



# V4 Relations with East Asia

*Roundtable Summary*

Summarized by:

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### **1 Introduction**

Institute of Asian Studies organized an expert roundtable on November 14, 2018 in Bratislava, Slovakia. The aim of the event was to discuss the current state of relations of Visegrad Four (V4) countries with China, Japan, South Korea, and Taiwan, as well as to propose possibilities of further cooperation and coordination among the V4 members vis-à-vis East Asian partners.

This briefing paper summarizes the views of the roundtable participants. Among those who attended the event were think-tankers, academics, diplomats, businesspeople, and journalists from all the V4 countries (Slovakia, Czechia, Hungary, and Poland), altogether about twenty professionals dealing with East Asia. As the roundtable discussion followed Chatham House rules, no views in this report are attributed to a specific person.

### **2 Economy: The main focus of the V4**

The majority of the V4 countries' interest in East Asia is focused on the economy. The East Asian countries are important investors and trading partners for Central Europe, with investments being perhaps more important than trade. The V4 is experiencing trade deficits with East Asia, particularly with China. Due to structural position of the V4 and simple geographical reasons, it is also questionable how much growth potential there is when it comes to exports to Asia. China in particular is proving to be a very difficult market to operate in and there are not many producers and products of V4 origin which could succeed there. Food products certainly do not have a potential to change this reality in a considerable way, although they may play a symbolic role. On the other hand, the way forward might be in highly specific technological products.

On the investment front, although exact numbers vary, it is obvious that the leading Asian investor in each of the V4 countries is Japan, who also belongs among the major foreign investors in the region in general. Japan started to invest in Central Europe around the time of the EU accession and it was seeking the favorable ratio between the relative quality of inputs and their low prices, combined with the geographical proximity and the membership in the

EU. South Korea and Taiwan followed Japan and applied a similar business model.

Perhaps against what the general mood is, Chinese investments in the region are still rather low, with the single exception being Hungary, although even there Japan has invested more. In all the remaining V4 countries, not only Japan, but also South Korea and sometimes even Taiwan play bigger roles.

However, the problem with the Asian investments in general is that today, they still tend to exploit the same factors which made the Central Europe interesting for them fifteen years ago. In other words, while the V4 countries nowadays strive to attract technologies and investments in innovative economy sectors, there has not been much success in attracting this kind of investments when it comes to East Asia. At the same time, some individual projects of cooperation exist and have been successful.

From the business perspective it was suggested that although V4 as part of the EU have FTAs with Japan and Korea, the agreement with Taiwan is blocked due to China's pressure. It was commented that this agreement would be useful since Taiwan is seen as an important economic partner with the familiar and stable business environment. A similar agreement with China could also be useful if it improves the level playing field for our businesses and market access in China in general.

### **3 Politics: Divided we fall?**

Political issues are generally not seen as the main focus of cooperation with East Asia among the V4 countries. This is perhaps one of the reasons why relations with China have attracted much interest and also some controversies as China's approach seems to be top-down, state-driven, and focused on acquisitions of infrastructure projects conducted by the state-owned companies. Compared to that, the experience from previous years of interactions with Japan, Korea, and Taiwan are different since with them, the cooperation has been mainly market-driven and leading towards establishment of greenfield investments. It was also stressed that the V4 region shares many values with the liberal democracies in East Asia (Japan, South Korea, Taiwan). At the same time, China is a specific case which often makes it more difficult to interact with both politically and economically.

The approach towards China has been also perhaps the biggest differentiating factor among the V4 countries, which otherwise have quite similar approaches to East Asia. Especially Hungary has adopted a consistent policy which can be simply described as being pro-China. The Czech approach is a bit more delicate. Although President Zeman takes no different stances as Hungarian PM Orban, the current Czech government has not been so enthusiastic and the media and public are sometimes openly hostile towards China. Poland, on the other hand is an interesting case as it previously held high expectations of China and put quite some diplomatic effort towards development of relations with China. With the time going and little results, Poland is recently shifting its position and it may come to see China as a challenge, copying to some extent the recent dynamics in the U.S. Finally, Slovakia has not been too active in its dealings with China and seems to adopt cautious policy and wait and see approach.

China seems to be becoming a divisive factor in the V4. One specific issue raised in the discussion was the recent summit between the Premiers of the V4 and Japan on the side of recent ASEM summit. According to some voices, during the meeting Hungarian PM Orban stepped out to oppose the pre-agreed communiqué allegedly due to its criticism of China. If this story is true, it would mean another instance when Hungary acted as a defender of China at international forums. On other instances it happened that Orban positioned himself as speaking on behalf of the whole region, making other countries uncomfortable with that.

