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## **Between Fascination and Ignorance: Slovak Political and Economic Attitudes towards China**

### **Abstract**

This chapter discusses Slovak–China relations since 1993 all the way to the present. The Slovak approach towards China is defined by the combination of *fascination* with the great power and exotic nature of China on the one hand, and the strategic focus on geographically more proximate areas on the other. The country’s diplomacy has respected China as a growing global power and paid the lip service to the importance of developing mutual relations, while at the same time basically *ignoring* China in the substance of its diplomatic activity. Shortcomings of the Slovak dealings with China will be emphasised as well, with perhaps the greatest one being the lack of knowledge and due attention being paid to China in Slovakia.

**Keywords:** Slovak–China relations, Slovak foreign policy, China–CEE, China–V4, China–Central Europe relations

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## Introduction<sup>2</sup>

When devising foreign policies, Slovak leaders usually keep in mind the fact that their country has considerable limitations concerning its size and capacities. We are talking about the smallest of the Visegrád countries and one of the smaller countries in the European Union. Even though the country self-consciously accepts its ‘provincial’ character, it does not make the international positioning of Slovakia any less exciting, and certainly, it does not make it any easier. Moreover, occasionally Slovakia becomes part of a very interesting diplomatic development and one may say that it regularly punches above its weight.

Slovakia can be currently perceived as one of the most Western-leaning states in Central Europe, particularly in terms of its relatively pro-EU stances, especially when compared with Hungary and Poland who have been experiencing strained relations with Brussels, but also when compared to the EU-sceptical Czech Republic. In this case, the smallness of Slovakia is demonstrated in quite a consensual stance of its elite that membership and the active participation in the ‘core’ EU is the best way to navigate in global and regional politics.

On the other hand, Slovakia has traditionally had relatively good and functional ties with Russia, at times even sending signals that it wants to serve as a ‘bridge’ between West and East – which has been, in turn, heavily criticised by many experts as being dangerous and undermining the favourable Western orientation. In any case, this perception may, for instance, explain why Bratislava hosted a summit between American President George W. Bush and Russian President Vladimir Putin back in 2005, with both world leaders seeing it as an acceptable and to some extent ‘neutral’ ground, even though at the time Slovakia was already a NATO and EU member. For instance, Slovakia was the only V4 country which did not expel any Russian diplomat in the aftermath of the Skripal case, again paying respect to its tradition of being pro-EU and pro-Western, but not at the expense of relations with Russia.

When it comes to relations with China, the ‘provincial’ character of the Slovak international endeavours is manifested by the combination of *fascination* with the great power and exotic nature of China on the one

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<sup>2</sup> Similar ideas have been published in previous publications of the author, such as PLESCHOVÁ–TURCSÁNYI 2019.

hand, and the strategic focus on geographically more proximate areas on the other. Therefore, ever since the independence of Slovakia in 1993, the country's diplomacy has respected China as a growing global power and paid the lip service to the importance of developing mutual relations, while at the same time basically *ignoring* China in the substance of its diplomatic activity with the sober realisation that it is too far to play a significant role in the 'day-to-day business' and that Slovakia is too small to achieve anything considerable there.

This chapter will discuss Slovak–China relations since 1993 all the way to the present. It is worth mentioning that although 1993 was the first time that independent Slovakia had diplomatic relations with China, the relations between the two sides were of course built on the legacy of the decades of Czechoslovak–China interactions. Legally speaking, Slovakia is, together with the Czech Republic, a successor of the common state with all its historical features with regards to China, including the fact that it was one of the first countries to officially recognise the People's Republic of China in October 1949.

The following section will briefly sum up the history of bilateral political relations from the 1990s 'low profile' stances of both sides, via the 2000s when the relations started to grow in importance after Slovakia entered the EU and NATO and both sides deepened their integration to the global economy. Furthermore, the Global Financial crisis starting in 2007 made China even more important. It was on this background that the 2010s saw the rapid development of relations thanks to the Chinese-initiated 16 + 1 and Belt and Road Initiative.

That will move the discussion to the second central part of the chapter – the economic relations. It will be shown that while trade-wise it has been relatively dynamic, with regards to investments we are still, as of 2020, in the era of 'waiting' for the arrival of Chinese FDI. In conclusion, the discussion about the potential future dynamics will be developed on the background of the assessment of past conduct.

It is a hope that this chapter can underscore that although Slovakia is a small country and its dealings with China are conducted in light of the vast asymmetry of power and geographical distance, the Slovak approach towards China is bringing about a few important points which perhaps can even offer a lesson to its regional fellows. At the same time, a few shortcomings of the Slovak dealings with China will be emphasised as

well, with perhaps the greatest one being the lack of knowledge and due attention being paid to China in Slovakia.

