

Alice Rezková¹

Czech–Chinese Relations: Friends or Foes?

Abstract

This research paper aims to describe the evolving Czech–Chinese relationship in its complexity over the past 30 years. It chronologically analyses political and economic events that were crucial for the relationship and gathers statistical data to provide further evidence. The academic focus on China and CEE is very intense right now. Not only CEE countries are searching for best practices and strategies on how to approach the new player in their region, but also China itself actively promotes academic researchers and think tanks to publish on its new foreign policy concepts towards CEE to assure its relevance and importance. This paper contributes to the current research discourse by a comprehensive analysis of Czech–Chinese relations and policy recommendations for future development.

Keywords: Czech–Chinese relations, CEE, economy, foreign policy, Belt and Road Initiative

Introduction

There is a limited number of countries that do not struggle for a constructive relationship with China. Even though President Trump seems to be getting closer to that unpopular and small group of dropouts, almost every nation is amazed by the Chinese economic miracle and strives for a win–win

¹ Alice Rezková is a Research Fellow of AMO Research Center, Prague. Her research focuses on the economic policies of South, Southeast and East Asia.

relationship with Beijing. This fascination did not start with the enormous leaps the Chinese economy took; it has much older roots. Already in the 18th century, the whole Europe was swollen by the Chinese fashion of various Chinese vases and decorations around aristocratic palaces in Europe.

It is interesting that the idealised picture of China with its exotic culture and society is persisting up until today. Nowadays, the dream cooperation usually includes some form of Chinese investments and limited export and investment opportunities on the Chinese market. In the end, the relationship ends up as less advantageous than previously thought and bitter feelings remain.

Even though it is obvious that the Chinese market does not represent the low-hanging fruit, it still represents a shiny object for many companies that believe in a dream of a market with one billion customers. Furthermore, the extraordinary economic growth in China is a wonder that causes headaches to many western politicians who either would like to have a similar miraculous potion for their sick economies or would like to conquer the Chinese market and at least somehow balance the continually rising Chinese imports.

The Czech Republic, as it is currently trying to rebuild its relationship with China, marvels at the economic phenomenon and struggles to be part of it. Over the past thirty years, the Czech Republic has undergone a tremendous transformation of its own economy, society and politics. Naturally, the Czech–Chinese relations did not stay intact in the realm of these changes and experienced many ups and downs during this period.

It is not overstated to say that the Czech Republic absolved in these thirty years the most substantial change in its position towards China from all European countries. Coming from a standpoint of a strong defender of principles and an assertive industrialist to a pleasing apologist and an accommodating follower, the Czech metamorphosis has surprised many in the international community.

At the very beginning, the relationship with China was not at the centre stage of the political attention. However, as a small open economy driven by exports, the Czech Republic had to pay attention to the growing imbalance in trade with China and untapped opportunities on the Chinese market. China can be a tricky partner, both economically and politically. Czech politicians were soon to find out that a high number of visits to China cannot secure an exclusive access to the Chinese market. Even though on paper, China establishes friendly relations with almost every

country in the world, in reality, mutually beneficial relations are difficult to set up.

Slow progress in the relationship has always been blamed on the special treatment that the Dalai Lama and other anti-mainland and anti-socialist folks got in the Czech Republic. Czech businessmen pushed for a more forthcoming approach towards China, but the most internationally visible political elite held a different opinion. Foreign policy in the Czech Republic is often created by strong personalities and not exactly by strategies and roadmaps agreed by ministries and the government. Therefore, the policy towards China has always been whisked away to one or the other direction depending on the actual political set up.

Changes in foreign policy every four or five years might sound natural for many European democracies, it is highly non-transparent and incomprehensible for the Chinese administration that follows its strictly given five-year plans and its strategies are crafted into stone. The foreign policy based on strong political personalities rather than strategies prepared by ministers disadvantages the Czech Republic at a moment, when the Chinese side suddenly comes up with the 16 + 1 initiative and the Belt and Road strategy that caught the Czech Republic utterly unprepared.

The moment was surprising not only for the Czech Republic, as it was one of the first times that China in all its greatness reached out towards the previously almost ignored countries. And most of the CEE countries jumped at the opportunity to finally level up their relationship with China. So did Czech politicians who had always have a growing appetite for cooperation with China and perks that these projects could bring. Naturally, China has discovered the CEE potential already after the EU enlargement in 2004, but not all CEE countries managed to transform the Chinese interest into tangible outcomes.

The Czech Republic went from very routine and administrative relationship with China towards a specific tie that was striking for many other Czech international partners. In the past few years, the Czech Republic has received its first wave of signed memorandums announcing large Chinese investments that will very probably never materialise or not in the announced volume and scope. Various Chinese business and political delegations were rubbing shoulders in Czech institutions, business alliances and companies. So did Czech politicians and businessmen in China. The development would not be so surprising, if it was not accompanied by loud announcements of Czech political elites about the need to learn stability

from China or the need to lower the export dependency on European markets.²

The relationship became intense so rapidly that it evolved into a domestic political issue,³ similarly to politically more important partners like the European Union, traditional allies like the United States or eternally present Russia. Never has China been a theme of any election until now. The Czech president has never had an advisor on China coming directly from a Chinese company with a controversial background until now.⁴ There has never been a discussion on whether investments should be screened in terms of security.⁵ Until now. It is obvious that the Czech Republic has learned many lessons in the past years, which creates an excellent opportunity to build a complex strategy towards China based on real experiences, knowledge of the Chinese environment and political courage.

