Central & Eastern Europe
Commercial Update

A publication of the U.S. Department of Commerce, International Trade Administration, Central and Eastern Europe Business Information Center (CEEBIC), in cooperation with the U.S. Agency for International Development

May/June 2004

Inside this Issue

Calendar of Events

May

5/17-5/21

North American Investment Roadshow: Invest in Eastern Slovakia

Detroit, Chicago, and New York

Further Information:
Juraj Augustin
E-mail: *jaugustin@usske.sk*

5/26-5/27

Business, Trade, and Investment in an Enlarged Europe

Brussels,Belguim

Further Information:
E-mail: *info@euconferences.com*

June

6/1-6/6

Romexpo International Services Exhibition

Bucharest, Romania

Further Information:
Tel: +40-212-243-160
E-mail: *romexpo@romexpo.org*

6/21-6/23

ECommerce Conference

Bled, Slovenia

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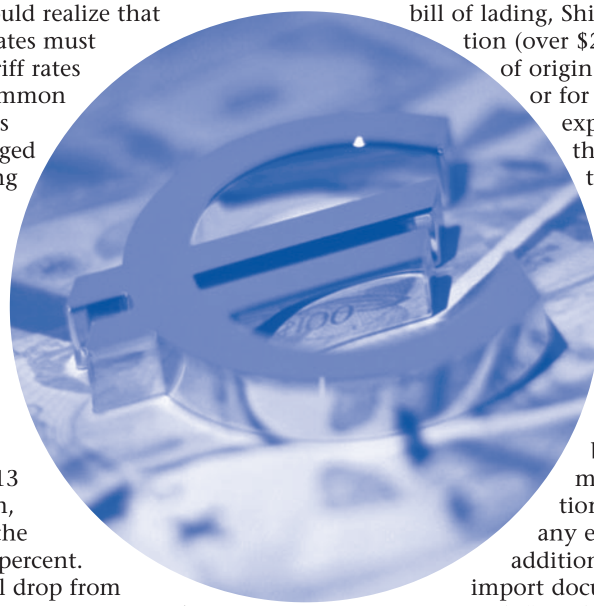
Please see note on page 3

EU Accession Creates Change for U.S. Exporters

by Ginger Elsea, CEEBIC

Eight Central and Eastern European (CEE) countries—the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Slovakia, and Slovenia—joined the European Union on May 1, 2004. As part of the accession process, each country had to adopt the more than 80,000 pages of European Union (EU) rules and regulations that constitute the "acquis communautaire"—that is, the body of European law and jurisprudence. Some of the legislative changes will affect U.S. companies that export to this region. U.S. exporters should be particularly aware of modifications regarding customs duties, value-added taxes (VATs), import documentation, export licenses, and standardization.

U.S. companies should realize that all new EU member states must abandon their own tariff rates and adopt the EU's common external tariff, which is the customs duty charged on all products entering the European Union. In most cases, doing so will mean lowering or eliminating tariffs on an increasing number of products coming from the United States. For example, the average tariff rate in Hungary for U.S. products was 13 percent; with accession, it immediately fell to the average EU level, or 4 percent. Overall, tariff rates will drop from an average of 9 percent to an average of 4 percent. The decreased rates will increase the competitiveness of U.S. products in the markets of the accession countries. (Additional information on EU tariff rates is available by calling CEEBIC at (202) 482-2645.)



Although tariffs will be harmonized throughout the European Union, it is important for U.S. exporters to know that the CEE accession countries will continue to have different value-added tax rates. The VAT is a type of sales tax that is applied at all stages of production, including export and import transactions. Although the European Union mandates that individual member states set a minimum rate of 15 percent, each member state determines its own VAT rate. In addition, reduced VAT rates are available on certain products, such as basic necessities, foodstuffs, electricity, heat, lumber, and books. (For more information about VAT rates in the CEE region, visit *www.mac.doc.gov/ceebic/dutiesandtaxes.html#H3* or call (202) 482-2645)

U.S. companies exporting to the accession countries will need to include an additional document required by the European Union. Besides the commercial invoice, air waybill or bill of lading, Shippers Export Declaration (over $2,500), and certificate of origin (only when requested or for certain products), U.S. exporters must now add to the pack a single administrative document (SAD). The SAD is a customs document that must be completed for in EU countries. Exporters are required to provide information about their company, the destination country, the products being exported, the method of transportation being used, and any export licenses. (For additional information about import documentation, consult CEEBIC's "Guide to Export Documentation" at *www.mac.doc.gov/ceebic /thebasics/classexporters.htm*).