### **Political relations since 1993: ‘Low profile and never take the lead’**

As has been mentioned already, although Slovakia started technically its independent diplomacy after 1 January 1993, it could draw on decades of Czechoslovakia’s experience, including the tradition of the few years of democratic diplomacy in the aftermath of the 1989 revolution and before the decision of the dissolution of the joint state in the second half of 1992. Before moving towards a chronological journey, it is worth noting that although the Czech attitudes towards China have influenced Slovakia, its own approach differed as well. Most notably, the strong personal input of the last president of Czechoslovakia and the first president of the independent Czech Republic Vaclav Havel put a strong ‘moralistic’ imprint on future Czech dealings with China. Although Havel’s ideas have always had followers in Slovakia, their impact has been considerably weaker than in the Czech Republic, both within political circles and among public opinion. Still, at times these ideas manifested publicly, such as when Slovak President Kiska met the Dalai Lama in 2016.

China is regarded as a rising global power with which Slovakia wants to develop intense relations. The Slovak government’s interest in relations with China is viewed as mainly economic – both regarding trade and investments, although security aspects are considered important since China is aspiring to become a leading global power and it also has its position as a permanent member of the UN Security Council.<sup>3</sup>

After the independence of Slovakia in 1993, China was not the priority of the foreign policy of the country – and it has never become one ever since. During the ‘reign’ of Vladimír Mečiar in 1994–1998, the country was wavering between the East and West. However, at the time, the memory of 1989 was still very much present both in China and in Slovakia and the two sides simply had different priorities and issues to focus on than the development of closer bilateral ties. Moreover, China’s role in international

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<sup>3</sup> MFA 2018.

affairs was far behind what it is today. Therefore, it was Russia that played in the 1990s the role of a Slovak 'alternative' to the West, not China.

Since the 1998 elections, the country reconfirmed its pro-Western direction and integration with the EU and NATO became the foremost priorities of its foreign policy. In the upcoming eight years, Slovakia was undergoing a rather dramatic process, which brought about membership in the EU and NATO and transformed Slovakia into a 'tiger economy'<sup>4</sup> thanks to economic liberalisation, the attraction of foreign investments and subsequent growth of export-led production, particularly in the car manufacturing sector.

In this period, the development of relations with China did not attract much interest in Slovakia both for economic and political reasons. The Slovak development model in the 2000s was very much following the liberal market patterns such as deregulation and lowering of the tax burden, opening up for trade and foreign direct investments, or privatisation. This economic recipe came hand in hand with the politically strong pro-Western liberal democratic emphasis.

China did not fit within these processes and in fact it could offer little at the time, although the mutual trade was growing steadily – firstly, Chinese exports to Slovakia (as a result of liberalisation of the Slovak trade and China's membership in the WTO), and secondly, Slovak exports to China (as a result of the relatively successful establishment of pro-export economy in Slovakia). Although substantially, China was becoming more important economically, mostly due to the structural development on both sides, rather than any specific bilateral action. It may be pointed out, that although the Slovak domestic development switched after 2006 from the pro-reform oriented towards a local version of social-democracy (with strong populist and nationalist leanings), the perception that systemic steps are more important than ad hoc direct interventions have prevailed among many policymakers to these days.

It was only in 2003 when during then President Rudolf Schuster's (former high-ranking member of the Communist Party) trip to China, the new institutional framework of the bilateral relations between Slovakia and China was established after signing a new agreement about bilateral relations and cooperation in various areas including economic, cultural,

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<sup>4</sup> REYNOLDS 2004; K. M. 2011.

or projects of reforestation in China.<sup>5</sup> At the same time, even during that time, there were relatively large numbers of state visits on both sides, pointing towards the vague realisation that China is an outstanding global actor although perhaps not so much in the direct sense at the given period.<sup>6</sup>

Incidentally, the year 2003 was also when the Taipei Representative Office in Bratislava opened.<sup>7</sup> Slovakia was the last one from among the V4 countries to open such an office for conducting relations with Taiwan, with the office in Budapest opening in 1990, in Prague opening in 1991, and in Warsaw in 1992.<sup>8</sup>

With the first government of Robert Fico in 2006–2010, nonetheless, certain signals about foreign policy refocusing were sent out. Fico, a former member of the Communist Party turned-social-democrat after 1989, wanted to distance himself from the previous government of Mikuláš Dzurinda and declared a ‘pragmatic foreign policy’ conduct with the emphasis on economic diplomacy. This brought him to a number of countries, which previously were not in the country’s focus, including China,<sup>9</sup> which he visited in 2007.

