

# V4 Goes Global:

Exploring Opportunities and Obstacles  
in the Visegrad Countries' Cooperation  
with Brazil, India, China and South Africa

Editor: Patryk Kugiel





THE POLISH INSTITUTE OF INTERNATIONAL AFFAIRS

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## Executive Summary

**In the last decade, the Visegrad countries have been diversifying and developing the global dimension of their foreign policy,** including closer cooperation with emerging non-European powers Brazil, India, China and South Africa (BICS). They have intensified the political dialogue and recorded fast growth in bilateral trade. Yet, there is still untapped potential for cooperation, hampered, among other reasons, by differences in size, modest resources, an information deficit and limited people-to-people ties. Stronger cooperation within the Visegrad Group (V4) offers new hopes to address some existing challenges and shortcomings.

China's growing interests have led to the development of a new foreign policy instrument in cooperation with Central Europe – the 16 + 1 format. **BICS countries other than China show little interest and do not regard the region as strategic.** The remaining countries have not recognised the new potential of Central Europe. Therefore, the political dialogue is irregular and high-level visits to BICS are hardly reciprocated. In their dialogue with the European Union, these emerging powers consider the largest EU countries to be prime interlocutors. The Visegrad Group is not yet a known entity and not considered a valuable partner.

**Despite revived economic cooperation, trade between the V4 and most of BICS, except China, is relatively small,** and its share in EU-BICS trade is below the average for total extra-European trade. Moreover, all of the V4 suffer a considerable trade deficit with China and India. They also attract a small proportion of FDI from BICS to Europe. Therefore, increasing exports and attracting more foreign investment is a shared priority for the V4 members.

Relations with BICS will continue to be shaped at the national level but the **Visegrad Group can be seen as an additional tool and complementary platform for cooperation,** especially in areas where it can bring added-value. This could improve access to information, serve for sharing best practices, allow for coordination of positions in selected fields towards BICS, leveraging the V4 countries' international position.

**There is a risk that the competing national interests in relations with BICS may further undermine the coherence of the V4** and add new areas of tension. To avoid such a scenario, more consultation and closer Visegrad cooperation can be an answer. Luckily, there are no major disagreements among Visegrad members on the approach towards BICS as all have taken a very pragmatic approach focused on economic goals. This is a good starting point for forming a joint position in relations with BICS and to speak with one voice at regional and global forums.

**Cooperation with BICS may emerge as a new important dimension of the V4 agenda. Relations with non-European powers should be included in V4 presidency programmes** and dialogue in the V4+ format can be offered to all of the BICS partners and upgraded to high-level summits. Discussion on reform of global governance institutions, terrorism, migration, climate change, trade and economic cooperation give wide scope for strategic cooperation.

**Cooperation at the sub-regional level will depend on the internal strength and international influence of V4.** The more influential the V4 is in the region and within the EU the more attractive a partner it will be to BICS. Interestingly, this global dimension of cooperation can turn out to be another argument and incentive for closer relations within the group, including through improved connectivity and joint initiatives.

Despite competing interests, the **Visegrad countries need to find a new cooperative approach to economic relations with BICS.** Rather than compete with each other they should strive to improve their share of EU-BICS trade and investment. Governments should join hands in economic promotion of the region and encourage companies to cooperate closer and form consortia that can more effectively operate on the emerging markets. FDI in one country must not

be seen as a zero-sum game since it can have positive spillover effects on its V4 neighbours. By acting together, companies from the region, mostly SMEs, can more easily reach the critical mass needed to participate in large-scale investments, bid on infrastructure contracts and secure public procurement deals from BICS countries.

To enhance cooperation with BICS and in addition to their bilateral relations, **V4 governments should strengthen the International Visegrad Fund and extend its mandate to support cooperation with BICS**, including through a new V4 scholarship, research, and cultural cooperation programme. This can be major tool to bridge the information deficit, explore new avenues of cooperation and strengthen people-to-people links. Possibly, in a long-term perspective a “V4 SME Fund” could be established to offer help to V4 companies entering the BICS markets.

**The instrument of the Visegrad House can be revisited** and more branches in BICS can be opened in order to widen access to consular services and improve the cultural and promotional outreach beyond capitals. This could help to more effectively use the limited resources of the V4 members, reduce their cost of operations in distant markets and give more visibility to the common Visegrad brand.

**Tourism, higher education, culture and science are natural areas for closer V4 cooperation** where national interests are not always competing. A V4 position in these areas is disproportionately low in comparison to other EU countries and below the potential of the region. The V4 can work together to promote the whole region as an attractive destination for tourists and students and a valuable partner in science and technology cooperation.



## 1. Introduction

Over the last few years, the Czech Republic, Hungary, Poland and Slovakia—comprising the Visegrad Group (V4)—have been developing the global dimension of their foreign policy and exploring economic opportunities in non-European markets. The financial and economic crisis in the EU, coupled with the strong growth in emerging economies, made diversification of exports a more attractive option than before. After two decades of internal transformation and a focus on Euro-Atlantic integration, the Visegrad countries also became more capable and more interested in looking for new partners beyond Europe and rebuilding old relationships that received less attention after 1989.

