

## **Belt and Road Initiative: the Czech and the Slovak Approaches**

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The Silk Road Economic Belt and the 21st-century Maritime Silk Road, better known as the One Belt and One Road Initiative (*OBOR*), or more recently, simply the Belt and Road Initiative (*BRI*), was first announced by President Xi Jinping in Kazakhstan and Indonesia in 2013. This massive initiative encompasses 65 countries with 4.4 billion people in all continents except the Americas. Although the roads mentioned in this project do not pass through the Czech Republic or Slovakia, both states declared their preparedness to join this initiative by signing the Memorandum of Understanding with China in cooperation with this framework in Suzhou in 2015. How the Czech Republic and Slovakia differ in their approach towards this initiative, and what each can offer for cooperation, is discussed in this paper.

### **Introduction**

The initiative BRI was globally spread across continents of Asia, Africa, Latin America and Europe, and signifies the China's efforts to economically connect these regions with China through a diversity of activities and projects. Initially, this plan involved development projects in infrastructure, but in a broader sense it has come to encompass any Chinese activity that contributes to Chinese connectivity in Asia, Africa and Europe and may eventually be considered as part of the BRI by the Chinese government.<sup>1</sup> These activities will enable greater economic integration of the region through the building of infrastructure, investments and trade, and increased cultural exchange. Some refer to BRI as “the Chinese Marshall Plan” for Asia or the “opening up” of the Chinese economy.<sup>2</sup>

Some BRI activities were carried out even before the announcement of this initiative, for example, regular dialogues on transport and customs facilitation—including the EU–China Green Lane project for the facilitation of customs procedures for train connections between Europe and China—progressed despite the lack of official reference to the role of the EU under the OBOR initiative.<sup>3</sup>

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<sup>1</sup>Frans-Paul van der Putten, John Seaman, Mikko Huotari, Alice Ekman and Miguel Otero-Iglesias, “Europe and China’s New Silk Roads,” a report by the European Think-tank Network on China (ETNC), December 2016, <<http://www.realinstitutoelcano.org/wps/wcm/connect/15fd9e60-5d30-46ba-9871-9888cfbc4600/Europe-and-Chinas-New-Silk-Roads-+Report-ETNC.pdf?MOD=AJPERES&CACHEID=15fd9e60-5d30-46ba-9871-9888cfbc4600>>.

<sup>2</sup>Gisela Grieger, “One Belt, One Road (OBOR): China's Regional Integration Initiative,” briefing from European Parliament, 2016, <[http://www.europarl.europa.eu/RegData/etudes/BRIE/2016/586608/EPRS\\_BRI\(2016\)586608\\_EN.pdf](http://www.europarl.europa.eu/RegData/etudes/BRIE/2016/586608/EPRS_BRI(2016)586608_EN.pdf)>.

The reasons behind BRI are many, including asserting Chinese leadership role in Asia, tackling the socio-economic divide between its inland and coastal provinces, security challenges on its western periphery and energy security issues.<sup>4</sup> It will, over time, serve as an impetus driving China to become more proactive in shaping global governance and regional and local state security affairs, as China's interests expand in line with its overseas economic footprint, foremost in infrastructure development and connectivity.<sup>5</sup> Due to the growing importance of China, there is also fear that the world's economic and political gravity could recalibrate from the trans-Atlantic and the trans-Pacific economic blocs to continental Eurasia.<sup>6</sup> There is particularly the presumption that China's investments and increasing influence in the CEE may in the long-term help undermine ties to a region long seen as supportive of U.S. policies.<sup>7</sup>

Related to the European Union, the development of the mutual relationship between the EU and China was detailed in the EU-China 2020 Strategic Agenda for Cooperation adopted in 2013, underlining the stimulus of cooperation in the four areas of peace and security, prosperity, sustainable development and people-to-people exchanges.

The EU has reacted to the BRI proactively and with some pragmatism. For instance, the EU and China together signed the Connectivity Platform for EU-China Cooperation on infrastructure and transport with the Ten-T Program list, and among other concrete projects, three are in Slovakia (Development of the Košice Intermodal Terminal, Development of the Leopoldov Intermodal Terminal, and Development of the Bratislava Trimodal Terminal). The common effort of the EU with China on the 5G project may create the basis for a future so-called Digital Silk Road.