During the visit to China, Fico announced he wanted to open the door for Chinese investments to enter Slovakia. He has signed various sectoral agreements but called previous plans of President Schuster in forestry cooperation ‘fiction’. Fico refrained from touching upon human rights issues and when pushed by Slovak journalists, he went into offensive arguing that such a small country should not lecture China and that it would be inappropriate for a guest to do so. Fico explicitly said that the previous government did not do enough in terms of economic diplomacy, particularly with regards to China, and that his visit constituted a beginning of the new era, which would bear fruits in a few years’ time. During the visit, Slovakia tried to position itself as a Chinese gateway to Europe.<sup>10</sup> It is well worth noting that the title of ‘bridge’ or ‘gateway’ and overall rhetoric of economic promises later became regular

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<sup>5</sup> TASR 2003.

<sup>6</sup> GREGUŠOVÁ 2003, 303–306.

<sup>7</sup> Taipei Representative Office in Bratislava 2018.

<sup>8</sup> TUBILEWICZ 2007.

<sup>9</sup> Other countries that fall in this category that Fico visited include, for instance, Libya, Cuba, Belarus or Vietnam.

<sup>10</sup> HUDEC 2007.

staples not only of Slovak dealings with China but even more so for the broader Central and Eastern Europe.<sup>11</sup>

Another high-profile visit, this time in another direction, happened in 2009 when Chinese President Hu Jintao visited Slovakia. The agenda of the meeting was to discuss cooperation in various spheres, particularly the option that China might participate in infrastructure projects, especially highways – public-private partnership (PPP) schemes were at the time favoured by the government ahead of utilising EU funds.<sup>12</sup> Eventually, China did not participate in any of the PPP projects in Slovakia, mainly due to new Slovak Government as of 2010, which brought in different priorities. Later on, the second Fico Government who returned to power in 2012 did not revoke the idea of cooperation with China as a part of PPP projects, perhaps also due to the fiasco of a similar project in Poland, where the COVEC company won a tender to construct a highway but could not finish it and left the construction, resulting in problematic delays.<sup>13</sup>

Hu Jintao's visit in Slovakia, however, sparked some incidents when supporters of the Chinese president attacked human rights protestors in front of the Slovak President's Palace. As a result of the physical interaction between the two groups, some of the human rights activists sustained some minor injuries and eventually the police had to separate and arrest some of the protestors. Interestingly, most of the arrested people were from the human rights group, rather than the Chinese president's supporters. The incident continued to be discussed after the visit and in the process, the Slovak Minister of the Interior said that the Chinese Embassy in Bratislava organised the pro-China demonstrators.<sup>14</sup> Similar incidents, only on a (much) more extensive scale, happened in the Czech Republic in 2016 with President Xi Jinping. In fact, the two visits well underscore the qualitative similarities between the two countries but also point out very different intensities – while Bratislava pro-human rights group consisted of a few dozens of protestors at most, in Prague the protestors numbered in thousands on various locations of the city.

As hinted already, 2010–2012 saw a short intermezzo with the central-right wing coalition government of Iveta Radičová and Minister of Foreign

<sup>11</sup> TURCSÁNYI 2015.

<sup>12</sup> PLESCHOVÁ–FÜRST 2015.

<sup>13</sup> GRZESZAK 2011.

<sup>14</sup> PLESCHOVÁ–FÜRST 2015.

Affairs Mikuláš Dzurinda, who made it clear that he opposes the concept of the ‘pragmatic foreign policy’ of the Fico Government and announced his own value-oriented approach.<sup>15</sup> However, due to the early election and another shift in the government, this direction remained relatively underdeveloped and since 2012, Slovakia has always been ruled by social-democrats, firstly alone, and after the elections in 2016 in the coalition government. Only the election in 2020 moved the social-democrats to the opposition.

Interestingly, while in 2006–2010 during his first government, Fico himself made an official visit to China and talked about economic cooperation, since 2012, Fico changed his pro-active attitude towards China, culminating in 2015 when he abstained from the 16 + 1 summit of Prime Ministers of China and CEE countries in Suzhou. Officially, the reason was health issues; however, it can be doubted for Fico continued his program in Bratislava, seemingly in a way, which was prepared beforehand. Moreover, already a year before Fico spoke publicly that he would not go to China for a tourist trip if nothing were prepared.<sup>16</sup> On top of that, during the second Fico Government, the post of the Slovak Ambassador in Beijing was vacant for about a year,<sup>17</sup> also signalling the low priority the government assigned to China. Hence, the repositioning of the second and third government of Robert Fico vis-à-vis China can serve as an evidence that China was not perceived as a real promising economic partner, although Fico continued to speak in favour of developing relations, primarily as part of his domestic political position and as a means of criticism of the opposition, president, etc. This direction was largely kept by Fico’s successor in the Prime Minister’s Office Peter Pellegrini who ruled between 2018 and 2020.

