



In the Name of Allah, the Most Merciful, the Most Compassionate

TECHNICAL UNIVERSITY OF LIBEREC

ECONOMIC FACULTY

DEPARTMENT: BUSINESS ADMINISTRATION



THE ECONOMIC RELATIONSHIP BETWEEN  
THE STATE OF QATAR AND THE CZECH REPUBLIC

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Název tématu: **The economic relationship between the state of Qatar and the Czech Republic**

Pokyny pro vypracování:

- The economic situation in Qatar
- Introduction into economics in the Czech Republic
- Economic relationships between Qatar and the Czech Republic
- Proposal of imported materials from Qatar into the Czech Republic
- Proposal of exported materials from the Czech Republic into Qatar
- Needs of the state of Qatar from the Czech Republic and the Czech Republic from Qatar

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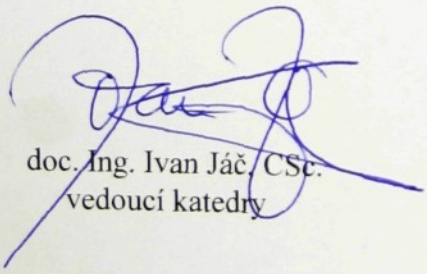
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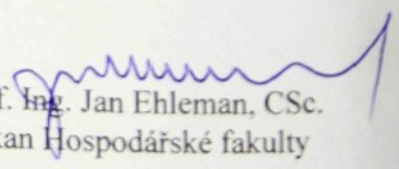
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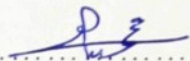


  
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I declare that this Bachelor work has been done independent with using Some literatures and Knowledge of Supervisor and Consultation.



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In Liberce

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## ANOTACE

V této Bakalářské práci se zkoumali již existující obchodní kontakty mezi Qatarem a Českou republikou. A možnosti navázání nových obchodních styků.

Pro snadnější orientaci byla tato práce rozdělena do šesti základních částí. První část se zabývá ekonomickou situací v Qataru. Druhá část je věnována úvodu do ekonomiky v České republice. Třetí část se zabývá ekonomickými vztahy mezi Qatarem a Českou republikou. V čtvrté části následují návrhy na import materiálů z Qataru do České republiky a v páté části z České republiky do Qataru. Závěrečná šestá část se zabývá potřebami Qataru od České republiky a potřebami České republiky od Qataru.

<b>CONTENT</b>	<b>PAGE</b>
<b>INTRODUCTION</b>	<b>7</b>
<b>GENERAL INFORMATION</b>	<b>8</b>
1. Geographic and Historic Background of the State of Qatar	8
2. Natural Resources	10
3. The Economy of Qatar	11
<b>INDUSTRIAL INCENTIVES</b>	<b>14</b>
1. Pre-investment Incentives	14
2. Incentives given during the construction and production phases	14
3. Other major Incentives	14
<b>BASIC INDUSTRIES AND FUTURE PROSPECTS</b>	<b>15</b>
1. The fertilizers and Petrochemical Industries	15
2. Refining Industries	17
3. Gas Processing and Liquefaction	18
4. Metal Industries	21
5. Mineral Industries	22
<b>SMALL AND MEDIUM SCALE INDUSTRIES</b>	<b>24</b>
<b>INVESTMENT ATMOSPHERE IN THE STATE OF QATAR</b>	<b>28</b>
<b>OPPORTUNITIES OF INDUSTRIAL INVESTMENT IN QATAR</b>	<b>29</b>
<b>ACTIVITIES DESIGNATED FOR FOREIGN INVESTORS</b>	<b>29</b>
<b>THE CZECH INDUSTRY</b>	<b>31</b>
<b>MANUFACTURE OF MACHINERY AND EQUIPMENT (NACE 29)</b>	<b>31</b>
1.1. Introduction	31
1.2. Structure of the branch	31
1.3. Main economic indicators	33
1.4. Foreign Trade	35
1.5. Investment	36
<b>MANUFACTURE OF WOOD AND PRODUCTS OF WOOD AND CORK, EXCLUDING FURNITURE (NACE 20)</b>	<b>37</b>
2.1. Introduction	37
2.2. Structure of the branch	37
2.3. Main economic indicators	41
2.4. Foreign Trade	43
2.5. Investment	44
<b>THE CHEMICALS AND PHARMACEUTICALS INDUSTRY (NACE 24)</b>	<b>46</b>
3.1. Introduction	46
3.2. Structure of the branch	46
3.3. Main economic indicators	49
3.4. Foreign Trade	51
3.5. Investment	52
<b>ECONOMIC RELATIONSHIPS BETWEEN THE STATE OF QATAR AND THE CZECH REPUBLIC</b>	<b>54</b>
<b>PROPOSAL OF IMPORTED MATERIALS FROM QATAR INTO THE CZECH REPUBLIC</b>	<b>54</b>
<b>PROPOSALS OF EXPORTED MATERIALS FROM THE CZECH REPUBLIC INTO QATAR</b>	<b>54</b>
<b>NEEDS OF THE STATE OF QATAR FROM THE CZECH REPUBLIC AND THE CZECH REPUBLIC FROM QATAR</b>	<b>55</b>
<b>CONCLUSION</b>	<b>56</b>



## INTRODUCTION

In this work we will explore the existing relationships between The State of Qatar and The Czech Republic. The possibilities that are here for new business contacts between these two countries.

For easier orientation this essay has been divided into six major sections. In the first section we will concentrate onto the economic situation in The State of Qatar. The second section will be dedicated to the introduction into economics in the Czech Republic, mainly concentrating onto the Chemical and pharmaceutical industry, manufacture of machinery and equipment and finally onto the manufacture of wood and products of wood and cork, excluding furniture. The third section is about economic relationships between The State of Qatar and The Czech Republic. Section four is about proposal of imported materials from The State of Qatar into The Czech Republic. The fifth section is about the proposal of exported materials from The Czech Republic into Qatar. Finally the sixth section is dedicated to the needs of The State of Qatar from The Czech Republic and The Czech Republic from The State of Qatar.

## GENERAL INFORMATION

### *Geographic and Historic Background of the State of Qatar*

#### Location

The Qatari peninsula is situated halfway along the West coast of the Arabian Gulf between latitudes 24,27 - 26,10<sup>0</sup>N and longitudes 50,54 - 51,40<sup>0</sup>E, covering an area of about 11 437 km<sup>2</sup> and projecting about 160 km northwards into the Gulf with a maximum width of 80 km. Several islands are included within the territory of the State of Qatar; the most notable are the Hawar Archipelago, Al-Bashiriya, Al-Safiliya and Al-Aliya islands.

#### Climate

Qatar has a hot desert climate. The summer is hot with annual average temperatures ranging between 25 - 46<sup>0</sup>C. Winter is mild and relatively warm, with low rainfall ranging between 50 - 70 mm. April, May and October are the most temperate months of the year.

#### Population

The population of the State of Qatar is 522 023 (1997) and is expected to be around 578 500 and 676 600 by mid 2000 and 2005 respectively. About 47% of the population lives in Doha (the capital of Qatar) with the rest living in other towns and villages.

#### Major Cities

##### **Doha**

Doha is the Capital City and the seat of the government where ministers and government departments are located. In Doha, there is the main seaport and the Doha International Airport - its gateways to the rest of the world. It has an advanced road system linking it with the international road network and is an important cultural, commercial and financial center.

##### **Mesaieed**

Mesaieed is the major industrial city in Qatar located 45 km south of Doha. The city's industrial area hosts basic industries. It has a large seaport as well as the principal terminal for the export of oil.



Fine sand beaches at Mesaieed where Sealine beach resort is located are considered to be among the most attractive tourist areas in the State of Qatar.

### **Al-Khor**

Al-Khor is a coastal city situated 57 km north of Doha with a port for small vessels and fishing boats.

### **Al-Wakrah**

Al-Wakrah is situated between Doha and Mesaieed, 15 km to the south of Doha. It has a small harbor for fishing boats.

### **Dukhan**

Dukhan is the on shore oil production center and is situated halfway along the western coastline of the Qatari peninsula. The city grew and flourished after the discovery of oil.

### **Language and Religion**

Arabic is the official language in the State while English is widely used in official and business circles.

### **History**

Evidence of early habitation of Qatar can be traced as far back as the 4<sup>th</sup> century B.C. appeared in many artifacts such as inscriptions, rock carving and flint spearheads. In the 7<sup>th</sup> century Qatar entered the realm of Islamic civilization participating in all its successive stages and areas.

During the 16<sup>th</sup> century Qatar aligned with the Turks to drive out the Portuguese. Subsequently Qatar like all the Arabic Gulf regions came under the Turkish rule for four successive centuries. Ottoman sovereignty on the region was only nominal. After the 1<sup>st</sup> World War the Turkish rule came to an end. Qatar then signed a protection treaty with Britain in 1916. On the 3<sup>rd</sup> September 1917 Qatar achieved its independence.

### **Government**

Qatar is an independent and sovereign Arabic state. Islam is the official religion and the Islamic law is the principal source of legislation. The State guarantees free

enterprise and civil liberties including the right of residence, freedom of press and publication and private ownership.

### **The constitutional Authorities:**

*H.H. the Emir:* The Emir holds both legislative and executive powers with the assistance of the Council of Ministers and the Advisory Council.

*The Council of Ministers:* The Council of Ministers is the supreme executive authority that directs, supervises and coordinates the works of ministers and state agencies.

*The Advisory Council:* It was formed in 1972 and comprises of 30 members chosen for their good judgement and competence to represent all sectors of the society and all regions of the country.

### *Natural Resources*

#### Crude Oil

Oil production is based in the Durkhan on-shore oilfields in the Western part of the Qatar peninsula while off-shore fields are in the East. Average oil production is about 700 000 bpd. On-shore oil is of a high quality with API (American Petrol Institute) gravity of 40.9<sup>0</sup> and less than 1.1% sulfur content. Off-shore oil is of average API gravity of 34° and sulfur content of 1.54%.

#### Natural Gas



Qatar has 6.4% of the world's proven natural gas reserves, all located in a single gas reservoir in the North Gas Field with total gas in place of 500 trillion cu.ft. and recoverable gas reserves of about 380 trillion standard cubic feet (TSCF). In addition, some 500 million standard cubic feet per day (MMSCFD) of associated natural gas are produced by both off-shore and on-shore oil fields.

#### Other Resources

Qatar has also extensive mineral resources that can be exploited in the construction industry such as limestone, gypsum, clay, shale and sand in addition to lesser amount of dolomite, salite and magnesium salts.



### *The Economy of Qatar*

Reviewing and analysis of the following economic indications reflects changes in Qatar's economy over the past five years:

#### Gross Domestic Product (GDP)

The GDP increased from QR 26 843mil. in 1994 to QR 38 074mil. in 1998. The oil sector continues to rank first in the GDP share and increased in volume from QR 8 583mil. in 1994 to QR 14 025mil. in 1998. The oil resort is expected to remain dominant in the nearby future unless further development is achieved in other economic sectors, especially in the manufacturing sector. In terms of its contribution to the GDP, the government services sector comes in the second place accounting for QR 8 310mil. in 1998.

Finance, insurance, real estates and business services come third reaching QR 3 990mil. in 1998. The manufacturing sector comes fourth contributing QR 3 425mil. in 1998. Building and construction comes fifth, contributing QR 2 880mil. in 1998. The rest of the economic sector comprised, in order of importance, of trade, transport and social services, household services, electricity and water, agriculture and fishing and import duties.

#### Foreign Trade

Great emphasis is placed on foreign trade, as the State of Qatar depends largely on this sector to satisfy its consumer demand for intermediary and capital goods. The states income is mostly achieved through the export of crude oil.

#### Export

Non oil exports are largely made up of fully or semi-manufactured commodities produced by the national industrial sector, such as iron and steel, chemical fertilizers, petrochemicals, LNG, NGL, etc. The industrials sector share reached 34.5% of total export value in 1997 - exclusive of re - export value.

#### Import

Qatar's imports have risen from QR 7,016 mil in 1994 to QR 12,407mil in 1998. The European Union (EU) is the States leading partner with 40.1% of the Qatar's imports, followed by Asian countries of 23.7%, American countries of 17.6%, Arabic countries of 14.7% and other Western European countries of 2.2% as in 1997.

