

**Chinese financial presence in Slovakia and Slovak 'China policy'****Richard Turcsányi**

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**Introduction<sup>1</sup>**

Not long time ago, China was considered in Slovakia as just another large country “somewhere there”, perhaps not so important that we should pay too much of our attention to, as it did not have capacity to influence us significantly. This is natural for obvious geographical reasons and also contributing political factors throughout the history did not give Slovaks many opportunities to familiarize with China. Yet recently it seems that China is becoming more present in daily life and it is impossible to ignore any longer. Most Slovaks are already aware of the fact that large part of their basic consumption products (and not just that) originates in China – just about everything from their iPhones and laptops to socks and toys. While definitely lagging behind the trade volumes, Chinese investments to Slovakia kicked-off as well in the previous years. Interestingly, even more than the real numbers it is the discourse which raises expectations that more Chinese money is about to come.

The major goals of this chapter are to present a thorough picture of Chinese financial presence in Slovakia, analyze its patterns and motivation; discuss Slovak government’s approach to Sino-Slovak relations; and elaborate on public attitude towards China and Chinese presence in the country.

As for the description of Chinese financial presence, we will draw from already available resources as well as from specially generated data for this research. We will firstly consult statistical databases of National Bank of Slovakia on one hand and the Chinese Ministry of Commerce on the other hand. Secondly, we will present findings of other academic and professional publication dealing with Chinese investments in Europe. Thirdly, we will present specific findings from (mainly) Slovak media about examples of Chinese investments in the country. Based on this we will get a basic picture about the Chinese financial activities in Slovakia. In particular, we shall answer the question of quantity and volume of

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<sup>1</sup> I would like to thank researchers of Institute of Asian Studies/CENAA - Filip Šebok, Šimon Drugda, Jakub Žaludko, and Veronika Končíkova, for their contribution to this research. Furthermore, I would like to thank dr. Gabriela Pleschova, dr. Katarína Brocková, prof. Tomáš Dudáš, and dr. Martin Grančay for their willingness to share their research findings and opinions with me during this research.

**POLICY PAPER**

Chinese FDI, its geographical and sectorial location within the country, historical dynamics and possible investment activities in the near future.

In the following section of the text, Slovak government and public approaches towards China and Chinese investments will be briefly discussed as potential factors influencing Chinese investments. While not aiming at reaching a definite answer on the extent to which these factors contribute to the investment volumes, possible answers will be provided based on the data.

Throughout the text we will also draw from various interviews conducted during the research for this text with relevant academics, representatives of companies, government officials on both Slovak and Chinese side and others. These interviews were conducted predominantly in Bratislava between March and May 2014, but also data collected from previous interviews by the author in Brussels (autumn 2013) and Beijing (August 2013) will be consulted. The information from the interviews will be listed without explicit naming of the person and institution for possible unwanted consequences.

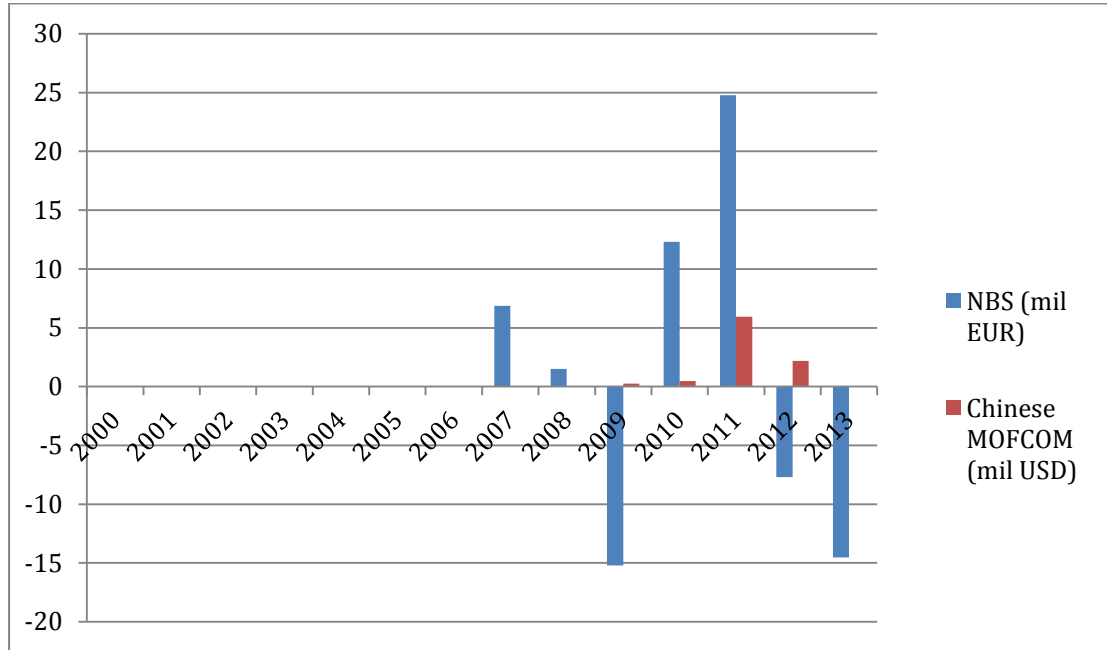
**Chinese investments in Slovakia***Statistical information*

There are various readily available official sources of information about the amount of inflow and stock of Chinese investments in Slovakia. In general, it can be observed, that differences exist between Chinese-origin data, provided by the