When it comes to the domestic political treatment of China, a comparison with the fellow V4 countries would reveal again that Slovakia is somewhere between the Czech Republic on the one hand, and Poland and Hungary on the other – China is not such a politicised and divisive topic as in the Czech Republic, but still more so than in the other two V4 countries.<sup>18</sup>

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<sup>15</sup> TASR 2010.

<sup>16</sup> TASR 2014.

<sup>17</sup> The Slovak Embassy in Beijing 2018.

<sup>18</sup> TURCSÁNYI et al. 2019.



In the aftermath of the kick-start of the 16 + 1 process in 2012 and the Belt and Road Initiative announcements in 2013, Slovakia has clearly counted as a country with the least developed relations with China from among the V4 – it was the only one who has not elevated its relations with China to the level of strategic partnership and in general the only one who was not actively sending pro-active welcoming signals to China.

Having said that, Slovakia has always stated that it wants to have good relations with China and it suggested various projects that it believed could be developed mutually.<sup>19</sup> However, there was little ‘overwork’ done to push these projects into realisation – especially when compared with the very active and at times high-profile diplomacies of the remaining three Visegrád countries in China. Slovakia chose a much more ‘down to the ground’ position, basically suggesting that economically interesting projects would materialise, irrespective of the political processes. At the same time, it seems that doubts regarding the economic rationale of the relations surfaced in Slovakia much earlier than elsewhere in the region, perhaps even before the 16 + 1 and Belt and Road Initiative started in 2012–2013 – and the two initiatives changed little in this Slovak perception. It is noteworthy here that this realisation took place in Slovakia during the rule of the ‘pragmatic’ Robert Fico left-wing social democratic government, who – if anything – would be ideologically inclined to develop more active relations with China.

Two particular incidents deserve our attention here – namely the acceptance of the Uyghur prisoners from the U.S. Guantanamo Prison in 2013 and the Slovak President Kiska’s meeting with the Dalai Lama in 2016. First, in 2013, in a somewhat surprising move, the second government of Robert Fico decided to accept the remaining three Uyghur prisoners from Guantanamo. The decision was naturally met with an adverse reaction from China, which claimed the Uyghur prisoners were terrorists, asserted that they would pose a security threat in a country which would accept them, and demanded that they are returned to China for prosecution. The Slovak diplomacy, on the other hand, stated that the three Uyghurs were never charged with any terrorist act and took a relatively low-key position without direct commenting on Chinese calls.<sup>20</sup> Although the Chinese public criticism was more targeting the U.S. than Slovakia, the incident

<sup>19</sup> European Commission 2018.

<sup>20</sup> Pluska 2013.

still negatively affected relations with China, at a moment when relations between China and a number of CEE countries started to develop rapidly as part of the 16 + 1 platform.

The second incident came in 2016, when President Andrej Kiska decided to meet the Dalai Lama, who was visiting the country as part of his European trip. Kiska met the Dalai Lama ostensibly in his personal capacity and outside of his office, but the move nonetheless attracted strong Chinese reaction, this time targeting Slovakia explicitly and directly. Among others, the Spokesperson of the Chinese Ministry of Foreign Affairs expressed the official stance during the regular press conference in Beijing<sup>21</sup> and China announced it would retaliate against Slovakia.<sup>22</sup> On the Slovak side, the Slovak Government communicated via diplomatic channels that this was a personal decision of the president and not the government policy (the Slovak president is not the head of the government in Slovakia) and that the move does not affect the Slovak position vis-à-vis the Chinese, including the respect towards China's territorial sovereignty, integrity, the 'One China' policy etc.

After both of these incidents, there was a discussion whether China would 'punish' Slovakia and it was conjectured that most probably the whole act was a symbolic one. In reality, as will be explained in the next section of this chapter, there is little in terms of economic relations, which would give China a means how to retaliate against Slovakia substantially. Slovak exports to China are almost entirely taken care of by the big car manufacturers and they are not a function of the Slovak economic diplomacy or Slovak–China relations as such. Besides, they were on a downward trajectory after 2012. Moreover, there are almost no Chinese investments in Slovakia and no concrete projects under negotiations, which could be used as a form of economic pressure by China. Therefore, both incidents might have made it more difficult for the Slovak diplomacy to engage China and perhaps even some business and other exchanges were cancelled and this way Slovak–Chinese relations might have suffered, but no concrete and considerable evidence has been made public.

In spite of the low level of activity of the relations between China and Slovakia, Slovakia became the first V4 country and perhaps even the first in

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<sup>21</sup> Chinese Ministry of Foreign Affairs 2016.