U.S. government requirements for export licenses will also continue to differ by country. Most high-tech Western technology can flow into the CEE countries without a U.S. export license. However, the list of goods that do need an export license changes constantly. Generally, defense products and equipment such as optical instruments and software, which may

Continued on page 6—E.U. Accession

Eye on Southeast Europe

Transportation Infrastructure Development in Southeastern Europe

This article is part one of three on transportation infrastructure in Southeastern Europe, describes the major regional initiatives and projects. Parts two and three will expand on the needs and projects of specific countries and opportunities for U.S. companies.

In comparison with the northern tier countries of Central and Eastern Europe, transportation infrastructure throughout most of Southeastern Europe (Albania, Bosnia-Herzegovina, Bulgaria, Croatia, Macedonia, Romania, and Serbia and Montenegro including Kosovo) has been underfunded, neglected, and not harmonized with European Union standards. Currently, transportation infrastructure is undergoing wide-ranging renewal and rehabilitation; but their reconstruction and maintenance projects are severely backlogged and in poor condition. For the countries of Southeastern Europe to become more integrated into the greater European community, their transportation infrastructure deficiencies must be addressed. Countries that lack strong internal transportation infrastructure are subject to regional differences in economic prosperity. Conversely, an extensive road and rail system—coupled with links to air and seaports—helps to balance out economic disparities within countries by enhancing connections between outlying rural regions and urban centers.

Background

In 2001, the European Commission recognized the need to develop more efficient transportation infrastructure in Southeastern Europe in order to improve the transportation of goods and promote economic development in the region. Since then, the European Commission and other international financial institutions such as the World Bank, the European Bank for Reconstruction and Development (EBRD), and the European Investment Bank (EIB), have been working with the region's countries to develop strategies for infrastructure development and identify priority projects for international investment. The European Union supports four transportation networks that connect ports in Southeastern Europe with the EU. These networks are Pan-European Corridors 5, 7, 8, and 10. Corridor 5 will connect through Sarajevo and Budapest the Bosnian port of Ploce and will branch off to Zagreb and connect to the Croatian port of Rijeka. Corridor 7 will connect ports on the Danube from the Black Sea to the North Sea via the ports of Costanza (Romania), and Belgrade (Serbia and Montenegro), ultimately ending in Rotterdam, in the Netherlands. Corridor 8 will connect the Albanian port of Durres to the Bulgarian port of Varna, via Tirana (Albania), Skopje (Macedonia), and Sofia (Bulgaria). Corridor 10 will connect the Greek port of Thessaloniki to Budapest (Hungary) and Salzburg (Austria), linking Skopje, (Macedonia), and Belgrade (Serbia and Montenegro), and branching off to Zagreb (Croatia).

The TPPF Project

U.S. companies interested in pursuing commercial opportunities in the transportation and infrastructure sectors in Southeastern Europe should be familiar with several programs for Southeastern Europe. One of the most significant developments has been the Transportation Project Preparation Facility (TPPF). The TPPF, with a cost of about $2.8 billion, comprises three programs: the Transportation Infrastructure Regional Study (TIRS), the Regional Balkans Infrastructure Study (REBIS), and the Trade and Transportation Facilitation for Southeast Europe (TTFSE).

TIRS was the first phase of a study that examined the strategies of the individual countries and their approaches to establishing a basic interregional infrastructure network. TIRS identified major regional and international routes in Southeastern Europe, created a framework for planning and coordinating infrastructure investment, and identified short-term projects for international financing.

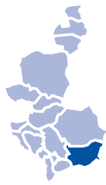
REBIS, the second phase of the study, identified priority projects in the region and prepared feasibility studies for selected project proposals. By the end of 2003, REBIS had examined 150 transportation infrastructure projects, including highways, river ways, and railroad networks. The REBIS program links the cities of Banja Luka, Belgrade, Pristina, Podgorica, Sarajevo, Skopje, Tirana, and Zagreb, as well as links them to neighboring countries and key ports on the Adriatic by road, rail, and airway.

TTFSE has concentrated on promoting trade and transportation throughout Southeastern Europe by improving road and border-crossing infrastructure, as well as by modernizing and strengthening customs offices to reduce wait time, decrease corruption, and improve communications between customs officials in the countries of Southeastern Europe.

For U.S. companies, the three initiatives of the TPPF can provide a comprehensive look at the current state of transportation infrastructure in Southeastern Europe. For more information on transportation infrastructure, visit CEEBIC's Southeast Europe Initiative page (*www.mac.doc.gov/ceebic/SEE.htm*).