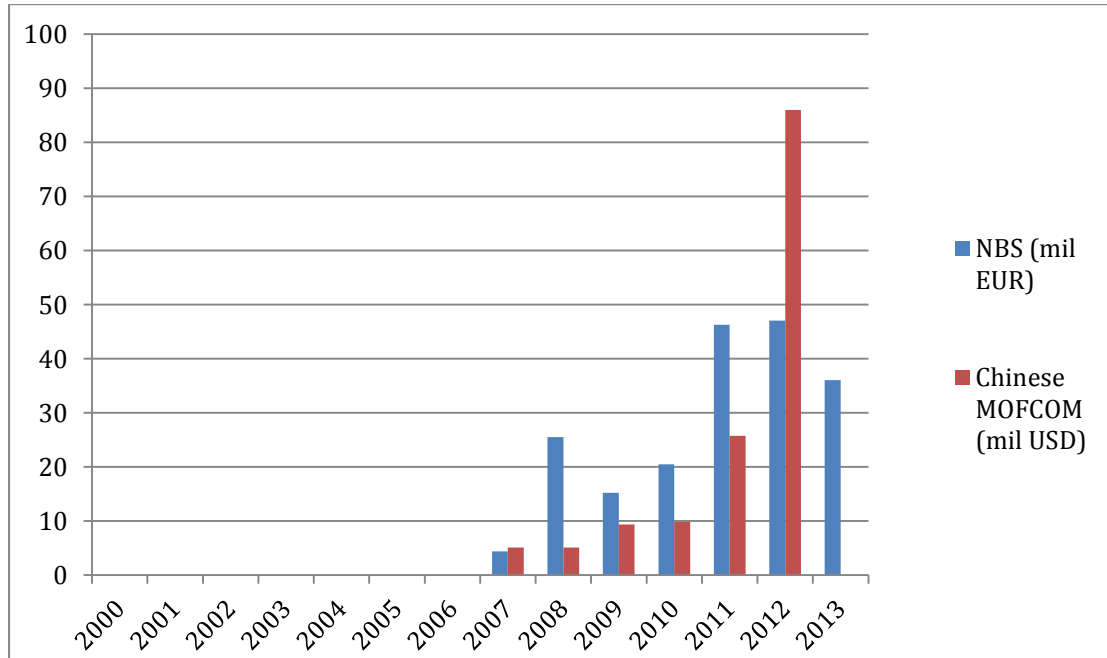
Chinese Ministry of Commerce, and the data from the National Bank of Slovakia, which are generally in accordance with the information of Eurostat and other international statistical sources. It is difficult to observe a clear regularity between the two – when it comes to the flow, Chinese data show very moderate (positive) rates, while the Slovak data shows greater fluctuation in both positive and negative direction.

While the data for the stock amount of Chinese investment both show positive numbers, they similarly diverge – while until 2011 Slovak data found more Chinese investments in the country than Chinese, in 2012 Chinese data show about three-fold increase while Slovak data show stagnation. In both cases there are no available Chinese data for the year 2013, the data of Slovak provenience show decrease of Chinese investments

**Chinese investment flow to Slovakia**



**Chinese investment stock in Slovakia**



**POLICY PAPER**

When looking at the data provided by Heritage Foundation China Global Investment Tracker<sup>2</sup> which lists bigger Chinese investments worldwide (of more than 100 million USD), there is no single enlisted Chinese investment in Slovakia

- neither realized, announced, nor failed. For comparison see the table listing the large investment in V4 countries.

Heritage Foundation China Global Investment Tracker	Total volume (mil USD)
Poland	1400
Hungary	4600
Czech Republic	100
Slovakia	0

Regarding the Chinese portfolio investments in Slovakia, after contacting the relevant body in the National Bank of Slovakia it was communicated to us, that such information is not available due to complexities of tracking the geographical source of the investor. Furthermore, we were informed, that China does not participate in the program of the IMF which tries to gather these information by asking directly investor countries. Hence, it can be concluded, that no official statistics on Chinese portfolio investments would be available also in other countries, unless Chinese side decides to disclose this information. Similarly, Debt and Liquidity Management Agency (ARDAL), body responsible for trading with the Slovak government bonds, declined our request to disclose the amount of Chinese-bought and owned Slovak bonds. The only information we received was that there was an “interest” from the Asian investors in Slovak bonds and with the “high probability” it can be said that some of them are owned by Asian investors.

It can be suggested, that not much can be determined from the official statistical information about the sectorial and geographical distribution of Chinese investments within Slovakia. According to the information by the National Bank of Slovakia, up to 99 % of Chinese acquired companies’ shares are in the steel products and machineries.

<sup>2</sup> <http://www.heritage.org/research/projects/china-global-investment-tracker-interactive-map>

*Academic and professional publication*

Using information from the Amadeus database<sup>3</sup> which unlike the upper mentioned statistical information based on balance of payment uses information from the companies' annual reports; we would be able to shed more light on the Chinese investments in Slovakia, as well as in other countries. Here, Zhang et al (2013, 66) finds Slovakia in rather unfavorable position of 'weak presence [of Chinese investments] with negative growth'. As for comparison, Hungary was listed as 'strong position with negative growth', Czech Republic as 'strong position with high growth' and Poland with 'weak presence with high growth'. According to this data, it can be observed that among the V4 countries, Slovakia is performing by far the worst when it comes to attracting the Chinese investments. In particular, there are almost no Chinese companies being active in Slovakia, which is strikingly in contrast with the number for Hungary and the Czech Republic which score among the countries with the highest number in whole Europe (6 % respectively 7 % of all European companies based there) (Zhang et al 2013, 29-30). While the cited report shows relevant numbers of Chinese direct investments in various fields such as knowledge intensive and less-knowledge intensive companies, high-tech and low-tech manufacturing or geographical distribution of assets and employment Europe-wide, it seems there are no tracked Chinese investments in Slovakia in neither of the categories.

