting companies that would like to locate their back-office operations in a cost-effective location that is closer to their headquarters than other locations in the East," he says.

For Davis, Prague is a perfect fit for successful business investment.

"Czech workers in Prague are young, commercially minded and proactive business people. With the building of new infrastructure, Prague becomes a prime location for the back-office operations of

Orco, one of the few European companies traded in four exchanges, is known for iconic projects across Europe, including the stock exchange in Budapest and Cumberland Haus in Berlin.

But it is in the Czech Republic where the group sees much of its potential.

With 63 percent of its gross external floor area in the Czech Republic, Orco is the country's No. 1 residential house builder. In Brno alone, the Czech Republic's second city, it completed 311 housing units in 2006.

Steven Davis, senior vice president of

any company. Of course, there is the new airport terminal and in about five years, there will be the new rail link between Prague and the airport, which will run directly through our site. When you add up all the factors, you have an opportunity that is not to be missed," he comments.

With Orco's continued success across the Czech Republic, it has been searching for a construction company to partner with. With the number of it successful developments, Orco's demand for labor has been growing consistently.

"What we need is a proactive company that understands that labor supply is key in the Czech Republic. It would excite me to create a partnership with a Japanese contractor. They have the labor and we have the work that needs to be done. We can house their labor. They can do the construction management, and it could be a very successful and lucrative partnership," Davis explains. ◆  
www.orcogroup.com



Orco Property Group's Citadela Nové Dvory project in Prague

With the general trend going upward and many hindrances to investment dismantled, Wade describes the country as a very lucrative place to buy property.

"It has become a lot easier for an international investor and I can't see that going away," he says.

Although the market is dominated by foreign capital, it is also seeing the growing presence of local developers and investors. Activity has also increased in places outside the capital Prague, such as in the cities of Brno, Ostrava and Plzen, all of which offer good returns to potential buyers.

King Sturge, which has worked with several foreign investors, including Japanese and Asian clients who came to establish offices in the country, plans to take advantage of this trend to double the size of its business within two to three years.

"I'd definitely like to broaden our existing relationship with the Japanese, not only on the industrial market but also with regard to office space, and the residential and investment markets," says Wade. ◆  
www.kingsturge.cz



Business Park Rudná is one of King Sturge's major projects. A 10-minute drive from Prague Airport, the park offers 107,000 sq. meters of warehouse/production space and 31,000 sq. meters of office space in the first phase, with an additional 60,000 sq. meters of new facilities planned for the second phase.



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www.worldeyereports.com / CZECH REPUBLIC

## Honda takes pole position in the Czech Republic

Several automakers have selected the Czech Republic solely as a center for manufacturing and export their output to other markets. This is not true for Honda, which has chosen to sell its cars in this steadily growing market.

At the helm of Honda's Czech operations is Toshiaki Nishide, who has enlisted 47 local employees and oversees a territory that includes neighboring Slovakia.

"Our three pillars of business are automobiles, motorcycles and power equipment. In the Czech Republic, the lion's share of our sales are from the automotive division," says Nishide, who took over as president last year.

Among Czech and Slovak consumers, the five-door Civic and the CRV have proven to be very popular as the two models provide more powerful and larger vehicles in a market accustomed to a smaller class of cars.

Yet recently, Honda has seen demand for its smaller models grow.

"The shift toward more environmentally friendly cars has resulted in an increase in popularity for our smaller cars, which offer greater fuel efficiency," comments Nishide.

In addition to increasing the availability of smaller models, Honda is also focusing on the development of hybrid and clean diesel technology. This is particularly true throughout the European market, where

consumers are increasingly sensitive to reducing carbon emissions.

Honda launched its Civic Hybrid in the Czech Republic last year and at the 2007 Brno Autosalon trade exhibition, it displayed the 2006 FCX Hybrid.

While Honda expects its subsidiaries and partners to comply with a global marketing strategy, it also leaves room for all its operations to localize its strategy accordingly.

"The Honda way is the 'flexible' way. We are not as focused on effectiveness, like other companies, but on flexibility. This allows each country office to adapt Honda's global strategy to the local market and its trends," notes Nishide.

In the Czech Republic and Slovakia, Nishide has focused on branding Honda as the "alternative premium brand."

Because Honda is a Japanese automaker and obviously has influences from different parts of the world, it is able to provide customers with a new concept of what a premium automobile is.

While it is able to match European automobiles in terms of quality and reliability, Honda provides a Japanese sensibility in forming that brand.



Toshiaki Nishide, president of Honda Česká Republika

An area that Nishide feels is crucial to building this image is in customer service. Honda Česká Republika works closely with its 38 exclusive dealers to ensure that their after-sales service is impeccable.

While Honda hopes to increase the number of dealerships in its local network, more importantly it is focused on improving the quality of its existing dealers, according to Nishide.

The results of this constant improvement are customers who are not only satisfied with their high-performance automobile but also with the people and company they bought it from.

That is this type of overall satisfaction that will solidify Honda as a "premium alternative brand" in the Czech and Slovak markets.

"As the Czech and Slovak markets grow, we are focused on providing our customers with complete satisfaction. Whether it is their desire for more fuel-efficient automobiles or their need for roadside assistance, Honda will provide premium service. We look forward to reinforcing ourselves as the alternative premium brand in the Czech Republic," says Nishide. ♦  
www.honda.cz



The Honda Civic Hybrid

## Marriott launches its newest hotel in Prague

In April 2007, Marriott International unveiled its newest property in what has been one of the most popular business and holiday destinations in Europe — the Courtyard Prague Airport Hotel.