An important place in this global opening by the V4 is reserved for relations with major emerging powers and regional leaders on three continents: Brazil, India, China and South Africa (BICS). Due to their sheer size, economic potential and rising global roles, they have taken more prominence in the V4 states' foreign policy agendas. All of the Visegrad countries strive to strengthen bilateral relations with BICS and seek out mostly economic benefits. However, cooperation with distant, culturally diverse and much larger partners is not always easy and comes with new opportunities and challenges. Due to their shared history and geography, the similar structure of their economies, and membership in both the EU and NATO, the Visegrad countries experience similar constraints and weaknesses in their relations with these emerging powers. This makes relevant the question of whether closer cooperation between the V4 members can be helpful for realising their national and shared regional interests.

Thus far, the regional, V4-level dimension of the states' contacts with BICS has been largely absent and only some preliminary and low-level meetings in the "V4+" format have been held with India and Brazil. As the V4 states become more active in the global arena, the coordination of the group's relations with BICS could open a new era in Visegrad cooperation and turn it in new directions. Another question is whether this regional approach can leverage their individual positions to reap any tangible benefits or, on the contrary, if such a pursuit undermines coherence within the group and creates new points of tension? Does the natural competition over economic interests, especially in investment and market access, mean the Visegrad countries are more rivals than partners? What would be the added-value of the V4+ mechanism for both the Visegrad countries and their BICS partners?

This report is a modest attempt to describe, compare and understand the Visegrad countries' relations with Brazil, India, China and South Africa in order to suggest possible avenues for cooperation at the V4 level. It does not include Russia, which is often associated with the BICS countries in the better known group called BRICS. Unlike the four countries from the global south, Russia, although geographically closer, is not a new emerging power. For historical, geographical and geopolitical reasons, the V4 countries' relations with Russia have their own specific dynamic and one not comparable to any of the other BRICS countries.

This analysis covers the V4 states' bilateral relations with the BICS countries in three dimensions: political, economic and people-to-people contact. The structure of the report is designed to allow for easy comparison of an individual V4 member's policies with a given partner country. After an introductory chapter that characterise the V4 and BICS countries, the parts following present cooperation with Brazil (Chapter 2), India (Chapter 3), China (Chapter 4) and South Africa (Chapter 5). Chapter 6 summarises the main findings about Visegrad cooperation in terms of strengths and flaws in three thematic areas. The final part, Conclusions, assembles a list of individual best practices and recommendations for better use of the V4 format. This report is the result of the cooperation of experts from all of the Visegrad countries within a research

project supported by the International Visegrad Fund. Its preliminary findings were discussed at a workshop in Warsaw in December 2015, which led to the finalisation of this report.

### 1.1. Why the Visegrad Group?

The Visegrad Group, or V4 as it is commonly known, was set up in 1991 for one crucial reason: its founding fathers considered it to be a vehicle facilitating the Euro-Atlantic integration of three former Eastern Bloc countries of Czechoslovakia (later, the Czech Republic and Slovakia), Hungary, and Poland. The respective leaders, Václav Havel, József Antall and Lech Wałęsa, made it clear in the founding document, the *Visegrad Declaration*, that cooperation in Central Europe was designed as a handy tool for integrating these states with European and Transatlantic institutions. Today, every one of them is a member of both the European Union and NATO. In fact, cooperation within the EU is the most important subject for them in the V4 format. Regardless of whether they are discussing infrastructure or energy security, it is all encompassed within the EU political and financial context.

However, the three founding leaders did not decide to institutionalise the V4, and even today it has only one permanent institution, the International Visegrad Fund, which was set in Bratislava in 2000. The fund consists of €8 million (as of 2014) and is used for conferences, festivals and other cultural activities, among other things, as well as scholarships for citizens of V4 countries and those from the Eastern Partnership and Western Balkans countries, too. With no official statutes, secretariat, budget nor any bureaucratic structures, the V4 stands in contrast to the super-bureaucratic EU. According to many observers, it is successful because by keeping it to the level of presidents, prime ministers or individual ministers, the members find it easier to respond to challenges and promptly react to changing political environments. The strategic goals are established by the country holding the rotating presidency, which changes every year in July, while dialogue on a daily basis is conducted by national coordinators. Another good practice followed by the group is that apart from many ad hoc meetings, the four meet regularly before every EU summit in order to find a common voice on as many issues as possible.

Agreement is not always achievable, of course, because even though they having similar cultural, historical and even linguistic backgrounds (excepting Hungarian, which is non-Slavic), the four differ in many ways. In fact, even in the early 1990s there were as many things that divided them as united. For instance, Poland at that time was economically weak in contrast to Czechoslovakia or Hungary, whose economies were relatively healthy. But the latter two, in turn, did not have the unique experience of strong popular opposition towards communism found in Poland's Solidarity movement. Today, there are other differences between the four, a fact that in international politics should not be considered anything other than natural. Poland, for instance, acknowledges that Czechs and Slovaks have distinct positions on carbon emissions trading, and Hungarians on relations with Russia. In turn, Poland's partners should not take offense when Warsaw holds a different view, such as its last-minute change of position in voting on refugee quotas in the EU in September 2015.