Another finding of the report shows some correlation between the number of sister cities and the amount of investments. Here, Slovakia scores with three sister-cities connection with China only slightly better than the Czech Republic with the two links. In comparison, Hungary had 23 and Poland even 42 sister-cities links to China in 2013 (Zhang et al 2013, 54).

In line with that, similar 'bleak' picture of Chinese investments in Slovakia is painted by the Rhodium Group research, which lists Slovakia as one of five countries<sup>4</sup> in the EU with zero total deals concluded, covering both Greenfield projects and acquisitions (Hanemann and Rosen 2012, 96). Glegg and Voss (2012, 82) using statistics of Eurostat find that all Chinese investments in Slovakia in years 2006-2009 went into manufacturing, however, with most other detailed information was found to be 'confidential'.

Finally, the position of Slovakia compared to other EU countries when it comes to Chinese investments is demonstrated by the study of the European Chamber

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<sup>3</sup> For this research we have used only information as cited in Euro-China Investments Report 2013-2014 by Antwerp Management School which was based, among others, on the data from Amadeus database.

<sup>4</sup> Others are Estonia, Lithuania, Malta, and Slovenia.

**POLICY PAPER**

(2013, 39), surveying Chinese investors in the EU. Out of 69 (randomly picked and major) investors only four have invested in Slovakia – same number as for Finland, Ireland, Malta and Cyprus, and better than one in Estonia, Latvia, Lithuania, and Slovenia.

*Media information*

As it was found, the official information and other available sources paint very basic picture about the amount of Chinese investments in Slovakia and there are almost no information about further distribution of these investments within the country. While perhaps some of the investment may have slipped the general picture for being too small and insignificant in the perspective of overall Chinese investments in Europe, there are also further statistical problems with the circumventing and investing via so-called tax-havens. This way, the original Chinese capital would not appear in the statistics as such due to previous different origin. Typical roles here are played by places such as Luxemburg, Hong Kong, British Virgin Islands and others. Further information can be thus obtained while examining directly local media and other informative sources.

Realized investments<sup>5</sup>

Name	Volume	Employees	Time of investment	Location	Characteristics & further information
Lenovo	5 mil EUR	600 (in 2013 company announced it would fire about 100 people) <sup>6</sup>	2006	Bratislava	Lenovo Operation Center for Europe, Middle East, Africa (EMEA) <sup>7</sup>  Center was moved from England and Lenovo chose the place reportedly due to high number of qualified and competitive work force and assistance of SARIO. Company did not receive government stimulus. <sup>8</sup>

<sup>5</sup> Some data for this table come from the presentation of Tomáš Dudáš ([http://fmv.euba.sk/files/Slovak-China\\_investment.pdf](http://fmv.euba.sk/files/Slovak-China_investment.pdf))

<sup>6</sup> <http://hn.hnonline.sk/lenovo-skrta-desiatky-miest-v-bratislave-551807>

<sup>7</sup> [http://www.webnoviny.sk/ekonomika/cinske-firmy-chcu-investovat-na-slov/513557-clanok.html?from=suggested\\_articles](http://www.webnoviny.sk/ekonomika/cinske-firmy-chcu-investovat-na-slov/513557-clanok.html?from=suggested_articles)

<sup>8</sup> <http://www.zive.sk/clanok/24366/lenovo-zriaduje-v-bratislave-administracne-centrum>

**POLICY PAPER**

SaarGummi <sup>9</sup>	Tens of millions EUR <sup>10</sup>	1000 <sup>11</sup>	2011	Dolné Vestenice (Western Slovakia)	<p>Leading production facility of the company's total 10 factories worldwide</p> <p>Production of sealants for the automotive industry and distributing to companies such as Wolkswagen.</p> <p>The SaarGummi group (German) was acquired by Chongqing Light Textile Industry Holding, public company owned by the municipal government of Chongqing.</p>
ZVL Auto		160 (one third from the pre-crisis level) <sup>12</sup>	2007	Prešov (Eastern Slovakia)	<p>Local company sold controlling stake (55 %) to Chinese corporation TSB Bearings Group Co., Ltd. (45 % owned by an Italian ZVL Italia S.p.A)<sup>13</sup></p> <p>Automotive supplier, production of roller bearings.</p>
Heiland Sinoc Automotive <sup>14</sup>		80		Stupava (Western Slovakia)	Automobile accessories
Inalfa Roof Systems <sup>15</sup>		170-270	2011	Krakovany (Western Slovakia)	<p>Beijing Hainachuan Automotive Parts Co Ltd (Hainachuan) owns 100 percent of the stock.</p> <p>Special roof windows for BMW and all Truck OEM's: Mercedes Benz, Scania, MAN, DAF, Iveco, Ford, Volvo and Renault Trucks.</p>

<sup>9</sup> <http://www.saargummi.sk/>

<sup>10</sup> <http://hn.hnonline.sk/cinania-vleju-na-horne-ponitrie-miliony-482278>

<sup>11</sup> [https://is.muni.cz/th/401225/esf\\_m/Diplomova\\_praca\\_ic09t.txt](https://is.muni.cz/th/401225/esf_m/Diplomova_praca_ic09t.txt)

<sup>12</sup> <http://hnporadna.hnonline.sk/podnikanie-154/zvl-auto-vstava-z-popola-449400>

<sup>13</sup> <http://presov.korzar.sme.sk/c/5717952/presovske-zvl-auto-po-rokoch-trapenia-prosperuje.html>