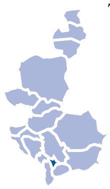
Around the Region

Bulgaria: Agency to Offer 318 Newly Privatized Stocks



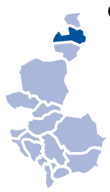
The Bulgarian Privatization Agency is set to make a tender offering of 318 newly privatized Bulgarian companies on the Bulgarian Stock Exchange. Of those, 253 are in joint stock companies. Two methods of tender will be used: controlled (or centralized) public tender and remote public tender. No heating companies will be offered on the exchange market as a result of a failure to resolve the industry's privatization method.
Source: Amcham Bulgaria.

Kosovo: World Bank Commits Additional Funds



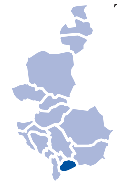
The World Bank has made an additional $15 million of grant funds available to Kosovo. The grants will support new economic policies, improve the environment for business, and assist in restructuring the mining and energy sectors. To this point, assistance has been focused on economic reform, institution building, and strengthening of the private sector. Overall, World Bank assistance for rehabilitation and development in Kosovo has totalled some $80 million since 1999.
Source: World Bank.

Latvia: Land Restrictions Lifted



On April 8, the Latvia government passed amendments to the Land Reform Law. The amendments allow EU citizens and businesses to purchase land in Latvian cities without restrictions after accession to the EU on May 1. The amendments also provide for a period of transition between 2004 and 2011. During that time, EU citizens will be able to purchase land in cities as long as their areas of interest are not agriculture or forestry.
Source: RFE/RL.

Macedonia: Lower Customs Rates on the Horizon



The Macedonian Ministry of Economy has indicated that it will lower customs rates for 60 percent of its raw materials used in industrial production, mainly in the food, shoemaking, wood, and chemical industries. The aim of the reduction is to make Macedonian finished goods more competitive in foreign markets. The Macedonian government also announced that it will begin issuing its own certificates for agricultural products in Skopje, as opposed to in Belgrade or Sofia.
Source: *www.seeurope.net*.

Serbia and Montenegro: Serbia Reaches Agreement with World Bank

On March 26, the Republic of Serbia reached an agreement with the World Bank for $120 million of credit in 2004. The credit covers the first part of a $550 million, three-year arrangement with the World Bank's Country Assistance Program. This agreement follows an agreement with the International Monetary Fund that provides an additional $140 million of credit. Deputy Prime Minister Miroljub Labus believes the agreements send an important message to international financial institutions about continuing reforms and Serbia's ability to attract foreign investment.
Source: *www.seeurope.net*.

* Note for Calendar of Events

For a more complete list of events, go to CEEBICnet: *www.export.gov/ceebic*.
This notice is provided solely as an informational resource and does not constitute U.S. Department of Commerce endorsement of these events. All information published in the *Commercial Update* regarding trade events is subject to change without notice by the organizers of those events.

Central and Eastern European Commercial Opportunities

Albania: Private Telecom Company Seeks U.S. Partner for Wireless Rural Telecommunications and Internet Provider

Rezart, sh.p.k., would like to purchase a satellite dish including an outdoor unit, modem for Internet access, and routers to connect to the international Internet backbone. The router should have 64 dial-up simultaneous-access ports. The company also wants to purchase a chip for wireless phones to cover a frequency of 1880–1900 megahertz.

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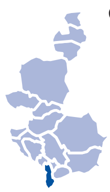
Albania: Company Seeks to Distribute U.S. Food Products and Household Goods



Gjoni Impex, a privately owned company, has been in business for 11 years and has annual sales of over $1 million. The company seeks to become a distributor for U.S. manufacturers of food products and household goods.

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Fax: +355-42-32222
E-mail: *dashiOX@state.gov*

Macedonia: Company Seeks to Purchase Frozen Chicken Parts

Adrijus was established in 1994 and has 10 employees, who organize and handle all company activities. The company's major activity is the import and distribution of fruits and vegetables. In addition, Adrijus imports 1,500 to 2,000 tons of chicken meat per year.

The company has its own refrigerated warehouse (cold-store) with a capacity of 600 tons of frozen food. Adrijus has its own motorpool for in-country distribution operations from its three discount centers, which are based in Skopje and Gostivar. Adrijus is looking for a firsthand U.S. supplier for regular, and direct shipments of U.S. produced frozen chicken parts.

