



Prospects for Developing the V4+China Cooperation Platform

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Summary

- ❖ Due to its size and **limited development** of bilateral ties with China, Slovakia and to some extent also other V4 countries rely mainly on **multilateral platforms** in their dealings with China.
- ❖ **The CEE countries have failed to leverage the 16/17+1 platform** (also known as China-CEE Cooperation) **to produce benefits from their diplomatic engagement with China.**¹ The **V4+China** format presents a **potential alternative for** the V4 countries to coordinate their China policies.
- ❖ The V4 countries run **long-term large trade deficits** with China. These deficits are of **structural nature** due to the integration of the V4 countries in international supply chains, when much of V4 products are re-exported to China via Germany. As a result, the official bilateral trade statistics do not show the whole picture of the V4-China trade links.
- ❖ Chinese **investments** in the V4 **remain small** and are dominated by a few **larger acquisitions**. This is not in line with the V4 countries' preferences for greenfield investment.
- ❖ In both trade and investment matters, a deeper cooperation and **coordination among the V4 countries and Germany** is needed, as the **dynamics of economic ties go far beyond bilateral relationships** of the individual V4 countries with China.
- ❖ The **V4+Japan** and **V4+South Korea** provide a **potential model** for V4+China cooperation as the most developed forms of cooperation between the V4 and Asian countries.
- ❖ The **V4+Japan** format is **relatively mature**, based on intensive, multi-sectoral and multi-level contacts. **V4+South Korea** has seen more **limited but focused cooperation**.

¹ The terms 17+1 and China-CEE Cooperation are used interchangeably in this publication.



- ❖ Both formats are explicitly **based on the shared values** and adherence to **international norms**, the foundation that is **lacking with China**.
- ❖ **Global governance** and **international security** issues have been a **mainstay of the cooperation** with Japan and South Korea, with both sides seeking diplomatic support for their priorities. The agenda has been complemented by cooperation in **innovation, energy, infrastructure, support for SME, culture, and tourism**.
- ❖ While **political cooperation** has been **mostly seamless**, the failure to issue a common statement after the 2018 V4+Japan summit might point to the **growing diplomatic clout of China** in the V4 countries.
- ❖ V4 countries have managed to enlist **support from Japan and South Korea for development projects** in the priority regions of **Western Balkans** and **Eastern Partnership** countries. This has become an outward dimension of cooperation within the V4+ formats.

Recommendations for policymakers

Turn the V4 into a force in China-EU relations

- ❖ The V4 countries should **take advantage of their EU membership** and use it as a **leverage** in ties with China. At the same time, the V4 countries need to be **wary of becoming China's "trojan horses"** within the EU which could negatively affect their overall standing in the EU politics.
- ❖ V4 should become an **active actor** in formulating the **common EU China-policy**. The aim should be a **greater alignment** of the EU policy with the V4 economic and political interests.
- ❖ The V4 countries' **trade engagement** with China is **highly dependent on Sino-German economic ties** as the majority of the



exposure to China comes in form of re-exports of V4 products through Germany. Therefore, the V4 members should **coordinate** their trade and broader economic policies **among themselves** as well as **with Germany**.

Use the V4+China platform as a vehicle for pragmatic cooperation

- ❖ The V4+China platform should be actively developed by the V4 countries in order to **spearhead a focused, practical cooperation in various areas**, including **research, education, trade and investment promotion, cultural exchanges and cooperation on external development assistance projects**.
- ❖ **Politicization of the V4+China cooperation should be avoided**. The EU should remain the crucial forum for multilateral engagement with China.
- ❖ V4 countries should look back at successful examples of the **V4+Japan** and **V4+South Korea** cooperation as **models for V4+China ties**.
- ❖ V4 could aim at making **cooperation on Western Balkans** the **external dimension of V4+China**. This should help to better **align Chinese activities** in the Western Balkans with the overall **EU objectives** in the region and thus help **mitigate** the **negative effects** Chinese activities might have on the region.

Cooperate on the ground

- ❖ The V4 embassies, consulates, and other state agencies in China should **improve their communication** and **coordinate their activities**.
- ❖ As V4 consists mostly of smaller states (with the exception of Poland), they should **pool their resources** in order to **maximize the efficiency** of their use.



- ❖ The V4 should work together to **increase brand awareness** of “Central Europe” in China.
- ❖ The V4 should **closely cooperate** on practical issues of V4+China cooperation such as **tourism, trade, investment, and culture**.

Empower the Slovak China policy

- ❖ Slovakia should **increase its diplomatic representation** in China. This increase should have both personal and spatial aspects.
- ❖ Slovak representation should be reinforced by **more diplomatic staff**, including specialized **economic diplomats**.
- ❖ Slovakia should consider **revising its consular map** in China and **open new consulates** in other parts of the country – e. g. in Shenzhen, Chengdu, or Chongqing – which would improve the reach of Slovak diplomacy beyond Beijing and Shanghai
- ❖ Due to limited resources, Slovakia needs to **identify priority areas** for its relationship with China based on a rigorous and data-based cost-benefit analysis.
- ❖ Slovakia needs to come up with a **coherent China-strategy** which will contain **clear and measurable objectives** and specify the means to achieve these objectives. Such a strategy should be **aware of both the economic and political realities** of China, including its **human rights** track record. Moreover, the specific China-strategy should be **set within a wider Asia-Pacific strategy**.



1 Introduction

The Visegrad Group (V4) is a loosely knit bloc comprising of four Central European countries (Slovakia, Czechia, Hungary, and Poland). The group was founded in 1991 and takes its name from the Hungarian castle Visegrad where the kings of Poland, Hungary, and Bohemia met in 1335 to discuss cooperation in trade and politics. With its onset in the early 1990s, one of the main goals of the cooperation was to facilitate the four countries' attempts to join the Euro-Atlantic area by integrating into NATO and the EU. Throughout its existence the V4 has grown to cover cooperation and coordination on a range of issues across a plethora of policy areas.

An important element of the V4 cooperation is offering a platform for engaging in discussion not only among the V4 members themselves but also with third countries. The so-called V4+ formats have developed to cover relations with countries as Germany, Israel, Austria, Slovenia, and others.



Figure 1: Visegrad Four within Europe



Currently, the V4 has established a regularized cooperation platform with two East Asian countries: Japan and South Korea. In terms of relations with China, there have been meetings at the level of political directors in 2015 and in 2018, when the representatives of the V4 countries were hosted by Chinese foreign minister Wang Yi². However, the cooperation has so far not developed into a full-fledged platform.

Relations of the V4 countries with China are best described as asymmetrical. Much smaller by both area, population and size of the economy, the V4 countries need to cope with problems such as lack of personal capacity, less financial resources, or relatively higher administrative burdens. These shortcomings leave the V4 countries in a weaker negotiating position vis-à-vis China.

Nevertheless, a growing corpus of research into small states in IR shows that they actually have quite a lot of space of maneuvering and are not mere pawns in the relations of great powers. By using multilateral tools, smaller countries can band together to achieve better negotiating position against their much larger and more powerful counterparts. Therefore for V4, it is possible to at least partially overcome the structural impediment of its relations with China.

While limited resources limit the number of agendas that small states can fully devote to, it does not necessarily hinder their ability to successfully pursue niche agendas in which they have systematically built their expertise. In this regard, it can be said that the size is simply what the states make of it.³ It has been suggested that to be successful, small states need to partake in mutual information sharing, capacity building and using the support of international organizations to their benefit. Multilateralism, by its very definition, is a key instrument in the small states' policy toolkit as it allows them to have their voices heard in international politics.⁴

² "Wang Yi Meets with Deputy Foreign Ministers of V4 Countries," Ministry of Foreign Affairs of the People's Republic of China, 2018-03-23. https://www.fmprc.gov.cn/mfa_eng/zxxx_662805/t1545685.shtml.

³ Alexander Wendt, "Anarchy is what States Make of it: The Social Construction of Power Politics," *International Organization* 46, No. 2 (1992): 391-425.