<sup>14</sup> <http://www.heiland-automotive.eu/index.php?lang=de>

<sup>15</sup> <http://www.inalfa-roofsystems.com/en/company/global-presence/>



**POLICY PAPER**

					There are plans to build a new production facility at the same location. <sup>16</sup>
Mesnac European Research and Technical Centre		20	2009	Dubnica n. Váhom (Western Slovakia)	Research and development center focused on development of the tyre machinery and providing service of Mesnac machines in Europe and Middle East.  Joint venture between Slovak company and Chinese Mesnac Qingdao Co. Ltd.
Huawei		25-49	2013	Bratislava	e-shop run by IRDistribution, a. s. <sup>17</sup>
IEE Sensing Slovakia	Several millions EUR	500 <sup>18</sup>	2013	Kechnec (Eastern Slovakia)	Chinese company acquired the Luxembourg based company with its production facility in Slovakia. Chinese investor was chosen for its best business and strategic plan. Locals were very supportive and there are no signs of aversion towards the Chinese investor, quite the opposite. Yet, Chinese presence is in fact very limited still and no steps have been taken by the ownership.

Announced and planned investments

Name	Employees	Expected time	Location	Characteristics and further information
FLAME shoes	150	2014	Kružlov, Bardejov (Eastern Slovakia)	Production of rubber gum shoes using special EVA technology. 70 % of production aimed at export markets. Main customers will be large chain markets such as Tesco, Kaufland, LIDL etc.  Components and materials of about 84 % of

<sup>16</sup> <http://ekonomika.sme.sk/c/6257671/inalfa-roof-systems-planuje-na-slovensku-rozsirit-vyrobu.html>

<sup>17</sup> <http://mobilmania.azet.sk/clanok/93058/huawei-spusta-na-slovensku-svoj-oficialny-e-shop>

<sup>18</sup> <http://www.kechnec.sk/clanok/iee-sensing-slovakia>



**POLICY PAPER**

			a)	final products will be provided from China.  Announced to invest 13,9 million euros in next 2 years
Slovak-Chinese WDL Airlines <sup>19</sup>		2013-2015	Bratislava	Opening of direct flight between Bratislava and Tianjin and possibly more Chinese cities. Purpose is both business and development of tourism.  Joint venture, Chinese partner owning 60 % of shares, Slovak 40 %.
European China Centrum	240		Senec (Western Slovakia)	Business center aimed at Chinese companies and their distribution centers in Europe. Project was announced in 2011 and even up to 200 Chinese companies were expected to join, including establishing of branch of Bank of China. However, according to the newest information, project seems to be cancelled.
Zhuzhou	600		Trnava (Western Slovakia)	Acquisition of a Slovak located factory (among 9 others) from its German owner ZF Boge Friedrichshafen. <sup>20</sup>  Automotive industry production.

To sum up, it can be observed in general, that there were practically no Chinese investments in Slovakia prior to 2007. This is perhaps the result of the combination of general patterns of Chinese outward investments, which only started to grow in 2000s and were primarily directed towards the developing countries and in particular countries rich in primary commodities. Later on and more recently, Chinese investors were becoming increasingly interested in investing in developed countries, allegedly with the aim of acquiring high end technology and brand (European Chamber 2013). Slovakia is neither a 'typical' developed country with world-class technology or brands nor developing country abundant with primary materials. These combined with its landlocked geographical position and small size may be the prime reasons for belated and relatively modest start of Chinese investors' interest.

From 2007 on we can notice varying levels of Chinese investments in the country. While little can be asserted due to large fluctuation, we can notice the

<sup>19</sup> <http://spravy.pravda.sk/ekonomika/clanok/316123-slovensko-cinske-aerolinky-startuju-od-buduceho-roka/>

<sup>20</sup> <http://www.pluska.sk/spravy/ekonomika/cinania-kupuju-zavod-trnave-co-bude-so-600-zamestnancami.html>

start of the investments even before the crisis. Consequently, the investments increased, yet it is difficult to establish whether this was the result of the crisis or some other factors, which may include natural development of Chinese investors' increasingly available source and willingness to penetrate new destinations.

The definite number of Chinese investment is impossible to tell, but according to available sources it can be established that it is relatively modest – compared both to neighboring countries and to other investors in Slovakia, including Asian ones. In case also companies owned by a non-Chinese based but Chinese-owned subsidiary are counted, we can estimate current Chinese investments in Slovakia to be up to 100-200 million EUR. However, the significance of this number should not be exaggerated, as a single large Chinese investment can increase it by several times.

### **Slovak 'China policy'**

China is, according to official position, regarded as a rising global power with which Slovakia wants to develop intense relations. Slovak government's interest in relations with China is viewed as mainly economic – both trade and investments, although also mentions security aspects are considered important due to the fact that China is aspiring to become a leading global power.<sup>21</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. During the 1990s the debate about foreign policy was between the West (EU and NATO) and the East (Russia). Since 1998 elections the country reconfirmed its Western direction and integration with the EU and NATO became the foremost priorities of the foreign policy.

For these reasons, relations with China did not attract much interest and it was only in 2003 when during president Schuster's trip to China the new institutional framework of the bilateral relations was established after signing new agreements about cooperation. However, even during this time period there were relatively large numbers of state visits on both sides (Gregušová 2003).

Economically, after 1989 country's export markets in the East collapsed and again the direction was reversed towards West, especially after the 1998. This year the new right-wing coalition and its market-oriented reform program led to the increase of Chinese imports and later on also in increased Slovak exports to China – mainly originating from the large foreign companies established in the country, typically automobile industry and others (Szikorová 2002).