## Balance of Payments

**Table No.1:****Qatar's Balance of Payments****1994 – 1998**

(Units: millions QR)

Particulars	1994	1995	1996	1997	1998
1. Trade balance	4729	1940	4546	3143	7134
Exports	10851	12948	13952	14036	18311
Imports	-6122	-11008	-9406	-10893	-11177
2. Services and Private Transfers (Net)	-6556	-9801	-9083	-9254	-8792
3. Current Account (1+2)	-1827	-7861	-4537	-6111	-1658
4. Net Capital Transfers (Private and Official)	-138	4815	2629	4336	458
5. Surplus or Deficit in Balance of payments (3+4)	-1965	-3046	-1908	-1775	-1200
6. Change in Reserves (increase -)	1965	3046	1908	1775	1200

Source: Qatar Central Bank, 22<sup>nd</sup> Annual Report 1998

## State Budget

**Table No.2:****Summary of the Government Budgets****1994/95 – 1998/99**

Particulars	1994	1995	1996	1997	1998
1. Revenue	10210	12226	13459	14351	12219
1.1 Expenditure	12780	13460	15947	17722	15404
Current	10989	11710	14060	15632	13779
Capital	1791	1750	1887	2090	1625
1.1.1 Surplus or Deficit (1 – 11)	-2570	-1234	-2488	-3371	-3185

Source: Qatar Central Bank, 22<sup>nd</sup> Annual Report 1998



*Gross Domestic Product by Economic Activity at Current Prices 1994 – 1998***Table No.3:**

(Unit: Million QR)

<b>Year Economic Activity</b>	<b>1994</b>	<b>1995</b>	<b>1996</b>	<b>1997</b>	<b>1998</b>
1. Agriculture and fishing	283	291	290	290	299
2. Mining and quarrying	8583	10933	12773	17386	14025
3. Manufacturing	2949	2488	2499	3417	3425
4. Electricity and water	403	379	427	482	520
5. Building and construction	1719	1963	2268	2873	2880
6. Trade, restaurants and hotels	2008	2316	2544	2762	2785
7. Transport and communications	1019	1089	1223	1451	1535
8. Finance, insurance, real estate & business services	3058	3222	3423	3969	3990
9. Social services	480	564	546	675	670
10. Imputed bank services changes	767	-870	-1069	1158	-1160
11. Government services	6541	6645	7371	8220	8310
12. Household services	339	336	406	433	460
13. Import duties	228	239	275	324	335
<b>Grand Total</b>	<b>26843</b>	<b>29622</b>	<b>32976</b>	<b>41124</b>	<b>38074</b>

Source: Annual Statistical Abstract, 19<sup>th</sup> Issue – October 1999

US\$ = QR 3.65



## INDUSTRIAL INCENTIVES

### *Pre – Investment incentives*

#### *The Department of Industrial development*

- (a) Examines industrial investment opportunities, turns them into project ideas and profiles, then introduces them to national and foreign investors
- (b) Prepares pre – feasibility studies for industrial projects and holds symposia for the promotion of these projects to national and foreign investors.
- (c) Evaluates feasibility studies filed by the private sector and offers technical advice on such studies.
- (d) Explores and determines quality and quantities of local raw materials and suitability of such materials for industry.
- (e) Determines locations and areas for industrial projects in the industrial areas.
- (f) Helps licensed project operators in application for industrial loans to Qatar Industrial Development Bank, commercial banks and other lending institution.

#### *Incentives given during the construction and production phases include:*

- (a) Exemptions on custom duty on machinery spare parts, raw materials, semi – manufactured goods and other production requirements.
- (b) The supply of power, natural gas, refined petroleum products and natural gas liquids (NGL) at nominal prices.
- (c) Recommending custom duty on imported goods similar to locally

produced items for a limited period of time, taking into consideration the viability of the product in question from the point of view of quantity and quality.

#### *Other major incentives*

- (a) No quantitative quotas on imports, no income tax on salaries, no exchange control restrictions.
- (b) Additional advantages may be set for certain individual joint venture projects.
- (c) Qatar offers excellent infrastructure with modern roads, air and seaports, well developed industrial areas, advanced telecommunication systems and world class business and commercial services.
- (d) Low rates of custom tariffs on imports. (Generally at 4% flat rate of the CIF value)
- (e) Exemption from export duties.
- (f) Establishment of projects with wholly foreign capital by a special Emiri decree.
- (g) Tax exemption of corporate profits by a special decision.
- (h) Low rates of inflation.
- (i) Excellent medical and educational facilities.
- (j) Flexible immigration and employment rules.

## BASIC INDUSTRIES AND FUTURE PROSPECTS

The following is a review of the most important basic industries in Qatar:

*The fertilizers and the petrochemical industries*

Qatar fertilizer company (QAFCO)

Established in 1969, QAFCO became the largest producer of fertilizer in the Middle East in 1997.

Authorized capital: QRS 609 million

Share holding: 75% QGPC (Qatar)

25% Norsk Hydro (Norway)

Location: Mesaieed Industrial City

QAFCO's 3 two unit plans produce Ammonia and Urea with a total design capacity of 3300MT/d and 4000 MT/d respectively. Usually 0.6 tone of Ammonia is used to produce 1 tone of Urea. QAFCO consumes about 108 MMCFD of natural gas as feedstock and fuel.

**Table No. 4:**

*Actual production:*

In '000" Metric Tones					
Year Product	1995	1996	1997	1998	1999
Ammonia	795	783	1148	1373	1374
Urea	886	870	1440	1686	1646

The whole production is export oriented.

Ammonia is also used as main raw material for complex fertilizers such as diammonium phosphate, Nitric acid etc.

### **Future prospects:**

Due to excellent performance and high profits, a study for a new expansion project, QAFCO IV, is in progress.

Qatar Petrochemical Company (QAPCO)

Established in 1974 and became in 1996 the largest producer of low-density polyethylene (LDPE) in The Middle East.

Authorized capital: QRS 436 million



Share holding: 80% QGPC (Qatar)  
 10% Elf Atochem (France)  
 10% Enichem (Italy)

Location: Mesaieed Industrial City

QAPCO's two major plans ( two units each) to produce ethylene and LDPE with a total capacity of 525000MT/year and 360000 MT/year respectively. Usually one tone of ethylene produces one tone of LDPE. QAPCO also produces elemental sulfur as by-product.

QAPCO consumes about 80 MMCFD of natural gas as fuel and feedstock.

### ***Actual production:***

**Table No.5:**

All figures rounded to the nearest '000" Metric Tone					
Year Product	1995	1996	1997	1998	1999
Ethylene	293.6	314.9	486.2	490.5	479
Low density polyethylene	167.2	199.2	362.9	354.8	377
Sulfur	48	46	56.9	45	45

The whole production is export oriented.

### **Future prospects:**

Due to excellent performance and high profits, QAPCO is now conducting a study for a third expansion.

Qatar Fuel Additives Company (QAFAC)

Established in 1990.

Authorized capital: QRS 370 million

Share holding: 50% QRPC (Qatar)  
 20% Chinese Petroleum Corporation  
 15% Lee Chang Yung Chemicals Industries Corporation  
 15% International Octane Ltd.

Location: Mesaieed Industrial City

QAFAC's production units consist of an 825000 MT/year Methanol plant and a 6100 00 MT/year Methyl Tertiary Butyl Ether (MTBE) plant. The whole production of the company is export oriented. MTBE is an octane additive used to produce clear burning fuel, while methanol is used to produce numerous chemicals notably formaldehyde.

QAFAC consumes 97 MMCFD of natural gas as feedback for Methanol plant and 1468 MT/day of butane for MTBE plant.

Project construction was completed in mid 1999 and commercial production went on stream in August 1999.

#### *1.4 Petrochemical projects under construction:*

##### **a) Qatar Vinyl company (QVC)**

Established in 1997. Foundation stone was laid on 4<sup>th</sup> May 1999.

Authorized capital: US\$ 184.3 million

Share holding: 25.5% QGPC (Qatar)

31.9% QAPCO (Qatar)

29.7% Norsk Hydro (Norway)

12.9% Elf Atochem (France)

Joint venture agreement and other related contacts were signed on 8<sup>th</sup> January 1997.

Products and capacities: ethylene dichloride 175000 MT/year

vinyl chloride monomer 230000 MT/year

caustic soda 290000 MT/year

Location: Mesaieed Industrial City adjacent to QAPCO to utilize 140000 MT/year of ethylene as main feedstock.

Production: Will start in mid 2001.

##### **b) Qatar Chemical Company (Q - Chem)**

Established in 1998. Foundation stone was laid on 6<sup>th</sup> December 1999.

Authorized capital: US\$ 900 million

Share holding: 51% QGPC (Qatar)

49% Philips petroleum Co. (USA)

Products and capacities: ethylene 500000 MT/year

Polyethylene (LDPE/HDPE) 467000 MT/year

Hexel 50000 MT/year

Sulfur 22000 MT/year

Feedstock: Ethane Rich Gas supplies by QGPC

Location: Mesaieed Industrial City

Expected production start: mid of 2002

#### *Refining industries*

##### **National Oil Distribution Company (NODCO)**

Established in 1968, NODCO operates Mesaieed Refinery, distributes its light petroleum products locally and exports sulfur production to the world markets.

Share holding: Wholly owned by QGPC

Location: Mesaieed Industrial City

Capacity: 60000 bbls/d of crude oil



Products: Refined and lead free petroleum products

### *Actual production*

**Table No.6:**

	1995	1996	1997	1998	1999
Gross crude	20447.7	22213.8	20189.1	21709.0	21801.0
LPG	866.0	971.8	753.2	851.0	716.0
90R	2960.4	3446.0	2757.2	2991.6	3936.0
97R	1480.4	1598.7	1568.4	2075.4	1870.0
Jet fuel	3216.9	3664.5	3317.7	3510.1	3407.0
LGO	5145.7	5235.4	4759.0	5110.2	5065.0
Fuel oil	6063.8	6808.6	6232.4	6637.3	6860.0

All figures rounded to the nearest '000 bbls.

### *NODO Expansions*

Expansions under construction are:

- ❖ 27000 bbls/d fractionation unit to refine condensate coming from the North Gas Field
- ❖ 30000 bbls/d fractionation unit to refine condensate coming from the Dukhan Oil field
- ❖ Raising present capital from 60000 to 137000 bbls/d

The expansion will go on stream in the first half of 2002.

### *Future Refinery Projects*

#### **The New North Field Condensate Refinery:**

A plan has been drawn from the establishment of the Now North Gas Field Condensate Refinery anticipated to produce 140000bbls/day. The feasibility for the project has been completed and it is expected to go to FEED (Font End Engineering and Design) stage before the end of 2002.

Location: Ras Laffan Industrial City

### *Gas Processing and Liquefaction*

#### **Natural Gas Liquids (NGL) Plants**

A complex of three plants wholly owned and operated by QGPC in Mesaieed Industrial City. The objective of the complex is to optimize the utilization of natural gas, meet

domestic demand for fuel and feedstock and to maximize revenue from the export of liquid products.

The complex processes raw natural gas coming from the North Gas Field and from onshore and offshore oil fields. NGL I and II started in late 1980 and NGL III in 1991. Total design capacity: 2370 MT/d propane, 1750 MT/d butane, 1490 MT/d condensate and methane and ethane rich gases.

### *Actual Production*

**Table No.7:**

PRODUCTION DATA					
Year	Ethane rich gas	Propane	Butane	NGL condensate	NF Stabilized Condensate
1995	686278	651694	482700	320251	951650
1996	813372	703927	526692	345395	1154392
1997	767215	708575	518664	358568	1013312
1998	721295	739225	545736	356990	1140537
1999	719598	777253	618348	321575	1120308

All figures in metric tones.

New NGL - 4 project under Construction.

QGPC is developing the NGL - 4 plant in Mesaieed Industrial City to increase the production of natural gas liquids.

**Table No.8:**

NGL - 4 PROJECT DESIGN CAPACITIES	
NGL Component	Design Capacity (million tones per year)
Ethane	1.1
Propane	1.0
Butane	0.7
Condensate	0.4

Expected start up of the production in the 1<sup>st</sup> quarter of 2002.

### Liquefied Natural Gas (LNG) Plants

LNG - being a clean energy source, it's the fastest growing segment of the world energy market and the State of Qatar is positioned to be the LNG market leader by 2010. The total investment in Qatar Liquefied Natural Gas Company (Qatargas), Ras Laffan Liquefied Natural Gas Company (RasGas) and Ras Laffan Industrial City (RLC) including ports, upstream and downstream facilities reached QRS 36 billion (cca US\$ 10 million).



*Qatar Liquefied Natural Gas Company (Qatargas)*

Established in 1994, Qatargas plants consist of three identical LNG process trains that produce more than 6 million tones per annum of LNG, 860 MT/d LNG, 7125 MT/d Condensate and 400 MT/d Sulfur.

Share holding:       65% QGPC ( Qatar)  
                           10% Total A.S. (France)  
                           10% Mobil Qatargas Inc. (Qatar)  
                           7.5% Mitsui (Japan)  
                           7.5% Marubeni Corp. (Japan)

Feedstock: In the amount of 1200 MMSCFD of raw natural gas.