⁴ Andrea Ó Súilleabháin, "Small States at the United Nations: Diverse Perspectives, Shared Opportunities" (International Peace Institute, 2014). https://www.ipinst.org/wp-content/uploads/publications/ipi_e_pub_small_states_at_un.pdf.



Small states are readily able to act as an agenda and norm setter. To illustrate, it has been observed that the Nordic states were able to influence the reform of World Bank development policies by banding together and working towards a common goal. Another example of successful agenda-setting by small states is the role of the Benelux countries (Belgium, Netherlands, and Luxemburg) in adopting the Rome Treaty which has served as a bedrock for further European integration.⁵

Looking within the V4, Slovak tenure as a non-permanent member of the UN Security Council (UN SC) in 2006-2007 offers a case study on how a small country can influence global politics through multilateral institutions. For example, during the February 2007 UN SC Presidency, Slovakia managed to influence the discourse on the security sector reform, an issue that to this day remains high on the Slovak Ministry of Foreign Affairs agenda. Slovakia's success was owed mostly to its active participation in the UN SC subsidiary organs and during the UN SC Presidency.⁶

Previous research by CEIAS has argued that Slovakia relies strongly on various multilateral fora in order to advance its relations with China.⁷ According to our findings, Slovakia relies mostly on the China-initiated China-CEE platform of cooperation which joins China and 17 countries of the CEE (Greece joined as the 17th country in 2019). This platform is used mostly to advance economic relations. Besides the China-CEE cooperation, Slovakia also relies on the EU-China mechanism, which provides a stronger bargaining power when it comes to various economic and political issues.

The V4-China dimension has been so far mostly neglected by policymakers from the V4 countries and has thus been relegated to secondary importance when it comes to engaging with China. However, this does not mean that the format does not have any potential to be useful for the V4 members in the future.

⁵ Christine Ingebritsen, "Conclusion: Learning from Lilliput," in *Small states in International Relations*, ed. Christine Ingebritsen, Iver Neumann and Sieglinde Gsth (University of Washington Press, 2006), 286-292.

⁶ Peter Balik, "Role of Small States in International Organizations: The Case of Slovakia in the United Nations Security Council" (MA thesis, Central European University, 2008).

⁷ Matej Šimalčík, "Multilateralism as a tool in Slovak China policy: The case of 16+1, V4+China, and EU+China" (China-CEE Institute Working Paper No. 18, China-CEE Institute, 2018). https://china-cee.eu/wp-content/uploads/2018/08/Work_paper-201818.pdf.

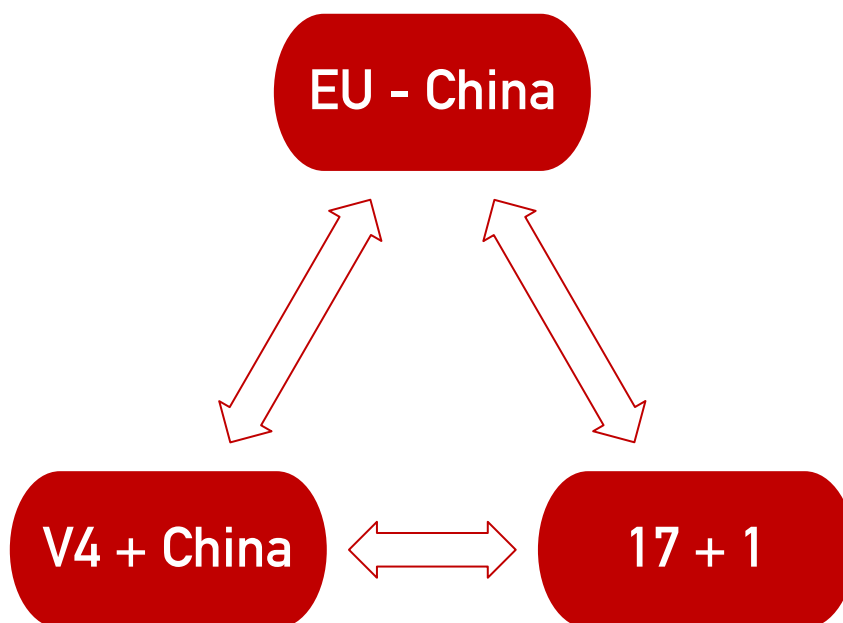


Figure 2: Ecosystem of multilateral tools used by Slovakia vis-a-vis China

The China-preferred 17+1 format has been growing in the past years but has also encountered some considerable challenges. Among the most often mentioned points of criticism are the format's incoherence as it gathers 17 countries of the CEE that do not have much in common besides being post-communist countries, the platform being designed in such a way that benefits mostly China rather than the CEE countries, or the lack of actual results when it comes to developing trade and investment relations with China (e. g. Slovakia's exports to China have dropped since the platform's establishment).

It is especially noteworthy that the CEE countries have failed to leverage the benefits of multilateralism when engaging with China within the 17+1 platform. Even though the platform may *prima facie* look multilateral, in reality it works rather as several bilateral relations with China which take place simultaneously. Because of this, the 17 CEE countries act more like competitors for China's attention and not as partners united in promoting their common interests. Naturally, this setting is more beneficial for China than for the much smaller CEE countries.



This situation provides the V4 with an opportunity to reframe their relations with China and find a format where the four countries can cooperate in a fashion that would multiply their bargaining power and thus enable them to achieve better results in pursuing their interests vis-à-vis China.

Hence, this publication aims to explore the possibilities of the multilateral approach towards China within the V4. The first chapter presents an overview of the trade and investment relationship between the V4 countries and China. In the second chapter, we discuss the form and achievements of the V4+Japan and V4+South Korea cooperation platforms. Finally, in the third chapter we provide four specific proposals on how V4+China can become a meaningful tool for the V4 countries to improve their relations with China.



2 Visegrad's economic relations with China

2.1 V4 trade with China

A first glimpse at the trade relations of the V4 countries with China shows that it is heavily skewed towards China. All four countries experience trade deficits that exhibit the following characteristics: they are larger than deficits with other trading partners, long-term, growing, and structural. Furthermore, the proportion of exports to China on overall exports is relatively small, in the low single digits.

Most of the trade deficit can be explained by the economic structure of both the V4 and Chinese economies. The four Visegrad countries are deeply integrated into global manufacturing supply chains within which they mostly produce intermediary products, not final ones. The intermediary products are exported to Germany, Austria, the Netherlands, and other countries for finalization. Final goods are then exported to China.⁸

The Central European manufacturing supply chains are concentrated around the German core and Chinese companies' involvement is close to zero. Therefore, there is almost no export of intermediary products from the V4 countries to China.⁹

Since manufacturing supply chains account for the overwhelming majority of industrial output in the V4 countries, and since they mostly produce intermediary goods that are not exported to China, there is only very little left that the countries can export to China directly.

On the other hand, while manufacturing supply chains are well established in China, most of the value creation remains within the country. In other words, Chinese manufacturers produce both intermediate as well as final products domestically.

Unlike the V4 countries, China is a preeminent producer of final goods, which it exports to countries around the world, including the four Central

⁸ Richard E. Baldwin, "Global Supply Chains: Why they emerged, why they matter, and where they are going" (CEPR Discussion Paper No. DP9103, Centre for Economic Policy Research, 2012).

⁹ United Nations Conference on Trade and Development, "Global Value Chains: Investment and Trade for Development" (World Investment Report, United Nations Publication, 2013). https://unctad.org/en/PublicationsLibrary/wir2013_en.pdf.



European ones. Hence, it is clear that the trade deficits the V4 countries run with China are of structural character. There are two implications that can be drawn from this conclusion.

Firstly, in order to change the trade balance of China-V4, a change in the underlying economic structure would be necessary. The Central European countries would have to climb to higher levels in the manufacturing supply chain and shift towards the production of final goods.¹⁰ This is a long-term process that is slowly happening and is most prominent in Slovakia's trade balance with China. Being a major producer of vehicles in the SUV and off-road categories, which are in high demand in China, Slovakia managed to increase its exports to China in 2015-2017, and thus reduce the trade deficit.¹¹

However, an overall change of economic structure requires significant investments into education and physical infrastructure, technology and skills transfers. These take years, even decades to materialize. Hence, the deficits are likely to stay for a long time.