Located at the Czech capital's Ruzyně International Airport, the 235-room hotel offers services found in all top-tier hotels, including high-speed Internet access, in-room safe and plasma TVs with a pay-per-view option.

For long-staying guests, the hotel also has five large studio apartments with a separate living area, a large plasma TV, free Internet connection, as well as a spacious bathroom with a separate shower and bath.

The hotel also offers a wide range of dining options: the

Oléo Pazzo® Mediterranean Bistro offers numerous dishes prepared in an open-style kitchen while The Market has a fresh selection of salads, sandwiches and ice cream available 24 hours a day, seven days a week.

It is fully equipped for business meetings of all types and other social events. Conference facilities cover an area of 505 sq. meters, including the Captain Ballroom for up to 300 people, the Pilot and Navigator reception rooms for 50 people, and two fully equipped foyers.

All meeting rooms are furnished with state-of-the-art audiovisual equipment and broadband Internet access while the business center provides assistance and administrative services 24 hours a day.

A fitness center allows guests to keep fit after a grueling day of work or a full day of sightseeing.

In the adjoining EUROPORT center, guests can visit several stores and boutiques, shop at the supermarket, try their luck at a casino or sample local cuisine at the traditional Czech

restaurant Budvarka.

Marriott International runs other hotels in downtown Prague, namely, the Prague Marriott (293 rooms), Renaissance Prague (310 rooms), Marriott Executive Apartments (53 rooms) and the Courtyard by Marriott Prague Flora (161 rooms).

In September, Marriott International will open its first hotel outside the capital. The Courtyard by Marriott Pilsen will open in the city of the world famous Pilsner Urquell beer. ♦  
www.marriott.com



The hotel's spacious atrium captures the changing colors of the sky.



The studio apartments come with a separate living area and offer full amenities to ensure a comfortable stay.

## Japanese logistics provider strengthens global position across Europe

Amid growing competition in the logistics industry, the biggest challenge has been to retain current clients and gain new customers. With its extensive expertise and long history, Japan-based MOL Group has relied on a solid foundation that has allowed it to expand into related sectors like warehousing, logistics, trading and information technology.

When MOL Logistics set up its Czech subsidiary in August 2004, the primary objective was to support the supply chain and logistics operation of one of the largest Japanese companies in Europe. Since then, MOL Logistics Czech (MLG/CZ) has expanded its network, capacity and client base.

"In the beginning, we only had a few staff members. But due to the fact that we gained more business, our operations have also expanded. For example, we now offer warehouse logistics services and provide 14,000 sq. meters of warehouse space for a very large Japanese corporation in the Czech Republic, so our company has grown to 180 employees since last July," says Takashi Yamaguchi, managing director of MLG/CZ.

By offering warehousing and in-factory operations, MLG/CZ's support allows manufacturers to focus on their main task of producing high-quality products.

MLG/CZ provides a complete warehousing management system wherein the logistics firm sorts, stores and distributes the manufactured goods to major Western markets.

In the Czech Republic, MLG/CZ can customize services based on the different needs of its clients. Among those tailored services is warehousing and stock control, as well as shuttle transfers between the factory and warehouse.

But apart from relying on stable business from major clients, MLG/CZ has had to expand to find more clients by means of its worldwide network, according to Yamaguchi.

As part of efforts to reinforce and expand the company's network while enhancing sales activities to set up a gateway to CEE countries and Russia, MOL Logistics established its regional headquarters in the Netherlands in the middle of this year.

To create a stronghold in the region, the company plans to localize operations and offer the best logistics solutions, with IT-backed up operations being one of its competitive advantages.

"Now my intention is to allocate local sales staff and local management as well," shares Yamaguchi. ♦  
www.mol-logistics.co.jp



Takashi Yamaguchi, managing director of MOL Logistics Czech

## Continuous innovation leads to reliable growth

Having gone through four ownership changes and three name changes in its 61-year history, Czech auto component manufacturer Cadence Innovation remains a leading player in one of the country's fastest growing industries due to successful relationships with the world's largest carmakers.

"Despite all the structural changes and changes in ownership, we have been able to grow steadily. Today, we can say that our company is fiscally sound and has increased turnover more than 15 times," says CEO Pavel Neuman.

In June, Cadence marked another milestone with the opening of its newest facility in the Hungarian city of Esztergom, the result of a partnership with Japanese giant Sumitomo. This plant has been devoted to production for Suzuki. The alliance has proven so successful that the two companies are looking into building another facility in Russia.

Cadence has formed profitable relationships with other Japanese companies, most notably with Toyota Peugeot Citroën Automobile. In 2002, TPCA chose Cadence to be its very first contractor for bumpers.

"As the supplier to TPCA, we are given a unique opportunity to learn how a successful company runs its production process. These are lessons that we could only learn by working with a company like Toyota," says Neuman.

In May 2007, the Volkswagen Group gave Cadence an award for using a combination of plastic and steel to produce a new hybrid tailgate that was lighter but just as strong.

As its name suggests, Cadence keeps pace with developments in the industry as it seeks more alliances with foreign firms and serves its partners better.

"I hope Japanese firms are not afraid to change suppliers because change can bring you fresh ideas and new solutions. There are sources such as Cadence Innovation in the Czech Republic that can help to make OEMs more competitive, and we hope they are open to working with us," says Neuman. ♦  
www.cadenceinnovation.cz



Pavel Neuman, CEO of Cadence Innovation

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