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Rexhep Bajrami, Manager
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Fax: +389-2-204-7382
E-mail: *adrijus@hotmail.com*

Macedonia: Company Seeks to Purchase Milling Wheat

JAKA 80, established in Radovish, FYR of Macedonia, in 1980 seeks to purchase milling wheat. The company makes pharmaceutical, cosmetic, and dietetic products. JAKA 80 obtains its raw materials from European manufacturers or from authorized distributors whose quality is confirmed with European certificates.

Contact:
Suzana Gjorgjieva, Chief of Imports Department
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Web site: *www.jaka80.com.mk*

Continued on page 5—Commercial Opportunities

EU Accession Extras

Croatia on Track for EU Membership

The European Commission has responded positively to Croatia's application for EU membership, which it submitted in February 2003. According to the Commission, Croatia constitutes both a functioning democracy and market economy, but the country needs to undertake additional reforms to meet all of the political and economic criteria. The EU ministers will decide in June 2004 whether they agree with the Commission's opinion. If so, Croatia will be promoted to candidate country status and will be allowed to start accession negotiations. Although much work remains to be done, the country hopes to join the EU as early as 2007, along with Bulgaria and Romania. To ensure that talks begin in a timely fashion, Croatia must continue to cooperate with the International War Crimes Tribunal. The Commission also recently published its first European Partnership with Croatia, which outlines priorities for both the short and medium term to help prepare the country for eventual EU membership.
Sources: *EU Enlargement Weekly* and *EU Observer.*

EU Integration Could Be an Economic Stimulus for the Accession Countries

According to recent economic forecasts by the European Commission, accession has already generated favorable growth in the CEE region and will continue to do so. The new EU member states saw an average economic growth of 3.6 percent in 2003, supported in large part by private consumption, and this rate should increase to 4 percent in 2004 and 2005. Investment growth will play a significant role as it climbs from 1.9 percent in 2003 to as much as 7.3 percent in 2005. In addition, the accession countries' efforts to improve infrastructure and enhance environmental standards will add to economic growth in the region. Furthermore, net transfers from the EU in the form of the Structural and Cohesion Funds should also contribute to the boost. Forecasters predict that the overall increase in economic activity will trigger job creation, as well as a decline in unemployment rates. On the whole, enlargement could provide an important economic stimulus for the region, allowing for more convergence with existing EU member states.
Source: *EU Enlargement Weekly.*

Commercial Opportunities—*from page 4*

Slovakia: Production Complex for Small and Medium-Sized Enterprises

Rentako complex is located in Liptovsky Mikulas in central Slovakia. It is owned by the Slovak company Capital Partners Consulting (CPC) and consists of a production hall, an administration building, and garages. Although the Rentako site would be a brownfield investment, it is readily available for readjustment depending on the investors' requirements. The complex is conveniently located for establishing an industrial production, business enterprise, or distribution channel within Slovakia. The Rentako site is approximately 13,800 square yards and consists of built-up areas (6,350 sq. yd.), as well as driveways, parking lots, roads, and reinforced areas (7,450 sq. yd.). Available utilities include energy supply (transformer station), drinking water distribution, heat feeder line from a central municipal source, telecommunication cable, and sewage conduit connected to municipal sewage canalization. All types of industries are welcomed at the Rentako complex. However, based on CPC analyses, optimum use of the existing objects could be for light industry manufacturing, wood processing, carpentry, food processing, electromechanical production, warehousing, or logistics and distribution.

Contact:
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Project Manager
Capital Partners Consulting
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831 03 Bratislava
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Cell phone: +421-903-795-332
E-mail: *vlehocky@cpg.sk*

Estonia: Largest Baltic Packaging Company Seeks U.S. Contacts

Estiko Plastar, established in 1991 and with annual sales of $25 million, is one of the biggest packaging producers in the Baltics. It buys raw materials from Russia, Scandinavia, and Europe, but wants to make contact with U.S. businesses that are LDPE granulate producers. Estiko Plastar would like to establish a trade volume of around 5,000 tonnes per year.

Contact:
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Estonia 50107
Tel: +372-7-308-382
Fax: +372-7-308-341
E-mail: *anti.roos@estiko.ee*

E.U. Accession—*from page 1*

have a dual usage, require a license. Export licenses can be obtained from the Bureau of Industry and Security (BIS) at the U.S. Department of Commerce. BIS coordinates the licensing process with the Departments of State and Defense. If an exporter has a good that may need a license, the Export Commodity Control Number (ECCN) must be determined by the manufacturer. The number can also be obtained by filling out the BIS-748 Multipurpose Form, available by calling BIS's form-request line at (202) 482-3332. This form also serves as the application for the export license itself. (For specific questions about export licenses, visit *www.bis.doc.gov* or call (202) 482-4811.)

