

# POLICY PAPER



## WILL BREXIT HURT INVESTMENTS IN CEE COUNTRIES?

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# Introduction

The United Kingdom (UK) itself represents one of the most important source countries for foreign direct investments (FDIs) inflows into the CEE region. Besides, Britain plays an important role of a gateway for FDIs flows between continental Europe and third countries, Anglophone countries in particular. The UK shares with the English speaking (Anglophone) countries strong cultural and economic linkages through the common law legal system, common managerial practices and corporate governance system, similar role of civil society in the economy and many other features regarding organization of society. The UK is thus a natural stepping point for FDIs from these countries that are directed into the continental European Union (EU). British companies often play the role of a safe intermediary that serves as a headquarters for further investments into the EU, offering English speakers with knowledge of the targeted markets and available related financial and consultancy services. Membership in the EU at the same time provides for an easy expansion from the UK further into the EU (free movement of capital, free movement of managers, advantageous regime of taxation of dividends etc.). In case of Brexit, this settled pattern would be threatened and dependant on the conditions of the British access to the EU internal market which would result from the negotiations with the rest of the EU under the Article 50 of the Treaty on European Union.

**The analysis aims to respond to the following research questions:**

- i) What is the role of the UK companies in bringing FDIs into the CEE region from the non-EU Anglophone source countries?

- ii) How could British departure from the EU influence the structure of the investment chain? Would be the managerial oversight of the CEE investment moved from the UK? If yes, would it be moved back to the source country of the investment (e.g. USA, Canada) or forwarded to the CEE country or elsewhere in the EU?

This paper firstly briefly provides a political perspective on the FDIs flow within the debate in the UK and consequently discusses the difference between FDIs and trade exchange. After setting the goals and methodology, a summary of the main findings reflecting the data available in the chart attached follows. The conclusions include policy reflection on the analysis.

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THE UK SHARES  
WITH THE ENGLISH  
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(ANGLOPHONE)  
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## POLITICAL PERSPECTIVE ON THE ISSUE OF THE FDIS FLOW

The flow of FDIs has been one of the key features discussed in connection with the British membership for more than a decade. A part of the conservative stream of political thinking in Britain started to promote an idea that with advance of modern technologies such as internet and cheap flights, the geography matters less than ever before. The geographic closeness of the British isles to continental Europe is thus less relevant and Britain should therefore rather integrate with culturally closer countries of the so-called Anglosphere (USA and mainly former British dominions, Canada, Australia and New Zealand) than with countries of continental Europe.

One of the main arguments of the Anglosphere discourse is that the British society, despite its membership in the EU, is in fact more integrated with the Anglosphere countries than with the rest of the EU, which is due to strong cultural

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MANY OF THE ARGUMENTS OF THE ANGLOSPHERE DISCOURSE HAVE BEEN ADOPTED BY THE UNITED KINGDOM INDEPENDENCE PARTY (UKIP).

similarities and a dense cross-border linkage between individuals and companies.<sup>1</sup> The direct evidence of this more intense integration of the UK and the Anglosphere is then reflected in the empirical statistics on significantly higher mutual exchange of FDIs between the UK and Anglosphere countries than between the UK and other countries of the EU.<sup>2</sup>

Many of the arguments of the Anglosphere discourse have been adopted and brought into the political debates even before most of the recent elections in Britain, in particular by the United Kingdom Independence Party (UKIP), the strongest proponent of British departure from the EU. Part of the campaign *Vote Leave* ahead of the June 2016 referendum also uses and develops these arguments.

## FDIS VERSUS TRADE – WHICH INTEGRATES MORE?

It could be easily defended that FDIs stand for longer term connections between countries than trade relations. FDIs cannot be that easily reoriented to a different country as in case of mere exports of goods abroad. At the same time, FDIs customarily lead to an enhanced cooperation between the investing company and its foreign acquisition that may involve knowledge transfers, exchange of persons in managerial posts, transfer of patterns of the suppliers' structure (e.g. investing company recommending an international consultancy company advice on important issues of the acquired foreign company), etc. Conversely, foreign trade can reach high numbers even between countries that are not connected by such enduring links and its durability is dependant on the customer/purchaser base habits that may vary in time.