<sup>22</sup> Reuters 2016.

the CEE, to have attempted to develop an official ‘China policy’.<sup>23</sup> In April 2017, the Slovak Government passed the *Strategy for the Development of Economic Relations with China 2017–2020*, produced under the auspices of the Ministry of Economy. The 37-pages-long strategy<sup>24</sup> suggests that Slovakia needs to utilise (what is more, strengthen) its relatively good political relations with China for economic purposes and then it moves on to mention various measures how to achieve that, including increasing the number of diplomatic personnel in China, opening ‘Slovak houses’ in various parts of China to attract Chinese investors and tourists, attempting to prepare schemes how to use Chinese funds to build infrastructure at home and many others.<sup>25</sup>

The strategy was to be followed by the ‘Action Plan’ in autumn that year, which, however, was stopped in the process due to objections within the government, likely from the Ministry of Foreign Affairs. Apparently, there were disputes between those who favoured focusing on China and those who claimed that the Chinese economic potential for Slovakia was relatively limited and that more attention should thus be paid to higher chances of succeeding, especially towards the developed countries in the West.

## Economic interactions<sup>26</sup>

### *Trade*

Slovakia experiences a trade deficit with China since it imports from China currently about four times as much as it exports to China. As Figure 1 (see below) shows, Slovakia’s trade position vis-à-vis China changed significantly since about 2011 – in 2016 Slovakia exported to China less than in 2010. We can see that Slovak exports to China grew since about 2005 and in the aftermath of the 2008 crisis they increased rapidly, narrowing the gap between exports and imports. Since 2011, Slovak exports to China have been decreasing or at best stagnating.

<sup>23</sup> Ministry of Economy 2017.

<sup>24</sup> National Council of the Slovak Republic 2018.

<sup>25</sup> TURCSÁNYI 2017.

<sup>26</sup> Parts of this section appeared in KIRONSKÁ–TURCSÁNYI 2017.

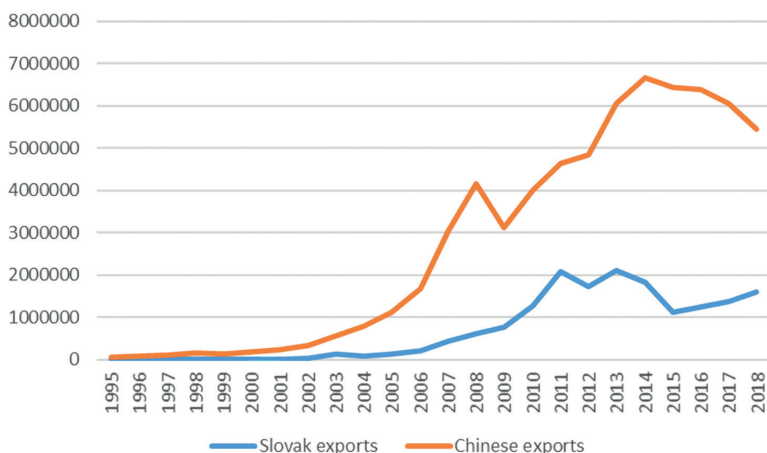


Figure 1  
*Slovak–China trade relations*

Source: UNCTAD.

Figure 2 (see below) compares Slovak exports to China with those of all CEE16. Slovakia together with its V4 neighbours belongs to the leading exporters to China from among the CEE16. In the previous years, Slovakia's decrease in exports was the fastest among the V4, meaning that while in 2011 Slovakia was the most prominent exporter to China among the CEE16, it lost its position in the subsequent years. Still, Slovakia has one of the smallest trade deficits with China among the CEE16.

China is a major import partner for Slovakia – more than 8% of the Slovak imports come from China, the amount only surpassed by the Czech Republic (more than 10%) and Germany (almost 17%). As for the exports, China takes the 14<sup>th</sup> position with roughly 1.6% of the Slovak exports. The main export partners of Slovakia are the EU countries such as Germany, the Czech Republic, Austria, Poland, France, the Netherlands, Hungary, but also the USA and Russia score above China.<sup>27</sup> On the other hand, China is still by far the most dominant export destination for Slovakia in Asia.

<sup>27</sup> World Integrated Trade Solutions 2017.