Trade deficits are also a function of the structure of exports from the V4 countries. Cars and machinery dominate in all four countries, which is again a reflection of the major manufacturing activity in the region. A diversification of export structure is desirable as it reduces possible shocks from drops in demand as well as cyclicalities and helps promote various sectors of economy. However, the dominance of the major export categories is such that diversification can hardly be achieved. A common theme among politicians in the region is the support for the export of agricultural and food products to China. However, this defies the structure and potential of exports: a single car exported to China outweighs a large

¹⁰ Robert Stehrer and Roman Stöllinger, "The Central European Manufacturing Core: What is Driving Regional Production Sharing?" (FIW Research Reports, The Vienna Institute for International Economic Studies, 2015).
https://www.fiw.ac.at/fileadmin/Documents/Publikationen/Studien_2014/Studien_2014_adapted_file_names_stoellinger/02_Stoellinger_FIW_Research_Report_The_Central_European_Manufacturing_Core_What_is_Driving_Regional_Production_Sharing.pdf.

¹¹ Alexander J. G. Simoes and César A. Hidalgo, "The Economic Complexity Observatory: An Analytical Tool for Understanding the Dynamics of Economic Development" (MIT Media Lab, 2011).
https://www.researchgate.net/profile/Cesar_Hidalgo/publication/221605462_The_Economic_Complexity_Observatory_An_Analytical_Tool_for_Understanding_the_Dynamics_of_Economic_Development/links/54f472430cf24eb8794e8a6d.pdf.



food shipping in terms of its value. Moreover, the output and export capacities of agricultural companies in the region are rather small.

Secondly, trade relations are most commonly analyzed on the basis of bilateral trade statistics. However, as has been pointed out above, the V4 countries are deeply embedded in manufacturing supply chains and specialize in the production of intermediary goods. Often, these intermediary goods are finalized in another country and the final product is only then exported to China. This creates an exposure to China down the whole supply chain: the Chinese demand defines the amount of production of both final and intermediate goods. Thus, trade with China is not only an expression of bilateral trade statistics, it is also present in trade of intermediary products within a manufacturing cluster.

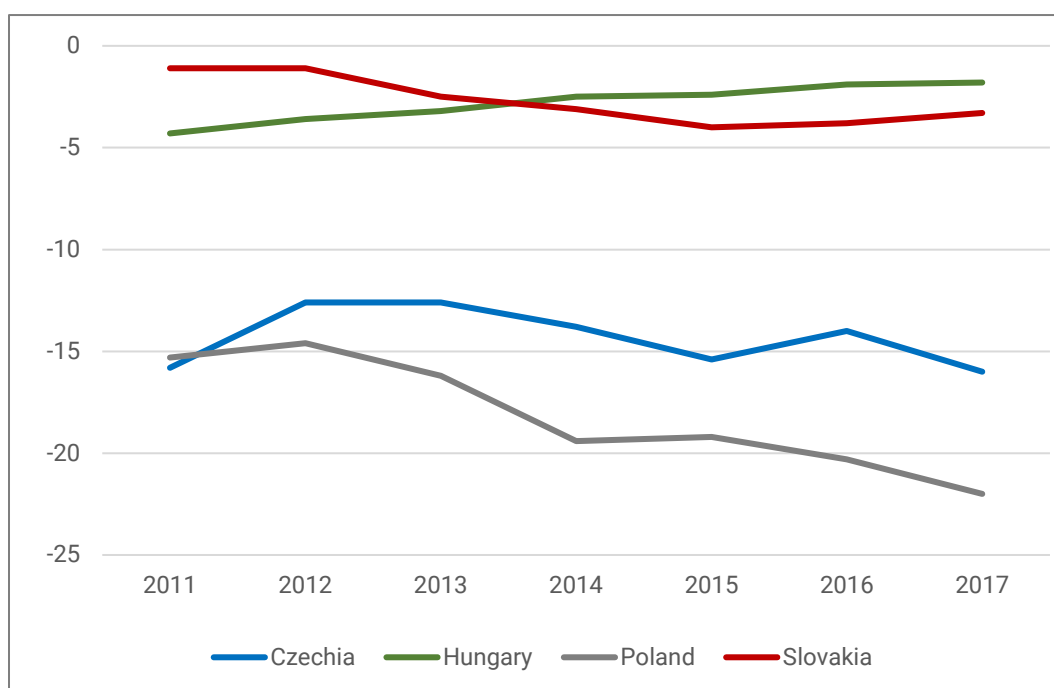


Figure 3: Trade balance of V4 countries with China (billions of USD), source: Atlas of Economic Complexity

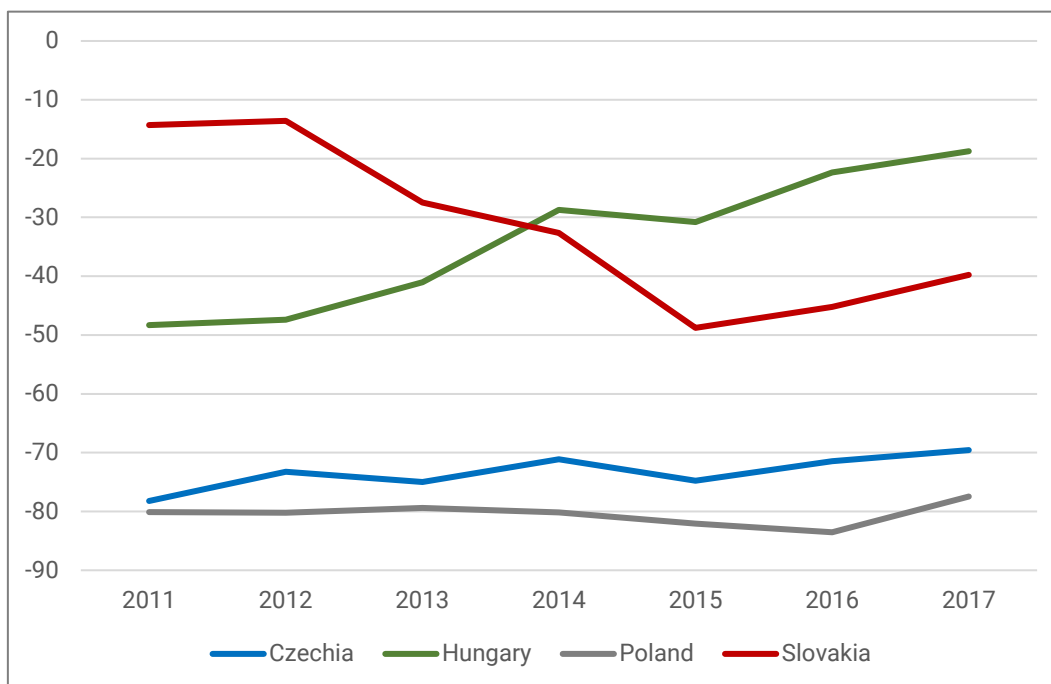


Figure 4: Trade balance of V4 countries with China (% of total trade volume with China), source: Atlas of Economic Complexity

Due to this, a more precise measurement of the V4 countries' exposure to China contains both final goods directly exported to China – which can be found in conventional bilateral trade statistics – as well as those intermediary goods that are finalized elsewhere and re-exported to China. A recently developed methodology that tracks the flow of value in multinational supply chains can assist with the computation. A value chain analysis by the International Monetary Fund (IMF) established that after accounting for the production of intermediary goods that end up being re-exported to China, the exposure of V4 countries grew by a factor of four.¹² With approximately 4% of exports being eventually sold to China, the world's second largest economy turns out to be an important trade partner of the Central European countries, despite the bilateral statistics showing the opposite.

¹² International Monetary Fund, "German-Central European Supply Chain-Cluster Report: Staff Report, First Background Note, Second Background Note, Third Background Note" (IMF Country Report No. 13/263, International Monetary Fund, 2013). <https://www.imf.org/en/Publications/CR/Issues/2016/12/31/German-Central-European-Supply-Chain-Cluster-Report-Staff-Report-First-Background-Note-40881>.