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<sup>1</sup> Bennett, James C. *The Anglosphere Challenge: Why the English-speaking Nations Will Lead the Way in the Twenty-first Century*. Rowman & Littlefield, 2004; Bennett, James C. "Networking Nation-States." In *The National Interests*. No.

74 Winter 2003/2004, 2003 or Nalapat, Madhav. Das. 'India & the Anglosphere' *New Criterion*, Jan 2011, Vol. 29 Issue 5, p23-28. 2011.

<sup>2</sup> Bennett, James C. "Networking Nation-States." In *The National Interests*. No. 74 Winter 2003/2004, 2003 or Lloyd, John. *The Anglosphere Project*. *New Statesman*, 13 March 2000, pp. 20-22.

Nevertheless, the Anglosphere discourse, left widely aside the question, to which extent FDIs from Anglosphere countries to the UK are connected with the British position as a gateway to the large internal market of the EU. The analysis in this paper strives to map this empty field and put the Anglosphere discourse arguments on proper grounds.

## PURPOSES AND GOALS OF THE ANALYSIS

Regardless of the outcome of the June referendum in Britain, a proper mapping of the role of British companies in the transfer of FDIs into the Central and Eastern European (CEE) region could yield needful information. In case Britain decides to remain in the EU, the pattern of FDIs transfers mapped in this paper could serve for better understanding of organization and structure of international corporate chains that operate in the CEE region. It will help in understanding where the main decisions and company strategies are made. In case British people decide to leave the EU, a proper mapping of the corporate chains structure could indicate the most crucial policy stakes for the consequent negotiations between the EU and the UK as well as what policies should be adopted to mitigate any possible adverse effects. Last, but certainly not least, this paper can shed the light on the arguments of the so-called Anglosphere discourse which is strongly present in the Vote Leave campaign.

## METHODOLOGY OF THE ANALYSIS

The analysis is focused on mapping of the structure of corporate chains of the biggest FDIs from the Anglophone countries into the Czech Republic as a receiving country. The selection of the examined corporate chains is based on lists of incoming investments made by the Czech agency CzechInvest.<sup>3</sup> In case of the Czech Republic, all disclosed investment projects that have a non-EU Anglophone country from this list as their source country were examined.<sup>4</sup> For comparison purposes, the data were extended by the examination of the biggest FDIs from non-EU Anglophone countries provided by contributing authors in Poland and Hungary.<sup>5</sup>

The data provided by the CzechInvest were used for the identification of the source country of the examined FDIs.

The examination of the corporate chain structure is based on publicly available data from the Commercial Registry, and in particular the audited reports on relations between affiliated persons, which is a mandatory part of an annual report of a company belonging to a corporate group under the Czech law.<sup>6</sup> The analysis is based on the most recent report available in the Czech Commercial Registry.<sup>7</sup> Open sources, including available foreign (mostly British) commercial registries and websites of the examined global corporations, were further used for verification and completion of the examined data. Similar process was used also to obtain data from Poland and Hungary.

The policy suggestions in this paper are based on the conducted analysis and on parallel interviews and discussions with representatives of consultancy firms and public administration in the UK during the field work conducted in May 2016.

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<sup>3</sup> CzechInvest. Inflow of Foreign Direct Investment. Available at: <http://www.czechinvest.org/data/files/fs-02-inflow-of-fdi-66-en.pdf> [12/06/2016] extended by the most recent data (1. 4. 2015) included in the table "Statistika tuzemských a přímých zahraničních investic". Available at: <http://www.czechinvest.org/ke-stazeni> [12/06/2016].

<sup>4</sup> The study identifies source countries based on publicly available data, including identification by the national investment agencies and other supporting features such as where the seat of the final controlling (mother) company is, and in edge cases also where the shares of the final mother company listed at a stock exchange are, or where the residence of the beneficiary owners is.

<sup>5</sup> The selection of the top five Anglophone FDIs in Hungary was based on the annual top 200 list of companies compiled by two business weeklies – Figyelő and HVG – in 2014. In case of Poland, the top five FDIs included three investments with the source in the UK (Tesco (Polska) sp. z o.o., BP Europa SE and GlaxoSmithKline Pharmaceuticals S.A.). Therefore, only two FDIs with the source in non-EU Anglophone countries (both from the USA) were included in the study.