Start of production: 1996

**Actual Production**

**Table No. 9:**

Year	1996	1997	1998	1999	Unit of measurement
LNG Production	0.09	2.33	3.94	5.9	Million tones
NGL (QRC) Production to mix	0.02	0.66	0.79	0.2	Million barrels
NGL (QRCS) Segregated production	0.00	0.00	0.44	1.5	Million barrels
Sulfur production	0.00	14.1	27.0	36.9	Thousand tones

Sale and Purchase Agreement were signed with Japanese power generation companies for the supply of 6 million MT/year for a long-term period of 25 years.

Location:       Ras Laffan Industrial City

**Future prospects:**

Addition of two new LNG process trains to reach 10 million MT/year of LNG production target and supply Europe with clean energy.

**Ras Laffan Liquefied Natural Gas Company (RasGas)**

Established in 1993. RasGas is the second grass root LNG plant that consists of two identical LNG process trains of 2.5 million MT/year each (each train can produce 3.3 MMTA).

Share holding:       63% QGPC (Qatar)  
                          25% Exxon Mobil (USA)  
                          5% Kogas (Korea)  
                          4% Itochu (Japan)  
                          3% Nisho Iwai (Japan)  
Design capacities:   5 million MT/year of LNG  
                          43000 bbls/day of condensates  
                          300 MT/day of sulfur  
Start of production: 1999

Design and layout allow for additional LNG trains to secure supplies to buyers within optimal timing. Sale and Purchase agreement was signed with Korea Gas Corp. (KOGAS) for the supply of 4.8 million MT/year of LNG for a long term period of 25 years. Deliveries started in the second half of 1999. RasGas also signed a Sales and Purchase Agreement (SPA) with Petronet LNG of India in July 1999 to sell 7.5 MMTA of LNG for a period of 25 years.

Location: Ras Laffan Industrial City adjacent to Qatargas LNG plant.

#### **Future prospects:**

RasGas has executed FEED contracts for Trains 3 and 4 expansions. The Feed work is scheduled to be completed by July 2000 and will provide bid packages for lump sum bidding of the detailed EPC contracts.

#### *Metal Industries*

##### **Qatar Steel Company (QASCO)**

QASCO is the first integrated steel plant in the Arab world using direct reduction technology where de-sulfurized natural gas is used as a reducing agent after being converted to potent gases.

Established in 1974 and was designed to produce 330000 MT/year of plain and deformed reinforced steel bars.

Location: Mesaieed Industrial City

Authorized capital: QRS 300 million

Share holding: Wholly owned by the State of Qatar.

Production started: 1978



## Actual production

**Table No.10:**

Year Product	1995	1996	1997	1998	1999
Molten steel	614.0	616.0	625.7	645.7	638.4
Billets	605.6	617.2	607.7	636.7	629.1
Bars (end product)	601.1	600.1	595.5	597.4	647.4

All figures rounded to the nearest '000 Metric tone

More than 80% of the production is exported.

### Expansions:

- ❖ New high speed finishing bar mill successful in rolling D8 mm, D12 mm and D14 mm pipe sizes
- ❖ New electric arc furnace (no.3) with an annual capacity of 450000 tons started production at the end of 1999
- ❖ New continuous casting machine started production in the second half of 1999

### 4.2 Future Projects

#### **Qatar hot briquette iron company (QABICO)**

A joint venture company promoted by QASCO to produce 2 million tons/year of Hot briquette iron (HBI). It has been registered as a joint stock company in 1998 and QABICO's feasibility study has been finalized.

#### *Mineral Industries*

##### **Qatar National Cement Company (QNCC)**

Established: 1965

Authorized capital: QRS 81.3 million

Share holding : 43% State of Qatar

57% National private sector

Location: Umm - Bab, 80 km west of Doha

Design capacities: QNCC I - 330000 MT/year of Ordinary Portland cement (OPC) and Sulfate resistant cement (SRC) and 30000 MT/year calcined lime.

QNCC II - The design capacity has been raised to 1 million MT/year after the commissioning of QNCC II on 10.02.1998.

*Actual production***Table No.11:**

Year Product	1995	1996	1997	1998	1999
OPC&SRC	475.4	492.0	584.3	857.1	958.5
Cancined lime	20.6	19.5	21.3	19.4	21.6

All figures are rounded to the nearest '000 MT.

Almost all of the production is used locally.



## SMALL AND MEDIUM SCALE INDUSTRIES

State of Qatar paid equal attention for the promotion of small and medium scale industries through private sector participation. The initial development is meant for industries related to food, beverages, furniture and building materials which essentially produce import substitution products. The establishment of hydrocarbons based basic industries gave impetus for production of plastics and metallic mineral and fabricated metal products industries. Further several small and medium scale industries as ancillary industries to basic industries have also been established.

Recognizing the entrepreneurial and employment potential of small and medium scale industries, the State of Qatar issued law No. (11) of 1980 which was subsequently replaced by law No. (19) of 1995 to encourage investments from the private sector into small and medium scale industries. An industrial estate especially meant for small and medium scaled industries and provided with the required infrastructure and utilities was established at Salwa in the outskirts of the Capital City Doha. As Salwa industrial estate has now been fully occupied a new industrial estate with an area of 11 sq. kilometers is under construction.

The Department of Industrial Development (DID), Ministry of Energy, Electricity and Water is the focal point for the promotion of small and medium scale industries through private sector participation. As such DID is involved in studies as well as licensing and control of small and medium scale industries. DID is also involved in project evaluation and offering advice to private sector on various project proposals submitted to DID. DID also coordinates with Qatar Industrial Development Bank and the Environment department.

The Government's efforts for the promotion of small and medium scale industries have been successful as can be seen from the 326 private sector establishments actually in production at the end of 1999.

Details of registered establishments, capital investments and number of workers according to industrial activity are as per the table and diagrams included here.

With the availability of more industrial raw materials from the expanding basic industrial activities coupled with attractive incentives offered by the Government of Qatar, the State of Qatar is a very ideal location for the establishment of joint ventures in small and medium scale industries. Such industries can serve local, GCC as well as nearby Arab and Asian markets.

### *Industrial establishments registered*

The number of establishments, annual production, amount of industrial investment capital and foreign equity share and workforce size in each field of industry according to the International Standard Industrial Classification (ISIC) are detailed in the table below:



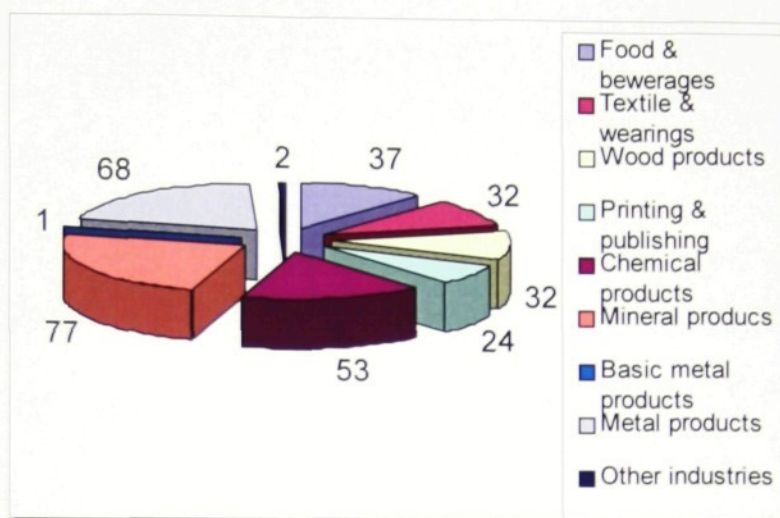
*Establishments registered<sup>1</sup> according to industrial activity***Table No.12:**

ISIC Division	Industrial Activity	No. of Est.	Annual production (000)QRs	Capital Investment in (000) QRs	National Investment (000)QRs	No. of workers
31	Manufacture of food, Beverages & Tobacco	37	434485.7	883934.2	86.2%	2084
32	Textiles, wearing, apparel leather industries	32	274525.1	128039.2	96.4%	8690
33	Manufacture of wood & wood products including furniture	32	108441.1	50423.3	96.1%	1442
34	Man. of paper, paper products, printing & publishing	24	131199.0	164779.6	100%	1341
35	Man. of chemicals, petroleum, coal, rubber & plastic products	53	3191078.0	8436229.1	81.6%	3629
36	Man. of non - metallic mineral prod. Except prod. Of petroleum & coal	77	377719.1	1235795.1	95.8%	3787
37	Basic metallic industries	1	660000.0	1493064.0	100%	1166
38	Man. of fabricated metal prod., machinery & equipment	68	242017.4	777806.5	98.8%	1795
39	Other man. industries	2	32751.2	4791.0	63.3%	57
	<b>TOTAL</b>	<b>326</b>	<b>5846416.6</b>	<b>13174862.2</b>	<b>86.7%</b>	<b>23991</b>

<sup>1</sup> Up to the end of 1999

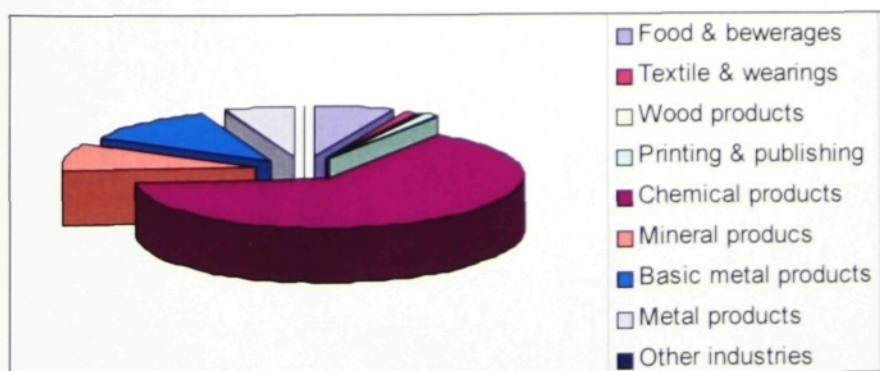


## NUMBER OF ESTABLISHMENTS REGISTERED ACCORDING TO THE INDUSTRIAL ACTIVITY

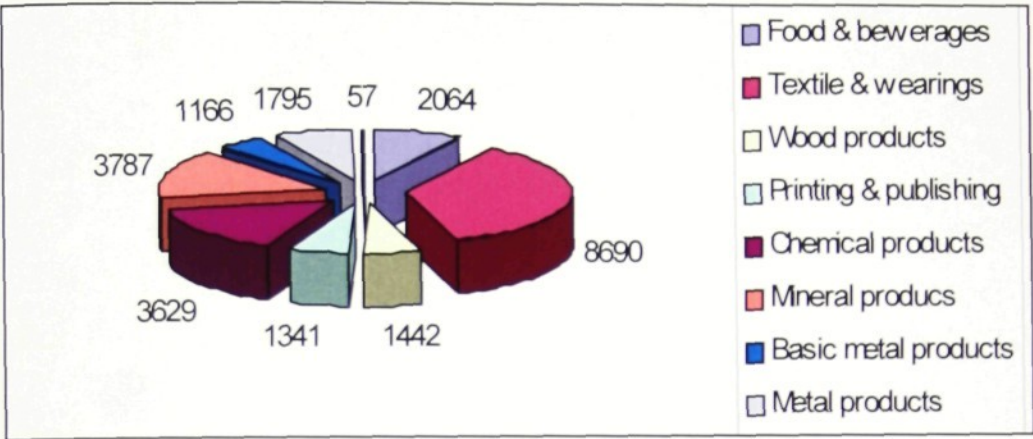


## CAPITAL INVESTMENT ACCORDING TO THE INDUSTRIAL ACTIVITY IN (000.000) Q.R.

Food & beverages	884
Textile & wearing	128
Wood products	50
Printing & publishing	165
Chemical products	8436
Mineral products	1236
Basic metal products	1493
Metal products	778
Other industries	5



NUMBER OF WORKERS ACCORDING TO THE INDUSTRIAL ACTIVITY





## INVESTMENT ATMOSPHERE IN THE STATE OF QATAR

AS a committed member of the World Trade Organization and international financing organizations, Qatar has completed its integration in the international free trade and economy order. It does not levy personal income taxes or export fees. Custom duties are as low as 4%, and heavy equipment and spare parts are custom duty free. With a distinguished banking system, and no restriction on the movement of capitals from the country, the whole of Qatar represents a free economic zone in which investors can make considerable gain.

