

## 06/09/2004 British firms in the Czech Republic quickly rising in number

British firms have begun to take advantage of the opportunities brought by an enlarged European Union and are expanding their activities into new countries. The Czech Republic will now serve them not only as a springboard for expansions to new EU member states but also as a location from which under favourable conditions they can serve their clients in countries that joined the EU long ago.

**“Since the start of this year, more than ten British companies have invested in the Czech Republic and some 40 other firms are currently considering an investment in the CR,”** commented René Samek, Director of CzechInvest’s U.K. and Ireland office. **“Small firms in particular see our EU accession as proof and a guarantee of a friendly business and investment environment and are investing in the Czech Republic to a much greater degree than last year.”**

For example, fastening systems manufacturer **PSM International** launched production in the CTP Modřice industrial park. The chief motivation for expanding their production in the CR was shorter delivery times to customers in continental Europe, the introduction of a more flexible production system and lower costs for production and transport to the customer. “We could have chosen any of the cheaper Asian countries for this investment but deliveries from there would take much longer,” commented David Dzimitriowicz, General Manager of PSM International. **The company’s modern, 10 thousand sq.m. production hall will provide jobs for 110 employees.**

Another British company, **Hillside Plastics**, has decided to follow one of its main customers, Black & Decker, and expand its production activities from northern England to northern Bohemia (Czech Republic). **“Our facility in Chomutov in north Bohemia will employ 50 workers within three years,”** stated Michael Carrick, the company’s Director, and added: “Current and potential customers are very interested in our Chomutov plant.”

British firm **Belvac Europe**, the European branch of an American manufacturer of beverage can production machinery, is setting up in Pilsen its service centre for Germany, Central and Eastern Europe and the Near East. This company’s machines produce cans for Coca-Cola and other non-alcoholic beverages and beer. **In addition to repair of their machines the Czech service centre will also purchase parts from Czech manufacturers** both for its own repair activity and for that of its parent company in Britain and the U.S. **worth tens of millions of Czech crowns annually.**

**Heads & All Threads**, one of the largest independent suppliers of industrial fasteners, cable systems and machined parts has also decided to expand its activities from Britain to the Czech Republic in order to better satisfy the needs of its customers in continental Europe. The company supplies industrial manufacturers with 40,000 kinds of parts from various producers and manages an entire supply chain for them. Stuart Whitehouse, the company’s Director: “Central and Eastern Europe has the most prospects for us and there is great interest for the system we offer. By the end of 2004 we will have more than ten employees in Chomutov and in the future this number will likely increase significantly.”

**Great Britain is the eighth largest investor in the Czech Republic. “This of course does not correspond to its potential, since Britain every year is among the largest exporters of foreign investment in the world,”** noted René Samek.

According to statistics of the Czech National Bank, British companies in the Czech Republic during the period 1993-2003 invested only 1.5 billion euros, i.e. only 4% of the total FDI influx to the Czech Republic. This unsatisfactory state of affairs has several causes:

- British firms participated in privatizations to a much smaller degree than German, Austrian and French companies.

- Most of the large British investments (Shell, Unilever, Tesco) came to the Czech Republic for tax reasons via the Netherlands, and so are listed in the CNB's statistics as Dutch investments.
- British firms haven't paid much attention to Central and Eastern Europe, investing instead in classic, developed countries like the U.S. and Western European countries, or else in developing countries like China, India and occasionally Russia (oil drilling). Great Britain is not one of the largest investors in any country in Central and Eastern Europe.

**Nonetheless British companies in the Czech Republic have a relatively strong representation.** René Samek estimates that 350 companies from Great Britain are operating in the Czech Republic. The British Chamber of Commerce has over 300 members in the Czech Republic, which means that it is the fourth largest foreign chamber of commerce in the Czech Republic.

Large British manufacturers operating in the Czech Republic include BOC, BPB Gypsum, Cookson, Devro, IMI, Invensys, Rexam, Unilever and Wagon Automotive, while small producers and non-producers (retail, consulting) are also present. Many British firms have several plants in the Czech Republic such as BPB Gypsum, Devro, TI Automotive and Unilever. A greater number of British retail chains also operate here such as Tesco, Marks & Spencer, Dixons, Body Basic, Next, Mothercare and Debenhams. **However, Britain is foremost a country of services and so it is no accident that non-manufacturing companies predominate among British investors** such as LogicaCMG (software and IT services), ICON (call centre), Provident Financial (financial services), Anglian Water (water mains and sewer lines), International Power (energy), and Ricardo (auto parts R&D).

In Great Britain many companies from the U.S., Japan and other countries have their European headquarters. **For this reason it was in CzechInvest's London office that the projects of companies such as DHL Systems, Symbol Technologies and Black & Decker first started.**