It is a deep-rooted belief that any bold action towards Tibet, Taiwan or Chinese internal issues damages the economic part of the relationship. Furthermore, the political elites are convinced that the Czech Republic needs to enhance its relationship with China and create the most favourable conditions in comparison to other CEE countries, as these countries have more privileges in China and enjoy more investments and benefits coming from the win–win mutual cooperation. Needless to say that every other CEE country wishes to become a bridge for China to Europe. This “competition” among CEE countries for Chinese attention is beneficial only for China and creates frictions domestically. How far should the government go in order to get Chinese investments, better access to the Chinese market etc.? Finally, it is believed that the relationship towards China needs to be specifically handled in terms of political attention in order to win better deals on the Chinese market and attract more Chinese investments. China is so large, the Czech Republic is so small, as Czech politicians like to quote.⁶ That is why, special think tanks with governmental support were established or departments within ministries that should handle the agenda created by a sudden number of visits from the Chinese academia and government.

² Echo 2014.

³ KOPECKÝ–REZKOVÁ 2016.

⁴ HÁLA 2015.

⁵ BRĚŠTAN 2018.

⁶ REZKOVÁ 2018.

This research paper aims to describe the evolving Czech–Chinese relationship in its complexity over the past 30 years. It chronologically analyses political and economic events that were crucial for the relationship and gathers statistical data to provide further evidence. As there are certain long-term beliefs accompanying the relationship in the Czech Republic – described above – the research paper presents arguments that put these biases into perspective.

The academic focus on China and CEE, Belt and Road and 16 + 1 is very intense right now. Not only CEE countries are searching for best practices and strategies on how to approach the new player in their region, but also China itself actively promotes academic researchers and think tanks to publish on these new foreign policy concepts to assure its relevance and importance. This paper contributes to the current research discourse by a comprehensive analysis of Czech–Chinese relations and policy recommendations for future development.

One step forward, two steps back in Czech–Chinese relations

Changes in the CEE region naturally caused concerns in Beijing and significantly influenced mutual relations for years to come. Since the political and economic reforms implemented in the CEE presented a textbook for similar attempts in China, Chinese decision-makers feared their possible impact on Chinese domestic politics. Furthermore, Beijing fell into isolation after the events at the Tiananmen Square in 1989 and the fall of Communism in the CEE region lifted the unconditional support of the region's regimes.⁷

Therefore, at that time Czechoslovakia and China drifted apart after the Velvet Revolution. This trend was not unexpected or surprising as other countries in Central Europe took a similar path in their relationship with China. However, the Czech Republic had a particular position among CEE countries due to the activities of its president Václav Havel. Immediately after taking his office, Václav Havel expressed a wish to invite the Pope and the Dalai Lama to Prague.⁸ His first visit in February 1990 was presented

⁷ TUBILEWICZ 1997.

⁸ ČT24 2016a.

as spiritual; however, both the Dalai Lama and Václav Havel issued a joint statement calling all politicians to follow their conscience and responsibility toward the truth and justice. The statement also expresses a general wish for freedom from oppression and spiritual and material poverty. Thus, Václav Havel created a framework for the Dalai Lama's unofficial visits in the future, a precedent that was followed by many other high-level politicians around the world.⁹

Even though Václav Havel continued in private meetings with the Dalai Lama, it seemed that it did not significantly disturb the official relations with Beijing that followed the usual administrative routine of various mutual visits that could be even compared to its peak years in the 1980s. China needed to get out of international isolation after the events of Tiananmen in 1989, and Chinese politicians were ready to turn a blind eye with respect to the Czech Republic. In 1991, among many other meetings, there was a foreign ministers' meeting¹⁰ and prime ministers meeting,¹¹ on which the Investment Protection and Trade Promotion agreement was signed, which laid out a foundation for trade relations.¹² After 1991, the impulses from the Chinese side silenced. The relative absence of high-level official state visits lasted up to the Czech entrance to the European Union. There is a discussion in the Czech Republic whether this trend was caused by frequent Dalai Lama visits or simply there was a limited agenda to tackle, as both countries were busy with the transformation of their economies. Even though at that time Czech businesses concentrated more on the European market, the Czech side did not give up on the goal to conquer the Chinese market and sent three prime minister delegations¹³ and one presidential to China in order to encourage trade cooperation.¹⁴

These delegations continued in a trade dialogue, articulated needs of Czech businesses that were naturally in contrast with the political steps

⁹ FÜRST 2010.

¹⁰ Chinese Foreign Minister Qian Qichen met with the Deputy Foreign Minister of Czechoslovakia Martin Palous in Prague in February 1991. Minister Qian also met with Václav Havel.