<sup>6</sup> Art. 82 of an act no. 90/2012 Coll., the Law on Commercial Corporations, as amended, or previously binding law on this matter.

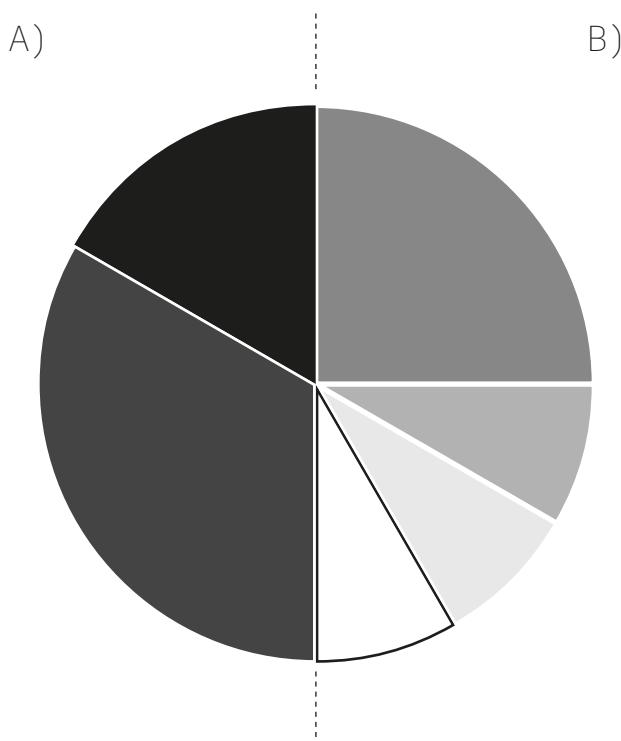
<sup>7</sup> Individual examined companies may use different terms for reporting than a calendar year and in some cases they may be late with fulfilment of their information duties towards the Commercial Registry. For this reason, different years, but always the most recent available, are reflected.

## DISCUSSION OF THE ANALYSIS OUTCOMES

The examination of the 12 biggest non-EU Anglophone corporate groups with subsidiaries **in the Czech Republic** shows the following. From the FDIs under scrutiny, ten were identified as having their source in the USA, one in Canada and one in Ireland/USA. There are two main general patterns of the role of UK companies within the corporate group. These two patterns are evenly represented among the examined cases. In half of the corporate groups (six cases) under examination, UK companies were not present at all or had only an ordinary role of a sister company towards Czech FDIs as any other company within the corporate group and no special role could have been identified (pattern A). However, the same number of examined corporate groups (six cases) revealed a significant role of a UK company towards the FDI

in the Czech Republic. This significant role could be further sub-divided based on the intensity of connection and position of the UK company within the corporate group (pattern B). Three examined corporate groups represent a situation in which a Czech company consumes administrative, accountancy, consultancy or other governance related services from a company located in the UK. In one further examined situation a company situated in the UK directly controls a Czech company as its immediate parent. In another examined corporate group all processes of a Czech company are on contractual basis controlled by a sister company based in the UK. Finally, one reverse situation in which a UK company consumes administrative, accountancy, consultancy or other services from a Czech company has been identified. The proportional representation of the various situations is shown in the chart below.

### **Different identified situations.**



#### **A) No special role of the UK companies within the corporate group:**

- No company (in parent or sister position towards the Czech entity) identified in the UK
- The UK sister company has only ordinary intra-group relations with the Czech company

#### **B) a special relationship identified between the UK company and the Czech company:**

- The Czech company consumes administrative, accountancy, consultancy or other services of such type from a company located in the UK
- The UK company is an immediate parent of the Czech company
- The UK sister company controls all processes of the Czech company on contractual basis
- The UK company consumes administrative, accountancy, consultancy or other services from the Czech company (reverse scenario)

**Groups with a special role of the UK company generally provide more space for local leadership on the board.**

The pattern (A) standing for a situation when the UK company has no specific role is often connected with dominant direct control of the final controlling company in the USA or of the intermediate parent in Austria, Luxemburg or Netherlands. The companies fitting to this pattern show a medium tendency to have more foreign residents on their boards and less board members are residents in the Czech Republic. In pattern (B) where the UK company has a specific role this situation is often reversed and more local residents are included in the corporate board. This could be generally interpreted in a way that higher control through the company located in the UK already provides sufficient surety in governance of the company. It is therefore possible to allow broader space for local residents in corporate boards. Conversely, a non-existent special role of the UK company brings higher tendency to post-foreign residents, even US residents, on the board and maintain the governance directly through the board. This could be, however, considered only as a medium tendency connected to the two patterns and not as a strict rule. Both patterns show exceptions contradicting this trend.

