AUTOMOTIVE INDUSTRY

HUNGARY

The automotive industry, including motor-vehicle manufacturing and automotive parts' manufacturing, offers excellent opportunities. In 2000, the manufacturing sector accounted for 77% of gross industrial production, 57% of domestic sales and 94% of industrial exports. Output in this sector increased 18% in 2000. Due to the arrival of multinational companies in the car and automotive parts' industries and their large-scale investments in plants and equipment, there has been a rapid development of the automotive industry to serve the European market, especially in vehicle electrical parts. Major companies, including Visteon, General Motors/Opel, Audi, Suzuki and Lear Automotive have made large investments for auto assembly and/or component manufacture. Ontario-based Linamar Corp., which entered the market through majority acquisition of a Hungarian company, Mezogep, has been operating for a number of years, and, more recently, Wescast Industries Inc. from Brantford, Ontario, made a greenfield investment and established a company in Hungary, Weslin Ltd., through a joint venture with Linamar, to manufacture iron exhaust manifolds and related iron castings for the European automotive market.

Hungary offered these manufacturers important advantages, including a skilled and relatively low-waged labour pool; an ever-increasing automotive supplier and vendor network; a stable economy; and a highly advantageous location. These companies are expanding operations and manufacturing, and seeking to use more Hungarian components. Hungary has targeted increased investment in this sector as a primary goal. To capitalize on this potential, an Automotive Parts' Manufacturers' Association mission is planned for Central Europe for Spring 2002. Any Canadian companies interested in doing business in this sector are welcome to participate.

Major Shows: **http://www.hungexpo.hu**

Budapest Motor Show–international trade fair for automotive industry
March 21-24, 2002

SPEDEXPO–trade fair for transportation and trucks
June 12-14, 2002

Automobil 2002-Autotechnics
Budapest international exhibition for automotive industry
October 2-6, 2002

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RENAISSANCE EASTERN EUROPE PROGRAMME

Canadian firms thinking of investing or participating in capital projects in Central and Eastern Europe can avail themselves of Renaissance Eastern Europe, a CIDA (Canadian International Development Agency) grant programme that helps reduce the cost and risks of doing business in the region. CIDA provides up to 50% of eligible expenses for firms wishing to undertake a viability study, when deciding whether to invest (maximum contribution: C$100,000); and up to 50% of the cost of training local staff, once a firm has decided to invest (maximum contribution: C$250,000). Eligible expenses include travel expenses, salaries and professional fees. For more information, contact:
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CZECH REPUBLIC

Almost two fifths of the top 100 European **automotive component suppliers** have manufacturing or assembly operations in the Czech Republic, because the largest volume car producer is in the region. There are excellent logistics and connectivity with Europe's motorway network, and a successful track record of successful R&D and quality production has been established. In total, around 120 foreign-owned automotive component firms are now operational and are increasingly visible in the country's revitalized industrial structure. Škoda Auto, part of the Volkswagen Group, is the largest Czech industrial enterprise and produces nearly 10% of all Czech exports. Czech-based automotive suppliers are geographically close to important car manufacturers in Germany, Poland, Slovakia and Hungary, but also supply markets like France and Spain on a near-to-just-in-time basis. Czech-based suppliers are exporting to Ford, VW, Audi, Mercedes, BMW, Opel, Volvo, Seat, Mitsubishi, Toyota, Jaguar, Chrysler, Suzuki, Honda, Nissan, PSA, Renault, Fiat, Saab and the MCC/Smart production line. Incoming investors are now eligible for a range of incentives depending on the size and economic impact of the investment. The Czech Republic has the third-largest **car-production** capacity in the region, after Russia and Poland.

The Czech truck and commercial vehicle sector is also undergoing reorganization. Avia, a light truck manufacturer, is majority-owned by Daewoo. Karosa, the country's former monopoly bus manufacturer, was purchased by RVI (Renault) and is now part of the Iris Group, Renault's joint venture with Iveco (Fiat). The roster of investors with activities in the automotive sector includes the following first-tier suppliers with multiple production subsidiaries (some of which are held via joint ventures): Bosch (4), Continental (4), Hayes-Lemmerz (3), Hella (3), Invensys (3), Johnson Controls (4), Magna International (2), Mannesmann (3), Saint-Gobain (2), Siemens (6), TRW (5) and Woco (3).

Czech **R&D** skills are well-recognized by other foreign investors. Multinationals, including Motorola, Rockwell, Honeywell, Boeing, Vitatronic (a subsidiary of Medtronic), Visteon, Arrow International and Thermo King, have research centres in the Czech Republic, or contract Czech firms to do fundamental research or software development.

Automotive Aftermarket Study of Poland
The Canadian Embassy in Warsaw has recently commissioned a market study available at the following Web address:
http://www.dfait-maeci.gc.ca/warsaw/

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YOUR CONTACTS IN HUNGARY, SLOVENIA, CROATIA, BOSNIA-HERZEGOVINA

For Trade matters, these countries are covered by the Canadian Embassy in Budapest. For information on certain sectors or help from the commercial section on how to: determine the best market for your products and services; develop an effective export strategy; identify key contacts; provide local company information; and comply with legal and regulatory issues, visit us at: **http://www.kanada.hu** or contact:

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PHARMACEUTICALS/HEALTH CARE

CZECH REPUBLIC

Since 1990, many international companies have started doing business in the Czech Republic. Although the Czech company Leciva (11% share of local market) and Slovakofarma, of neighbouring Slovakia, still play the most important roles on the pharmaceutics market, the position of large international firms is constantly rising: U.S. IVAX owns Galena, Ferring entered into Leciva, VUAB was privatized by ICN Pharmaceutics, and Lachema obtained a strategic partner from Croatia, Pliva.

Medical equipment is produced by 40 domestic manufacturers that remain competitive in sterilizing equipment, dental X-ray equipment, health-care beds, surgical and dental instruments, surgical and gynecological beds, or bone implants, infusion and transfusion sets, catheters, surgical sewing materials and gloves. However, the market is open to any imported products and equipment that are more sophisticated or less expensive. There are regular large imports of syringes, needles, catheters and electrical diagnosing equipment. Although 80% of X-ray equipment and irradiators in Czech medical facilities are domestic products, these products are imported now and will continue to be, given the reduced domestic production of X-ray equipment.

Imports of **pharmaceutics** have grown, since the liberalization of international trade. In 1999, imports were valued at C$1 billion. The pharmaceutical industry mainly manufactures generic medicines. Patent-protected medicines, whose producers are multinational pharmaceutical companies from the EU, Japan and the United States, are imported, and these imports are expected to grow. The most successful Canadian companies are Apotex and Institut Rosell-Lallemand Inc. **Vitamins, minerals, natural products** and **food supplements** are imported from Canada's Swiss Natural Sources, Profitness and Trophic. Long-term requirements make the medical-equipment sector promising for both domestic and foreign manufacturers. Imports are still slightly