There is also the prospect of cooperation in investment. During the summit meeting between the EU and China in June 2017, there was an agreement reached about searching for synergy between the Investment plan for Europe, the so-called Juncker plan, and the New Silk Road.<sup>8</sup> Moreover, China entered the European Bank for Reconstruction and Development, and currently the European Commission and European Investment Bank are negotiating with the Fund of the New Silk Road regarding their future cooperation.

For the Czech Republic and Slovakia, their EU membership could bring some advantages in negotiation with China. Thus, the EU has been negotiating the improvement of conditions of the entry of European products into the Chinese market and negotiating the investment agreement since 2014, which would allow opening up the Chinese market for EU investors in the field of services and the protection of European investors.

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<sup>3</sup>Michal Makocki, "The EU Level: 'Belt and Road' Initiative Slowly Coming to Terms with the EU Rules-based Approach," Mercator Institute for China Studies (MERICS), Berlin.

<sup>4</sup>Gisela Grieger, "One Belt, One Road (OBOR): China's regional integration initiative", briefing from European Parliament, 2016, <[http://www.europarl.europa.eu/RegData/etudes/BRIE/2016/586608/EPRS\\_BRI\(2016\)586608\\_EN.pdf](http://www.europarl.europa.eu/RegData/etudes/BRIE/2016/586608/EPRS_BRI(2016)586608_EN.pdf)>.

<sup>5</sup>Richard Ghiasy, Jiayi Zhou, "The Silk Road Economic Belt: Considering Security Implications and EU-China Cooperation Prospects," SIPRI, February 2017.

<sup>6</sup>People's Republic of China, National Development and Reform Commission, "Vision and Actions on Jointly Building Silk Road Economic Belt and 21st Century Maritime Silk Road," March 2015, <[http://en.ndrc.gov.cn/newsrelease/201503/t20150330\\_669367.html](http://en.ndrc.gov.cn/newsrelease/201503/t20150330_669367.html)>.

<sup>7</sup>Theresa Fallon, "The New Silk Road: Xi Jinping's Grand Strategy for Eurasia," *American Foreign Policy Interests*, Vol. 37, No. 3, 2015.

<sup>8</sup>Václav Kopecký, Václav Líd, Alice Rezková and Michal Vodrážka, "New Silk Road: the Challenges and the Opportunities" paper from Association for International Affairs (AMO), March 2016.

China's activity in Europe concerning the New Silk Road is focusing on Central and Eastern Europe (CEE) and Southern European Mediterranean countries like Greece. In 2012, the CEE has introduced the platform titled 16+1, which promotes cooperation with China; it has also enlarged on BRI. While the platform 16+1 was not very well received in the EU, especially in the beginning, BRI is viewed by the EU more positively. The platform 16+1 was seen by the EU as an attempt of China to "divide and rule," and to control CEE countries within the EU. For instance, the stances of Hungary and Greece – key countries for China's OBOR initiative – resulted in a more convoluted European position in regards to the pronouncement of the Permanent Court of Arbitration in The Hague on the status of land masses in the South China Sea in July 2016.<sup>9</sup> However, this position seems to be irrelevant. Hungarian scholar Tamas Matura, of the Central and Eastern European Center for Asian Studies in Budapest, analyzed the possible pro-China attitude of CEE in exchange for economic benefits like investments in the EU-China negotiation; he found that Central European countries have not changed their attitude regarding anti-dumping measures vis-à-vis China in the periods from 2004-2010 and 2010-2011.<sup>10</sup>

On the other hand, China acknowledges that CEE countries could play a role in granting China market economy status or in helping to lift the arms embargo on China. What is true is that China prefers to negotiate bilaterally with EU countries rather than with the EU as a whole. How CEE countries will react to Chinese engagement in the region at the moment is unclear.