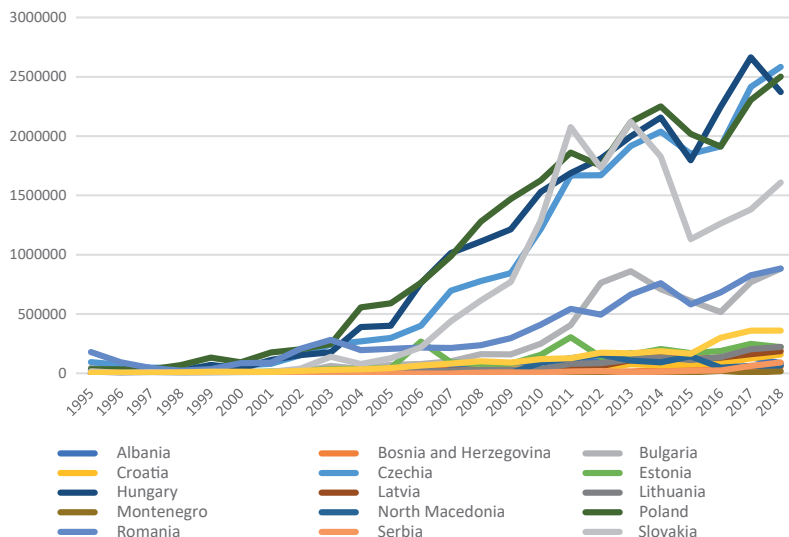


Figure 2  
CEE16 exports to China

Source: UNCTAD.

As for the composition of the Slovak export to China, it is heavily dominated by products of automotive industries – more than 70% are taken by motor cars only. Slovak exports to China and Asia are the most concentrated from among the V4 in this single area. Hence, the decrease of China's demand for the imported luxurious cars in the recent years resulted in a relatively sharp decline of the Slovak exports to China.<sup>28</sup> Slovak medium and small enterprises take marginal shares in the overall export from Slovakia to China. In other words, the vast majority of Slovak exports to China are created by international pro-export production in Slovakia rather than by homegrown businesses. This is an important point when considering options for the Slovak economic diplomacy in China.

<sup>28</sup> ÉLTETŐ–SZUNOMÁR 2016.

## *Investments*

A brief sum up of Chinese FDI in Slovakia can be that there are no significant Chinese investment deals in the country. Yet, there have been recently a few cases, which had a potential to change the situation. Although most of them did not materialise, the option that this could change in the near future cannot be rejected.

For now, however, Chinese FDI in Slovakia lags not only behind ‘traditional’ Western European investors but also behind other Northeast Asian ones such as Japan, South Korea and Taiwan. Similarly, regarding Chinese investors, Slovakia has attracted far lower amounts not only compared with the Western European countries but also within the CEE region. All in all, Slovakia counts among the countries with the lowest (absolute and even relative to GDP) levels of Chinese FDI in Europe.

The Chinese Ministry of Commerce data show Poland having the most Chinese FDI with the remaining three Visegrád countries following not too far behind. In general, all four Visegrád countries have rather little Chinese FDI (see Figure 3). Interestingly, while in Western Europe the discussion is often that Chinese MOFCOM data overestimate Chinese FDI, in CEE and particularly the V4 it is the other way when Hungary, Poland, and the Czech Republic have received more FDI than is reported by this source. That is, however, not the case for Slovakia, where no strong claim that the Chinese MOFCOM data might be in any way misrepresenting reality exists.

MERICS (2020) uses a different statistical method to track investments in cooperation with Rhodium Group, which has followed the Chinese FDI stock closely in the EU and published its results since 2014. According to this source, the gaps between the four countries are much more extensive, with Hungary leading the way with 2.4 billion EUR of Chinese FDI as of 2019, Poland following with 1.4 billion EUR, and the Czech Republic coming third with 1 billion. Slovakia ranks the last one with mere 100 million EUR.

When looking at the data provided by the China Global Investment Tracker of the American Enterprise Institute – Heritage Foundation, which lists more significant Chinese investments worldwide (of more than 100 million USD), there is no single enlisted Chinese investment in Slovakia – neither realised, announced, nor failed. From among the EU countries, only Lithuania and Estonia are similarly without any such

Chinese FDI project and just a few other non-EU countries in Europe – but even worldwide – are in such situation. For comparison see Table 1 listing the substantial investments in the V4 countries.

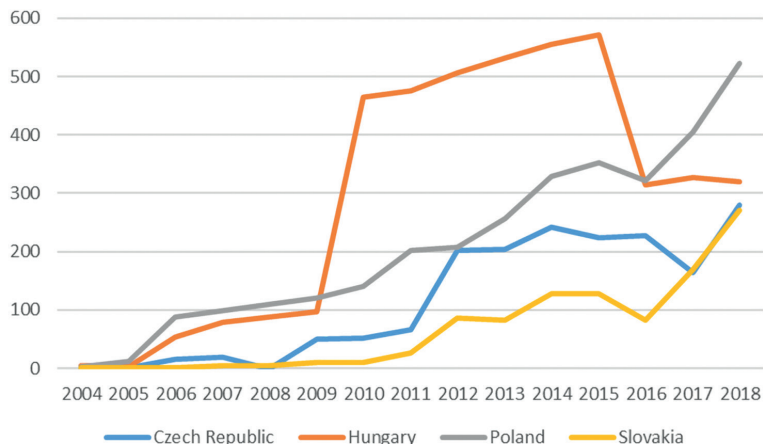


Figure 3

*Chinese FDI stock in the V4 (millions of USD)*

*Source: MOFCOM 2017.*

Table 1

*Chinese investment in the Visegrád countries*

Heritage Foundation – China Global Investment Tracker	Total volume (million USD)
Hungary	4,840
Czech Republic	960
Poland	2,180
Slovakia	0