	Czechia	Hungary	Poland	Slovakia
Value Chain Analysis	3.5%	4.2%	3.5%	3.8%
Bilateral Trade Statistics	0.7%	1.5%	1.1%	1.1%

Table 1: Exposure of Selected Countries' Goods Exports to China (IMF, 2013)

Aside from the economic structure, part of the trade deficit can be explained by significant trade barriers on the Chinese side. Tariffs in China are one of the highest in the world and some of the industry sectors are closed for foreign businesses. Moreover, there is a high amount of non-tariff barriers, such as the need for licenses and certificates, a very common obstacle especially for agricultural exporters. These measures eventually end up suppressing the exports from the V4 countries and thus increasing their trade deficit.

Furthermore, the trade statistics are influenced by the Rotterdam effect, whereby exports are recorded by the port they are shipped from or received, not in the final destination. This causes the trade statistics to fail to provide an accurate view of the situation.¹³

As shown above, the major determinant of export structure is the V4 countries' participation in regional and global supply chains. This bears some implications for the governments of these countries and their approaches and strategies.

Firstly, globalization factors decrease the efficiency of government actions. Attempts to promote or diversify exports will yield limited results unless the underlying economic structure changes. Therefore, it is important that countries coordinate their actions. Chinese demand is important for the functioning of supply chains and all countries thus have the same objective to keep the trade relations with China running smoothly.

Secondly, a concerted action of multiple countries can mount a significant pressure on China to further liberalize its economy and allow for more exports to reach the country.

¹³ Ibid.



Therefore, multinational groupings and multilateral platforms, such as the Visegrad Group, should be utilized in order to coordinate trade policies and actions. Since the economies of the Visegrad countries are heavily interdependent as well as highly open, they are also highly vulnerable in the occasion of external shock. Only concerted action can mitigate the impact of such shocks.

2.2 Chinese investment in the V4

In the first decade of the 21st century, Chinese investments in CEE mostly arrived in the form of greenfield investments. In the period of 2000–2011 the number of greenfield investments significantly outnumbered M&As in the region. This was due to the Chinese investors' desire to enter those sectors where the EU had anti-dumping measures in place against China.¹⁴

However, this trend has reversed after 2010 with a number of large M&A deals. In Czechia, China Energy Company Limited (CEFC) had a lion's share of Chinese FDI to the country. All of CEFC's investments came in the form of M&A.¹⁵ The investments by the company reaching 362 million EUR in 2016 are larger than all Chinese investments in the Czech Republic up to that date (220 million EUR). While Hungary is the largest recipient of Chinese FDI among the V4 countries, 75% of the total value is attributed to a single transaction: the acquisition of chemical company BorsodChem by the Chinese Wanhua Group. Thus, the vast majority of Chinese FDI came as M&A.¹⁶ The Polish case is very similar to that of Hungary, as two large takeovers by Chinese companies in 2016 almost tripled the total stock of Chinese FDI in the country.¹⁷ Thus, again, M&A is the predominant form of Chinese financial transfers into Poland. Finally, the largest Chinese investment in Slovakia, a 140 million EUR purchase of a logistics center in

¹⁴ Wade Jacoby, "Different cases, different faces: Chinese investment in Central and Eastern Europe," *Asia Europe Journal* 12, No. 1/2 (2014): 199-214.

¹⁵ Rudolf Furst, "The Czech Republic: Receiving the First Relevant Chinese Investments," in *Chinese Investment in Europe: A Country-Level Approach*, ed. John Seaman, Mikko Huotari and Miguel Otero-Iglesias (European Think-tank Network on China, 2017), 41-45.

¹⁶ Tamas Matura, "Chinese Investment in the EU and Central and Eastern Europe," in *China's Attraction: The Case of Central Europe*, ed. Csaba Moldicz (Budapest Business School, 2017), 49-72.

¹⁷ Justyna Szczudlik, "Poland's Measured Approach to Chinese Investments," in *Chinese Investment in Europe: A Country-Level Approach*, ed. John Seaman, Mikko Huotari and Miguel Otero-Iglesias (French Institute of International Relations, 2017), 109-115.



2018, is almost three times larger than the total Chinese FDI stock in the country up to that point.

The trend in the V4 countries mirrors the situation of Chinese investment in the western EU countries, where greenfield investments prevailed until the early 2010s. They were followed by M&As which still take up a vast majority of Chinese FDI in the EU. However, in 2017 the dominant form of investment became portfolio investments, where the acquirer purchases less than 10% of the target company.¹⁸ The most notable examples are the acquisitions of shares in Deutsche Bank and Daimler by Chinese investors. This trend has not reached the V4 countries yet.

The switch of preference from greenfield investments to M&A coincided with the launch of the China-driven China-CEE cooperation. In the wake of the European financial crisis in the early 2010s, China engaged post-Communist countries that were eager to receive investment in order to spur the growth of their economies. Chinese diplomatic outreach was accompanied by heightened economic engagement, mostly in the form of Chinese investment and participation in infrastructure projects in the CEE countries.

With regards to the German-Central European value chains, while Chinese companies did buy into the production network by purchasing a number of firms integrated within the cluster, such as automotive suppliers, the primary driver of such purchases has been the transfer of technology and managerial techniques.¹⁹ However, the V4 countries are mostly in the assembly part of the supply chain (backward integration prevails) and they host a relatively small number of firms that can be a suitable target for technology motivated M&A.

The analysis of Chinese FDI to the V4 from a supply chain angle leads to a number of observations. Firstly, a relatively small amount of large M&A investments has skewed the composition of Chinese FDI. However, due to

¹⁸ Thilo Hanemann and Mikko Huotari, "Chinese FDI in Europe in 2017: Rapid recovery after initial slowdown." Mercator Institute for China Studies, 2018, accessed October 17, 2019, <https://www.merics.org/en/papers-on-china/chinese-fdi-in-europe>.

¹⁹ Thilo Hanemann and Mikko Huotari, "Chinese FDI in Europe and Germany: Preparing for a new era of Chinese capital" (Mercator Institute for China Studies, 2015). https://rhg.com/wp-content/uploads/2015/06/ChineseFDL_Europe_Full.pdf.



the structure of the V4 economies, such projects will be infrequent and irregular. On the other hand, the amount and size of greenfield investment exhibited a stable growth, even if the total amount remains small.

Secondly, in connection to the first point, governments should focus more on greenfield investments as this is where most of the growth in the economy comes from. Moreover, greenfield investments traditionally have a better reputation with domestic publics. It has been greenfield projects that have driven the economic growth in the post-Communist transformation period.

Thirdly, M&As can be a source of macroeconomic volatility and potential instability. While the amount of Chinese M&As in the region is too low to have a significant impact, the China-CEE cooperation initiative, in concert with the overarching Belt and Road Initiative, lists a number of sizable potential investment projects in the pipeline.²⁰ If they materialize, a large investment in a relatively small economy can increase the volatility potential practically overnight. Chinese investments in the global mining and materials sectors have already created “boom and bust” cycles in countries with a high concentration of Chinese investments, hence the possibility of investment induced volatility in a small and open economy should not be understated.

Fourthly, while other Asian economies – mainly Japanese, Korean and Taiwanese – are entering the Central European manufacturing cluster predominantly in the form of greenfield investment, Chinese companies choose M&A as their preferred investment option.²¹ This suggests a shorter investment horizon, with a primary focus on the acquisition of technology and management skills and a lower chance of the increase of production facilities. A shorter investment horizon further increases the volatility potential of an investment.

²⁰ Anastas Vangeli, “China’s Engagement with the Sixteen Countries of Central, East and Southeast Europe under the Belt and Road Initiative,” *China & World Economy* 25, No. 5 (2017): 101-124.

²¹ Andrea Éltető and Ágnes Szunomár, “Ties of Visegrad Countries with East Asia-Trade and Investment” (IWE Working Paper No. 214, Centre for Economic and Regional Studies HAS Institute of World Economics, 2015).