When it comes to Slovakia and the Czech Republic, both states do not belong to any of the six corridors of BRI, and the roads mentioned in the project do not pass through either country. Nevertheless, both states have a positive attitude to this project and are ready to join it. In the Czech Republic, the project was warmly welcomed by the pro-China oriented government of Bohuslav Sobotka and President Miloš Zeman. In Slovakia, the center-left government of Róbert Fico is more restrained but it is generally supportive. Both states have prepared a plan of cooperation on BRI, but they target different fields. Slovakia focuses on transport and logistics in cooperation on BRI, while the Czech Republic is more oriented towards finance, air service, investment and tourism. How these two countries have been approaching the Belt and Road Initiative is discussed in the next section.

### **The Czech and Slovak Approaches to the Belt and Road Initiative**

The Czech Republic and Slovakia have been developing constructive cooperation with China since the dissolution of Czechoslovakia in 1993. Although both states have not openly questioned China and have, in general, friendly relations with China, before 2013 the Czech Republic chose a more restrained position towards China due to its human rights policy. Specifically, the Czech Republic was critical towards China, especially in the 1990s, in regards to violation of human rights, including the persecution of dissenters in China and the oppression of the people of Tibet. This attitude was presented by President Václav Havel and still has great support in the country. In contrast, Slovakia never openly criticized China on human rights violations and held a more accommodating position. The U-turn of policy in the Czech Republic began with the policy of President Miloš Zeman in 2013, who welcomed Chinese involvement in terms of investments and trade in the Czech Republic.

<sup>9</sup>Frans-Paul van der Putten, John Seaman, Mikko Huotari, Alice Ekman and Miguel Otero-Iglesias. "Europe and China's New SilkRoads," a report by the EuropeanThink-tank Network on China (ETNC), December 2016.

<sup>10</sup>Personal interview with Tamas Matura.

Both countries have experienced huge trade deficits with China; import has exceeded export many times (in the Czech Republic, ten times). China is a major import partner for both states. In Slovakia, 7% of imports came from China in 2015, but Slovak export to China was only 2.5% of the overall Slovak export.<sup>11</sup> With regard to exports, both countries have exported to China products predominantly from the automotive industries represented by multinationals like Volkswagen; automobiles and auto parts represented up to 85% exports from Slovakia to China. The Slovak government points out the importance of diversifying commodity products, stressing in the future, export from SME. The prospective field of cooperation is the machinery industry, environment, recycling of waste, and food processing. Currently, there is an agreement under negotiation between the Ministry of Agriculture of the Slovak Republic and the General Administration of Quality Supervision, Inspection and Quarantine of the PRC concerning improving Slovak agriculture export conditions and food products into Chinese market.

When it comes to the Belt and Road Initiative, both countries have signed the Memorandum of Understanding between the two governments to cooperate within the framework of the Silk Road Economic Belt and the 21st-century Maritime Silk Road Initiative in the 16+1 Summit in Suzhou as of 2015. In Suzhou, the Czech Memorandum of understanding was signed by Premier Bohuslav Sobotka, along with another 31 agreements and memoranda about cooperation with China. In contrast, the Slovak side was represented in the summit by a lower level representative, Vice-Premier for Investments Ľubomír Vážny (Premier Róbert Fico apologized for not attending the meeting due to sickness). The memoranda have different aspects. While the Czech memorandum stresses three areas: to make the Czech Republic a transport hub for CEE, to create a financial center for Chinese banks for CEE, and to develop the industrial cooperation in the field of science, research and innovation,<sup>12</sup> the Slovak memorandum focuses on the facilitation of accession of Slovak products on Chinese market, flexible utilization of Chinese instruments for CEE, and the support of creation of a visual center for transfer of technology in Slovakia. In both countries, the awareness of the public about the BRI is limited, and the reaction is more neutral.

Both countries have used the 16+1 platform for promotion of cooperation with China and have adopted the plans of cooperation with China in the framework the BRI. In Bratislava, a Secretariat of Transfer of Technology for the 16+1 CEE was set up. There was also a second ministerial conference about cooperation in the field of innovation between China and 16 +1 CEE in Bratislava in November 2017, which focuses on biotechnology, green energy, information and communication technology, and material engineering.