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<sup>21</sup> Interview at the MFA, Bratislava.

## POLICY PAPER

A look into major documents of Slovak foreign policy reveals an interesting feature - more recent documents seem to pay less attention to China than somewhat older documents. For instance, the recent mid-term strategy of foreign policy until 2015<sup>22</sup> does not mention China (or Asia in general) at all, and instead the document presents rather 'traditional' European and Atlantic approach. Similarly, there is only single and indirect mention of China in the government program declaration of 2012<sup>23</sup> as part of developing economic diplomacy towards Russia and other BRICS countries. The declaration of foreign policy direction for the year 2014<sup>24</sup> mentions EU-China strategic partnership; proposes possible development of relations with China in the platform of V4 and mentions the possibility of utilizing Chinese economic potential. Interestingly, it does not mention the newly developing 16+1 platform and even the three mentions of China are rather indirect, not too specific and listed among other countries in the same category. Similar document of 2013<sup>25</sup> mentions also vaguely goal of "intensifying the economic cooperation" with China and in 2012 document<sup>26</sup> we can read about "supporting of Slovak exports" to newly emerging markets.

Looking into timely more distant documents - and also those of the right-wing pre-2006 governments) - we can see more elaborated mentions of China-policy in the 2004 foreign policy directions.<sup>27</sup> Interestingly, though, we can read here also about the preference of being "cautious" in raising the sensitive issues such as Tibet, Taiwan and human rights. Similarly to the editions of subsequent years, the document explicitly mentions the principle of "One China" in its dealings with both China and Taiwan. In general, this document talks about the continuity in further relations but mentions economic cooperation with China as one of the

<sup>22</sup>

[https://www.mzv.sk/App/wcm/media.nsf/vw\\_ByID/ID\\_D9D5A743A2CE0A4FC12578950037A688\\_SK/\\$File/strategia%20ZP%20SR.pdf](https://www.mzv.sk/App/wcm/media.nsf/vw_ByID/ID_D9D5A743A2CE0A4FC12578950037A688_SK/$File/strategia%20ZP%20SR.pdf)

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[https://www.mzv.sk/App/wcm/media.nsf/vw\\_ByID/ID\\_D79B776034EEB158C12577850041BCAC\\_SK/\\$File/120511\\_programove\\_vyhlasenie\\_vlady\\_zahranicna\\_politika.pdf](https://www.mzv.sk/App/wcm/media.nsf/vw_ByID/ID_D79B776034EEB158C12577850041BCAC_SK/$File/120511_programove_vyhlasenie_vlady_zahranicna_politika.pdf)

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[https://www.mzv.sk/App/wcm/media.nsf/vw\\_ByID/ID\\_CCDA4C778C8470ADC1257C7F0048B977\\_SK/\\$File/Zameranie%20zahrani%C4%8Dnej%20a%20eur%C3%B3pskej%20politiky%20Slovenskej%20republiky%20na%20rok%202014.pdf](https://www.mzv.sk/App/wcm/media.nsf/vw_ByID/ID_CCDA4C778C8470ADC1257C7F0048B977_SK/$File/Zameranie%20zahrani%C4%8Dnej%20a%20eur%C3%B3pskej%20politiky%20Slovenskej%20republiky%20na%20rok%202014.pdf)

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[http://www.foreign.gov.sk/App/wcm/media.nsf/vw\\_ByID/ID\\_B86CC0812D7B5174C1257AF40036FD64\\_SK/\\$File/Zameranie%20ZP%20SR%202013.pdf](http://www.foreign.gov.sk/App/wcm/media.nsf/vw_ByID/ID_B86CC0812D7B5174C1257AF40036FD64_SK/$File/Zameranie%20ZP%20SR%202013.pdf)

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[https://www.mzv.sk/App/wcm/media.nsf/vw\\_ByID/ID\\_CD45CBC6506FFB16C1257A86002D75A5\\_SK/\\$File/120927\\_zemranie\\_ZP\\_2012.rtf](https://www.mzv.sk/App/wcm/media.nsf/vw_ByID/ID_CD45CBC6506FFB16C1257A86002D75A5_SK/$File/120927_zemranie_ZP_2012.rtf)

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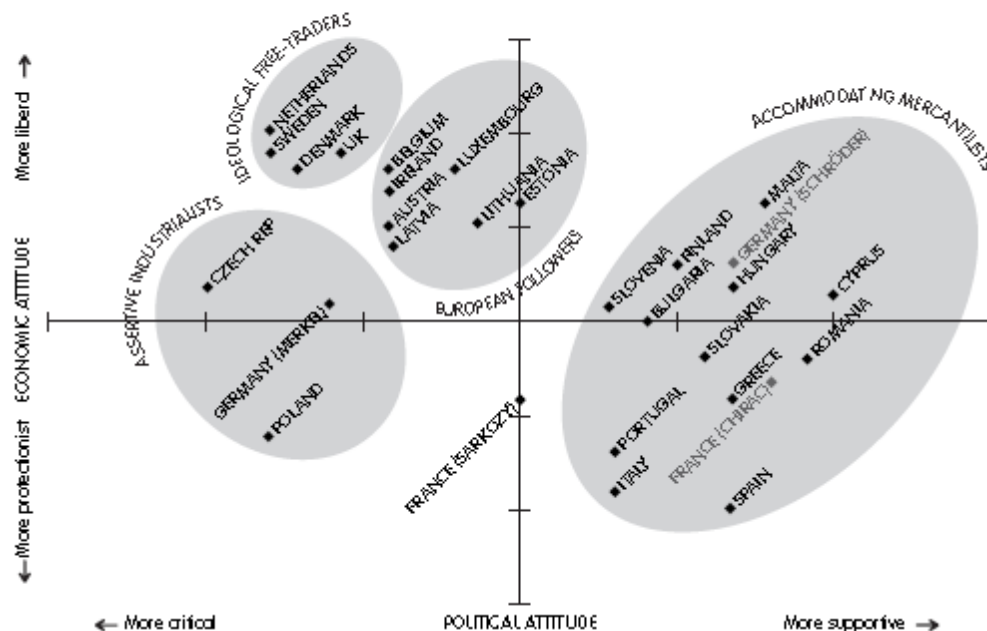
[http://www.foreign.gov.sk/App/wcm/media.nsf/vw\\_ByID/ID\\_F6DAB00E72E059DDC1257648004332A8\\_SK/\\$File/Zameranie\\_zahranicnej\\_politiky\\_na\\_rok\\_2004.pdf](http://www.foreign.gov.sk/App/wcm/media.nsf/vw_ByID/ID_F6DAB00E72E059DDC1257648004332A8_SK/$File/Zameranie_zahranicnej_politiky_na_rok_2004.pdf)