¹¹ Czechoslovak Prime Minister Marian Calfa met with General Secretary Jiang Zemin in Beijing in December 1991 (Respekt 1991).

¹² Agreement 1991.

¹³ Václav Klaus in 1994, Miloš Zeman in 1999, Jiří Paroubek in 2005, Václav Klaus as the President in 2004.

¹⁴ FÜRST 2010.

of President Havel. This political style was typical for the Czech Republic up to 2014. Some political elites were openly critical towards Beijing, and at the same time, numerous high-level delegations were assuring Beijing about the Czech interest in mutual cooperation. Furthermore, the Czech Republic was always a bit clumsier in its diplomatic efforts to support Taiwan or Tibet. When Taiwanese Vice President and Prime Minister Lien Chan visited Central Europe on their way to the United States, only the Czech Republic managed to have a Chinese minister of education on an official visit at the same time. No wonder, Beijing felt irritated and immediately interrupted the visit and heavily complained.¹⁵ Czech behaviour towards China reminded more like a bull in a china shop than sophisticated, delicate diplomatic steps.

However, with the entrance to the European Union and change in the Czech political leadership, the Czech Republic and other countries in the region slowly got back their allure. As Figure 1 confirms, it is typical for Czech–Chinese relations to unfold in activity waves. It seems that long periods of non-activity and disinterest are replaced by periods of frenetic activity, particularly on the Czech side. This trend can be naturally given by historical events that influenced the development of Czech–Chinese relations. The peaks of these activities can be observed in the 1950s, 1980s and then again at the beginning of the new millennium after the Czech entrance in the EU and then again with the 16 + 1 framework and grand Chinese return to the CEE region.

The unparalleled activity growth after the Czech entrance into the EU is obvious from Figure 1. However, the significant spike can be observed mainly in the case of Czech visits to China after the Czech accession to the EU. The Chinese activity remains at a very similar level throughout the whole analysed period. It was the Czech side that struggled to attract more business opportunities and investments. Even Czech newspapers reported that almost every capable politician travelled to China, which resulted in the record-breaking 15 official visits in 2007.¹⁶ Naturally, Chinese decision-makers had to be puzzled by the Czech incoherent behaviour. Frequent political visits to China after 2005 signalled to China that Czechs are interested in special economic ties. However, at the same time, sharp criticism of Chinese human rights violations combined with bold relations with Taiwanese and Tibetan exiled politicians could not be more confusing for the Chinese side.

¹⁵ TUBILEWICZ 2007, 188.

¹⁶ Ministry of Foreign Affairs, Czech Republic 2007.

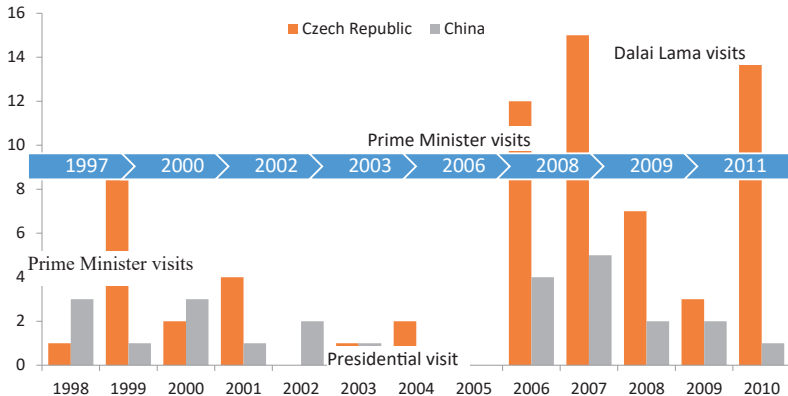


Figure 1

*Official visits from the Czech Republic to China/from China to the Czech Republic/
Dalai Lama visits the Czech Republic (1998–2010)*

Source: Czech Foreign Policy Bulletin, Ministry of Foreign Affairs of the Czech Republic.

Public opinion towards China after the accession to the EU was rather negative. When Václav Havel left the presidential office, the Green Party that was from 2006 part of the governmental coalition became the leading critic of the Chinese human rights record. At the event of the Tibetan day (10.03.2007), the Chairman of the Green party initiated a tradition of Tibetan flag display on official buildings, for example ministries or town halls. The initiative quickly spread around more than 300 Czech cities.¹⁷ Although the practice is now not so widespread like ten years ago, it is still quite popular, even though the Chinese Embassy penned letters to discourage Czech mayors from following this unpleasant ritual.¹⁸

Furthermore, in September 2008 three Green party members unfolded the Tibetan flag during a visit of Chinese delegation in the Chamber of Deputies of the Czech Parliament.¹⁹ Needless to say, that the furious Chinese delegation immediately left, and the Chinese Embassy complained that such steps are understood as official support of Tibet independence.

¹⁷ ČTK 2007.

¹⁸ Tylová 2006.

¹⁹ iDNES.cz 2008b.