With respect to the Czech Republic, the country was among the first states that signed a plan of bilateral cooperation with China related to BRI, titled A Plan of Bilateral Cooperation Between the Government of the Czech Republic and the Government of the People's Republic of China Within the Belt and Road Initiative. The plan was signed on 5 November 2016 in the summit of 16+1 in Riga and envisions future cooperation in infrastructure projects, investment in green projects, and cooperation between small and

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<sup>11</sup> The Slovak Republic, "A Proposal of the Conception of the Development of Economic Relations between the Slovak Republic and the People's Republic of China for 2017-2020", <[http://www.rokovania.sk/File.aspx/ViewDocumentHtml/Mater-Dokum-207820?prefixFile=m\\_](http://www.rokovania.sk/File.aspx/ViewDocumentHtml/Mater-Dokum-207820?prefixFile=m_)>.

<sup>12</sup> The Czech Republic, "The Memorandum of Understanding between the Government of the Czech Republic and the Government of the People's Republic of China on Joint Support of the Initiative of the Silk Road Economic Belt and the 21st-century Maritime Silk Road," <[https://www.vlada.cz/assets/media-centrum/aktualne/2015\\_11\\_26-Memorandum-CR-a-CLR.pdf](https://www.vlada.cz/assets/media-centrum/aktualne/2015_11_26-Memorandum-CR-a-CLR.pdf)>.

medium-size enterprises. It states that the Chinese side welcomes the ambition of the Czech Republic to become the regional financial center for CEE.<sup>13</sup>

Concerning Slovakia, it could be said that the country became the more advanced in relations with China of all four Visegrad countries when in April 2017 it adopted the Concept of Development Economic Relations with China for 2017-2020; currently the Action plan for this strategy is under preparation. For BRI, the government even named a Plenipotentiary of the Government for the Negotiation for BRI, Dana Meager, the State Secretary of the Ministry of Finance; Meager is responsible for preparations and projects within BRI. Moreover, Slovakia has some advantages when compared to its V4 neighbors as the only one using the Euro as its currency; Slovakia has been one of the regional frontrunners when it comes to economic reforms, attracting high amounts of FDI and generally experiencing rapid economic growth.<sup>14</sup>

In the political field, Slovakia stresses balancing the disproportion in political dialogue by increasing the numbers of visits of Chinese high officials in the country. So far, the former President of the PRC, Hu Jintao, visited Slovakia in 2009, and the former Premier Wen Jiabao in 2005, not counting ministerial visits. The aim is to increase Chinese direct investments into Slovakia. Slovakia has attracted the least investments from all four Visegrad countries. According to the National Bank of Slovakia, stock of direct foreign investments from China in 2014 was 39 million EUR, including equity capital and reinvested earnings of 14.1 million EUR. In 2015, it was only 11.2 million EUR. So it doesn't reach even one percent of all FDI (40.2 billion EUR).<sup>15</sup> Additionally, there have been failed projects with the Chinese, such as building the power plant in the river Ipel' and the entry of the Chinese in PPP projects in Slovakia.

In general, the Chinese are not willing to enter to public procurement and competition, although the picture could change soon if U.S. Steel, an American company in Eastern Slovakia, is acquired by Chinese HeSteel Group in April 2018. If that proposal goes through, it would be the biggest deal in all of the CEE since Wanhua's acquisition of BorsodChem in Hungary in 2011, and would make Slovakia one of the CEE countries with the most Chinese FDI.<sup>16</sup> Chinese investors are also interested in investing in Airport M.R. Štefánika–Airport Bratislava for a concession period of 30 years.

The most investments from China in Slovakia and the Czech Republic are the acquisition of firms. One of China's reasons for buying these firms, especially well-known brands, is that China could not afford to follow the Taiwanese or Korean models, which took time and happened under different world market circumstances.