*Source: AEI 2020.*

To mention a few examples of the Chinese investments which did take place nonetheless, we can mention Huawei and Lenovo (limited) presence in Bratislava, a number of automotive-related production or service providing

facilities (SaarGummi, ZVL Auto, Heiland Sinoc Automotive, Inalfa Roof Systems, Mescan European Research and Technical Centre, IEE Sensing Slovakia), or Flame Shoes producing rubber shoes in Bardejov.<sup>29</sup> However, perhaps the largest deal in Slovakia involving Chinese capital took place in 2017, when CNIC Corporation Limited acquired a Samsung and TESCO logistical centre near Galanta in Western Slovakia. The exact price of the deal was not disclosed but judging from the property characteristics, some previous similar deals, and the official statistics, it may have been around 100–150 million EUR.<sup>30</sup>

At the end, Chinese investors have not been flocking in Slovakia as perhaps some had expected. There may be a number of explanations for that, including little understanding and knowledge of each other's political, economic, cultural, linguistic and other conditions. However, the main reason is arguably the structural gap – there may be merely little complementarity between the two sides. As for China, the first wave of its outward investments in the 2000s targeted the developing countries where it was seeking natural resources and constructing the state-driven infrastructural projects. Since about the 2008 crisis we have observed the second major wave of the Chinese outward investments, this time aiming at the developed countries and their first-class technology and brands.

Ironically, Slovakia (and most of the CEE region) is somewhere in between the developed and the developing world in this context. On the one hand, there are not many cutting-edge technological solutions, which China might be interested in acquiring, such as, for instance, in Germany. On the other hand, Slovakia being a part of the EU with its strict regulations, and having relatively developed infrastructure, it does not offer such an open playing field as Africa or Latin America, for instance.

While Slovakia and many of its neighbours have developed in the aftermath of the 1989 revolutions thanks to foreign direct investments leading to export-oriented production, China is at present not much interested in this kind of activity. While some Chinese companies will undoubtedly choose at one point to locate in Slovakia (as some have already done), it is open for debate whether this will reach the levels of the developed countries which are using Central Europe as a production base for the European markets.

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<sup>29</sup> For more details see TURCSÁNYI 2014.

<sup>30</sup> Trend 2017.



### *Recent Chinese investment plans in Slovakia*

There have been a few cases under negotiation recently, which deserve a brief look. Most importantly, the Chinese He Steel Group, the world's second biggest steel conglomerate, was in a serious negotiation to acquire the largest employer in Eastern Slovakia, U.S. Steel Košice. For some time, the deal was rumoured of with neither side confirming it, but the general expectation was that it would be announced in April 2018. This was because five years before, the Slovak Government signed an agreement with the U.S. Steel that due to the government's support if they sell the company before this date, they would have to pay a financial compensation. Eventually, it was announced that the deal was not closed and the U.S. Steel is staying in Košice.<sup>31</sup>

The second project that has been rumoured recently included the CEFC company allegedly partnering with Penta Financial Group with the aim of purchasing the parent company on the most viewed TV station in Slovakia, Markíza. It is questionable what the future holds for this deal currently as CEFC is facing some serious problems.<sup>32</sup>

Another deal where a Chinese company was trying to get involved was the acquisition of Slovenské elektrárne (the Slovak power enterprise). The company is the leading energy producer and provider in Slovakia, and 66% of the shares was sold to the Italian Enel in 2005. In 2014, Enel was planning to sell its shares, and one of the potential buyers was the state-owned China National Nuclear Corporation.<sup>33</sup> Eventually, Enel announced it would sell its shares to EPH, a Czech company. Interestingly, the Chinese company CEFC indirectly holds a share in this company as well, via its investments in J & T Financial Group (where its share is 50%).

Chinese investors have also been mentioned since at least 2016 with regards to acquiring (or long-term rent) of the Bratislava Airport.<sup>34</sup> The airport might be relevant especially from the perspective of cargo transport. However, there has not been any information about the process of this deal recently.

<sup>31</sup> PORACKÝ 2018.

<sup>32</sup> KARÁSKOVÁ et al. 2018.

<sup>33</sup> SITA 2014.

<sup>34</sup> ČTK 2016.