	2011	2012	2013	2014	2015	2016	2017
Poland	201.26	208.11	257.04	329.35	352.11	321.32	405.52
Hungary	475.35	507.41	532.35	556.35	571.11	313.7	327.86
Czechia	66.83	202.45	204.68	242.69	224.31	227.77	164.9
Slovakia	25.78	86.01	82.77	127.79	127.79	82.77	83.45
Total Chinese investment in V4	769.22	1004	1076.8	1256.2	1275.3	945.56	981.73
% of Chinese investment in CEE	75.86%	74.89%	69.18%	69.11%	60.84%	55.14%	48.28%

Table 2: Chinese investments in the V4 (millions of USD) ²²

2.3 Lessons for the V4

The analysis of trade and investment links between the V4 countries reveals increased exposure of V4 countries towards China as well as a relatively higher volatility potential of Chinese investment in the region. The Central European manufacturing nexus facilitated the increase of economic interdependencies between smaller CEE countries and non-EU countries. Moreover, the preferred way of Chinese investors' engagement with the European supply chain is via M&As, which is a less stable and more volatile form of investment than greenfield investments. As both trade and investment flows gradually increase, exposure and volatility are poised to grow further as a result.

The position of Germany is crucial in the economic relations between China and V4. Germany has been a strong facilitator in the creation of indirect trade links between China and V4 since its China-bound exports contain intermediate products manufactured in V4. Therefore, the development of Sino-German relations should be of great interest to the V4 countries. A

²² China Ministry of Commerce. 2017 Statistical bulletin of China's Outward Foreign Direct Investment. 2018



trade dispute between the largest European and Asian economies could have damaging impacts down the manufacturing supply chain.

So far, Germany has been a provider of macroeconomic stability in the region and sheltered it from the destabilizing impacts of both intra-EU as well as global economic turbulence. Its economic performance, trade excellence, and its government's macroeconomic prudence all contributed to its stabilizing power. Moreover, a large developed country is more resilient towards sudden changes in investment flows than smaller economies.

While increased investment and trade flows come with numerous economic benefits, deep embeddedness and structural dependency on a manufacturing cluster also increase the overall exposure of the V4 countries to non-EU countries, and to China in particular. A growth in exposure in turn decreases the efficacy of domestic policy actions that aim at reducing volatility and stimulating economic growth. Since the China-CEE cooperation and the Belt and Road Initiative aspire to increase both trade and investment flows between V4 and China, European countries need to pursue a closer macroeconomic coordination within the manufacturing nexus – and with Germany in particular – in order to more efficiently mitigate and counter potential macroeconomic risks.



3 V4+Japan and V4+South Korea: Potential models

In order to explore the possibilities of cooperation of the V4 countries and China within a V4+ format, it is helpful to first shift attention to the experiences of cooperation with other partners using this setting, especially Japan and South Korea.

The outward dimension of V4 cooperation has become one of the most salient features of the grouping in recent years. Yet, the V4 countries started developing partnerships with other countries even before joining the EU. Starting from 2001, the V4 has developed first contacts with Austria, Ukraine, Slovenia and regional groupings of Benelux and the Nordic Council.

Since the V4 joined the European Union, the four countries have also put more effort into using the V4+ cooperation to get the EU member states to pay more attention to the countries in the East and South-East of the European Union's borders.²³ Contacts between the V4 and the Eastern European countries, mainly Ukraine and Moldova, have been maintained as the V4 has supported the Eastern European states' transformation and EU membership aspirations. The links between the V4 and the countries of Eastern Europe and Caucasus were then strengthened via the launch of the Eastern Partnership project in 2009.

After the EU was hit by the global financial crisis in 2008, the V4 countries also recognized the vulnerabilities arising from the overdependence on the European economies, especially Germany, which to this day has been the most important export market and source of investments for the V4 countries. Hence, the economic motivation resulted in growing awareness about the necessity to increase engagement with non-European countries and to diversify economic links. At the same time, the V4 also became more confident and proactive in its diplomatic efforts, looking for creating partnerships beyond the immediate neighborhood as one of the core components of its mission.

²³ Michal Kořan and Vít Dostál, "Visegrádská spolupráce: Polsko, Slovensko a Rakousko v české zahraniční politice," in *Česká zahraniční politika v roce 2014*, ed. Michal Kořan et al. (Ústav mezinárodních vztahů, 2015), 116-136.



While in some cases starting already in the 2000s (as with Japan), the rapid growth of these partnerships has come mostly in the past decade. In 2010, the first, and so far only, Visegrad House in Cape Town, South Africa was opened, holding promotion events for trade and investment, tourism as well as cultural activities and civic networking programs.²⁴ In 2012, the V4+LAC (Latin America and the Caribbean) cooperation was established.²⁵ Next, in 2014 the first official meeting of the Foreign Ministers of the V4 countries and South Korea was held in Bratislava, Slovakia.²⁶ In 2018 the Hungarian Visegrad Group Presidency organized the first V4+Egypt summit and also aimed at initiating a foreign policy planning dialogue in the format of V4+African Union.²⁷

As seen above, the V4 has gradually expanded the scope of its partnerships from the immediate neighborhood within Europe to global actors. Cooperation with Japan and Korea has opened the Asian dimension of the V4 cooperation, with the V4 countries recently signaling interest to seek cooperation with the ASEAN countries, India and, of course, China. As important trade and especially investment partners of the V4 countries, the experiences of the V4 cooperation with Japan and Korea may offer potentially useful guidance for the development of relations with China, which could be termed a latecomer in terms of Asian actors in the region.

3.1 V4+Japan

The V4+Japan format has become one of the most mature of the V4+ partnerships, encompassing cooperation and consultations on various issues including security and international issues, development assistance in third countries, support of SMEs, climate change and new energy, science and innovation, culture, and tourism. In 2013, 2018 and 2019, top-level

²⁴ Oskar Chmiel, "The Engagement of Visegrad Countries in EU-Africa Relations" (Discussion Paper, Deutsches Institut für Entwicklungspolitik, 2018), accessed October 17, 2019. https://www.die-gdi.de/uploads/media/DP_24.2018.pdf.

²⁵ "Hungarian Presidency in the Visegrad Group (2013–2014)," Visegrad Group. <http://www.visegradgroup.eu/documents/presidency-programs/20132014-hungarian>.

²⁶ "Joint Press Statement from the Meeting of Ministers of Foreign Affairs of the Visegrad Group and the Republic of Korea," Visegrad Group, 2014-07-17. <http://www.visegradgroup.eu/calendar/2014/joint-press-statement>.

²⁷ Oskar Chmiel, "The Engagement of Visegrad Countries in EU-Africa Relations" (Discussion Paper, Deutsches Institut für Entwicklungspolitik, 2018). https://www.die-gdi.de/uploads/media/DP_24.2018.pdf.



meetings of the leaders of the V4 countries and Japan were held. Furthermore, regular meetings on the level of Ministers of Foreign Affairs have been held on a biannual basis since 2005, complemented with regular consultations of Political Directors of the MFA of respective countries, as well as meetings between working groups and seminars in selected cooperation areas.

From the very beginning, V4+Japan cooperation has had a significant political and security dimension. Already in 2004, at the initial phase of the cooperation, the V4 countries and Japan opened talks on security issues. Both sides have regularly discussed regional security developments, including the situation in Ukraine, North Korea, or the Middle East. Security issues such as Japan-NATO cooperation, cybersecurity, proliferation of WMDs, nuclear safety, and other related topics have been touched upon during the multilateral talks. Interestingly, the V4+Japan seminar on migration issues was held in 2017, signaling an overlap regarding the position on the migration issue between Japan and the V4.

The cooperation between Japan and the V4 has been presented as built on common values and interests in line with the overall EU-Japan relationship. In 2013, the V4+Japan cooperation was dubbed a “Partnership Based on Common Values for the 21st Century” with reference to “shared universal values and principles, such as democracy, the rule of law, human rights, freedom, and market-based economy”.²⁸ Within the scope of the EU-Japan relationship, the two sides have engaged in discussion on the Japan-EU Strategic Partnership Agreement or the Japan-EU Economic Partnership Agreement and Free Trade Agreement that was finally concluded in 2018.