When it comes to Chinese investments in the Czech Republic, the greatest investments were realized during President Xi Jinping's visit to the Czech Republic in 2016. CzechInvest, a business and investment development agency, noticed that the increase of deals negotiated by the agency was three times greater in 2016 than in 2015. The Czech

<sup>13</sup> The Czech Republic, "A Plan of the Bilateral Cooperation between the Government of the Czech Republic and the Government of the People's Republic of China within the Belt and Road Initiative," <<https://www.vlada.cz/assets/media-centrum/aktualne/Plan-bilateralni-spoluprace-mezi-vladou-Ceske-republiky-a-vladou-Cinske-lidove-republiky-v-ramci-iniciativy-Pasmo-a-Stezka.pdf>> .

<sup>14</sup>Richard Q. Turcsanyi, "Growing Tensions Between China and the EU Over 16+1 Platform," Chinfluence, November 2017, <<http://www.chinfluence.eu/growing-tensions-between-china-and-the-eu-over-161-platform/>>.

<sup>15</sup> The Government of the Slovak Republic, "Concept of Development of Economic Relations between the Slovak Republic and the People's Republic of China for the Years 2017-2020," April 2017.

<sup>16</sup> Kironská Kristína and Turcsányi Richard Q., "Slovak policy towards China in the age of Belt and Road Initiative and 16+1 Format," China-CEE Institute, No.2, November 15,2017.

Republic is currently one of the countries that receives the most Chinese investments in the EU. The most famous investor and most controversial is the Shanghai company, CEFC China Energy Company Limited, which invested by acquisition into brewery, airlines, football, machinery and media industries in the Czech Republic and bought the machinery company Žďas. It has also acquired 10% of shares in J&T Finance Group. The company, besides very close relations to the Czech government and the President (the chairman of the company Ye Jianming is the adviser for Czech President Miloš Zeman), has allegedly collaborated with Chinese Military Intelligence, although this remains to be proven.

The Slovak government, along with a 'strategic concept' of cooperation with China, has adopted an Action plan for this strategy, which lays out several objectives. It envisions the possible admission of Slovak bonds into the Chinese market, encourages the establishment of joint ventures in China and in Slovakia, and supports the Slovak export of small and medium-sized enterprises to China. The building of four Slovak houses in Shaanxi, Xi'an, Henan, and Zhengzhou provinces is expected to be realized.

One part of the Action plan relates to the building and financing of transport and logistic infrastructure related to project BRI. It supports the modernization of transportation and logistics infrastructures: wide-gauge rail Maťovce-Košice, Haniska 88 km, intermodal Terminal Dobrá, intermodal Terminal Košice, Leopoldov and trimodal Terminal Bratislava. Premier Róbert Fico has mentioned several times the possibility of building wide-gauge rail from the East to the West of the country. All this preparation is related to the hope that once the trains are coming from China through Russia and Belarus and ending in Poland, they would cross or end in Slovakia. This project is not relevant today, due to unresolved conflict and disputes between Russia and Ukraine. There are three possible routes coming from China to Slovakia; two of them cross Russia, Kazakhstan, and Ukraine and the third one avoids Russia, crosses Kazakhstan, the Caspian and Black Seas, and Ukraine.

It should be noted that already 19 trains come from China to Slovakia, which is just a fraction of the total of 5000 trains expected to run from China to Europe through 2020. Between August 2015 and the beginning of 2016, the freight trains ran once a week from the port of Yingkou in China to the terminal Dobrá in Slovakia. After consultations with Ukraine, in which Kiev declared transport safety and interest in the project, and a series of events in China promoted Slovakia as one of the alternative routes to Europe (organized by the Slovak Ministry of Transport and Construction), a new regular 44-container freight train started running in June 2017 once a week from Changsha (Hunan province) to Budapest through Mongolia, Russia, Ukraine and Slovakia.<sup>17</sup> There is another train from Dalian in China ending in Slovakia and a third train from Chengdu is expected to run soon. Some people may question how this fragile plan will continue in the future, as currently each train has state support of 2000 USD until 2020. On the other hand, Slovak state officials are proud to announce delivery time of products from China has shortened from 40 days by maritime route to 16 days by train. It is presumed that the time will shorten in the future to 8 days.