These events were broadly commented and discussed by the general public and media, and naturally, lead to a more negative perception of China. Therefore, most of the public supported the boycott of the Olympic Games in Beijing in 2008. Eventually, most of the Czech politicians who are unusually responsive towards public opinion polls did not officially accept the invitation to visit the Olympic Games. For example, the Czech Prime Minister visited the Games privately and let himself photographed with a Tibetan flag pin at the airport before departure.²⁰ The same year Václav Havel awarded Liu Xiaobo the Homo Homini award for human rights defenders during the One World Festival.²¹

All these activities followed after the busiest years ever in terms of bilateral activities and official visits between the Czech Republic and China. The strategy of “let’s do business and forget politics” was at its full swing in these years. And the Chinese took their word for it, as the Chinese imports to the Czech Republic dramatically increased after 2005. Czech businesses that started their thorny path in China at that time had to face a closed, non-transparent protectionist market. The Czech Ministry of Trade also prepared its first Strategy of Support of Economic and Trade Interests in China.²² It is a question whether Czech politicians could secure better conditions for Czech businesses at that time if there were no political irritations on the Czech side, and whether it would mean more Czech exports to China.

In 2007, based on the power audit of EU–China relations, the Czech Republic came out as the most prominent critic of China in the EU. It belonged to the small group of Assertive Industrialists together with Germany and Poland. The Audit even says that: “These are the only EU Member States willing to stand up to China vigorously on both political and economic issues. The Assertive Industrialists do not agree that market forces should shape the nature of the EU–China relationship. They stand ready to pressure China with sector-specific demands, to support protective “anti-dumping” measures against unfairly subsidised Chinese goods, or to threaten other trade actions.”²³ From today’s perspective, it is very confusing to read that: “The Czech Republic and Poland have only a few

²⁰ iDNES.cz 2008a.

²¹ STRAKOVÁ 2009.

²² VALIŠ 2005.

²³ FOX–GODEMENT 2009.

firms and sectors able to compete in the Chinese market, and their imports from China are rising rapidly. This means they are less tempted than others to ask the Chinese for favours for their national companies and are less exposed to Chinese pressure. Politically, Czech and Polish attitudes towards China are shaped by the powerful legacy of communist rule and their popular anti-communist movements. The Czech Republic is often identified by China as the EU member state most hostile towards it – yet it rarely suffers Chinese “punishment”.²⁴

However, the events in 2007 and 2008 were apparently unchewable for the Chinese side. Following the Dalai Lama’s visit in 2009, China and the Czech Republic had a very limited political dialogue until 2013–2014, when the situation dramatically changed, and the Czech Republic left altogether its diplomatic mix of political criticism of China with intensive business support. The change in attitude was probably dramatic even to the Chinese who almost got used to the Czech ambivalent behaviour.

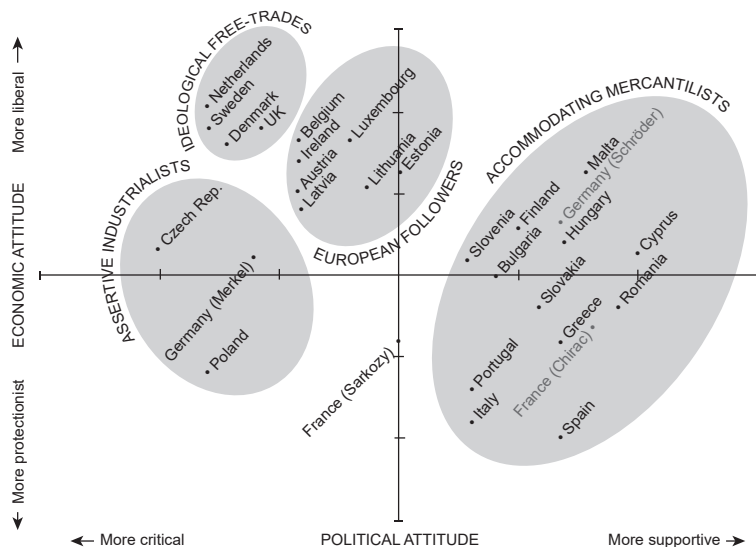


Figure 2
EU Member State attitudes towards China

Source: FOX-GODEMENT 2009.

²⁴ FOX-GODEMENT 2009.

Czech and Chinese relations finally started to blossom from the Chinese point of view. Surprisingly, the implementer of the crucial political changes towards China was the newly elected President Miloš Zeman who was not an unknown figure to Chinese political elites. In 1996, he used to call Czech politicians who were overly pleasing to China, as “ready to undergo plastic surgery to slant their eyes” and was openly critical towards China during his official visit in 1999.²⁵ Interestingly, he also signed a contract to build a power station in Shantou, which became a lasting torment in Czech–Chinese relations for many years to come and the problems with its construction only constantly reflected the complicated relationship.