Japan has also sought to enlist V4 countries’ diplomatic support on various priority issues for Tokyo, such as the United Nations reform and approach towards China. In 2013, the common statement issued after the Warsaw meeting of the leaders of V4 countries and Japan stated that “both sides stressed that oceans, as a common good of all peoples, should be open, free and secure, and underlined the importance of upholding these

²⁸ “Visegrad Group Plus Japan Joint Statement: Partnership based on common values for the 21st century,” Visegrad Group, 2013. <http://www.visegradgroup.eu/calendar/2013/visegrad-group-plus>.



principles on the basis of international law, including the UN Convention on the Law of the Sea”²⁹.

However, the cooperation on international issues may face obstacles going forward. Contrary to the 2013 meeting or the first meeting of the V4 countries’ Prime Ministers and South Korean President in 2015³⁰ (see below) no joint statement was issued during the 2018 V4+Japan Summit Meeting in Brussels, Belgium.³¹ According to unverified reports, the reason for the absence of final statement was Hungary’s refusal to sign a document that contained references to controversial China-related topics – one in relation to South China Sea disputes and another discussing the safety of sea travel. Japan allegedly declined to issue a statement without this content and therefore no statement was adopted. Hungarian government refuted these claims but all indications point to the veracity of the reports about Budapest’s role.

Another salient area of V4+Japan cooperation has developed in the field of development assistance. Originally, the cooperation with Japan was initiated towards South Caucasus countries. In 2009 and 2010, the V4+Japan cooperation in the field of development assistance was expanded to include Afghanistan, Central Asia, the Western Balkans countries, Moldova, and Ukraine. Special focus has been put on development cooperation in the Western Balkans and Eastern Partnership countries. In 2014 joint development projects were approved, including energy infrastructure development in Serbia, support for SMEs in Bosnia and Herzegovina, Montenegro, and Serbia, and development of the health sector in Moldova.

V4+Japan cooperation has focused extensively on the field of science and technology, which has become one of the pillars of cooperation. In terms of

²⁹ “Visegrad Group Plus Japan Joint Statement: Partnership based on common values for the 21st century,” Visegrad Group, 2013. <http://www.visegradgroup.eu/calendar/2013/visegrad-group-plus>.

³⁰ “Joint Statement on the Occasion of the First Summit of Prime Ministers of the Visegrad Group and the President of the Republic of Korea,” Visegrad Group, 2015-12-03. <http://www.visegradgroup.eu/documents/official-statements/joint-statement-on-the>.

³¹ “It is disinformation that the V4 did not issue a joint statement at the initiative of Viktor Orbán,” Ministry of Foreign Affairs and Trade of Hungary, 2018-10-24. <https://www.kormany.hu/en/ministry-of-foreign-affairs-and-trade/news/it-is-disinformation-that-the-v4-did-not-issue-a-joint-statement-at-the-initiative-of-viktor-orban>.



fight against climate change and technology cooperation, a number of joint projects have been initiated, including the “Green Visegrad”. The “V4-Japan Joint Research Program” between the Japanese Science and Technology Institute, the International Visegrad Fund and relevant authorities in the V4 countries was established in 2015. The program supported research projects carried out on multilateral basis between Japanese universities and research institutes of the V4 countries.³² The funding call for projects was announced in 2015 and the financing lasted until 2018. Furthermore, various exchanges with emphasis on science, research, innovation and cooperation between business and academic institutions took place.

Cooperation in terms of cultural exchange and people-to-people contacts was one of the main focus points of the V4+Japan format throughout the partnership’s duration – student conferences, concerts, and scientific seminars have been held regularly and cultural programs as well as student exchange programs have been encouraged and promoted by each country .The V4 countries and Japan have also implemented specific projects in the area of tourism promotion. Events of the V4 countries have been held regularly in Japan under "The European Quartet – One Melody" project which has sought to promote the V4 countries as a single tourist destination. Year 2014 was chosen as a V4+Japan Exchange Year, with various programs to strengthen the bonds among citizens, cultural programs and scientific seminars.

³² “Arts Organization of the Month: The International Visegrad Fund,” Performing Arts Network Japan, 2015-09-28. <http://www.performingarts.jp/E/society/1509/1.html>.



Date	Place	Presidency	Level of meeting
March 2004	Bratislava	Czechia	Ministers of Foreign Affairs
June 2005	Brussels	Hungary	Ministers of Foreign Affairs
April 2007	Bratislava	Slovakia	Ministers of Foreign Affairs
May 2007	Hamburg	Slovakia	Ministers of Foreign Affairs
May 2009	Hanoi	Poland	Ministers of Foreign Affairs
February 2010	Tokyo	Hungary	Political Directors
December 2010	Bratislava	Slovakia	Political Directors
June 2011	Budapest	Slovakia	Ministers of Foreign Affairs
December 2011	Tokyo	Czechia	Political Directors
June 2013	Warsaw	Poland	Prime Ministers (1 st V4+Japan Summit Meeting)
November 2013	Delhi	Hungary	Ministers of Foreign Affairs
March 2014	Tokyo	Hungary	Political Directors
November 2015	Luxembourg	Czechia	Ministers of Foreign Affairs
June 2016	Not determined	Czechia	Political Directors
March 2018	Tokyo	Hungary	Political Directors
October 2018	Brussels	Slovakia	Prime Ministers (2 nd V4+Japan Summit Meeting)
April 2019	Bratislava	Slovakia	Prime Ministers (3 rd V4+Japan Summit)

Table 3: List of V4+Japan official meetings



3.2 V4+South Korea

While the cooperation between the V4 and Japan originated in the 2000s, South Korea became the Visegrad Group's partner only in 2014 when the Political Directors of the five countries' MFAs met in Seoul and the first official meeting of the Foreign Ministers of the V4 countries and South Korea was held in Bratislava.³³ The so far only summit between the leaders of the V4 countries and South Korea was held in 2015 in Prague.

Mainly due to its later start, the V4+South Korea format has not yet reached the scope of the V4+Japan cooperation. Furthermore, contrary to Japan, the V4+South Korea meetings on the level of foreign ministers have not been yet regularized. Instead, regular contacts at the level of Political Directors have been held. Nevertheless, the depth and practical aspect of the cooperation in selected areas has been substantial.

Similar to the cooperation with Japan, the V4+Korea format has been touted as a partnership of "universal values and principles of human rights and fundamental freedoms, democracy, the market economy, the rule of law, and good governance". In terms of international issues, the V4 and South Korea have mainly discussed the North Korean nuclear program and human rights situation. Other issues included the security situation in Ukraine and the Middle East, terrorism, and cybersecurity. South Korea has also lobbied for the support of the V4 countries on EU policies, such as the safeguard measures against Korean steel imports.

Another similarity with the V4+Japan format is that the V4 countries have enlisted South Korea to support the V4 priorities in the development assistance in third countries. On the sidelines of the 2014 Foreign Ministers' Meeting, South Korea signed a cooperation arrangement with the International Visegrad Fund, whereby both sides agreed to conduct joint development cooperation projects in developing countries in the Western Balkans.³⁴ After the Summit of Prime Ministers of the Visegrad Group and

³³ "Joint Press Statement from the Meeting of Ministers of Foreign Affairs of the Visegrad Group and the Republic of Korea," Visegrad Group, 2014-07-17.
<http://www.visegradgroup.eu/calendar/2014/joint-press-statement>.

³⁴ "ROK and the International Visegrad Fund (IVF) Sign Cooperation Arrangement," Ministry of Foreign Affairs of the Republic of Korea, 2014-07-18.
http://www.mofa.go.kr/eng/brd/m_5676/view.do?seq=314038&srchFr=&srchTo=&sr



the President of South Korea that took place in Prague, Korea became involved in the activities of the International Visegrad Fund, contributing 336 000 EUR to support seven projects with the Western Balkans and Eastern Partnership countries as a focus area.³⁵

Science and technology, including the organization of joint scientific and innovation workshops and supporting common research and development programs, projects and other relevant events, has been one of the main areas of cooperation between South Korea and the V4 countries. The two sides signed an MoU on cooperation in the field of science and technology at the sidelines of the 2015 summit meeting. On the basis of the memorandum, joint funding for research projects was initiated in 2016.