The Plenipotentiary of the Government for Negotiation of BRI Dana Meager noted that from Slovakia it is possible to serve up to 600 million consumers within a radius of 2000 km. Regarding Chinese interests, Slovakia can use the Silk Road for boosting trade in its region and the enhancing its interests.<sup>18</sup> Unfortunately, according to Ms. Meager, the countries of the 16+1 platform, instead of finding joint common efforts, search for ways to kick each other out of the game.

<sup>17</sup>Ibid.

<sup>18</sup> --, "The Slovak Republic Can Use the New Silk Road For its Own Interests," TASR, December 7, 2017, <<http://www.teraz.sk/ekonomika/novu-hodvabnu-cestu-moze-sr-vyuzit/296710-clanok.htm>>.

The prospect of boosting trade is promising because at the border with Ukraine, there is already an intermodal terminal, which changes the rails from the wide-gauge used in Russia and Ukraine to the normal-gauge used in Europe. Moreover, the second largest city of Slovakia, Košice, is planning to build an innovation and industrial park next to the intermodal terminal.

On the other hand, many observers ask questions regarding whether the building of this transportation would have a positive impact on EU countries, which have been experiencing a trade deficit with China. Currently, the trains are loaded at only 55% capacity on their trips back to China. The question of how the EU countries will use this opportunity in their trade with China remains unanswered. Slovakia could offer the transport of automobiles (it transported 42,000 cars last year) or agriculture products, including milk products. Although exports from Slovakia to China grew in the period from 2005 to 2011 has been decreasing since then. State officials expect the increasing of exports to China due to the BRI, but they mentioned that the efforts of Slovak firms are crucial to establish themselves in the Chinese market. For that, it is advisable to increase of number of economic diplomats in China to help firms enter the Chinese market. According to the representative from the Ministry of Foreign Affairs in Slovakia, there is lack of an entrepreneurship lobby to push Slovak exports to China, so most Slovak firms are unwilling to produce big quantities of products and be reliable exporters to the China market. They put a ceiling of 30% of wholesale on these products.

The smooth transition of products also depends on custom conditions, and for this purpose, state secretary Meager signed the Memorandum of Understanding between the custom authorities of both states, Slovakia and China, in the summit 16+1 in Riga in November 2016. For the moment, it is expected that Russia, Kazakhstan and Ukraine will join this program.

There are other projects related to spas, tourism, energetics, and research, for example, that Slovakia is offering to China. The Bratislava port has been presumed to be reconstructed in order to receive Chinese cargo ships travelling from the port of Constance in Romania.

China supports the big projects in CEE through the possible use of 10 billion USD of special credit, a 3 billion USD investment fund and a fund in the Chinese national currency (RMB). Slovakia, for the moment, is considering using this as a supplemental financial source. Usually, China asks for a state guarantee, and, due to EU regulation to keep the deficit under 3%, Slovakia is cautious to borrow money from the Chinese. Here, it could be noted that a big role in financing of projects will come from the Silk Road Fund (founded in 2014) and from institutions such as the Asian Infrastructure and Investment Bank, and other banks that participate, such as the New Development Bank, the Chinese Development Bank (CDB) and the Export-Import Bank of China (Eximbank). Both countries, Slovakia and the Czech Republic, are not members of the Asian Infrastructure Investment Bank aiming to support the building of infrastructure across the Asia-Pacific region, unlike Poland, which is the founding member of the bank.

Compared to Slovakia, where there are no Chinese banks, in the Czech Republic there are currently two Chinese banks operating in Prague: the Bank of China (since 2015) and the Industrial and Commercial Bank of China (since September 2017). The effort of the Slovak government to set up the branch of a Chinese bank in Slovakia has, for the moment, resulted in a negative response.