**POLICY PAPER**

major economic partner, with a comment that perhaps the project of the electric plant in Shantou may help in support of exporting opportunities of Slovak companies. Unlike the subsequent documents, this year foreign policy directions do not discuss the Chinese investments in Slovakia.

The defining feature of Slovak official foreign policy towards China may be that it is explicitly and practically unwilling to touch on “sensitive” political issues. As could be seen from the official positions, critical comments about China are rare and sensitive approach is supported. This position is perhaps best visible from the adjoined graph (Godemong and Fox, 2009). Here, Slovakia is listed among “Accommodating mercantilist”, suggesting that the country is willing to sacrifice its value priorities for the sake of potential economic benefits, as it believes that there exists a link between the two. Interestingly, Slovakia’s position here is close to the one of Hungary, while the Czech Republic and Poland are to be found among “Assertive Mercantilist”, willing to stand strong vis-à-vis China in both political and economic sphere. Apparently, however, there must be other reasons for the good level of economic and other relations as the case of Hungary and Slovakia shows, where the two took similar political position but achieved very different outcomes when it comes to actual relations, especially measured by the investment volume.

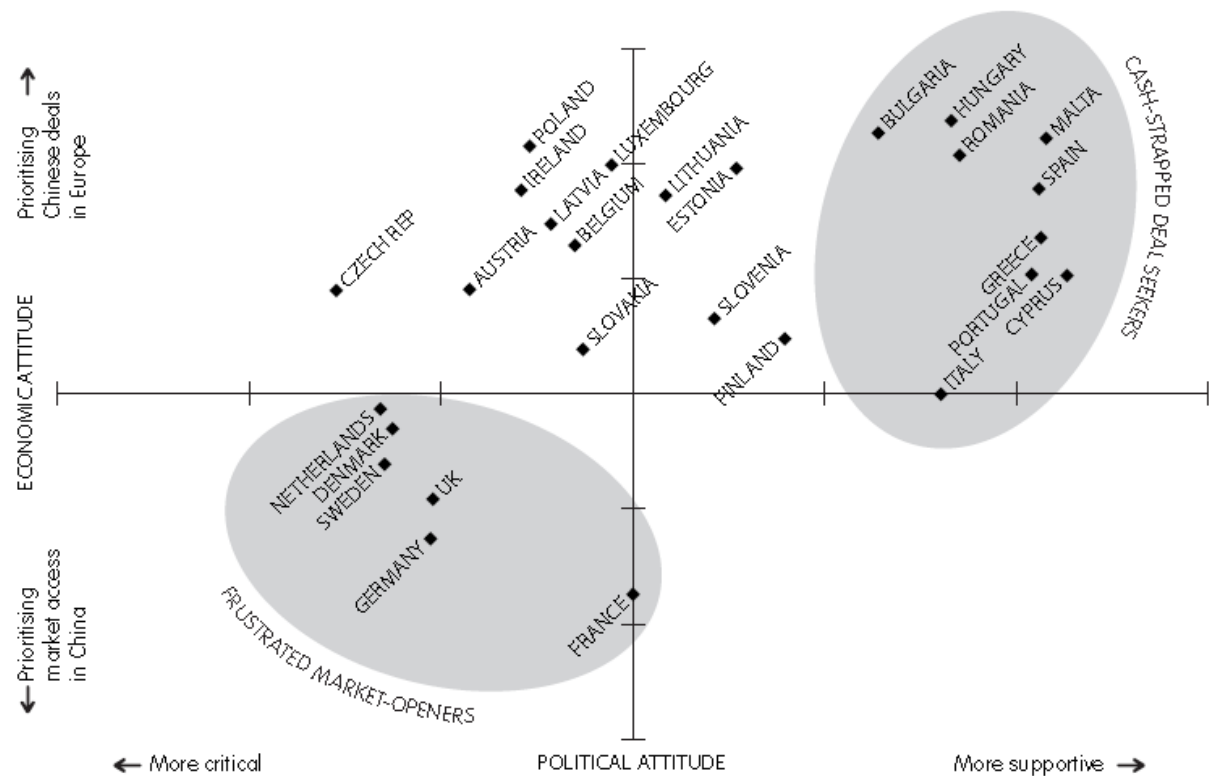
EU Member State attitudes towards China



After the crisis of 2008, ECFR looked again at the positions of the EU countries and there appeared to be new positions of many countries. Slovakia apparently

**POLICY PAPER**

underwent a significant shift and moved towards being much more critical towards China politically, while not changing its economic policy much. In comparison, Hungary seemed to keep its position of being politically accommodating, which is interpreted in the publication as the result of poor financial situation and little chance of exporting success thus an attempt (and necessity) to seek for Chinese investment in the country to help its troubled economy. In fact, Czech Republic, Poland and Slovakia are positioned in between the two suggested groups of countries (see Godemont; Parello-Plesner and Richard 2012).