**Maintaining liberal environment of cross-border accountancy, administrative, consultancy and other such business support services is a key stake for the UK.**

The most numerous sub-group of the pattern (B) where the UK company has a specific role is a situation when a Czech company consumes administrative, accountancy, consultancy or other business support services of such a type from a sister company located in the UK. It is not necessary for the company in the UK to have a parent status towards the Czech entity. For tax purposes this may be placed more conveniently in Luxemburg or the Netherlands. Despite this, the UK companies within those corporate groups reached a special status. They provide specialized services to the group globally or at least to subsidiaries of the corporate group in Europe. In some cases, the value of such services purchased from a British sister company surpassed the value of these services consumed directly from the controlling parent in the USA. From broader policy perspective, this shows that some form of preservation of the

free movement of services (and not only services in the financial sector) could be a key stake for the UK in case of British departure from the EU. British long-term policy of deepening of liberalisation of the cross-border provision of services within the single market of the EU could be also partly explained by this finding.

**In one examined case a British company relied fully on free movement of goods in control of a Czech entity.**

One of the examined cases (Kimberly-Clark, s.r.o., a manufacturer of hygienic products) revealed a specific situation in which a UK sister company controlled the operation of a Czech FDI on contractual basis. The Czech entity provides manufacturing work only. All its supplies and products are directly owned by the British entity within the corporate group. The British company also manages all the exports to third markets. Even in relation to the market in the Czech Republic, the Czech entity servers only as a proxy of the British company, although it sells goods produced in its factories. Such a scheme could hardly survive without free movement of goods between the Czech Republic and the UK, or could survive only with a special (and highly complex and administratively demanding) arrangement of a custom storage area for the Czech plant which would be exempted from custom duties.

The pattern (B), where the UK company has a specific role, has been identified also among the biggest FDIs in Poland and Hungary. In Hungary, one in five biggest FDIs from the USA uses the company in the UK as an immediate parent company for its subsidiary in Hungary. The biggest FDI from the USA in Poland also used the British immediate parent company for control of its car plants in the country. The exception is the car sales division in Poland which is controlled through an immediate parent company in Spain.

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### **WHAT COULD HAPPEN IN CASE OF BRITISH DEPARTURE FROM THE EU?**

#### ***An Irish alternative and other possible scenarios.***

In two examined cases, a special role was played not by a company located in the UK, but in Ireland. In one case (Eaton Corporation plc), the whole corporate group moved its headquarters to Ireland and the link to the USA is preserved through listing of the Irish holding company at NYSE. In another case (RED HAT LIMITED), Irish based company played a role of an immediate parent company of the Czech FDI. This suggests that Ireland has potential to at least partially assume position of the UK companies if the UK decides to leave the EU. Similar conclusions were reached also in a study elaborated for the Irish government. In this case, however, the Irish potential has been scaled down due to expected limits of the capacity of this small country to host more FDIs.<sup>8</sup> The alternatives are i) reverting the provision of services to the home-country of the FDI source, which could be partly facilitated by free trade agreements between the EU and the home country (i.e. CETA in case of Canada and TTIP in case of the USA), but the most plausible solution would be to ii) move the European administrative hub of the corporate group to the EU. This may be an opportunity for the companies in the CEE countries to persuade foreign managers that they are ready

to host such highly value added services. There is, however, also a general peril that without the UK and its intermediary role, the whole EU could be less visible for the new FDIs from the Anglophone countries in the future. The CEE countries should consider increasing their own activity in attraction of FDIs from non-EU Anglophone countries to offset this possible threat.