The major transformation in the field of industrial development came with the issue of law No 1 of 1980 on industrial organization, which provided for a lot of incentives for national investors. Law No 19 of 1995 on the industrial organization complemented the drive. It stipulated additional incentives, most importantly the initiation of a study on investment opportunities, particularly small and medium scale industrial projects, 5 years exemption from income tax, exemption from custom duties on equipment, machinery and spare parts; in addition to the removal of all restrictions on the remittance of profits and funds outside the country. Law No 25 of 1990 gives the right to foreign investors to hold 49% of the share of an investment capital, and Law No 19 of 1995 facilitates industrial licensing and unifies executive bodies responsible for granting incentives. Legislation permits non-Qataris to invest in trade, industry and services sectors provided that their investment share does not exceed 49% of the capital in the joint venture where the other partner is a Qatari holding the remaining 51%. In case a non-Qatari party owns 100% of the capital, the investor should designate a Qatari sponsor. It is worth mentioning that the GCC national investors are treated as Qataris in the current law.

The policy that led to the prevailing economic and financial stability has also helped to establish the supporting infrastructure required to increase the activities of the non-oil economic sectors, whose contribution to the gross national product amounts to 11.4%. Qatar has a highly efficient infrastructure including roads, seaports and airports, self-sufficient and completely equipped industrial estates, modern communications network and all other necessary and advanced services. It enjoys a very high degree of political, social and internal stability, good and balanced relations with all countries of the region and a distinguished geographical location and international standing, which created a healthy investment atmosphere and made the country an ideal place of opportunity where investors can realize substantial profits.



## **OPPORTUNITIES OF INDUSTRIAL INVESTMENT IN QATAR**

The north Gas Field development agreements were in line with the State's policy to develop industry and diversify the fields of investment. Qatar has, after extensive study, opened the doors of gas sector for foreign investments and sought the best possible partnership offers in exploration and production, in accordance with a large scale program aiming to develop and optimize the utilization of gas resources. In this respect, new policies of economic and commercial liberalization aiming to stimulate and expand the involvement of foreign investments and national private sector in economic activities have been adopted. Several steps have been taken, foremost, the issue of new laws serving to attract foreign capitals and stimulate and support the role of the private sector. The State is exerting an outstanding effort to create opportunities of industrial investment and prepare feasibility studies. It is facilitating the investors' participation in all phases of project implementation, offering exemptions from custom duties charges and permitting unrestricted amount of imported materials, in addition to the prerogatives designated for joint venture. Inflation rates in Qatar are generally moderate. The average inflation rate during the past five years was registered at 2.5% and deficit in the Qatari budget is expected to disappear by the year 2000.

### **ACTIVITIES DESIGNATED FOR FOREIGN INVESTORS**

The most important incentives offered for foreign investors include:

- Availability of data and information required by the investor
- Investment laws are stable and distinct. They contain all required guarantees.
- Stability of exchange rates, freedom to deal in foreign currencies and flexibility of interest rates.
- Exemption from custom duty charges on equipment, machinery, spare parts and raw materials.
- Renewable 5 years exemption from income tax.
- Freedom to remit capital and revenues outside the country.
- Freedom to remit staff remuneration outside the country.
- Protecting national industrial products by means of levying protective tariffs on, restricting the quantities of or barring competing commodities.
- Exemptions from export fees on products.
- A prerogative for national products to have a price margin increase of 5% and 10% against the GCC and international products consecutively, when competing for government purchases.
- Electricity and subsidized rates equivalent to 106 US. Cents per Watt/hour for industries and 2.74 US. Cents for hotels.
- Sites at nominal lease rates equivalent to 27 US. Cents per meter/year with one year period of grace, alongside with all other necessary services.



- Water services at the equivalent of 1.3 US. Dollars per cubic meters.
- Easy visa services for low-costing foreign workforce.
- Easy loan terms from Qatar Industrial Development Bank.

## THE CZECH INDUSTRY

# **I. MANUFACTURE OF MACHINERY AND EQUIPMENT (NACE 29)**

### *1.1. Introduction*

The gradual transition to a market economy system has created in the field of machinery and equipment (and not only here) completely changed conditions for attaining prosperity of individual enterprises and product groups. The production programme of general engineering has traditionally fulfilled the role of supplier of investment goods up to complete turn-key plants. The division supplies its products to all sectors of the economy and is among the most important branches of manufacturing.

### *1.2. Structure of the branch*

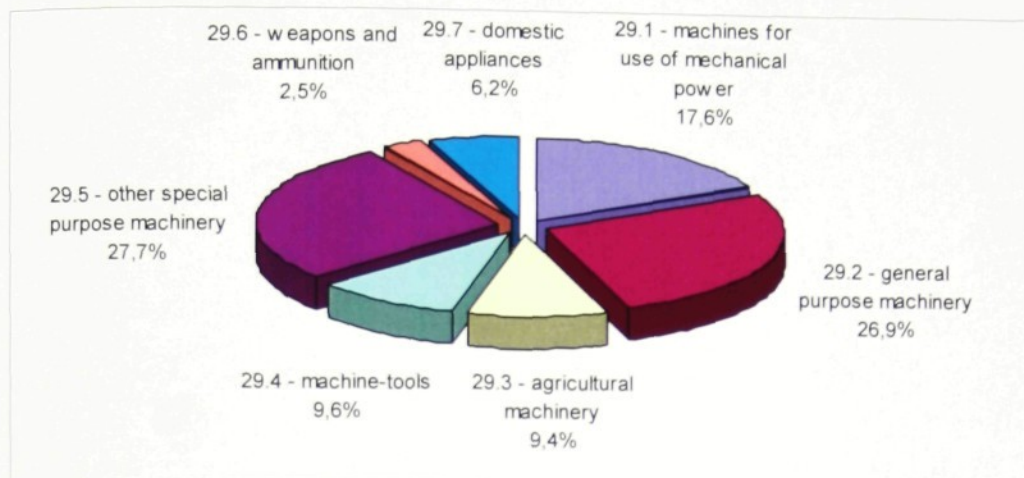
Division 29 is composed of the following groups:

- 29.1 - Manufacture of machinery for the production and use of mechanical power (internal combustion engines, turbines, pumps, valves, bearings),
- 29.2 - Manufacture of other general purpose machinery (furnaces, dryers, lifting, transport and air-conditioning devices),
- 29.3 - Manufacture of agricultural and forestry machinery (tractors, ploughs, harvesters, milking systems, loaders),
- 29.4 - Manufacture of machine tools (including forming and welding machines),
- 29.5 - Manufacture of other special purpose machinery (mining, construction, food, textile and printing machines),
- 29.6 - Manufacture of weapons and ammunition,
- 29.7 - Manufacture of domestic appliances n.e.c. (Electrical and gas appliances for the households),

Shares of individual groups in total receipts of the division are demonstrated in Figure 1. As compared with the previous period increased the share of the group 29.2-general purpose machinery by 3% at the expense of group 29.3 - agricultural machinery, where 1% decrease was witnessed. The percentage changes in other groups are less than one percent. The increase of group 29.2 is positive, as it is a group where investment supplies prevail.



Figure No. 1 - Shares in receipts for sale of own products and services in 1998



Source: The Czech Statistical Office, MIT estimate for micro-enterprises

Figure No. 2 - Position of the branch within manufacturing in 1998



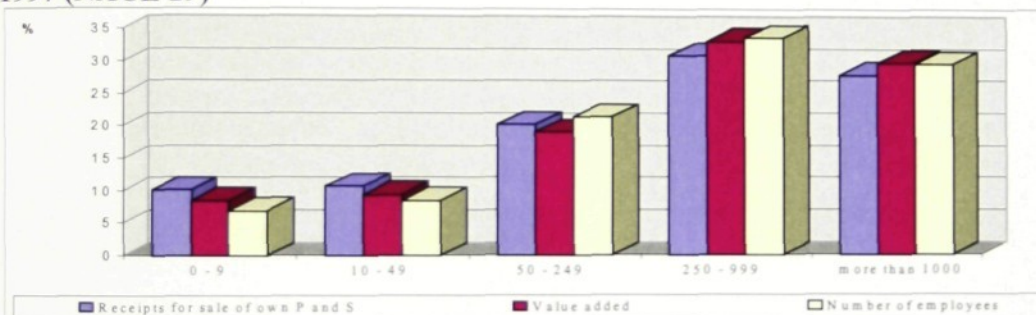
Source: The Czech Statistical Office

**Table No. 1 - Main production indicators according to size of enterprises in 1997 (NACE 29)**

mill. CZK, persons	0 - 9	10 - 49	50 - 249	250 - 999	More than 1000
Receipts for sale of own P and S	13 378	14 146	26 744	40 924	36 896
Value added	3 676	4 110	8 321	14 459	12 997
Number of employees	12 364	15 076	38 323	60 221	52 889

Source: The Czech Statistical Office, MIT estimate for micro-enterprises

**Figure No. 3 -Shares of size groups of enterprises in main production indicators in 1997 (NACE 29)**



Source: The Czech Statistical Office, MIT estimate for micro-enterprises

### 1.3. Main economic indicators:

Up to 1994, producer prices in the division grew faster than the general index for manufacturing. The main jump in engineering branches was witnessed after the 1991 price liberalizations, up to the end of 1992. (See Table No.2 & Figure No.4)



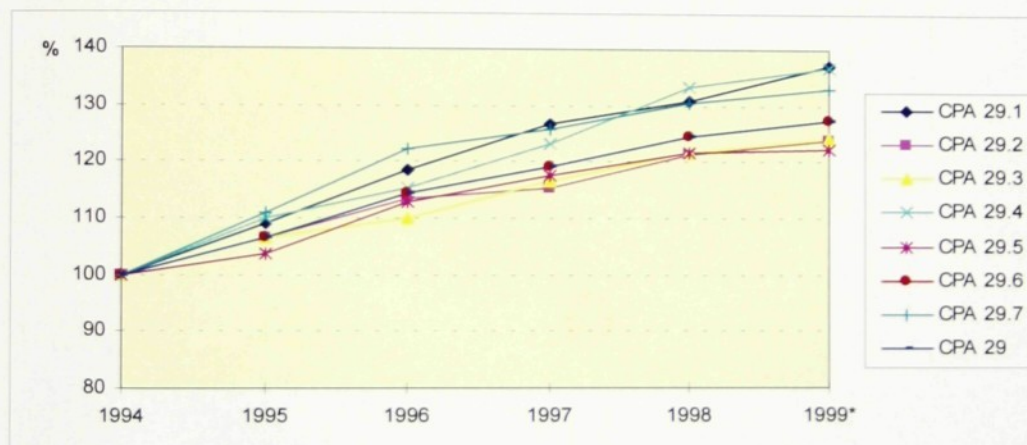
Table No. 2 - Development of price indices in 1994 - 1999

%	year-on-year index				
	95/94	96/95	97/96	98/97	99/98*
CPA 29.1	108,9	108,8	106,9	103,3	104,8
CPA 29.2	106,6	106,4	101,6	105,2	102,2
CPA 29.3	106,6	103,3	105,8	104,5	102,1
CPA 29.4	109,9	104,9	107,0	108,2	102,5
CPA 29.5	103,6	109,0	104,0	103,7	100,5
CPA 29.6	106,4	107,4	104,4	104,5	102,2
CPA 29.7	111,1	110,2	102,7	103,8	102,0
<b>CPA 29</b>	<b>106,4</b>	<b>107,4</b>	<b>104,4</b>	<b>104,5</b>	<b>102,2</b>