An easy explanation of the significant shift of the Slovak position vis-à-vis China would be the government political ideology. While in the time of the first publication (2008) the left-wing SMER-led coalition government was in its mid-term, in 2012 it was just the time of the second (and last) year of right-wing coalition government led by Iveta Radičová. This proposition was also confirmed by a number of respondents during interviews, especially on the Slovak side, that election results do influence Slovak China-policy – right-wing parties tend to be for instance more pro-Taiwan and more willing to stand up on the political issues. Yet, as was shown also from the political declarations, neither right-wing

government are prepared to sacrifice their economic goals for the ideological and value-oriented goals and they are willing to restrain their positions, believing this influence economic outcomes of relations. Actually, it may be questioned to some extent whether Slovakia's position in the second table is in fact fully legitimized and perhaps a slight adjustment towards more accommodating position could be discussed.

### **Public sentiments towards China and Chinese presence in Slovakia**

Slovak perception of China was elegantly summed up during one interview as "40 % of the mixture of curiosity, mysticism, culture and such, and the rest coming from the perceived bad quality of Chinese products and of being a remaining communist country".

While the official policy stance seems to position Slovakia into somewhat China-friendly position, there are also voices in the society which take rather critical view on China and propose the foreign policy based on "values". The good example would be the document authored by Ivan Kuhn - "The Values Orientation of Slovak Foreign Policy"<sup>28</sup> - published by the Conservative institute of M. R. Štefánik in 2008. Here, it is stated that China and Cuba are the two countries with systematic and brutal breaches of human rights. The document goes on and criticizes then (and now) Prime Minister Robert Fico for failing to raise the human rights issues while meeting with Chinese officials.

As this research did not attempt primarily to study complexities of perception of China in Slovakia, only a pilot media study was conducted to back the findings coming from interviews and overall observation of the public and scholarly discourse. First of all, it can be asserted that the media picture of China is prevalingly negative. Topics which often appear in Slovak media are the problems of human rights, Tibet and Dalai Lama, rise of military and its threat, suppressing dissidents and various freedoms and so on. The positive news on the other hand talks about economic rise and technological development, culture and tourism possibilities. Differences can be observed between various media depending on their political orientation. The right-wing SME for example publishes more negative and less positive articles about China than left-wing Pravda.

However, it can be observed, that the level of negative perception of China in Slovakia is not comparable to the Czech Republic. While similar ideas appear in both countries, it seems that public in the Czech Republic is more influenced by these and is more willing to act in this regard. Various human rights campaigns

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<sup>28</sup> [http://www.institute.sk/upload/pdf/Kuhn\\_studia.pdf](http://www.institute.sk/upload/pdf/Kuhn_studia.pdf)



## POLICY PAPER

attract considerably more attention in the Czech Republic than in Slovakia, with the best examples being perhaps the Flag for Tibet<sup>29</sup>, which has become a popular event in the Czech Republic where hundreds of town halls and other public institutions participate apart from individuals participate, unlike in Slovakia<sup>30</sup>. Another recent example would be the wide-spread Czech reaction to the foreign minister announcement respecting the Chinese territorial sovereignty<sup>31</sup>. Similar comments from Slovak politicians never attract comparable public and media reaction (compare Fürst, Rudolf and Gabriela Pleschová 2010; Fürst 2005).

As for the impact of Slovak public opinion on current and possible Chinese investment, its role perhaps stays limited. First of all, there is little evidence that Chinese are aware of the complexities and/or would perceive Slovakia as exceptionally good/bad partner. Secondly, the evidence suggest that even the negative leaning media are positively oriented towards Chinese economic achievements and thus would welcome Chinese investments in Slovakia as another means to help developing the local economy. The interviewees from Chinese-owned companies in Slovakia confirm that both local authorities and public is welcoming Chinese investment.

### **Conclusions and policy recommendations: Perspectives and troubles of Sino-Slovak relations**

First of all, it has to be admitted that it is unclear what the exact volume of Chinese investments in Slovakia is. However, what seems to be the case is that the level of Chinese investments in the country is relatively low – both compared to other foreign investors, even such as South Korea or Taiwan; and also in comparison with the neighboring recipient countries, especially Hungary. Those few Chinese investments which are present in Slovakia tend to locate interestingly either in Western or Eastern Slovakia, with the Central Slovakia being largely left out. Typical examples of Chinese investments are acquisitions of local or foreign-owned locally based production facilities, especially in the automotive industry. Though, there are also some Chinese greenfield investments in service or research sectors. Some Chinese investments would probably not appear in the official statistics and therefore we expect that more Chinese investment would be in the country than the official data would suggest – with the approximated amount possibly reaching 100-200 millions EUR.