#### ***Czech companies could provide administrative services to the whole group.***

The Czech Republic can no longer be considered as a country that desires only to focus on manufacturing tasks. With climb in the global value added chain, Czech subsidiaries of the global corporate groups can reach status when they no longer consume intra-group administrative services but also provide these services to the rest of the group. One of the examined corporate groups (administrative services provided by Honeywell International s.r.o.) revealed such a situation. The still relatively cheap and skilled labour and lower living costs in the country compared to the western neighbours provide the Czech Republic, and Prague in particular, with a growth potential in this sphere.

#### **In response to the findings in this study, the following policy recommendations can be made:**

- 1) The modern economy and currently dominant corporate culture is based on specialization and cross-border exchange of goods, services, capital and workers. The biggest corporate groups function in many countries and assign specific roles to each of its subsidiaries. Nowadays, it is not unusual to have a company specialized on marketing for the whole group based in Spain, manufactures in Poland and administrative centres in Luxemburg or Ireland. The UK companies within the corporate groups often assume specific status of the provider of administrative, accountancy and other business support services to the whole group globally or at least to its part located in Europe. The UK membership in the internal market of the EU is a primary mean that facilitates this role.

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<sup>8</sup> Scoping the Possible Economic Implications of Brexit on Ireland, published Thursday, 5 November 2015. Quoted from Irish Economy News. Available at: <http://www.esri.ie/news/new-report-on-the-economic-consequences-of-brexit-for-ireland/> [14/06/2016].

- 2) From the biggest non-EU Anglophone corporate groups with subsidiaries **in the Czech Republic**, half of them revealed a special role of a British sister or intermediary parent company. This could mean that the Czech entity consumes the above mentioned administrative services from the UK company which is directly controlled by a company on the British isles or has a special contractual arrangement providing control over its functioning to the British company. British access to the internal market is a primary facilitator of this special position. Without the access, the UK company could not fulfil its role within the corporate group and provide high earning jobs to its UK based employees.
- 3) The access to the internal market, and in particular to the free movement of services, is thus a key stake for any British government. In case of British departure from the EU, it is important to maintain access to the service market of the EU. In case Britain remains in the EU, it will continue to be a champion of the liberal environment of cross-border accountancy, administrative, consultancy and other such business support services in the EU.
- 4) Ireland has the potential to at least partly assume position of the UK companies if the UK decides to leave the EU. There are, however, limits to the Irish capacity to host more new FDIs. The corporate groups could revert provision of administrative services to the home-country of the FDI source, but this does not seem to be a generally applicable solution. The most plausible answer would be to move the European administrative hub of the corporate group from the UK to the EU. This may be an opportunity for the companies in the CEE countries to persuade foreign managers that they are ready to host such highly value added services.
- 5) It is possible for companies from the CEE countries to climb up the ladder of added value and develop a reverse scenario in which a CEE country provides specialized administrative support services to the whole group. In fact, the still lower living costs in capital cities of the CEE countries together with the potential of the local labour suggest that this could be a way for our region to avoid slowing down of the economic convergence and the imaginary

middle income trap that threatens the CEE region. Policy preferences of the region thus may overlap with the above mentioned liberal position of the British government towards cross-border provision of services.

- 6) There is a medium tendency (not a rule) for the corporate groups where the UK company does not have a specific role towards the FDI in a CEE country to have more foreign residents on their boards than local residents. This could be generally interpreted in a way that higher control through the company located in the UK already provides sufficient surety in governance of the company and it is possible to allow broader space and autonomy for local residents in corporate boards.
- 7) There is, however, also a general risk that without the UK and its intermediary role the whole EU could be less visible for the new FDIs from the Anglophone countries in the future. The CEE countries should consider increasing their own activity in attraction of FDIs from non-EU Anglophone countries to offset this possible threat and increase its FDI seeking capacity (investment agencies) directly in these countries.

#### **Summary of examined data:**

The study examined 12<sup>9</sup> non-EU Anglophone corporate groups with subsidiaries in the Czech Republic (i.e. the whole list of disclosed FDIs on the list of the Czech investment agency CzechInvest), 5 in Hungary and 2 in Poland. Several of the examined corporate groups had more than one subsidiary in the target CEE country. The total number of examined FDI companies in the target countries reached: 21 in the Czech Republic; 5 in Hungary and 5 in Poland.