## **4 Potential for cooperation within V4**

Most roundtable participants were not very optimistic when it came to the areas of where the V4 could cooperate in its dealings with East Asia. It was mentioned that the underlying reality is the one of competition - all the Visegrad countries strive for similar goals and often a success of one is seen as a failure of another one. This zero-sum mentality is the most visible when it comes to attracting of investments.

Some of the limited areas where cooperation could be possible is for instance the tourism, where common packages can be offered to Asian tourists who are likely to visit more than one country during their trips to Europe. Another area of some cooperation might be that V4 business from one country would be relying on economic diplomacy of another V4 country. A union of V4

producers of some specific products - such as wine - might also have more chances in penetrating markets and being able to provide sufficient quantities. Similarly, while common promotion might have some benefits, it was doubted whether a development of common V4 brand or the brand of Central Europe would have the value. On the other hand, it was mentioned that the brand of the European Union has much better value and the V4 should work with it.

When it comes to any V4 cooperation, the big elephant in the room are the seemingly growing internal differences between the countries of the region. Although many of the political preferences are shared, it still becomes visible that especially Hungarian but also Polish governments consider themselves being less limited by the liberal democratic principles, put national sovereignty at the forefront, and are willing to openly challenge the EU. Although, the governments in the Czech Republic and Slovakia are far from being overly EU-enthusiastic and have their own serious shortcomings when measured by the liberal democratic standards, they do not seem to be diverging from them as much. Under these circumstances, it is difficult to imagine closer cooperation in foreign policy.

## **5 Future outlooks and recommendations**

There was not much optimism when it came to the question of how the future V4 dealings with East Asia are to be conducted. From the investment perspective, the Central European region is becoming saturated when it comes to simple job-creating investments and wants to attract higher value-added ones, although without much success so far. It seems that V4 is less competitive in these sectors than other European and world regions.

From the trade perspective, it was suggested that East Asia is quite protectionist after all. At the same time, the market size and the growth potential means that we should continue pushing for improved market access and support our businesses to penetrate the 'hostile' environments.

More political effort should be perhaps paid also outside China to help our companies to enter other regional markets. Either way, a growth in interaction, especially with China, including on the investment front, is likely. One potential way forward would be to pay more attention to supporting smaller and medium companies and in general smaller projects. This would require somehow different government approach as so far, the bulk of attention is being paid

towards a few flagship deals. The focus should be also spread more evenly around the East Asian partners.

Politically, it seems the V4 countries will continue to have divergent approaches especially on China, Japan, and Taiwan. We should not expect much more cooperation in near future, although initiating some specific common projects might be good idea, such as in the areas of tourism, food products, or some scheme of common economic diplomacy support.

To conclude, there is an interesting irony when it comes to future relations with East Asia. Generally, almost everyone agrees in principle that the region has a high potential and that its relevance for the Central Europe will grow. This is especially true for China who has the largest growth prospects. At the same time, currently it appears that making business with the remaining three East Asian partners seems to be easier and more rewarding. The fact we do not know currently how to move from the present point to the desired point in future should invite for further thinking about available options.

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## Institute of Asian Studies (IAS)

IAS is an independent think tank based in Bratislava, Slovakia. The main aim of the IAS is to support and conduct research in the area of Asian Studies and spreading knowledge about Asia among Slovak experts, cooperation with similar institutions in Central Europe, and building partnerships with Asian partners. We achieve this goals by organizing conferences and seminars, supporting Asia related courses at Slovak universities and publishing research and policy papers. Our activities focus mainly on international relations and security studies in the geographical regions of East, South and Southeast Asia. The IAS coordinates its activities with similar organizations in other Visegrad countries with the aim of maximizing the relevant knowledge for countries in the region.

### Authors

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Richard is one of the IAS founders. He obtained Ph.D. in International Relations from Masaryk University in Brno (CZ). In his dissertation he focused on Chinese assertiveness in South China Sea. He participated on several study and research visits at universities in Canada, United Kingdom, China, or Taiwan. Currently, he holds the position of assistant professor at Mendel University in Brno and senior researcher at Palacký University in Olomouc (CZ). He is also a member of several professional research centers in Europe that focus on Asia and International Relations.

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Matej holds degrees in Law from Masaryk University in Brno (CZ) and International Relations with focus on Asian Studies from University of Groningen (NL). He focuses mostly on Chinese relations with the EU and Central Europe and Chinese influence in Europe. He participated on a study program at Tsinghua University in Beijing. Previously he worked as legal counsel for Slovak chapter of Transparency International.

Besides the authors and other Bratislava-based professionals, following international experts shared their insights at the event:

**Václav Kopecký** | *Association of International Affairs (CZ)*

**Rufolf Furst** | *Institute of International Relations (CZ)*

**Ágnesz Szunomár** | *Hungarian Academy of Science (HU)*

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