Two decades later, Miloš Zeman changed his tune. The Czech President has become one of the most vocal supporters of Chinese investments in the Czech Republic, and he devoted a lot of time and attention to the development of the Czech–Chinese relations. Not only did he travel to China for two presidential visits, but he also employed Ye Jiangming from CEFC as his advisor for Czech–Chinese relations.²⁶ Both presidential visits to China were controversial, as for the first, he took advantage of a private airplane of a private company that needed presidential support and lobbying in order to obtain a licence to issue payment cards on the Chinese market.²⁷ The second visit became well known around the whole of Europe, as the Czech President was the only high-level European politician visiting Chinese celebrations of the End of the Second World War.²⁸ Moreover, his memorable appearance in the Chinese CCTV became a source of an endless stream of jokes in the Czech society, as he said that he came to learn from China how to stabilise the society and presented the cuddly toy of the Czech Little Mole as the main bridge between the two nations.²⁹

Zeman’s special attention was returned by the Chinese president Xi when he visited the Czech Republic on a special trip in the spring of 2016.³⁰ His visit officially marked a certain disillusion from the development of the Czech–Chinese relations. There were many new potential projects and investments announced during his visits.³¹ However, most of them stayed

²⁵ Lidovky.cz 2016.

²⁶ ALLEN-EBRAHIMIAN–TAMKIN 2018.

²⁷ ČT24 2014.

²⁸ SLÁVIK 2015.

²⁹ Echo 2014.

³⁰ Presidential Office, Czech Republic 2016.

³¹ MENŽELOVÁ 2018.

just on paper and never materialised until the day of writing this article. Furthermore, the Czech public learned how far the Czech Government is ready to go in securing President Xi's comfortable visit. Chinese nationals were gathered from around the whole Central Europe in order to prepare a welcoming crowd for the Chinese President. Czech police made sure that these outbursts of joy were not interrupted by any disturbances like Czechs with Tibetan or Taiwanese flags.³² The visit left a bitter taste, even though a lot of Chinese money in investments was promised. When the Dalai Lama returned to the Czech Republic the same year, the Czech President, the Prime Minister, the President of the Chamber of Deputies and the President of the Senate penned a letter to the Chinese Government denouncing the trip as an initiative by "private politicians".³³

Furthermore, the EU–China power audit from the ECFR from the year 2017 highlights the Chinese influence in the country and among top political elites. "The Czech Republic is perhaps the most visibly penetrated EU state. The 2015 annual report of the Czech Security Information Service (BIS) stated that the Chinese intelligence service is the most active in the country and actively "works on extending and maintaining Chinese influence in Czech politics and economy". The 2016 BIS report stated that the number of Chinese "spies" had stagnated, while the number of operatives on a mission had increased. The 2017 report noted a rise in the intensity and aggression of influence operations, as well as increased spying."³⁴

Also, the debate on the rightness of the Czech policy towards China is a hot topic, and the discussion includes a large public demonstration during official Chinese visits, which is an exception within the CEE region. The comparative analysis of the Czech media discourse (ChinfluenCE, Association for International Affairs) has demonstrated that China is presented in the media more negatively (41%) than in Slovakia (26%) or Hungary (9%). The Czech press exhibited a constant negative attitude during this time regardless of the warming-up of political relations. Based on the ChinfluenCE analysis, the Czech media concentrate on the international standing of China, human rights issues, censorship, the authoritative nature of the Chinese Government and Tibet. In sharp contrast

³² SPURNÝ 2016.

³³ ČT24 2016b.

³⁴ GODEMENT–VASSELIER 2017.

with the themes presented in the Slovakian media that devote more time to the Chinese economy or the Hungarian media that concentrate more on bilateral relations.³⁵

Win–win trade relations are nowhere in sight

Trade cooperation is considered to be the main element of the Czech–Chinese relations. Currently, China is the fourth largest trade partner of the Czech Republic and the second largest importer. Among all trade partners, the highest trade deficit is with China. Its importance for the Czech economy is disproportionally driven by Chinese imports. In terms of Czech exports, China is on the 18th position among all Czech export destinations. Even though the volume of Chinese investments considerably increased over the past few years, China still can be considered in terms of the invested capital an investor of small importance with its 32nd position in the investor ranking. China is also far behind other investors from East Asia like Japan (13th position), South Korea (12th position) or Taiwan (26th position).³⁶

It is obvious from the Czech–Chinese trade exchange presented in Figure 3 that Czech exports to China remain in comparison with Chinese imports very sluggish. Despite various attempts of Czech politicians to negotiate better conditions on the Chinese market or get access to some governmental projects, exports lack dynamics. In 2016, there is a visible small spike in Czech exports; the need to deliver at least some results of the warm-up in Czech–Chinese relations is the most fervent wish of Czech politicians. So far, Czech exports were indifferent to the temperature of Czech–Chinese relations. Nevertheless, it is important to consider that a part of the Czech exports goes to China via the German market, as Germany is the Czech Republic's most important trade partner. Thus, German re-exports of Czech goods could play an essential role in the size of the Czech–Chinese imbalance.

³⁵ KARÁSKOVÁ 2018.

³⁶ CNB s. a.