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<sup>9</sup> Eaton Corporation has been treated as a non-EU FDI despite its headquarters in Dublin, Ireland. According to the CzechInvest, the source country of the FDI has been identified as the USA. The shares of the Irish HQ are listed at NYSE and the company has a hundred years long history record related to the USA, with its origins in 1910s in Bloomfield, New Jersey and later in Cleveland, Ohio.

Investment in Czech Republic	Qualitative information on the FDI	Quantitative information on FDI	Immediate parent company (state)	Final beneficiary owner (state)	British company in the chain and its role towards the FDI (immediate parent, intermediary parent, sister)	Relationship between the UK company and the FDI	Place of residence of board members in the FDIs
<b>Solar Turbines EAME s.r.o.</b>	Gas turbine (repair centre in Žatec; testing centre in Žebrák)	Turnover 5.771 mil. CZK (2014) 173 employees (2014);	Luxembourg and Belgium (CATERPILLAR LUX-EMBOURG S.á.r.l. and SOLAR TURBINES EUROPE S.A.)	USA (Caterpillar Inc.)	CATERPILLAR SHREWS-BURY LIMITED (sister); Caterpillar UK Holdings limited (sister)	None.	USA
<b>Eaton Industries s.r.o. a Eaton Electric s.r.o.</b>	Manufacturing plant in Southern Bohemia (1000 jobs)  Innovation centre in Roztoky u Prahy	Turnover 1204 mil. CZK (2014) employees 514 (2014)	Netherlands (Eaton Holding I B. V. and Eaton Industries B.V.)	Ireland (Eaton Corporation plc) listed at NYSE	Eaton limited (sister)	Service agreement, technical assistance agreement (licence, technical services, accounting and consultancy services)	CZ, ES
Eaton Elektrotechnika s.r.o.		Turnover 3451 (2014) employees 886 (2014)	Germany (Eaton Holding SE & CO.KG)		Eaton limited (sister)	Service agreement – purchase of services.	CZ
<b>Red Hat Czech s.r.o.</b>	Development centres and offices in Brno and Prague  IT, open source and enterprise IT solutions	617 employees (2015); Turnover 805 mil. CZK (2015)	Ireland, USA (RED HAT LIMITED, Cork, 99,73% share;  RH Sub-sidiary, Inc., Delaware, share 0,27 %)	USA, North Carolina (Red Hat Inc)	Red Hat UK limited (sister)	None, but all services of the Czech FDI are provided within the corporate group.	3 USA, 1 IE
<b>IBM Česká republika, spol. s.r.o.</b>	IT and strategic services, consultancy services	707 employees (2014) Turnover 6.227 mil. CZK (2014)	Netherlands (IBM Central and Eastern Europe B.V.)	USA, New York (International Business Machines Corporation)	IBM United Kingdom Limited (sister)	Mutual exchange of services; purchase of administrative, training, managerial, personal and IT services	CZ, SK
<b>IBM Global Services Delivery Center Czech Republic, s.r.o.</b>	research and development for companies within the corporate group  Managerial headquarter for affiliated persons in CEE countries		Switzerland (IBM Switzerland Ltd)				