More recently, Chinese infrastructural investments are being discussed related to the railway transportation. The projects which are considered related to this idea include construction/upgrading of intermodal terminals in Košice, Žilina, Leopoldov and Bratislava and the construction of a global logistics and industrial park in Košice at the location of the newly built intermodal terminal.<sup>35</sup> Sometimes even the idea of constructing a broad-gauge railway all the way to Western Slovakia is being floated, such as by former Premier Fico, although it is not seen very realistic by most experts.<sup>36</sup>

## Conclusions

Slovakia has been mostly 'cautious' in its approach towards China, trying to avoid taking various critical stances as, for instance, the Czech Republic has done on numerous occasions especially before 2012. With the Belt and Road Initiative and the Chinese-driven 16 + 1 platform for developing relations with Central and Eastern Europe, Slovakia counts among the least active countries. It has tacitly supported the initiatives and even suggested some projects but has done little overwork to push through.

At the same time, however, Slovakia did make international headlines with some steps which can be seen as somewhat 'daring' vis-à-vis China: in 2016 President Kiska met 'privately' with the visiting Dalai Lama and in 2013, the Slovak Government accepted to repatriate the remaining three Uyghurs from the Guantanamo prison, amid intense pressure from China.

Moreover, despite the little activity, economically speaking one may argue that the country has not been particularly unsuccessful, especially when compared to the V4 neighbours. From the perspective of trade relations, Slovakia had been until recently in the best position vis-à-vis China from all the sixteen Central and Eastern European countries involved in the 16 + 1 platform, yet the favourable trade position of Slovakia vis-à-vis China somewhat changed later on. Still, the country is among those with the lower trade deficits with China among the V4 and CEE16. From the perspective of investment, the country did not attract significant amount of Chinese investments, but again one may argue that it does not make it much different from the neighbouring countries, which host more Chinese FDI,

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<sup>35</sup> TASR 2018.

<sup>36</sup> ŠTALMACH KUŠNÍROVÁ–PORACKÝ 2016.

but this is still negligible compared to the ‘traditional’ investors. Hence, although a ‘late-comer’, Slovakia has not missed anything important.

The specific approach of Slovakia towards China within the V4 group deserves a comparative assessment. Slovakia has been the only V4 country, which has not responded overly enthusiastically to the Chinese 16 + 1 and Belt and Road Initiative. While stressing an interest in developing relations with China, it refrained from ‘out of the way’ welcoming gestures and attempts to attract China as the remaining V4 countries did occasionally. The Slovak attitude can be explained by two factors. First, the experience of the 2000s reform process might have taught Slovak elites a lesson that it is the structural factors which are the real ‘game changers’, rather than looking for the shortcuts, such as trying to gain economic rewards by wooing non-democratic powers with political gestures. Adopting a language, which at times became popular in the country, one must do its ‘homework’ first and foremost. Second, being the smallest of the V4, Slovakia might have come the fastest to the realisation, that making business in and with China might be a too hard nut to crack and/or might not be so promising as many would expect it to be.

Interestingly, as of 2020, it may seem that actually the Slovak ‘wait and see’ approach might have been a viable strategy. None of the remaining three Visegrád countries can claim to score much vis-à-vis China economically speaking so far, as data showing only marginal (if any) increases in terms of trade and investments prove. Furthermore, the assertive development of political relations with China may have come at certain costs with the traditional political and economic partners within the EU and NATO, which have observed the growing presence of China in Central Europe with some worries. While Hungary and Poland’s relations with Brussels are sour at present not primarily because of the China factor, it may have played some role at least symbolically. In the global context of (quickly) worsening of the U.S.–China relations and also (to a somewhat lesser extent) EU–China relations, many of the exchanges with China are coming at an even higher price in terms of strategic relations with the Western allies.

On the other hand, not all is rosy with the Slovak policy towards China. While being restrained performed relatively well so far, one may argue that it has also had something to do with the level of ignorance of China. There is a very little due attention being paid to China all across the board in Slovakia, including the politicians, local businessmen, media, civil society and public at large. China appears as a favourite ‘exotic’ topic in public

discourse, but there is almost no discussion about the issues concerning bilateral relations.<sup>37</sup>

This goes hand in hand with the low level of readiness to address certain issues connected to China. As was explained, while the Chinese presence in the country remained limited, it could have changed – and still can – with one or two single deals. As an example, the Chinese ownership of the major Slovak commercial TV station, a major national employer, or the capital airport would all have some strategic implications. However, at present, there are little to no options how to tackle these challenges. It can be argued, therefore, that the biggest need ahead of Slovakia concerning China in the near future is to build sufficient capacities to address the Chinese presence and influence – which is going to grow in the future, although perhaps not as rapidly as some may think.

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<sup>37</sup> KARÁSKOVÁ et al. 2018.

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