\*estimate

Source: The Czech Statistical Office, MIT calculation

Figure No. 4 – Price development trends in 1994 - 1999



Source: The Czech Statistical Office, MIT calculation

## 1.4. FOREIGN TRADE:

Table No. 3 - Development of exports and imports in 1995 -99

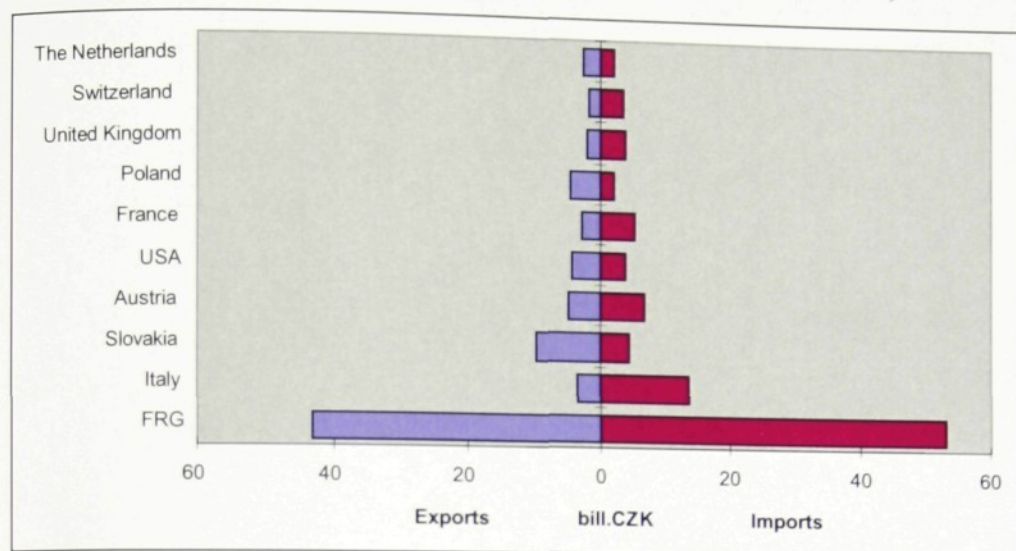
mil. CZK	1995	1996	1997	1998	1999*	96/95	97/96	98/97	99/98*
<b>Exports in current prices</b>									
NACE 29.1	13 954	15 416	19 013	23 824	25 000	110,5	123,3	125,3	104,9
NACE 29.2	10 648	13 316	17 806	21 538	24 500	125,1	133,7	121,0	113,8
NACE 29.3	5 425	5 542	6 853	7 555	6 000	102,1	123,7	110,2	79,4
NACE 29.4	9 209	11 092	13 593	15 518	17 000	120,4	122,6	114,2	109,5
NACE 29.5	19 723	21 025	25 321	29 967	31 000	106,6	120,4	118,3	103,4
NACE 29.6	2 396	2 036	2 102	2 494	2 800	84,9	103,3	118,6	112,3
NACE 29.7	3 473	3 893	4 241	4 815	5 000	112,1	108,9	113,6	103,8
<b>NACE 29</b>	<b>64 829</b>	<b>72 319</b>	<b>88 931</b>	<b>105 712</b>	<b>111 300</b>	<b>111,6</b>	<b>123,0</b>	<b>118,9</b>	<b>105,3</b>
<b>Imports in current prices</b>									
NACE 29.1	18 502	20 231	22 778	26 154	26 000	109,3	112,6	114,8	99,4
NACE 29.2	23 151	26 588	27 489	26 734	26 000	114,8	103,4	97,3	97,3
NACE 29.3	5 755	7 670	6 820	4 845	3 500	133,3	88,9	71,0	72,2
NACE 29.4	11 528	12 140	13 177	15 585	15 000	105,3	108,5	118,3	96,2
NACE 29.5	32 510	29 964	31 358	33 514	35 000	92,2	104,7	106,9	104,4
NACE 29.6	874	421	621	536	700	48,1	147,6	86,4	130,5
NACE 29.7	9 108	11 512	11 770	11 479	10 000	126,4	102,2	97,5	87,1
<b>NACE 29</b>	<b>101 428</b>	<b>108 525</b>	<b>114 013</b>	<b>118 847</b>	<b>116 200</b>	<b>107,0</b>	<b>105,1</b>	<b>104,2</b>	<b>97,8</b>
<b>Net trade balance</b>									
NACE 29.1	-4 548	-4 816	-3 764	-2 330	-1 000	x	x	x	x
NACE 29.2	-12 504	-13 271	-9 683	-5 196	-1 500	x	x	x	x
NACE 29.3	-330	-2 128	33	2 710	2 500	x	x	x	x
NACE 29.4	-2 318	-1 048	416	-66	2 000	x	x	x	x
NACE 29.5	-12 787	-8 939	-6 037	-3 547	-4 000	x	x	x	x
NACE 29.6	1 522	1 615	1 482	1 958	2 100	x	x	x	x
NACE 29.7	-5 635	-7 619	-7 529	-6 663	-5 000	x	x	x	x
<b>NACE 29</b>	<b>-36 600</b>	<b>-36 206</b>	<b>-25 083</b>	<b>-13 136</b>	<b>-4 900</b>	<b>x</b>	<b>x</b>	<b>x</b>	<b>x</b>

\*estimate Source: The Czech Statistical Office

In 1998 the largest foreign trade partner was distinctly the Federal Republic of Germany. Together with France and Italy it also participates in our foreign trade deficit (see Figure No. 5).



Figure No. 5 - Territorial distribution of foreign trade in 1998 (NACE 29)



Source: The Czech Statistical Office

### 1.5. Investment

Characteristic of the branch is its large share of outlays into machines and equipment. In the course of the last five years investments into machines and equipment amounted to more than half of total outlays. However, investment activity after 1994 went into continual decline. In 1997 investment into machines and equipment in constant prices amounted to only 70 per cent of the 1994 level. After the bottom point in 1997, investment into machinery and equipment increased by 31% in 1998. (See table No. 4).

Table No. 4 - Development of investments in 1994-98 (NACE 29)

mil. CZK, %	1994	1995	1996	1997	1998	96/95	97/96	98/97
Total investment (current prices)	8 447	8 726	7 068	7 486	7 867	81,0	105,9	105,1
Of which: imports (current prices)	1 187	1 581	1 415	1 289	1 644	89,5	91,1	127,5
Investment into machines and equipment (current prices)	6 763	5 075	4 342	3 948	5 195	85,6	90,9	131,6
Total investment (constant prices)	8 383	8 208	6 330	6 334	6 622	77,1	100,1	104,5
Investment into machines and equipment (constant prices)	6 711	4 899	4 050	3 586	4 684	82,7	88,5	130,6

Constant prices of 1994 = 100

Source: The Czech Statistical Office, MIT calculation

The total amount of material investment is unsatisfactory, but at the same time with respect to the decline and volatility of order lists and the difficult financial situation of production enterprises this can be seen as the natural outcome of this development.

## **II. MANUFACTURE OF WOOD AND PRODUCTS OF WOOD AND CORK, EXCLUDING FURNITURE (NACE 20)**

### *2.1. Introduction*

The wood processing industry of the Czech Republic belongs to branches with a long tradition. This tradition also includes regular and professional cultivation of forests, which besides their other functions are the source of raw material - wood, mainly coniferous - for its further processing. Wood products are utilised in virtually all spheres of the economy, in many industrial branches, particularly in the production of furniture, in the construction industry and in households. With a gradually changing pattern of production and consumption, wood as a renewable raw material, relatively well and easily machine-able and harmless from the hygienic point of view, is becoming a material with a new future and one can say without too great an certain exaggeration that it is the raw material for the new millennium.

### *2.2. Structure of the branch*

Division 20 (NACE- NACE) includes particularly all primary wood production, manufacture of wood and products of wood and cork, except furniture; manufacture of articles of straw and plaiting materials. It consists of five groups:

- 20.1 Saw milling and planning of wood, impregnation of wood
- 20.2 Manufacture of veneer sheets; manufacture of plywood, and manufacture of wood based panels (laminboard, particle board, fibre board and other panels and boards)
- 20.3 Manufacture of builders carpentry and joinery products (production of windows, doors, frames etc., production of wooden buildings, their elements and wooden structures
- 20.4 Manufacture of wooden containers
- 20.5 Manufacture of other products of wood+ manufacture of articles of cork, straw and plaiting materials

In the forests of the Czech Republic the annual cutting of wood amounts to 11 -14 mill. m3 of wood, of which 85% coniferous wood. More than 90% of raw wood is designated for industrial processing. Pulpwood is utilised mostly in the paper industry, roundwood is the raw material for the wood processing industry.

The largest volume of roundwood is consumed in saw milling. It produces timber (sawn wood) shaped and unshaped of various dimensions, sleepers, dimension goods, barks and other products. In the Czech Republic has several high-capacity timber plants, but most saw mills belong to plants of medium size (with milling capacity of 20 -80



thousand m<sup>3</sup>). There are also many quite small entrepreneurial subjects engaged in this production with only several employees. Products of saw mills are intermediate products for further processing as final products for the construction industry, mining and transport structures.

Wood based panels is a common name for particle board and fibreboard, which can be further specified according to technical parameters. They are mainly utilised in production of furniture, in the construction industry or in joinery. Also produced in this group is cement particleboard and includes production of veneer sheets and plywood. From the point of view of needed equipment of machinery and of other equipment and intensity of production it is the most "industrial" part of the wood processing branch.

Builders carpentry and joinery products mainly includes production of windows (all-wooden, combined with plastics or metal), doors (massive wooden or inner panel or entrance doors), door frames, boarding, flooring, etc. Carpentry includes production of external and internal panels, elements of framed and roof structures, family houses, cottages, complete roofing structures, built-up constructions, assembly elements, etc. Joinery and carpentry is the most dynamic group of wood processing.

Manufacture of wooden containers including pallets embraces the production of wooden boxes, wooden containers, pallets, barrels, vats, etc. Most of these products are not very complicated, they having undemanding requirements on craftsmanship and machine equipment.

In the global financial volume this group is not placed highly, nonetheless its importance is not declining. Wooden containers are sufficiently firm, can be repeatedly utilised and recycled and are easily liquidated. In some specific products, such as, e.g., wine barrels, a European-wide boom in the nearest years ahead is expected.

Manufacture of other products of wood, manufacture of articles of cork, straw and plaiting materials has as its inputs saw-mill semi-fabricates and other raw materials. It is represented by wooden ladders, handles, table and kitchenware, picture frames, borders, matches, products from natural and agglomerated cork, products from graminiae and wickerwork, e.g. mats and baskets.

In 1998 in the Czech Republic timber production amounted to 13.3 mill. m<sup>3</sup>, 76% of the current yearly output of wooden substance. 13.1 mill. m<sup>3</sup> of timber was utilised for industrial processing, of which 7.4 mill. m<sup>3</sup> of round wood. The production amounted to 3.42 mill. m<sup>3</sup> of saw mill products, of which 3.10 mill. m<sup>3</sup> of coniferous and 320 thous. m<sup>3</sup> of broad-leaved wood. Production of particle board, medium density fibreboard (MDF) and other fibreboard equalled almost one million m<sup>3</sup>, all-wooden windows more than 300 thousand, doors over 700 thousand pieces and of floor covering and flooring more than 600 thousand m<sup>3</sup>.

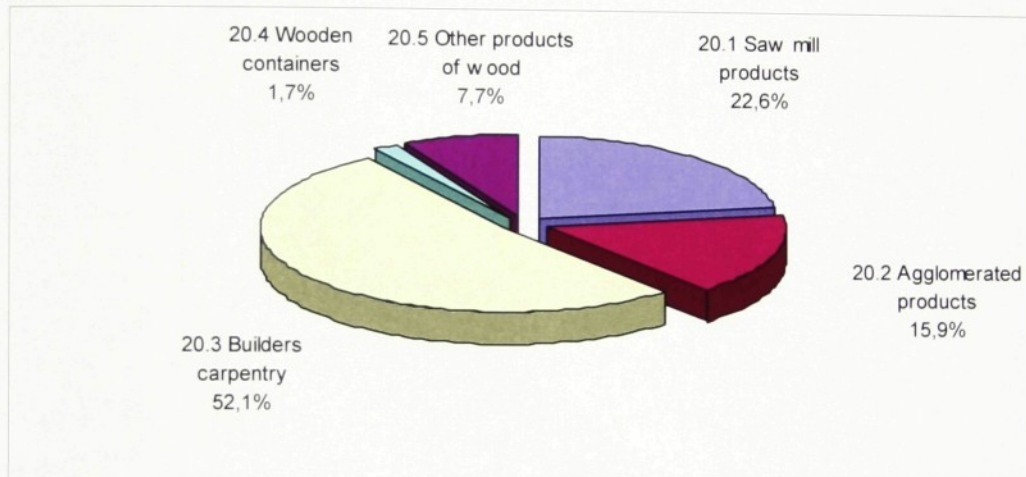
The production of wooden family houses in firms belonging to the wood processing branch (NACE 20) reached around 50 thousand m<sup>2</sup> of area under construction,

and more than 7.7 million pieces of wooden packing, pallets and containers were produced.

The share of individual product groups in receipts for sale of own products and services is reproduced in Figure No. 6. In spite of it constituting the largest volume of processed raw material and largest volume of production, the share of primary production of basic wood and saw mill products participated in total receipts at only approx. one quarter (22.6%), while carpentry and joinery production at more than half of receipts (52.1%) and agglomerated products one sixth (15.9%).

The smallest share is held by products from wood and cork (7.7%) and production of wooden containers (1.7%).