<sup>29</sup> <http://www.ceskatelevize.cz/ct24/domaci/265733-vlajku-pro-tibet-vyvesily-obce-napric-ceskem/>

<sup>30</sup> <http://www.vlajkapretibet.sk/>

<sup>31</sup> [http://zpravy.idnes.cz/zaoralek-ujistil-cinu-ze-cesko-samostatnost-tibetu-nepodporuje-pxa-/zahranicni.aspx?c=A140429\\_073059\\_zahranicni\\_jpl](http://zpravy.idnes.cz/zaoralek-ujistil-cinu-ze-cesko-samostatnost-tibetu-nepodporuje-pxa-/zahranicni.aspx?c=A140429_073059_zahranicni_jpl)



## POLICY PAPER

Different answers can be given to why there is so little Chinese investment in Slovakia. Political issues such as being ‘China-friendly’ or not would probably not play too large a role as Slovakia takes traditionally rather restrained position vis-à-vis China and avoids causing controversies. Similarly, public opinion towards China is not perceived to significantly impact the volume of Chinese investments. While there are critical voices in Slovakia on China, these are comparably lower than in the Czech Republic and also are not perceived so by Chinese, themselves. While media discourse may be regarded as prevailingly negative towards China in general, the positive news in fact mentions the Chinese investments and other economic and technologic successes of China. These are also the responses we got from the companies owned by Chinese capital about reactions from local officials and people.

A possible answer for little Chinese investments in Slovakia would be mere geographical factors. Slovakia has the smallest economy and size among the Visegrad countries and is also the one with the shortest border with the Western countries (in this case Austria). With the exception of Bratislava region and Western Slovakia, the rest of the country is not located conveniently in the vicinity of Western markets which may be regarded as the target for the potential Chinese investors aiming at production of consumer products. In fact, even the transport linkages to other V4 countries are not very smooth, which is especially truth for the Northern and Eastern regions of the country and connections with Poland.

There have been discussions about possible large-scale infrastructure projects where Chinese state-owned companies could take part in, with examples such as the construction of high-ways, bridges, airport terminals etc. However, while there have been signs about negotiations taking place (for example during the visit of Hu Jintao in 2009); none of these projects have been seriously discussed and appeared in public debate. Reasons again may be found in relatively small scale for Chinese investments (as was revealed during an interview in Bratislava in April 2014, while China seeks for investments starting at 100 million euros, largest projects in Slovakia are of about a third size). Another reason may be political – it was the left-wing government which supported the so-called ‘Public partnership projects’ (PPP) as the means to build large infrastructure projects with the right-wing parties strongly criticizing the idea and instead trying to build it using the EU funds. It may be possible that the pre-arranged projects from the 2006-2010 left-wing government were cancelled during the short right-wing intermezzo in 2010-2012 and were not renewed after another change of government in 2012.

Other reasons for not materializing of any of the larger projects cited by some interviewees were inefficiencies or even lack of will on the Slovak side to engage

**POLICY PAPER**

in the projects. Restricted visa regime and allegedly low rate of accepted visa proposal by the Slovak embassy in Beijing are yet another example of allegations about the inefficient policies or perhaps unwilling or not serious government. As an example, it was mentioned that the recently announced high-speed railway project connecting Bucharest and Budapest could terminate in Bratislava, yet for the lack of will did not. Similarly, corruption in Slovakia was cited as another factor why Chinese investors lose their interest in proceeding with their projects in Slovakia.

On the other hand, it may be opined that Chinese investors seek partnership and state guarantees which are not common under 'normal' business circumstances and which are not compatible with the EU and OECD rules and regulations for fair competition. The example of the failed high-way project in Poland is perhaps the best demonstration of sometimes diverging expectations between Chinese investors and the host country and it may have contributed to the absence of Chinese large-scale infrastructure investments in Slovakia.

As for the future prospects of Chinese investments in Slovakia, it can be argued and it is widely accepted that there will be a steady increase, yet perhaps not too rapid. Growing Chinese investments appetite and free capital will generally mean that most world regions will be experiencing increase of Chinese financial presence. This is also in accordance with the fact that China is increasingly becoming involved in global affairs and it wants to develop stable and positive relations with all the world countries. The importance of Slovakia is here twofold – being the member country of the EU and NATO and thus participating in its decision making, but also being the bordering region with Ukraine and the Eastern Europe. In fact, Slovakia's position within the Central European region could be perceived as a convenient hub, which could connect states in this part of Europe. However, at the moment, the missing connection lines might make Slovakia more like a barrier rather than a hub. With the growing Chinese interest in forging relations with the Central and Eastern European countries, the interest in investing in Slovakia may further increase and it may target these infrastructure projects.

Slovakia could benefit from its location as the core of Visegrad region<sup>32</sup> if a form of common investment policy of the four countries is negotiated – yet this seems quite unlikely now. Without proper infrastructure connecting for example Poland with Hungary via Slovakia and better links between Czech Republic, Poland and Slovakia, all countries can be expected to continue with their individual economic policies and trying to attract investors (from as many places as possible) and secure customer markets (mostly in the West) alone.

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<sup>32</sup> It is in fact the only Visegrad country bordering all the remaining three.

**POLICY PAPER**

Other factors which could increase Chinese investments would include obvious intra-state ones – such as tax policies, incentives but also and in particular general entrepreneurial and investment environment of the country. Here perhaps Slovakia can have two advantages to build on – it has the lowest trade deficit with China from the V4 countries and relatively strong export position, and secondly, which is also the reason for the latter – it has become a leading automotive production location. In fact, even today we can see most Chinese investors entering sectors connected with industrial production and in particular related to production of cars. Keeping the major automotive plants is essential for further investments and possible entrance of another major production facility would further increase this advantage of the country.

Finally, other obvious policies would almost certainly lead to the desired situation of attracting the Chinese investment of good quality – tackling the corruption, improving the visa-regime, opening the direct flight-connection between Slovakia and China, improving China-knowledge among professionals dealing with Slovak foreign policy and Slovak economic diplomacy and general public information about the foreign country, its culture, language, etc.

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