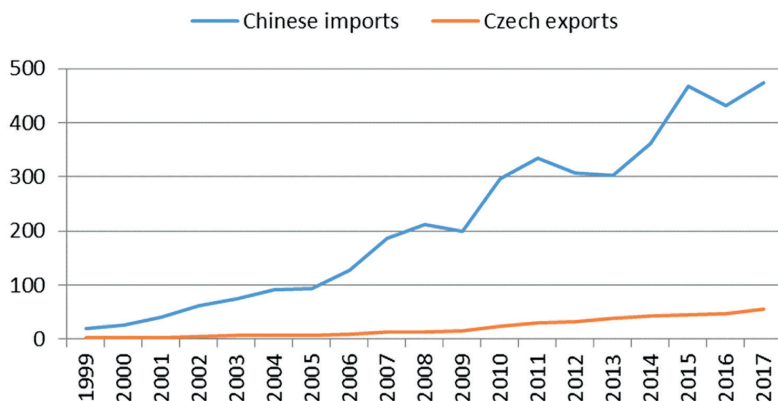


Figure 3
Czech–Chinese trade relations (1999–2017, billion CZK)

Source: Czech Statistical Office.

Otherwise, the Chinese market remains a non-transparent and challenging territory for most of the Czech companies. Even the national champions that deliver their products around the whole world cannot crack the puzzle called China. There are only a few case studies of Czech companies that succeeded in China. For example, PPF that managed to win a banking license for the whole Chinese market (political backing was needed) and then Škoda Auto that has been building its presence in China for many years and its mother company Volkswagen was probably also instrumental in sharing its experiences from the Chinese market. Naturally, there are other examples of successful Czech–Chinese cooperation. However, most of it was established regardless of positive or negative high-level political bilateral relations.

On the contrary, Chinese imports to the Czech Republic are thriving. It is evident from Tables 1–4 that the import structure has significantly changed over the past decade. At the beginning, there were imports typical for China of that time – shoes, textiles, toys, bikes and cheap electronics. Many of these products, however, negatively influenced some traditional Czech industries that were not able to stand the Chinese competition and ended out of business. “The power of the Chinese manufacturing machine was astounding: as recently as 2005, the Czech Republic was helping China

with shoe-making technology; two years later, China flooded the Czech Republic with 11 pairs of shoes per Czech citizen (at least some of which were presumably re-exported)³⁷

It is obvious from Table 1 that in 2000, textile spinning machines belonged to the top 10 Czech exports to China. The faith of the Czech textile industry in the light of increasing Chinese imports is apparent. Furthermore, it is obvious from Tables 1–4 that Czech exports lack consistency and do not have strong flagship products that would be exported to China (except cars and cars' parts). Most of the Czech exports consist of machinery for various industries. However, a certain process of upgrading is noticeable in 2015, coming from machines for textile production to turbines, boring and milling machines to car parts, computer parts and mobile phone parts. It is obvious that the Czech Republic is moving to the right direction in its exports to China, towards more value-added products that better resemble the Czech economy structure. The fact that in 2015, the number one export item is in the toys and tricycles category also proves that Czech exports to China can be in many cases random and based on accidental business deals that do not have to necessarily end-up in long-term cooperation.³⁸

China aims to transform its economy into an innovation-driven economy, as it is also stated in the *Made in China 2025* plan initiated in May 2015. The plan aims to make China a tech superpower by calling for a dramatic increase in domestically made products in various sectors from robotics to biopharmaceuticals. Consequently, Chinese companies will increase their effort to acquire unique know-how globally. There are many Czech companies that own world-class technological know-how that could be of interest to Chinese companies. However, one of the latest Chinese efforts to invest in an innovative battery production ended up with a scandal that included an attempt to steal the production know-how during the pre-selling process.³⁹ Therefore, many Czech innovative companies remain distant towards possibilities on the Chinese market, as they are afraid of losing their main comparative advantage in some

³⁷ FOX–GODEMENT 2009.

³⁸ However, this time it can be speculated that the increase in toys exports can be attributed to the “export” of the Little Mole cartoon to China. Therefore, it can be hopefully expected that it is not only a once in a few years trend.

³⁹ BRĚŠŤAN 2017.

uneven trade dispute. Even though the Czech Government tries to assist any possible deal, there are not many new Czech entrants on the Chinese market.

Table 1
Top ten Chinese imported products/Czech exported products in 2000

Top 10 Chinese imports to the Czech Republic	Top 10 Czech exports to China
Input or output units for computers	Cars
Computers parts	6-Hexanelactam (epsilon-caprolactam)
Footwear	Trucks
Fish fillets	Car brakes
Storage units for computers	Transmission shafts
Bicycles and other cycles	Machines for preparing textile fibres
Travelling-bags	Storage units for computers
Radio-broadcast receivers	Textile spinning machines
Microwave ovens	Pigments used for colouring
Tantalum, tantalum waste and scrap	Parts of refrigerating or freezing equipment

Source: Czech Statistical Office.