Another pilot project in this field has been the V4-Korea Knowledge Sharing Program, officially launched in July 2016 at a seminar held in Warsaw as a multi-year multilateral project.³⁶ Before its launch, the Korea Development Institute conducted several consultative meetings with the V4 counterparts to identify common interests and fields of cooperation.³⁷ In scope of the program, government officials and academicians from all five countries have jointly conducted research in the fields of innovation, research, and development, start-ups, etc. which then could be turned into practical policy recommendations for each government. During the first year of the Knowledge Sharing Program. South Korea and the V4 agreed on sharing knowledge and experience based on their own comparative advantages.³⁸ The 2017/2018 cycle of the program was launched in 2017 during the

chWord=visegrad&srchTp=0&multi_itm_seq=0&itm_seq_1=0&itm_seq_2=0&company_cd=&company_nm=&page=1&titleNm=.

³⁵ "Prague hosts first-ever meeting of V4 prime ministers and the president of the Republic of Korea," Government of the Czech Republic, 2015-12-03. <https://www.vlada.cz/en/media-centrum/aktualne/joint-statement-on-the-occasion-of-the-first-summit-of-prime-ministers-of-the-visegrad-group-and-the-president-of-the-republic-of-korea-137824>.

³⁶ "Visegrad Group-Korea Knowledge Sharing Program Interim Reporting Seminar," Embassy of the Republic of Poland in Seoul, 2016-12-05. https://seul.msz.gov.pl/en/news/visegrad_group_korea_knowledge_sharing_program_interim_reporting_seminar_.

³⁷ Korea Development Institute, "2016/17 Knowledge Sharing Program with Visegrad Group: Science, Technology, and Innovation Policies for Economic Development: Korea and Visegrad Group" (Ministry of Strategy and Finance, Republic of Korea, 2017). https://www.kdi.re.kr/kdi_eng/publication/publication_view.jsp?pub_no=15385.

³⁸ Ibid.



Hungarian Presidency ³⁹ focusing on strengthening the innovative capacities of SMEs.⁴⁰

Lastly, the 2016 V4-Korea Ad Hoc High-level Meeting on Infrastructure held in Warsaw is also worthy of attention. At the meeting, the V4 countries and South Korea discussed opportunities for transport and infrastructure cooperation, including highways and railway projects in CEE. In the end, the heads of delegations signed a document that provides a formal basis for developing future cooperation in the field of aviation, road and rail transport, as well as intelligent transport systems.

³⁹ “V4-Korea Knowledge Sharing Program 2017/2018: Innovative SMEs in Focus,” Hungarian Presidency 2017/2018 of the Visegrad Group, 2017-09-13. <http://v4.gov.hu/v4-korea-knowledge-sharing-program-2017-2018-innovative-smes-in-the-focus>.

⁴⁰ “V4+Korea knowledge exchange in the interest of strengthening innovation capacity of SMEs,” Hungarian Presidency 2017/2018 of the Visegrad Group, 2018-03-27. <http://v4.gov.hu/v4-korea-knowledge-exchange-in-the-interest-of-strengthening-innovation-capacity-of-smes>.



Date	Place	Presidency	Level of meeting
June 2014	Seoul	Hungary	Political Directors
July 2014	Bratislava	Slovakia	Ministers of Foreign Affairs
February 2015	Seoul	Slovakia	V4 ambassadors and South Korean Ministry of Foreign Affairs' representative
June 2015	Bratislava	Slovakia	Political Directors
July 2015	Bratislava	Czechia	Ministers of Foreign Affairs
November 2015	Luxembourg	Czechia	Ministers of Foreign Affairs
December 2015	Prague	Czechia	V4 Prime Ministers and South Korean President (1 st V4+South Korea Summit Meeting)
June 2016	Seoul	Czechia	Political Directors
November 2016	Warsaw	Poland	High-level Meeting on Transport and Infrastructure
December 2017	Budapest	Hungary	Political Directors
March 2019	Seoul	Slovakia	Political Directors
June 2019	Bratislava	Slovakia	Foreign Ministers
September 2019	Seoul	Czechia	Deputy Ministers of Defense

Table 4: List of V4+South Korea official meetings



4 V4+China: Way forward?

4.1 Turn the V4 into a force in China-EU relations

In the past few years, the V4 has been seen, quite deservedly, as a passive force within the EU, noted more for its opposition to European immigration and refugee policy than for being a source of proactive ideas for shaping the EU's future direction. However, there is ample space for the V4 to actively contribute to forming the EU policies and make them more reflective of the interests of the V4 states, in as much as their interests align.

One of the potential areas is the external policies of the EU including relationship with China. Despite the narrative of China's "buying influence" in the CEE, Western European members have seen much more significant Chinese economic presence. There is also a much longer tradition of economic diplomacy towards Beijing that has proved beneficial for these countries' business interests. As we have shown above, Germany also serves as an intermediary for V4 economic ties with China. It is therefore necessary for the V4 countries to pay close attention to the EU and German policy towards China as these have outsized effects on the V4 countries' interests. Any negative developments in trade policy would have significant repercussions on the V4 economies. The V4 should push the EU to account more for their specific concerns vis-à-vis China in its outreach towards Beijing. This should include the agenda of better access to the Chinese market for the V4 economies' products and achieving a level playing ground for European companies. The V4 countries cannot afford to stand on the sidelines while Germany and France are spearheading the common EU policy on China.

The potential V4+China format and cooperation on the EU level should avoid politicization. Unlike the cooperation of the V4 with Japan and South Korea, any discussion on global issues might bring controversy due to perceived undermining of EU unity. Therefore, most importantly, the V4+China cooperation platform should be seen as fully embedded within the EU framework and in accordance with the EU's foreign policy towards China.

Such an arrangement would not just be in the interest of the V4 countries themselves but even more so in the interest of China. China has taken



lessons from the negative attention given to 17+1 and does not want to make the same mistake again. Moreover, the V4 is mainly seen as but a supplement of 17+1 cooperation and creating competing political dialogues on the V4+China level is not desirable in terms of its impact on the other CEE countries.

We should be aware that China is, in broad terms, interested in stable and strong EU and has no intention to cause fundamental division between the EU countries, even though its actual policies sometimes end up causing some rifts. Moreover, China mainly sees the CEE as a partner in making its relationship with the EU more robust. Therefore, in Beijing's eyes, a united voice of the V4 on the EU level would make it a more attractive partner. The V4 should use this advantage to leverage its position towards China and, at the same time, actively shape EU policy towards China to be more reflective of the needs of the V4 countries.

4.2 Use the V4+China as a vehicle for pragmatic cooperation

The V4+China format can be a much more focused and useful platform for communication and cooperation than the 17+1 format. The latter gathers a highly diverse group of countries in the geopolitical area between Russia and Western Europe, which, apart from their geographical position, lack significant links, not to say the possibility of developing a common approach towards China. While coordinating policy towards China would undoubtedly be challenging on the V4 level, it is simply impossible to do so within the 17+1 format. Furthermore, China-CEE cooperation has grown to encompass a wide array of cooperation areas not all of which are of importance for Slovakia and other V4 countries. Attending to the ever-growing channels of cooperation necessitates significant capital and resources. Within a V4+ format, there could be a more focused cooperation in selected areas that would avoid wasting resources on vague contacts with questionable returns. For this reason, it is paramount to clearly select specific areas of cooperation that would reflect both the intersection of interests among the V4 countries themselves and with China.

As we have discussed in the previous chapters, there is little that the V4 countries alone can do to address the structural issues of trade imbalance



with China without closer coordination among themselves and cooperation with Germany. Furthermore, the commercial policy falls under the EU competence.⁴¹ Instead, the V4+China format should focus on issues such as education, research, culture, and tourism in their cooperation with China.