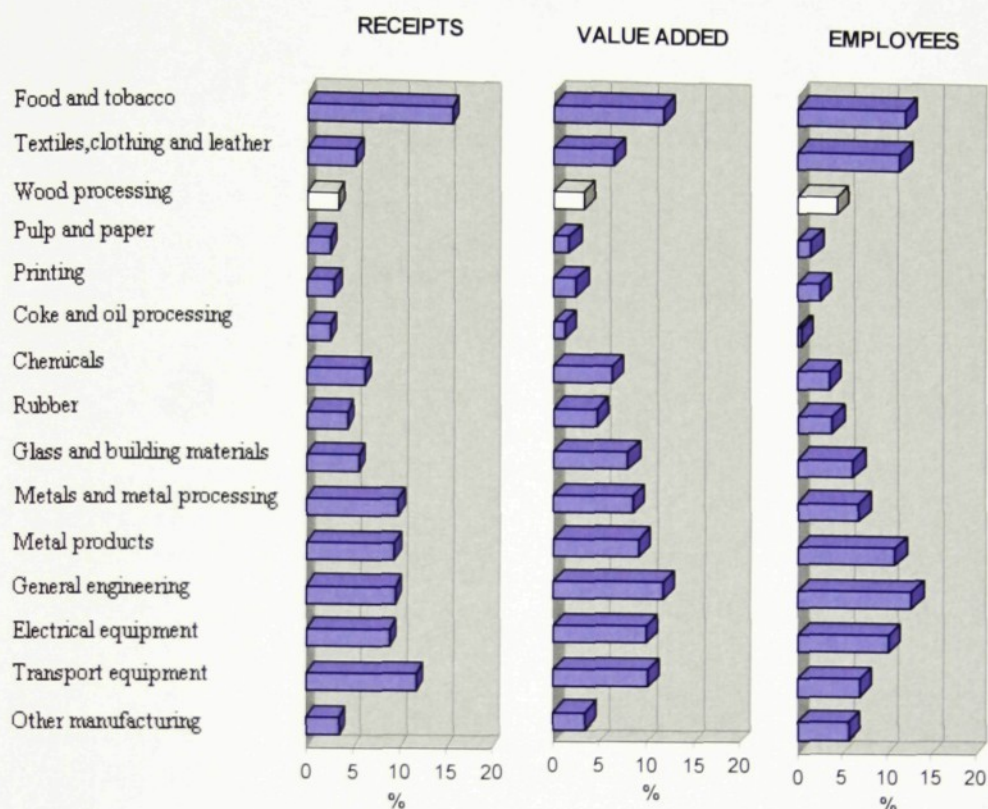
**Figure No. 6 - Share of individual product groups in receipts for sale of own products and services in 1998**



Source: The Czech Statistical Office, MIT estimate for micro-enterprises



**Figure No. 7 - Position of the branch within manufacturing in 1998**



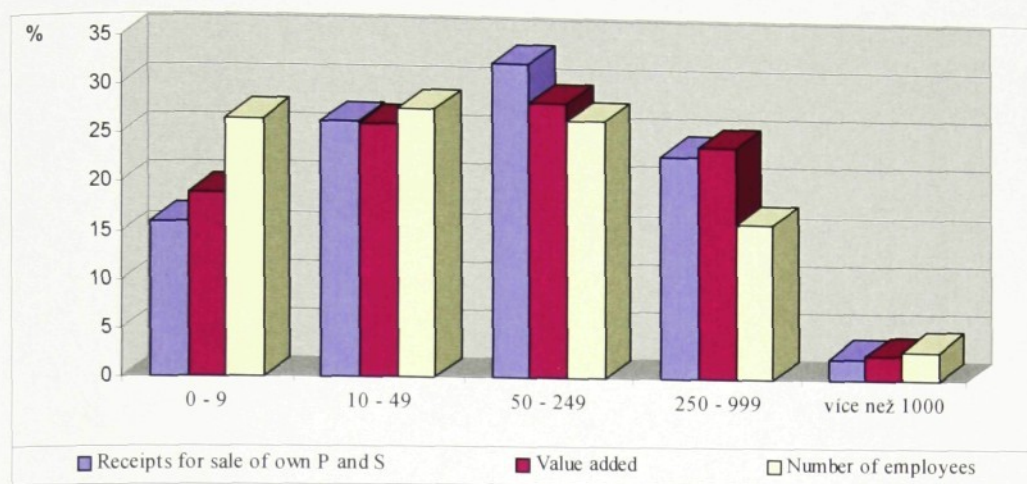
Source: The Czech Statistical Office

**Table No. 5 - Main production indicators according to size groups of enterprises in 1997 (NACE 20)**

mill. CZK, persons	0 – 9	10 – 49	50 – 249	250 – 999	more than 1000
Receipts for sale of own P and S	6 277	10 299	12 683	9 084	921
Value added	1 959	2 697	2 954	2 498	279
Number of employees	14 762	15 353	14 841	8 989	1 754

Source: The Czech Statistical Office, MIT estimate for micro-enterprises

**Figure No. 8 - Shares of size groups of enterprises in main production indicators in 1997 (NACE 20)**



Source: The Czech Statistical Office, MIT estimate for micro-enterprises

### 2.3. Main economic enterprise:

After the rocketing growth of price witnessed in almost all products of the wood processing industry in 1994-95, price development varied their individual products groups. (See figure No.9 & table No.6)

**Table No. 6 - Development of price indices in 1994-1999**

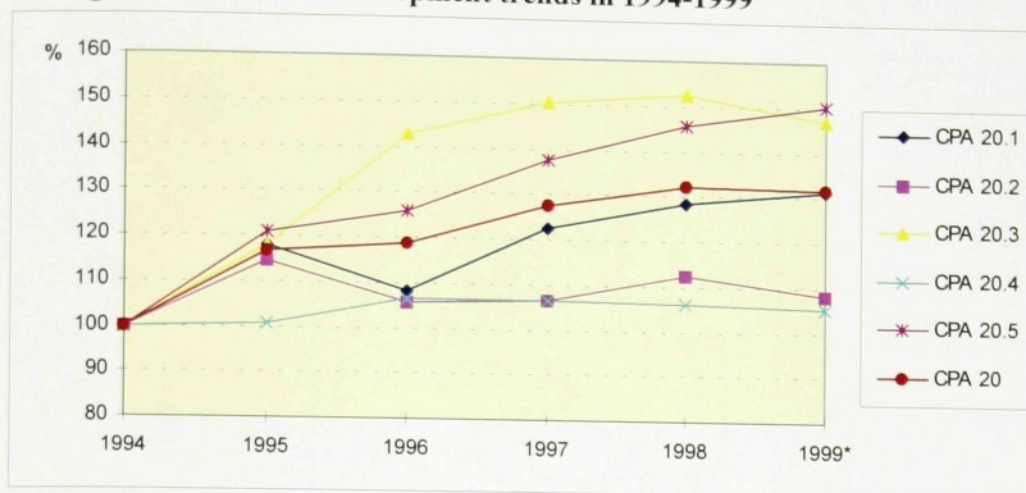
%	Year-on-year index				
	95/94	96/95	97/96	98/97	99/98*
CPA 20.1	117,7	91,8	113,4	104,7	102,3
CPA 20.2	114,7	92,2	100,9	105,3	96,2
CPA 20.3	117,7	121,2	105,5	101,2	96,5
CPA 20.4	100,5	106,2	100	99,4	99,3
CPA 20.5	120,9	104,1	109,3	105,9	103,1
<b>CPA 20</b>	<b>116,6</b>	<b>101,8</b>	<b>107,4</b>	<b>103,7</b>	<b>99,6</b>

\* estimate

Source: The Czech Statistical Office, MIT calculation



The Figure No. 9 - Price development trends in 1994-1999



\* estimate

Source: The Czech Statistical Office, MIT calculation

## 2.4. FOREIGN TRADE:

Exports of wood processing products are regularly advancing. The highest rate was recorded in the groups of joinery and carpentry products and in other products from wood and cork. (See table No.7)

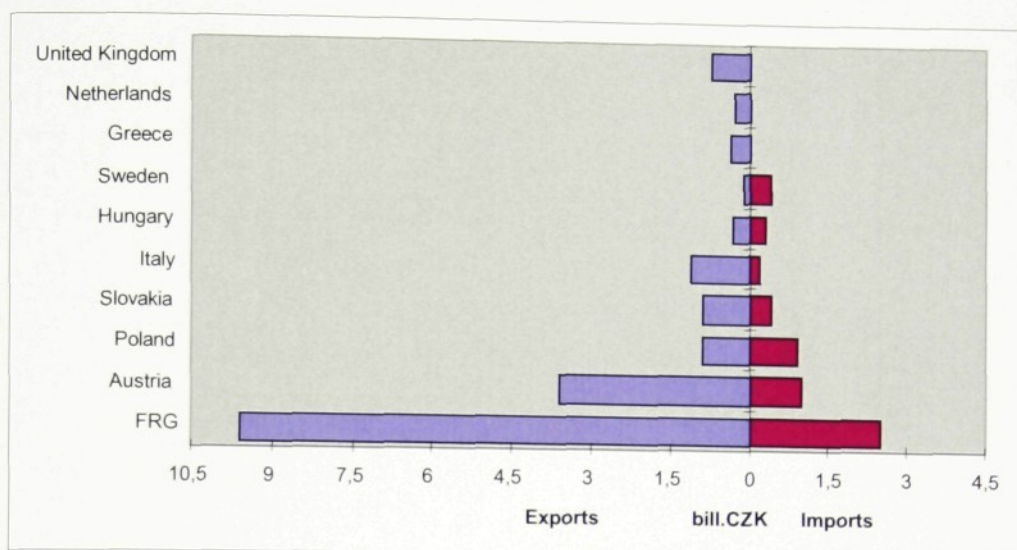
**Table No. 7 - Development of exports and imports in 1995-1999**

Mill. CZK	1995	1996	1997	1998	1999*	96/95	97/96	98/97	99/98*
<b>Exports in current prices</b>									
NACE 20.1	6 849	7 297	7 536	7 219	8 030	106,5	103,3	95,8	111,2
NACE 20.2	3 002	3 054	3 757	4 017	3 390	101,7	123,0	106,9	84,4
NACE 20.3	1 968	2 055	2 350	2 956	3 390	104,4	114,3	125,8	114,7
NACE 20.4	1 728	1 756	2 008	2 151	2 390	101,6	114,4	107,1	111,1
NACE 20.5	936	925	998	1 207	1 380	98,8	107,8	121,0	114,3
<b>NACE 20</b>	<b>14 484</b>	<b>15 087</b>	<b>16 648</b>	<b>17 551</b>	<b>18 580</b>	<b>104,2</b>	<b>110,3</b>	<b>105,4</b>	<b>105,9</b>
<b>Imports in current prices</b>									
NACE 20.1	1 182	1 335	1 625	1 966	2 220	112,9	121,8	121,0	112,9
NACE 20.2	1 942	2 138	2 813	3 143	3 430	110,1	131,6	111,7	109,1
NACE 20.3	570	804	1 009	1 179	1 280	141,0	125,5	116,9	108,6
NACE 20.4	166	211	331	372	330	127,3	156,6	112,5	88,7
NACE 20.5	533	606	706	827	1 060	113,8	116,5	117,0	128,3
<b>NACE 20</b>	<b>4 393</b>	<b>5 094</b>	<b>6 484</b>	<b>7 486</b>	<b>8 320</b>	<b>116,0</b>	<b>127,3</b>	<b>115,5</b>	<b>111,1</b>
<b>Net trade balance</b>									
NACE 20.1	5 667	5 962	5 910	5 253	5 810	x	x	x	x
NACE 20.2	1 060	916	945	875	-40	x	x	x	x
NACE 20.3	1 398	1 251	1 341	1 777	2 110	x	x	x	x
NACE 20.4	1 562	1 545	1 677	1 779	2 060	x	x	x	x
NACE 20.5	403	319	291	381	320	x	x	x	x
<b>NACE 20</b>	<b>10 091</b>	<b>9 993</b>	<b>10 164</b>	<b>10 065</b>	<b>10 260</b>	<b>x</b>	<b>x</b>	<b>x</b>	<b>x</b>

\* estimate, Source: The Czech Statistical Office, MIT calculation

**Figure No. 10 - Territorial distribution of foreign trade in 1998 (NACE 20)**





Source: The Czech Statistical Office

### 2.5. Investments

After 1994, investments reached their record level in 1998, which also applies to the volume of imported investments. Investment outlays amounted to more than 4.4 bill. CZK (8.4% in relation to receipts), of which into new machinery and equipment 1.2 bill. CZK, i.e. 28%, and one fifth of investments came from imports, almost 800 mill. CZK (see table No.8).

These indicators are very favourable, as the year-on-year increase in total outlays in constant terms was 115% (index 215) and for the whole period 1994-98 a growth of 50%. The global assessment of development of investments into machinery is difficult, as the yearly value is mostly concentrated in several outlays of individual large enterprises. From branch statistics it follows that investment into machines and equipment approximately cover depreciation, and more is being invested into saw mills than into other product groups. For example, for the period of the last year and a half under review, the company Holzindustrie Schweighofer invested over one billion CZK into the modernisation of machines and equipment in Planá and 400 million CZK into Ždírec. Another multi-billion investment into modern equipment was that at the company Serafina Campestrini in Borohrádek which, as with the previous two companies, is Austrian property. Millions of CZK were invested into the saw mill plant Pila Krnov.