Related to the Czech Republic, there are several plans within BRI. According to Czech scholar Rudolf Fürst, BRI itself remains a very minor and unclear issue in political and media debates, particularly in contrast with the attention that overall economic and political bilateral relations are receiving.<sup>19</sup>

BRI was discussed several times during the meeting of President Miloš Zeman and his counterpart President Xi Jinping. For instance, BRI was mentioned during Xi Jinping's visit to Prague in 2016 where the Strategic partnership between the Czech Republic and China was created and both sides in the Joint Statement were assumed to develop mutual relations and cooperation in regards to BRI. It was announced that 95 billion Czech Crones would go into Chinese investments. Xi Jinping, in his statement to state officials and businessmen at the Economic Forum, said that the Czech Republic belongs to the important countries in BRI. He also mentioned that the Czech Republic is an important country among the CEE, with a good position, industry and cultural achievement.<sup>20</sup>

President Miloš Zeman, traveling to China in May 2017 for the BRI Summit, described BRI as the most fascinating project in a new era and compared it to the Marshall Plan for Europe. The Czech side at the Summit approved 22 projects concerning BRI and another 16 projects were approved on Czech-Chinese investment forum. What was interesting was that Zeman was the only president from the EU to come to the Summit. During the meeting, Zeman mentioned BRI and the participation of the Czech Republic in the project, as one part of project may cross the Czech Republic. At the end of the meeting, the presidents signed the Memorandum on Cooperation of Small and Medium-sized Enterprises and the Memorandum on Common Coordination of the projects regarding BRI. It calls for the creation of a group dealing with the BRI projects at the government level.

One of the BRI projects is a canal linking the Danube, Oder and Elbe rivers, which would connect Poland, the Czech Republic and Austria and enable transport and trade through this canal. President Miloš Zeman, in his speech at the Economic Forum with Xi Jinping in Prague of 2016, said that he hopes that Chinese businessmen would be interested in joining this project.<sup>21</sup> The project has the backing from both the Czech political and business lobbies, especially those close to the current government and president Zeman.

Aviation is one of the priorities in Czech participation of the Silk Road Initiative and the Czech Republic wants to be a leader in this area. Czech Premier Bohuslav Sobotka mentioned that within the New Silk Road Initiative, the Czech Republic is ready to cooperate in general air service, which would help improve transport infrastructure in China.<sup>22</sup>

The Czech Republic is home to the biggest airport among the newer EU countries and has developed one of the best air transport links for CEE with Asia. So the Czech Republic could be a part of Air Silk Road for the 21st century, enabling the transfer of passengers and cargo between Europe and Asia. The Round Table of Czech-Chinese cooperation in air service was held on 13 October in 2016.

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<sup>19</sup>Rudolf Fürst, "The Czech Republic: New Strategic Partnership with China, yet Little Real OBOR Touch," in Europe and China's New Silk Roads, a report by the EuropeanThink-tank Network on China (ETNC), December 2016.

<sup>20</sup>--, "Presidents of China and the Czech Republic on Economic Forum" <<https://www.youtube.com/watch?v=etw5FYLh5mY>>.

<sup>21</sup> Ibid.

<sup>22</sup> The government of the Czech Republic, "The Premier Sobotka Had a Speech in the Summit 16+1 in Chinese Suzhou," November 24, 2015 <<https://www.vlada.cz/cz/media-centrum/ocekavane-udalosti/premier-sobotka-zahajil-v-sanghaji-cesko-cinsky-podnikatelsky-seminar-137399/>>.

Three direct flights between China and the Czech Republic opened within one year, and now connect Prague with Beijing (Hainan Airlines, since September 2015), Shanghai (China Eastern Airlines, since June 2016), and Chengdu (China's Sichuan Airlines, since August 2016).<sup>23</sup> The fourth direct flight was opened between Prague and Si-an in 2017. The direct flights will facilitate the transfer the tourists from China, in numbers that have been recently increasing.

Chinese investments can also pour money into the energetics, machinery and automobile industries in the Czech Republic. It is improbable that Chinese companies will participate in public bids in the field of infrastructure, but the Chinese may be interested in the acquisition of some private subjects in logistics or in providing transport service, for instance, the buying of Travel Service.<sup>24</sup>

For the support of BRI in the Czech Republic, the New Silk Road Institute in Prague (NSRIP) was created in late 2015; it is a non-governmental organization that exists along with the China Investment Forum launched in 2013. The NSRIP's chairman is former Czech Foreign Minister Jan Kohout, and members of the advisory board include former Prime Minister Petr Nečas, and several Parliamentary deputies and businessmen. The institute is discussing more platform than policy-making as an organization.