Table 2
Top ten Chinese imported products/Czech exported products in 2005

Top 10 Chinese imports to the Czech Republic	Top 10 Czech exports to China
Computers parts	Boring-milling machines for metals
TVs, Radios	Transmission shafts
Input or output units for computers	Parts of electrical “pre-set” capacitors
Monolithic integrated circuits	Machines for preparing textile fibres
Laptops	Artificial guts “sausage casings” of hardened protein
Computers	Generating sets
Storage units for computers	Parts of steam and other vapour turbines
TV/Radio parts	Copper waste and scrap
Video recorders	Storage units for computers
Footwear	Tools for pressing, stamping or punching

Source: Czech Statistical Office.

Table 3
Top ten Chinese imported products/Czech exported products in 2010

Top 10 Chinese imports to the Czech Republic	Top 10 Czech exports to China
Laptops	Copper waste and scrap
Computers parts	Fuel pumps for car engines
Photosensitive semiconductor devices	Radio navigational aid apparatus
TV, radio parts	Locks used for motor vehicles
Storage units for computers	Computer parts
Mobile phones	Car brakes
Video recorders, radio, parts	Generating sets
Phones	Boring-milling machines for metals
Static converters	Grinding machines
Processing units for computers	Car engine parts

Source: Czech Statistical Office.

Table 4
Top ten Chinese imported products/Czech exported products in 2015

Top 10 Chinese imports to the Czech Republic	Top 10 Czech exports to China
Mobile phones	Tricycles, scooters, pedal cars, dolls, toys
Laptops	Fuel pumps for car engines
Computer parts	Chemical wood pulp
Phones	Electron microscopes
Phone parts	Grinding machines
TV/Radio parts	Mobile phones parts
Computer monitors	Car parts
Storage units for computers	Mobile phones parts
Processing units for computers	Trucks, tractors parts
Tricycles, scooters, pedal cars, dolls, toys	Car brakes

Source: Czech Statistical Office.

In terms of Chinese investments in the Czech Republic, China slowly recovers from an almost non-existent investor into a top 3 Asian player straight after Japanese and South Korean investors, as Figure 4 indicates. However, statistics from the Czech Investment and Business Development

Agency⁴⁰ indicate that China has caught up with other East Asian countries in the past years. Japan and South Korea remain key foreign investors in the Czech Republic and Taiwan is also a much stronger investment partner than China.

China repeats a similar investment pattern in the Czech Republic that can be recognised in other European and non-European countries. In every country, Chinese companies target a particular set of industries: energy sector, infrastructure and logistics, finance, real estate and a sector in which the target country has the highest comparative advantage. For example, Chinese investments can be found in Israeli high-tech companies, fisheries in Morocco or agriculture in Ukraine.

The sector with the strongest economic advantage is still awaited in the Czech Republic. Chinese companies prefer similar investment formats all over the world, so they usually buy already well-established companies or help restructure promising but struggling companies. It is often expected in the Czech Republic that Chinese companies will create some greenfield investments in areas with high unemployment rates, as many Japanese and South Koreans did in the past. However, Chinese companies usually prefer fast track to know-how and technology, so they invest in the form of joint venture or acquisition. Figure 6 confirms that even though Chinese companies created the highest number of jobs among East Asian investors in 2016, in the long term, South Korean and Taiwanese companies lead the way.

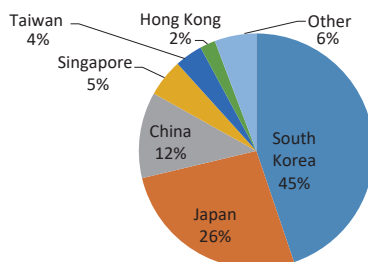


Figure 4

Top Asian investors in the Czech Republic, 2016

Source: Czech National Bank.

⁴⁰ The Investment and Business Development Agency CzechInvest is a state contributory organisation subordinate to the Ministry of Industry and Trade of the Czech Republic. The agency arranges for the Czech Republic both domestic and foreign investments in the areas of manufacturing, business support services and technology centres.

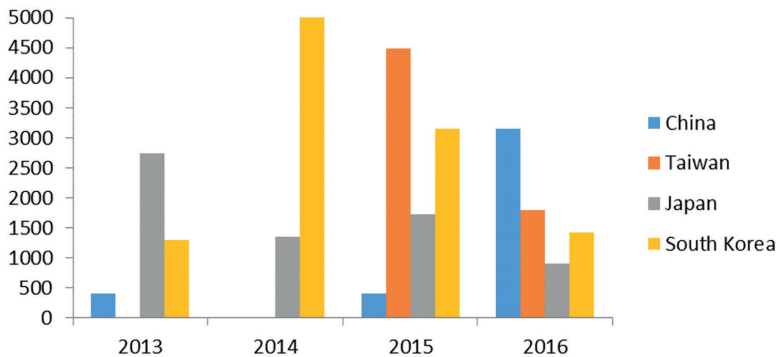


Figure 5

Comparison of Chinese, Taiwanese, Japanese and South Korean FDIs based on CzechInvest Data (2014–2016, million CZK)

Source: CzechInvest, Investment and Business Development Agency.