The largest investment in 1999 was the construction of equipment for processing and drying of shavings of 1.4 bill. CZK in the enterprise Kronsplan ČR, s.r.o., in Jihlava. Since its acquisition of the former state enterprise Jihlava wood enterprises in 1994, Krono Holding has invested almost 4 billion CZK. The cost of the new production hall of the company Sapeli, one of the largest producers of internal veneered doors, was around 120 million CZK. Larson-Juhl, the majority owner of Lira České Budějovice, is investing 30 million CZK in the enterprise yearly. The modernisation of production of windows and doors in a.s. ZDP in Domažlice and Tachov required around ten million CZK of

outlays. The wood processing co-operative Lukavec is also investing into its plants on a regular basis in its affiliate in Planá (in 1998 the boiler house for burning of wooden wastes, and the company ELK Fertighaus AG into its new machine equipment - paint spraying bay with collection of paints).

**Table No. 8 - Development of investments in 1994-1998 (NACE 20)**

(mill. CZK, %)	1994	1995	1996	1997	1998	96/95	97/96	98/97
Total investments (current prices)	2 153	2 332	3 722	1 834	4 216	159,6	49,3	229,9
Of which: imports	246	383	165	713	798	43,1	432,1	111,9
Investment into machines and equipment (current prices)	1 387	1 522	1 995	1 059	1 214	131,1	53,1	114,6
Total investment (constant prices)	2 137	2 197	3 336	1 552	3 335	151,8	46,5	214,9
Investment into machines and equipment (constant prices)	1 376	1 469	1 861	962	1 094	126,7	51,7	113,7

Constant prices of 1994

Source: The Czech Statistical Office, MIT calculation

Besides machines and equipment for investment in to the Czech Republic there are also imported some material inputs for production. Their total value is approx. 10% of all material inputs. These are mainly various semi-fabricates from exotic wood species. The prices of raw materials, semi-fabricates and final products of the wood processing industry are gradually becoming comparable between Western and Eastern Europe due to market globalisation along with mediation of multinational companies.



### III. THE CHEMICALS AND PHARMACEUTICALS INDUSTRY (NACE 24)

#### *3.1. Introduction*

The Czech chemical and pharmaceutical industry belongs to key branches of Czech manufacturing. In 1998 its share in receipts from industrial activity (in current prices) of manufacturing of the Czech Republic was 6.7%, in value added, 6.6%, in number of employees and 3.7% and in the Czech exports 7.2%. Its products are supplied to virtually all branches of our economy, not only to industry but also to agriculture, construction, transport and health care, and they also cover the currently ever more diversifying demand of the population in private consumption.

#### *3.2. Structure of the branch*

In accordance with Branch classification of economic activities (NACE) and Standard products classification (SPC), which correspond to NACE Rev. 1 and CPA, this division consists of seven groups:

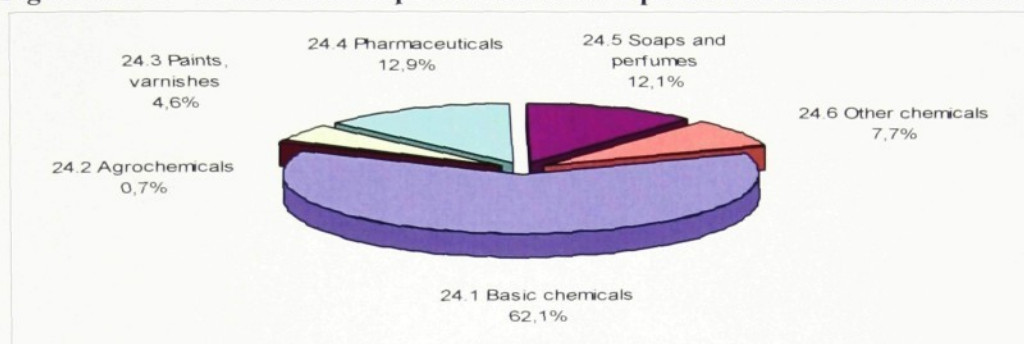
- 24.1 Manufacture of basic chemicals
- 24.2 Manufacture of pesticides and other agrochemical products
- 24.3 Manufacture of paints, varnishes and similar coatings, printing ink and mastics
- 24.4 Manufacture of pharmaceuticals, medicinal chemicals and botanical products
- 24.5 Manufacture of soaps and detergents, cleaning and polishing preparations, perfumes and toiletry preparations
- 24.6 Manufacture of other chemical products
- 24.7 Manufacture of man-made fibres

As is obvious from the list above, it is a highly diversified branch with a large assortment scale, from bulk products to chemical light-weight specialities. One may state in general that it differs from most other manufacturing branches and product groups in the following features:

- high degree of concentration of production, mainly of bulk products;
- close technological links throughout the entire production chain;
- requirements of highly qualified personnel in production and research;
- high share of costs for product innovations (expenditures for know-how, licences, patent protection, research and development - which mainly applies to qualified chemistry products, drugs, etc.);
- continuing globalisation, integration and ecologisation of the international market (these tendencies are accompanied by mergers, acquisitions and strategic alliances, often of multi-billion-dollar value).

The share of individual product groups in receipts from sale of own products and services in 1998 is shown in Figure No. 11.

**Figure No. 11 - Shares in receipts for sale of own products and services in 1998**

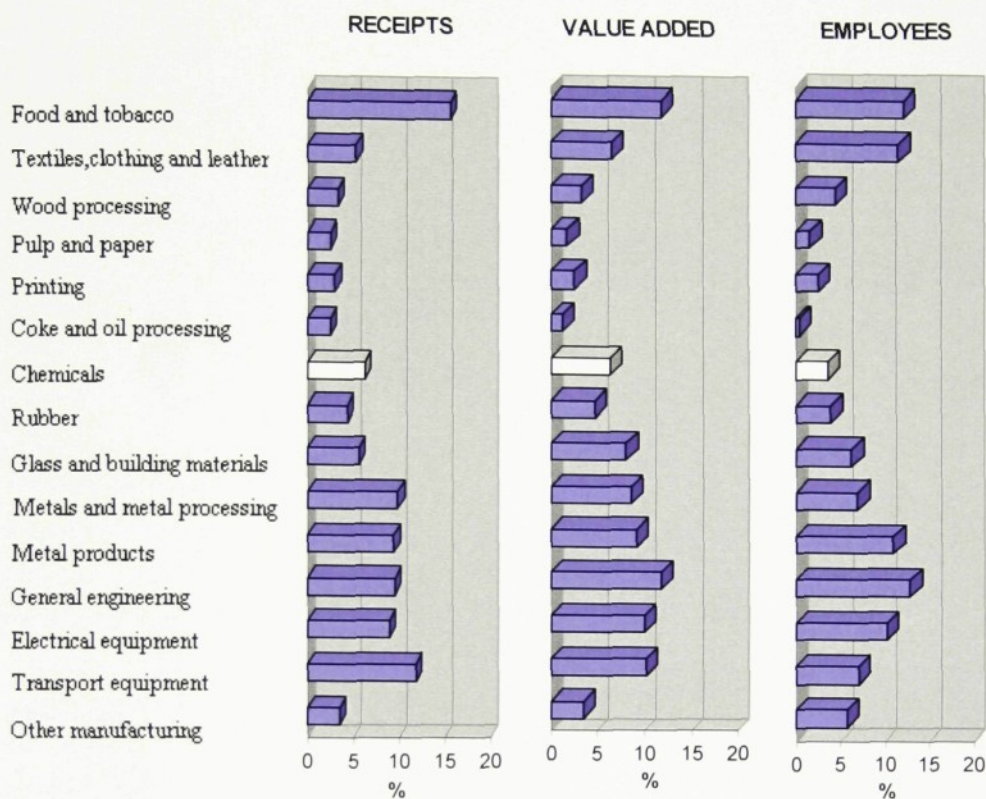


Source: The Czech Statistical Office, MIT estimate for micro-enterprises

From the Figure above it is apparent that in 1998 almost two thirds of receipts (62.1%) were from the production of basic chemicals (NACE 24.1), which include: petrochemical products (olefins, primary plastics), basic inorganic products (acids, hydroxides, ammonia, fertilisers etc.) and organic substances in downward linkage to petrochemical and coke chemicals production. Ranking second in value of receipts is the pharmaceuticals industry (12.9%), followed by production of cleaning and cosmetic preparations (12.1%). Much less is the share of paints (4.6%), agrochemicals and pesticides (0.7%) and also of man-made fibres (included in the Figure above in other products with an estimated share of approx. 1.5%).



**Figure No. 12 - Position of the branch within manufacturing in 1998**



Source: The Czech Statistical Office

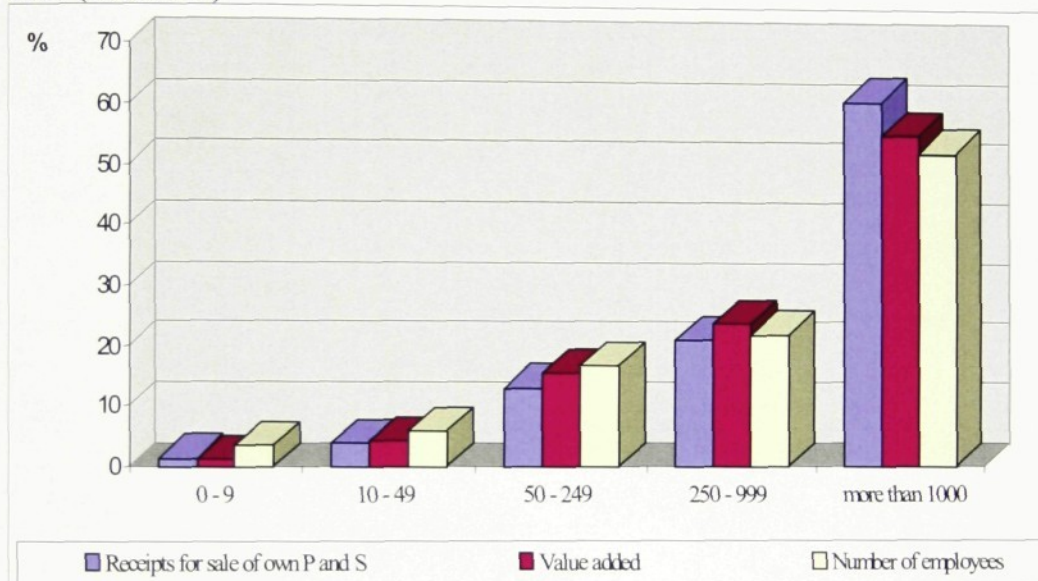
The structure of the production base according to size groups of enterprises in 1997 is demonstrated in Table No. 9 and Figure No. 13.

**Table No. 9 - Main production indicators according to size of enterprises in 1997 (NACE 24)**

mill. CZK, persons	0 - 9	10 - 49	50 - 249	250 - 999	more than 1000
Receipts for sale of own P and S	1 235	3 735	12 273	19 749	57 614
Value added	288	1 055	3 778	5 803	13 534
Number of employees	1 647	2 808	8 235	10 805	25 798

Source: The Czech Statistical Office, MIT calculation

**Figure No.13 - Shares of size groups of enterprises in main production indicators in 1997 (NACE 24)**



Source: The Czech Statistical Office, MIT estimate

### 3.3. THE MAIN ECONOMIC INDICATORS:

The main economic indicators of the branch are characterised in more detail in this chapter. The Development of price indices since 1994 is shown in Table No. 10 and Figure No. 14.