EU accession will dramatically affect standards on products. With the free movement of goods across EU borders, as prescribed by the rules of the Single Market, standardization has taken on increased importance. To ensure that their products meet the necessary standards, U.S. exporters should familiarize themselves with two key concepts: the CE mark and the New Approach directives. The CE mark—a passport that allows manufacturers to circulate industrial products freely within the EU—certifies that the products have met EU health and safety requirements. All manufacturers in the EU and abroad must affix the CE mark to those products covered by the New Approach directives. The EU devised its New Approach directives to streamline the development and harmonization of technical standards for a broad base of product groups, such as machinery, electrical products, and medical devices. The New Approach directives consist of essential health and safety requirements, rather than detailed specifications. Oversight of the technical details for manufacturers to follow to meet the minimum health and safety requirements have been assigned to three groups: (1) manufacturers that self-certify products by meeting the requirements of the applicable directives, and in some cases, by using appropriate European standards; (2) the three regional European standards organizations (CEN, CENELEC, and ETSI); and (3) government-appointed product-certification bodies ("notified bodies"), which provide testing and product approvals. (To learn more about standards, CE marking, and the New Approach directives, visit the Department of Commerce's Trade Information Center CE mark guide at *www.ita.doc.gov/td/tic/ce_mark/ceindex1.htm*.)

U.S. firms that have certified their goods with the CE mark face a major challenge staying current on new standards in force for their products. For example, the European standards bodies have developed some 750 standards for the Low Voltage Directive and 175 standards for the Electromagnetic Compatibility (EMC) Directive. New standards are issued frequently and sometimes replace earlier standards, so that U.S. companies that use EMC or low-voltage standards are considered to be non-compliant with CE mark requirements.

Although U.S. exporters might need some time and patience to adjust to the changes that accompany EU accession, the homogeneity of rules and regulations across Western and Eastern Europe should facilitate trade and investment, as well as the free movement of goods and capital. If your company needs more information on the above modifications in the region or wants to learn how to take advantage of the new opportunities offered by EU enlargement, please refer to our newly updated, country-specific "How to Export" guides which are available on the CEEBIC Web site at *www.mac.doc.gov/ceebic/* or by calling CEEBIC's EU accession hotline at (202) 482-9090. CEEBIC can also help you keep track of amendments to various standards. CEEBIC's EU accession Web site offers several valuable resources for U.S. companies, including sources of finance, market research, and key opportunities by industrial sector. Please visit us at *www.mac.doc.gov/ceebic/euAccession.htm*.

Exporter's Corner

Did you know

- Together, the United States and Europe share more than 40 percent of the global economy and transact more than $1.5 trillion per year in trade and investment.
- Most large U.S. corporations have operations in Europe, and Europe is the largest source of foreign direct investment in the United States.

Source: United States Commercial Service.

2003 U.S. Exports to Central and Eastern Europe (in million of U.S. dollars):

Hungary: $933.8
Poland: $768.7
Czech Republic: $672.3
Romania: $366.9
Croatia: $196.8
Lithuania: $162.6
Bulgaria: $155.8
Slovenia: $139.5
Latvia: $124.0
Estonia: $120.6
Slovakia: $115.2
Serbia and Montenegro including Kosovo: $50.0
Bosnia and Herzegovina: $21.2
Albania: $9.7

Source: World Trade Atlas, U.S. Department of Commerce.

Frequently Asked Questions

What is a Harmonized Tariff System number?
The Harmonized Tariff System is a universal classification system that is used to provide duty rates for virtually every item that exists. Every item that is exported is assigned a unique 10-digit identification code. Every code contains progressively broader product categories. For example, the harmonized system number for concentrated frozen apple juice is 2009.70.0010. The 10-digit identifier for concentrated frozen apple juice contains the broader category, a six-digit identifier for apple juice (2009.70). Apple juice itself is part of a broader category with a four-digit identifier (2009), described as "fruit juices and vegetable juices." The four-digit identifier in turn is part of a broader category described as "preparations of vegetables, fruit, nuts, etc.," with a two-digit identifier (20). The first six digits of the classification number are universal, but the last four may vary from country to country.

Why do I need a Harmonized Tariff System number?
To determine duty rates for each country that your business exports to, you must first obtain the Schedule B/Harmonized System number. CEEBIC can provide unofficial tariff rates for non-agricultural products for certain countries, as well as contact information for foreign customs authorities. Certain express carriers may also require you to list the Schedule B number on their airway bill or the commercial invoice.

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