The Czech Republic will have, starting in July 2017, direct railway connection from Prague to China; the first train will head to the city of Yiwu in China. Prague thus becomes the 16th European city to have a direct connection with China by railway. From China, most products include parts for the automotive industry and other types of products with shorter expenditure ending dates or sensitive materials. Compared to the maritime transport, transport by train is less expensive and less risky than by ship, so time sensitive products can be transported. On the return trip, the Czech Republic could transport beer, wine or cars. For instance, the company Škoda Auto has already undertaken a pilot test for delivery of its products to SAIC-Volkswagen in Shanghai, where the firm produces the model Octavia and Fabia for the Chinese market. In travel back from China to the Czech Republic, the company works with Volkswagen and transfers the components. Automobile factories expect faster and more ecological friendly transfer of parts to China for adequate prices.<sup>25</sup> The transfer by railway is faster than by ship and therefore shortens the selling cycles of products and decreases bound capital. It brings more flexibility to clients and the possibility to dynamically react on the demands of market.<sup>26</sup>

## Conclusion

The Belt and Road Initiative is attracting the attention of CEE countries, which are looking for an influx of Chinese investments into their countries. Although there are open

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<sup>23</sup>Rudolf Fürst, "The Czech Republic: New Strategic Partnership with China, Yet Little Real OBOR Touch," in Europe and China's New Silk Roads, a report by the EuropeanThink-tank Network on China (ETNC), December 2016.

<sup>24</sup>VáclavKopecký, VáclavLídl, Alice Rezková and Michal Vodrážka, "The New Silk Road: the Challenges and the Opportunities", paper from Association for International Affairs (AMO), March 2016.

<sup>25</sup> --, "Central Czech Entreprises Found Out Silk Road, Enables Faster Trade," *iDnes.cz*, December 17, 2017, <[https://praha.idnes.cz/sredni-cechy-firma-podnik-hedvabna-stezka-cesta-zbozi-stredocesky-kraj-13c-/praha-zpravy.aspx?c=A171214\\_370534\\_praha-zpravy\\_nuc](https://praha.idnes.cz/sredni-cechy-firma-podnik-hedvabna-stezka-cesta-zbozi-stredocesky-kraj-13c-/praha-zpravy.aspx?c=A171214_370534_praha-zpravy_nuc)>.

<sup>26</sup>Ibid.

questions about the reliability, the quality, and the profitability from the projects of this initiative, it looks like CEE countries have an interest in negotiating with China on it. The Czech Republic and Slovakia are not exceptions. It should be noted that some countries are concerned about exploitation of the Chinese workforce and materials instead of use of local sources.

The Czech Republic and Slovakia have prepared the materials regarding BRI, but Slovakia is more advanced in its preparation due to the adoption of the Action plan. The Action plan includes the concrete steps in transportation, logistics and customer service for the implementation of BRI. Meanwhile, Slovakia is focusing on railway transportation and increasing of Slovak exports to China. The Czech Republic is considering cooperating in aviation and building the financial center and transport hub in aviation from Prague. Regarding transportation, the Czech Republic also has plans to build waterways on the rivers Danube, Oder and Elbe.

Concerning investments from China, the Czech Republic has attracted more investments than Slovakia due to active Czech policy undertaken by Bohuslav Sobotka's government and President Miloš Zeman. It could be recommended that the Slovak government, like the Czech Republic, be more active and take initiative towards China to attract more investments, although it is more advisable for Slovakia that the investments be oriented towards greenfield projects instead of acquisitions.

In conclusion, BRI brings a lot of opportunities for countries to boost their potential and reserves to develop constructive and prospective cooperation with China. It also enables the countries to use their potential to promote trade and investments to China and thus create a zone of economic cooperation. How various countries will use this opportunity and create a profitable position is an open question.

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