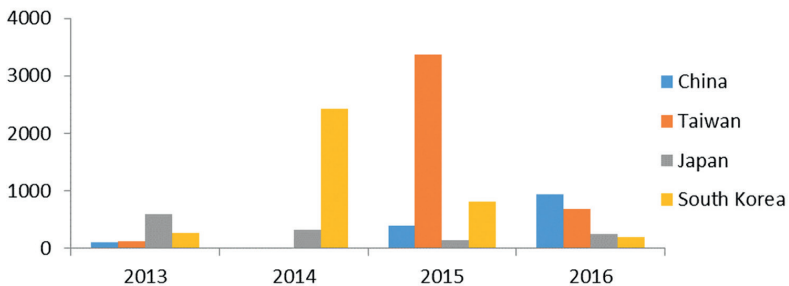


Figure 6

Jobs created by Chinese, Taiwanese, Japanese and South Korean FDIs based on CzechInvest Data (2014–2016)

Source: CzechInvest, Investment and Business Development Agency.

Chinese investments also create a lot of domestic tensions as Chinese investors are nurtured by politicians at the highest levels. In many ways, Chinese investments became of strong interest among Czech political elites and this immense interest causes internal friction among various power groups. The best example is the CEFC China Energy that was

internationally an unknown Chinese conglomerate that chose the Czech Republic for its global expansion in 2015. CEFC became the most prominent Chinese investor, holding stakes in hotels in Prague, a soccer team, breweries, a financial group⁴¹ and the airline company that controls national carrier Czech Airlines. The currently detained company chairman Ye Jianming⁴² was named special advisor to the Czech President Milos Zeman.⁴³

As the Czech Republic is a newbie to large Chinese investments, more time will be needed in order to better access opportunities presented by Chinese companies and officials. The CEFC case indicates that having all eggs in one basket does not pay off. Furthermore, it can sometimes be challenging to differentiate real business ventures from scams attempted to create more political space. If the political goodwill towards the Chinese is already generously showed, it should be exchanged for the more open Chinese market in sectors, in which Czech companies can offer world-class products and services.

The future is always bright in Chinese eyes

In the future, China will become a more active player in the international community, and it is in the Czech interest to establish a constructive dialogue with China. Trade should be the core element of the relationship, as there is a limited number of political issues that the Czech Republic and China could have on their agenda. In the long-term, China works on building an alliance of European partners that could support its broader strategic goals in the future. Central and Eastern European countries naturally become the target of Chinese political efforts. It can be tempting to barter political points for Chinese investments. However, this approach can be hazardous for the Czech Republic, and the final benefits will very probably not pay off. Preferably, Czech and Chinese relations should support

⁴¹ J&T is one of the most significant investment groups in CEE and invests mainly into financial services, energy sector, real estate, healthcare, media and sports.

⁴² Ye Jianming, the Fujian entrepreneur who took fewer than five years to rise from obscurity to become head of China's fourth-largest oil conglomerate, has been recently detained for questioning in China.

⁴³ ALLEN-EBRAHIMIAN-TAMKIN 2018.

mutually beneficial economic relations that can be backed by warm political relations. However, these should not be a precondition.

The Czech Republic struggles to become more visible within the Belt and Road Initiative, even though the political representation would wish to win a more leading seat in the initiative. However, based on a study from Brussels' think tank Bruegel, the Czech Republic is a country that will be benefiting the least from a potentially higher connectivity between China and the EU. The mutual trade exchange would increase only 2.82% in comparison to 8.22% in case of Poland or 9.18% in case of Slovakia.⁴⁴ Therefore, it is questionable, how much should the Czech Republic strive for a higher profile within the Belt and Road Initiative, whatever that practically means.

Even though the Czech Republic cannot offer infrastructure projects large enough to interest Chinese companies, there could be some benefits and lessons learned for both sides from joint infrastructure projects in third countries, for example, in Central Asia. Chinese companies need positive reference projects in certain industries, and Czech companies can offer the needed know-how and partnership, while Chinese companies do not lack the required cash.

Otherwise, the Czech efforts should promote digital connectivity within the Belt and Road Initiative, as export of services is a field, where Czech companies can succeed. The presence of the Czech company Home Credit (PPF) in China confirms that this is possible. Furthermore, the Czech start-up community in East Asian countries is growing, and the first swallows have already appeared in the gaming industry. However, these areas belong to the most protective industries (both culturally and politically) in China, and it can be very difficult to succeed. There are myriads of stories of various U.S. tech companies that were outsmarted by Chinese rivals.

It was already indicated that Czech companies could offer very competitive and innovative know-how. However, problems with intellectual rights protection discourage many potential candidates from further attempts. The Czech Government tries to offer some "safe" environment in case of joint projects administered by the Czech Technological Agency. The twinning between Czech and Chinese research institutions can be beneficial for both sides if sufficient attention is paid towards know-how protection.

⁴⁴ HERRERO–XU 2016.

To sum up, China is a complicated territory even for very experienced politicians and businessmen. Therefore, more attention should be given towards capacity building in terms of Chinese language studies, negotiation techniques and general knowledge of Chinese economy and business practices. The more qualified Czech participants to manage Czech–Chinese relations, the better outcomes to expect in the future.

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