In using the V4 as a platform for developing relations with China, there is a precedent of cooperation with non-European countries in the V4+ format, including Japan and Korea. Especially the V4+Japan format has evolved into a mature cooperation platform that can serve as a model for developing pragmatic relations with China. Just as is the case in cooperation with Japan and Korea, the V4 should stress cooperation in science, technology, and innovation that offers significant potential. While such activities have been held under the China-CEE cooperation, the V4 platform presents an opportunity to shape them more in accordance with the specific needs of the V4 countries. Joint research and mobility programs could be established to be funded by the Visegrad Fund. This instrument could also be used to fund cooperation in other areas such as cultural cooperation and people-to-people contacts. Common V4 scholarships for Chinese students could be considered, with students staying one semester in each country.

Getting inspiration from the successful cooperation within the V4+South Korea and V4+Japan formats, the V4+China could establish cooperation on Western Balkans as an outward dimension of the format. It is a common goal of the V4 countries to assist in the successful process of European integration of the countries of the Western Balkans. Meanwhile, China has been getting more active in the region in recent years, giving rise to fears about the growth of its political influence and impact of its lending practices and infrastructure project on the frail economies of the region. It should be the common interest of the V4 countries to ensure that China's activities do not erode the convergence of the Western Balkans with the EU. Joint development projects between China and the V4 countries in the region could be used as a tool to strengthen China's recognition of the EU rules and standards.

One significant obstacle to cooperation of the V4 countries in their approaches to China is of course their diverging interests. Due to its size

⁴¹ Art. 3(1)(e) of Treaty on the Functioning of the European Union. <https://eur-lex.europa.eu/legal-content/EN/TXT/HTML/?uri=CELEX:12012E/TXT&from=en>.



and thus also importance on the EU level, Poland's role outweighs the other V4 countries. Therefore, it can lead a much more robust China policy by itself. Hungary and the Czech Republic have recently both laid claim to being the key partners of China in the region and are thus more of competitors for China's attention. With the advent of BRI, the situation has gotten even more complicated as countries are competing for potential benefits from the Chinese project. Perhaps most significantly, Hungary has exhibited ideological propensity for building links with China, which is not something that other V4 countries would like to emulate. However, in selected pragmatic areas, the potential profit from proceeding in a multilateral way towards China can be enjoyed by all the V4 countries.

4.3 Cooperate on the ground

Perhaps the biggest potential of cooperation exists among representative offices of the V4 countries in China. Naturally, as the smallest country from the V4, Slovakia has the least resources available to develop its relations with China. Yet, Slovak diplomatic representation in China is significantly weaker than those of the other V4 countries even in relative terms. Hence, Slovakia would profit the most from the potential coordination and cooperation, but all the four countries are set to gain.

Therefore, Slovakia should push for establishing a systematic mode of cooperation between the embassies of the V4 countries in China. Specifically, there should be pooling and sharing of resources for the promotion of investment, trade, culture, and tourism of the V4 countries. Similarly, cooperation between the V4 companies, trade-promotion organizations and chambers of commerce should be promoted. While such activities have been going on, it has only been done in a non-systematic and largely non-coordinated ad hoc manner.

Importantly, the communication and sharing of experiences in dealing with China should be strengthened. An example in case is the issue of getting market access for agricultural exports to China, a common challenge for the V4 countries. The certification process for the imported products is highly complicated, confusing, and time-consuming, straining the resources of all the V4 countries, especially Slovakia that does not have personnel specifically dealing with the agenda. Regular communication mechanisms



for sharing experiences and lessons from the process would benefit everyone.

The cooperation of the V4 missions in China would bring a significant cost-benefit for Slovakia and its partners as opposed to proceeding individually. In the 2017 draft Action Plan for developing relations with China,⁴² there was a proposal for the establishment of four “Slovak Houses” in different regions of China that would promote Slovak companies and their products, investments, and tourism in Slovakia. However, it would make much more sense financially to establish “V4 houses” instead after the example of a similar project in South Africa, thus pooling resources for the greatest benefit of all the countries. In all similar initiatives, the cost-benefit ratio of developing own initiatives vis-à-vis China as opposed to a common V4 approach should be considered.

The strategic goal of the cooperation between diplomatic missions of the V4 countries should be a formulation of a united strategy of self-promotion of a unique V4 brand in China. In concrete terms, the V4 countries should strive to promote themselves as the embodiment of Central Europe, a distinct region with unique historical and cultural heritage, and a prospering part of the EU. The concept of Central Europe (中欧) is not widely recognized in China, with the wider concept of Eastern Europe (东欧) having longer tradition and Central and Eastern Europe (中东欧) coming into use recently since the advent of the China-CEE cooperation in 2012.

In terms of tourism, the coordinated presentation of the four countries as a destination for Chinese tourists should be promoted. Chinese tourists generally visit several countries during their travels in Europe and common presentation could unleash synergies. The competition aspect is blunted in the area of tourism presentation as each country could capitalize on the increase of tourists to other V4 countries if part of a single Central European tour. The V4 countries have developed cooperation in overseas markets including China under the brand “Discover Central Europe” but cooperation has become lackluster in this area. As a huge market with even bigger

⁴² The document was not approved by the government. See <https://www.slov-lex.sk/legislativne-procesy/-/SK/LP/2017/654>.



potential of growth of outbound tourism in the future. China merits a country-specific strategy.

4.4 Empower the Slovak China policy

The need to develop the V4 cooperation towards Beijing does not mean that Slovakia should resign on formulating its own China policy. In general, Slovakia has been seen as the most passive of the V4 countries. On the one hand, it has meant that Slovakia has so far largely avoided the politically driven approach to China with questionable results and negative consequences that we have seen in Hungary and the Czech Republic. China will most probably never be one of the key partners of Slovakia and vice versa, and Slovakia should be cognizant of this fact. Yet, on the other hand, Slovakia has also not tapped into the objectively existing potential of the relationship. A more active policy guided with clear strategic sectoral priorities for cooperation could yield practical results.

In terms of Slovak policy on the ground, there is an urgent need to increase Slovak diplomatic representation in China to be able to focus attention on sectoral priorities of the Slovak diplomacy in areas such as agriculture, rail transport, customs, and tourism. Currently, Slovakia does not have an investment and trade office in China, neither is there an office for tourism promotion⁴³. Such a state of affairs is at odds with both the importance of China as the second biggest economy of the world that takes up 1/5 of the world's population, and also the tasks that Slovak foreign policy towards China entails. With currently employed resources, it is practically impossible to develop and sustain meaningful cooperation with China and cover all the cooperation areas.

Slovakia should consider revising its consular map of China and open new consulates in other parts of China – e. g. in Shenzhen, Chengdu, or Chongqing – which will improve the reach of Slovak diplomacy beyond Beijing and Shanghai.

Engaging with the Chinese side requires long term, sustained and focused effort aimed at developing good working relationships. Creating posts with specific portfolios could facilitate coordination and communication with

⁴³ This is not an issue specific to China as such offices do not exist within the Slovak government. Therefore, an overall reorganization of the bureaucracy is necessary.



other V4 countries, who already have specialized personnel dealing with sectoral issues. However, any strengthening of the diplomatic mission has to be informed by a clear strategy that would assess the priority areas of cooperation and undertake costs and benefits analysis. In 2019, Slovakia created a post of “innovation diplomat” in China to facilitate cooperation on innovations. However, it is dubious if appointing one more diplomat with general trade and economy portfolio would not be more effective as expected results to be delivered by the new innovation post have not been specified.

Going forward, the Slovak China policy should be guided by clear priorities and achievable goals, where available means will be clearly linked with the desired outcomes. With limited resources of a country such as Slovakia, strategic guidance is essential to avoid wasting efforts on cooperation that has questionable meaning. Strategic documents are important as they can clearly outline what is possible and meaningful within the cooperation. The Government Conception of economic relationship with China⁴⁴ was an attempt in this direction, but its ultimate failure proved that there are still important hurdles. A comprehensive strategy should cover not only economic agenda but also political and security ramifications of engagement with China. Finally, the strategy in China should be embedded in a wider strategic approach to the whole region of Asia-Pacific.

⁴⁴ See <https://www.slov-lex.sk/legislativne-procesy/-/SK/LP/2017/203>.



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