Investment in Czech Republic	Qualitative information on the FDI	Quantitative information on FDI	Immediate parent company (state)	Final beneficiary owner (state)	British company in the chain and its role towards the FDI (immediate parent, intermediary parent, sister)	Relationship between the UK company and the FDI	Place of residence of board members in the FDIs
<b>Honeywell Aerospace s.r.o.</b>  (Honeywell International s.r.o., Honeywell Aerospace Olomouc s.r.o.)	Two R&D centres, in Prague and Brno	604 employees (R&D) in Honeywell International s.r.o.	USA, Delaware, (AlliedSignal Aerospace Service Corporation 80%, <b>Honeywell International Inc. 20%</b> )	USA, Delaware, (Honeywell International Inc.)	Honeywell Aerospace UK, Feltham, Yeovil and Basingstoke (sister)	The UK entities consume administrative services from the Czech entity (Honeywell International s.r.o.) and repair services from Honeywell Aerospace Olomouc s.r.o.	CZ, DE
	Two manufacturing plants: in Olomouc (Honeywell Aerospace) and in Brno (Environmental and Combustion Controls)	2122 employees in Honeywell, spol. s r.o. Turnover 3.742 mil. CZK	Italy, USA Honeywell s.r.l. (Italy 449/450) AlliedSignal Aerospace Service Corporation (USA 1/450)		ADI-GARDINER EMA Ltd. Trend Control Systems Limited (sisters)	Honeywell Aerospace Olomouc s.r.o. consumes consultancy services from UK entities.	
<b>Personna International CZ s.r.o.</b>	Manufacturing plant for plastic part of safety razors in Teplice for retail chains	turnover 1.081 mil. CZK (2013) 307 employees (2013)	UK (Wilkinson Sword Limited)	USA, Missouri (Energizer Holdings, Inc.)	Wilkinson Sword Limited (immediate parent)  Personna International UK Ltd. (sister)  Energizer Trading Limited (sister)	The FDI consumes services from parent companies both in UK and USA  Note: the original US controlling company American Safety Razor has been acquired by US company Energizer Holding – this led to change of intermediary holding in the UK, but the structure remained.	USA

Investment in Czech Republic	Qualitative information on the FDI	Quantitative information on FDI	Immediate parent company (state)	Final beneficiary owner (state)	British company in the chain and its role towards the FDI (immediate parent, intermediary parent, sister)	Relationship between the UK company and the FDI	Place of residence of board members in the FDIs
<b>Sanmina-SCI Czech Republic s.r.o.</b>	Repair center for electronic (IT) devices in Brno	Turnover 419 mil. CZK (2014) 464 employees (2014)	USA, Delaware, (Sanmina Corporation)	USA, Delaware, (Sanmina Corporation)	Sanmina UK Ltd, Basingstok (sister)	None.  Note: all accountancy, administrative services provided directly by the parent in USA	USA
<b>Austin detonator s.r.o. (subsidiary Austin detonator assembly s.r.o.)</b>	Production plant for industrial explosives in Vsetín	Turnover 1.463 mil. CZK (2014) 894 employees (2014)	Austria (Austin Europe GmbH)	USA, Ohio (Austin International Inc.)	None.	Note: managerial service agreement with the controlling parent in USA	CZ
<b>Magna Exteriors &amp; Interiors (Bohemia) s.r.o. (and its subsidiary Magna Exteriors (Nymburk) s.r.o.)</b>	Manufacturing plants for plastic products and components for automotive industry in Libáň	Turnover: 2.251 mil. CZK (2014) 1932 employees (2014)	Austria (MAGNA Presstec GmbH)	Canada, Ontario (Magna International Inc.)	Sister companies in UK not involved in management of the Czech FDI	Note: cash pooling with Magna International Europe AG in Austria	3 CZ, 1 AT
<b>Parker Hannifin Manufacturing Holding Czech Republic s.r.o. (and its subsidiary Parker Hannifin Industrial s.r.o.)</b>	Manufacturing plants for motion and control technologies and systems in Sadská and Chomutov	Turnover 488 mil. CZK (2015) 541 employees (2015)	Germany (Parker Hannifin Holding GmbH)	USA (Parker Hannifin Corporation)	PARKER HANNIFIN MANUFACTURING LIMITED (sister)	Note: the Czech entity consumes the biggest amount of intra-group services from the sister company in the UK (7 mil. CZK in 2015), with the controlling parent in USA it is only 4 mil. CZK	CZ

Investment in Czech Republic	Qualitative information on the FDI	Quantitative information on FDI	Immediate parent company (state)	Final beneficiary owner (state)	British company in the chain and its role towards the FDI (immediate parent, intermediary parent, sister)	Relationship between the UK company and the FDI	Place of residence of board members in the FDIs
<b>Kimberly-Clark, s.r.o.</b>	Manufacturing plants for hygienic products in Jaroměř and Litovel	Turnover 723 mil. CZK (2014) 796 employees (2014)	Canada, Ontario 89% (Kimberly-Clark Inc.), USA, Texas 11% (Kimberly-Clark Corporation)	USA, Texas (Kimberly-Clark Corporation)	Kimberly-Clark Europe Limited (sister)	The British company controls all the exports markets and owns all the supplies of the Czech entity which only works as a manufacturer and a representative of the UK entity.	CZ
<b>Merck Sharp &amp; Dohme s.r.o. and MSD IT Global Innovation Center s.r.o.</b>	IT innovation and distribution section in Prague, pharmaceutical	Turnover 1.624 mil. CZK (2014) 212 employees (2014)	Switzerland 99,988% (Merck Sharp & Dohme IDEA AG) and Netherlands 0.012% (MSD Netherlands (Holding) B.V.)	USA, New Jersey, Merck & Co., Inc.	None.	Note: intragroup cooperation with Swiss, US and Irish affiliates.	PL, CZ