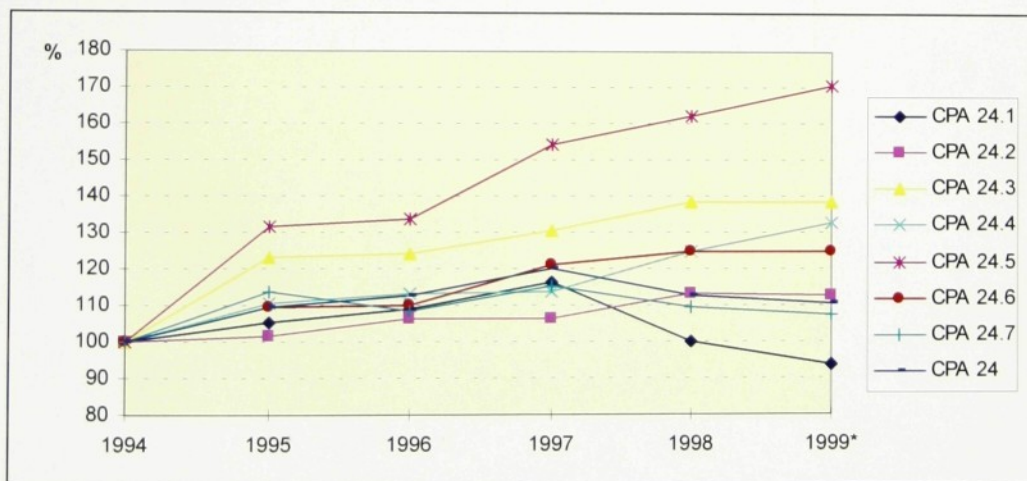
**Table No. 10 - Development of price indices in 1994-1999**

%	year-on-year index				
	95/94	96/95	97/96	98/97	99/98*
CPA 24.1	105,1	103,8	106,6	86,0	93,8
CPA 24.2	101,6	104,9	99,9	106,1	99,9
CPA 24.3	123,2	101,0	104,8	106,1	100,1
CPA 24.4	110,3	102,6	100,6	109,6	106,1
CPA 24.5	131,6	101,6	115,4	105	105,1
CPA 24.6	109,3	100,6	110,1	102,9	100,3
CPA 24.7	113,6	95,3	106,4	95,0	98,1
<b>CPA 24</b>	<b>109,5</b>	<b>102,7</b>	<b>106,8</b>	<b>93,8</b>	<b>97,9</b>

\* estimate

Source: The Czech Statistical Office, MIT calculation

*Figure No.14 – Price development trends in 1994 – 1999*



\* estimate

Source: The Czech Statistical Office, MIT calculation

## 3.4. FOREIGN TRADE:

The development of foreign trade in 1995-98 (actual data) and envisaged result for 1999 is shown in Table No. 11.

Table No. 11 - Development of exports and imports in 1995-1999

Mill. CZK	1995	1996	1997	1998	1999*	96/95	97/96	98/97	99/98*
<b>Exports in current prices</b>									
NACE 24.1	35 665	34 340	36 349	37 097	34 000	96,3	105,8	102,1	91,7
NACE 24.2	371	693	470	471	580	187,1	67,7	100,4	123,1
NACE 24.3	1 940	1 475	1 649	1 796	1 850	76,0	111,8	108,9	103,0
NACE 24.4	5 357	6 439	7 726	7 606	7 800	120,2	120,0	98,4	102,5
NACE 24.5	4 262	5 787	7 186	9 256	9 400	135,8	124,2	128,8	101,6
NACE 24.6+24.7	5 350	3 721	4 459	5 271	5 180	69,6	119,8	118,2	98,3
<b>NACE 24</b>	<b>52 945</b>	<b>52 456</b>	<b>57 838</b>	<b>61 497</b>	<b>58 810</b>	<b>99,1</b>	<b>110,3</b>	<b>106,3</b>	<b>95,6</b>
<b>Imports in current prices</b>									
NACE 24.1	31 131	31 886	36 935	39 311	37 500	102,4	115,8	106,4	95,4
NACE 24.2	2 291	2 834	3 016	3 310	4 300	123,7	106,4	109,8	129,9
NACE 24.3	6 500	7 276	8 370	8 950	8 900	111,9	115,0	106,9	99,4
NACE 24.4	17 670	20 251	23 124	24 643	25 500	114,6	114,2	106,6	103,5
NACE 24.5	5 895	6 699	8 027	9 283	9 300	113,6	119,8	115,6	100,2
NACE 24.6+24.7	13 786	15 482	18 808	20 519	19 900	112,3	121,5	109,1	97,0
<b>NACE 24</b>	<b>77 273</b>	<b>84 427</b>	<b>98 280</b>	<b>106 016</b>	<b>105 400</b>	<b>109,3</b>	<b>116,4</b>	<b>107,9</b>	<b>99,4</b>
<b>Net trade balance</b>									
NACE 24.1	4 534	2 455	-586	-2 214	-3 500	x	x	x	x
NACE 24.2	-1 920	-2 140	-2 546	-2 839	-3 720	x	x	x	x
NACE 24.3	-4 560	-5 801	-6 721	-7 155	-7 050	x	x	x	x
NACE 24.4	-12 313	-13 812	-15 397	-17 037	-17 700	x	x	x	x
NACE 24.5	-1 633	-912	-841	-27	100	x	x	x	x
NACE 24.6+24.7	-8 436	-11 761	-14 350	-15 248	-14 720	x	x	x	x
<b>NACE 24</b>	<b>-24 328</b>	<b>-31 971</b>	<b>-40 441</b>	<b>-44 520</b>	<b>-46 590</b>	<b>x</b>	<b>x</b>	<b>x</b>	<b>X</b>

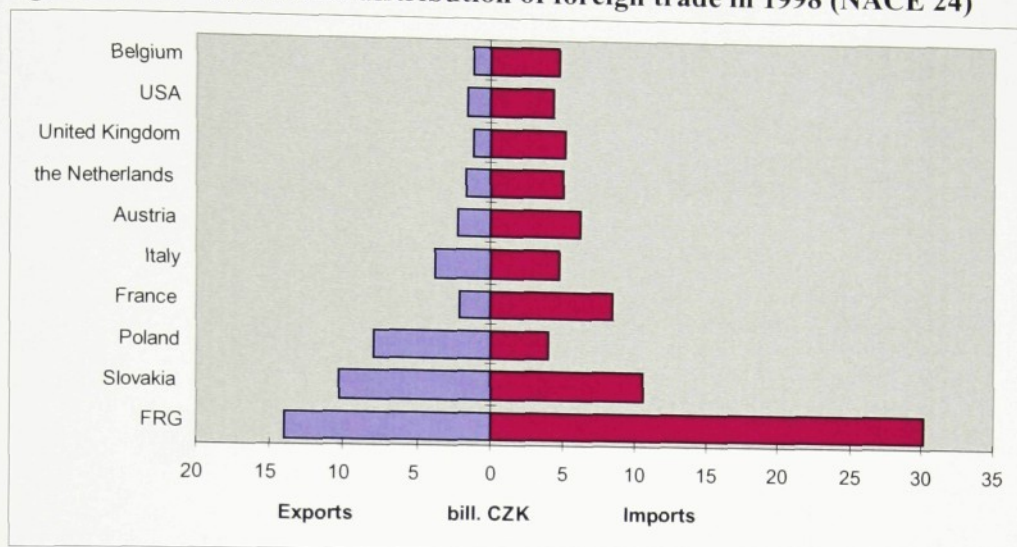
\* estimate

Source: The Czech Statistical Office, MIT calculation

The territorial distribution of foreign trade of the branch NACE 24 is demonstrated in Figure No. 15.



**Figure No. 15 - Territorial distribution of foreign trade in 1998 (NACE 24)**



Source: The Czech Statistical Office

### 3.5. Investments

With respect to the character and complexity of production, the branch is among the most investment intensive. As favourable signal can be estimated from the fact that the total volume of investments in recent years has followed an upward trend and that the share of investments into equipment and machinery in the total investment volume has also been increasing. This is confirmed by table No. 12.

**Table No. 12 Development of investments in 1994-1999 (NACE 24)**

( mill. CZK, %)	1994	1995	1996	1997	1998	96/95	97/96	98/97
Total investments (current prices)	9 627	8 093	10 806	9 913	12 020	133,5	91,7	121,3
Of which: imports (current prices)	2 075	1 516	2 208	2 168	3 194	145,6	98,2	147,3
Investment into machinery and equipment (current prices)	5 912	4 854	5 048	5 813	6 611	104,0	115,2	113,7
Total investment (constant prices)	9 556	7 614	9 476	8 324	9 782	124,5	87,8	117,5
Investment into machines and equipment (constant prices)	5 867	4 686	4 709	5 280	5 961	100,5	112,1	112,9

Constant prices of 1994 = 100

Source: The Czech Statistical Office, MIT calculation

In 1998 the volume of investments increased by more than 20% as compared with the previous year, while in total manufacturing the volume of investment in absolute terms went down. Nevertheless even the volume of 12.2 bill. CZK (in current prices) cannot be estimated as satisfactory with respect to restructuring requirements. The enterprises need namely to continue in expending large means on ecological investments (removal of old ecological burdens, adaptation to strict EU ecological standards etc.), but which does not allow allocation of sufficient financial resources for modernisation and production restructuring. In 1998, among the most important projects there can be

mentioned completion of units "Styrene III" and "block crystalic polystyrene" at Kaučuk, a.s. Kralupy, and launching of two key investment projects in Chemopetrol, a.s. - enlarging the high-density polyethylene unit and construction of the new polypropylene unit. Realisation of these projects will increase the competitiveness of our petro chemistry on international markets, particularly in the Central European region.



## ECOMONIC RELATIONSHIPS BETWEEN THE STATE OF QATAR AND THE CZECH REPUBLIC

At the moment there is only a one-way business relationship between The State of Qatar and The Czech Republic. It is The Czech Republic that is exporting its goods into The State of Qatar. However, this portion of the total amount of import is, at the moment, still very small. The major export goods are paper, non-metallic mineral manufactures, iron and steel, tubes and pipes and their spare parts. For more detailed information about the exact amount exported into The State of Qatar see the table below.

Table No 1:

*Imports classified by country of origin and commodity 1999*

Item description	Value in QRS
Paper, paperboard and articles of paper pulp, of paper or of paperboard	97,506
Paper and paperboard uncoated of a kind used for writing, printing and other graphics	81,310
Gummed or adhesive paper, in strips or rolls	16,196
Non-metallic material manufactures, N.E.S.	208,290
Iron and steel	145,984
Tubes, pipes and hollow profiles, seamless, of iron	10,476
Tube or pipe fittings (coupling, elbows, sleeves) of iron or steel	123,434

Source: The Qatari Statistical Office

### PROPOSAL OF IMPORTED MATERIALS FROM QATAR INTO THE CZECH REPUBLIC

At the moment, there are no proposals or any plans for the future cooperation considering the possibility of The State of Qatar importing any goods into the Czech Republic. This is one of the major reasons for the choice of this topic for this Bachelors work. Its task is to show the possibility of future cooperation between these two countries.

### PROPOSALS OF EXPORTED MATERIALS FROM THE CZECH REPUBLIC INTO QATAR

The Czech Republic possesses several products that are, or can in the future be, interesting articles for The State of Qatar. If we concentrate onto the future possibilities, we might find out few new products, that The Czech Republic can be exporting into The



State of Qatar. The Czech Textile industry is famous for its high quality textile materials, which it is already exporting into some eastern countries and countries in Africa. The State of Qatar does not have so well developed Textile industry, however there is a high demand for textile materials and textile products.

This same case applies for the Wood Industry. The State of Qatar is a desert country with no woodland. Therefore wooden furniture and other products from wood ( for wooden buildings, structures, doors, frames etc. ) are of high demand. They also symbolize prestige and a high social rank.

The State of Qatar is becoming a modern, dynamic and industrial place opening its doors to the foreigner investments and capital. Lots of building is going on at the moment and even more is being planned for the future. Therefore, The State of Qatar will need new machinery and new transport media. The automobile industry in The Czech Republic is gaining on importance and reputation all over Europe. The two most important car constructors are TATRA and Škoda. These two companies have a lot to offer to the expanding State of Qatar. Even though there is already a big competition in this sector.

#### **NEEDS OF THE STATE OF QATAR FROM THE CZECH REPUBLIC AND THE CZECH REPUBLIC FROM QATAR**

First we will concentrate on the first part of this topic. The Czech Republic has a lot to offer to the State of Qatar considering Know-How, economic portfolios, qualified specialists in the different sectors. For example doctors, engineers and economists. In the previous sections of this work we talked about the want of the government of The State of Qatar to support and improve other industries so that they would take greater share in the creation of the GDP.

At the moment The State of Qatar can offer to The Czech Republic mainly gas and Oil. These two products are of major importance to the Czech Republic as they symbolize the means of transport. There is also the possibility of future cooperation considering the Petrochemical Projects which are at the moment under construction.



## CONCLUSION

Both countries, The State of Qatar and The Czech Republic, have a big potential in deepening their business relationships, as both have established incentives to invite foreign capital and investors. Both countries are open to new relationships and co-operations and are willing to continue in those already established.

Some basic business connections between The State of Qatar and The Czech Republic have been already made. This is a good base for further cooperation on a much bigger scale. However, there is one, important and not negligible, limiting factor to this bilateral cooperation. It is the distance that is dividing these two countries. This automatically increases the cost of transport, which will show in the significant increase of the final price of products.

Another difference between The State of Qatar and The Czech Republic is their culture. However, as we have seen Qatar is opening its doors not only to the foreign capital but is also inviting foreigners to work in this country . Therefore, we should not see this difference as a problem. The State of Qatar is showing its friendly side to us.

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