Investment in Poland and Hungary	Qualitative information on the FDI	Quantitative information on FDI	Immediate parent company (state)	Final beneficiary owner (state)	British company in the chain and its role towards the FDI (immediate parent, intermediary parent, sister)	Relationship between the UK company and the FDI
<b>GE Infrastructure CEE Holding Kft.</b>	Lamp manufacturer the 2nd biggest exporter in Hungary	10,000+ employees (of them 9,000 in the industrial businesses and 1,200 in GE's Global Operations Center, Budapest)	Netherlands (GE Energy Europe B.V.) and Austria (General Electric Austria GmbH)	USA, Connecticut (General Electric Company)	Number of sister companies in the UK	No information on their relationship
<b>Flextronics International Kft.</b>	Design and electronics manufacturing services to original equipment manufacturer, based in Tab, Hungary		Austria (Flextronics International GmbH)	USA, California (Flextronics International Ltd.)	2 sister companies in the UK	No information on their relationship

Investment in Poland and Hungary	Qualitative information on the FDI	Quantitative information on FDI	Immediate parent company (state)	Final beneficiary owner (state)	British company in the chain and its role towards the FDI (immediate parent, intermediary parent, sister)	Relationship between the UK company and the FDI
<b>Jabil Circuit Hungary Kft.</b>	Plant in Tiszaújváros for turnkey manufacturing services for circuit board assemblies  The largest plant of the group in Europe	Over 4100 employees	UK, Edinburgh (Jabil Circuit Limited) and Netherlands (Jabil Circuit Netherlands B.V.)	USA, Florida (Jabil Circuit, Inc.)	Jabil Circuit Limited (immediate parent)	No information on their relationship
<b>Lear Corporation Hungary Autóipari Gyártó Kft.</b>	Manufacturing car seats, and electric circuits in 4 locations	4000 employees	Luxemburg (Lear Eastern European Operations S.a.r.l.)	USA, Michigan (Lear Corporation)	LEAR CORPORATION (UK) LIMITED (sister)	No information on their relationship
<b>Alcoa-Köfém Kft.</b>	Four manufacturing branches  6th largest overall investor and the 2nd largest American investor in Hungary		Spain (for various Hungarian subsidiaries: Alcoa Inversiones Internacionales S.L.; Alcoa Inversiones Internacionales S.L. and Alcoa Inversiones Internacionales S.L.)	USA, New York (Alcoa Inc.)	Number of locations throughout England (sister)	No information on their relationship
<b>General Motors Poland; General Motors Manufacturing Poland sp. z o.o.; and Motors Powertrain Poland Sp. z o.o.,</b>	Car manufacturer in Gliwice  Engine manufacturer in Tychy	Over 10 bln. PLN income  About 3500 employees in manufacturing alone	General Motors Europe Limited (UK)	USA, Michigan (General Motors Company)	General Motors Europe Limited (immediate parent)	Some parts of production are located in UK. Parent company for engine manufacture and car manufacture in Gliwice  Sales company is controlled by GM subsidiary registered in Spain
<b>TRW Polska SP. Z O. O. (and its subsidiaries TRW Braking Systems Polska SP. Z O.O., TRW Steering Systems Poland SP. Z O.O.)</b>	Engineering centre, which designs car safety systems  Auto-parts production plants	Around 4,5 bln. PLN income  About 4500 employees	Netherlands (TRW Auto B.V.) and USA, Michigan (ZF TRW Automotive)	ZF Friedrichshafen AG (in Friedrichshafen, Germany) – bought TRW Automotive from the original American investor	Almost 30 companies in the UK (sister)	No information on their relationship



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