These differences, however, do not prevent the Visegrad Group from being a potentially strong actor. Indeed, on paper the V4's potential is impressive: the combined GDP of the group already makes it the world's 15<sup>th</sup> largest economy; it has twice as many Members of the European Parliament (MEPs) as France, Italy or the UK individually. The total population of the Visegrad countries is around 13% of the whole EU population, or only 3% less than Germany's (see Tab. 1 below). Of course, such statistics do not always have a direct impact on real politics but they precisely define the Visegrad Group. It is a political tool, a natural instrument for pursuing foreign policy and used by the elites to pursue what they consider the interest of their countries. At times, it works very efficiently (EU budget negotiations or the North-South Corridor), and at other times,

not at all. There is no need for champagne toasts when the four reach consensus on an issue or to bury the Visegrad format when they do not.

**Table 1. Basic facts about the Visegrad countries (individually, in total, and as part of the EU, 2014)**

		Czech Rep.	Hungary	Poland	Slovakia	V4	EU-28
GDP	\$ bn	155	104	411	76	745	13,958
	% EU	1.1	0.7	2.9	0.5	5.3	100
Population	mln	11	10	38	5	64	508
	% EU	2.1	1.9	7.5	1.1	12.6	100
Members in EP	votes	21	21	51	13	106	751
	% EU	2.8	2.8	6.8	1.7	14.1	100
International trade	\$ bn	248	162	329	127	866	9,153
	% EU	2.7	1.8	3.6	1.4	9.5	100
FDI inward flow (net)	\$ bn	6	4	14	0	24	258
	% EU	2.3	1.6	5.4	0.2	9.4	100
FDI inward stock (net)	\$ bn	122	98	245	53	518	7,759
	% EU	1.6	1.3	3.2	0.7	6.7	100

Source: World Bank (GDP, population, trade composed of import and export of goods and services), UNCTAD (FDI).

Fortunately, it seems that the change in focus to global powers is what links the four countries. They all welcomed Visegrad's opening to geographically and culturally more distant partners and, in fact, the group has already been recognised by them, as proven by the impressive series of high-level meetings and summits. The leaders of the four members have already met with counterparts in Japan (V4-Japan Summit in 2013), South Korea (meeting with President Park Geun-hye in 2015), and other countries to discuss mainly prospects for economic cooperation in terms of trade and investment. There is no secret that the V4 has long been struggling to build up its brand as an emerging global economic "tiger" or the "gateway" to the EU. Still, it is actually a very new dimension of the Visegrad's activity, showing how the group itself has changed during the last 25 years. In the beginning, it was more of a sort of historical obligation or a "spiritual" community of nations, but with the passing of time it took on a more practical dimension. Bearing in mind its potential, though, the V4 can play a more proactive role. With the new government in Poland underlining the Visegrad Group as a top priority in its foreign policy agenda, it may get more attention and resources. Naturally, the V4 will remain most active in its original ground, that is, in its region within the EU and in relations to its closest neighbours. Its leaders will need to find new energy to revive cooperation on a few key issues: energy security, regional connectivity, migration, relations with southern and eastern neighbours and finding a new narrative about the group itself.

Apart from these mostly traditional areas of cooperation, the V4 must decide whether it sees any chance for cooperation at the global level. Currently, the Visegrad Group does not have a joint approach towards global powers, not only BICS countries, but also the U.S. or Russia. That is why it is easy for these powers to so easily play a game of *divide et impera* in the region. For the V4, a stark choice will present itself—take greater and more unified interest in global issues or face isolation. This certainly may be a chance for the region to establish its own political identity.

## 1.2. Global Dimension of the V4 Countries' Foreign Policy

Following the end of the Cold War and beginning of the transition in Central Europe, the Visegrad countries gradually lost interest in and loosened economic links with much of the developing world, including regional powers. The attempt to reintegrate with the world system focuses on accession to the European Union and NATO as well as on rebuilding their position in the region. After joining NATO in 1999 (Slovakia in 2004) and the EU in 2004, there was growing demand for rebuilding relations with many developing states. This process gained momentum after the financial crisis in the EU in 2008 revealed the Visegrad countries' vulnerabilities to overreliance on the European market. Economisation in foreign policy and their growing maturity as EU members forced them to start looking more actively for new markets and political partners in Asia, Africa and South America.

The four emerging powers that are the focus of this report—Brazil, India, China, and South Africa—took a special place in this global opening by the V4, although to a different extent for each. Although it appears that most of the attention is given to relations with China, the widely recognised new global power, also India, Brazil and South Africa are gradually showing on the political radar of the region's elites. This is reflected in strategic documents and political declarations by the Visegrad Group.

**Hungary** was first to recognise the importance of the non-European regions and put extra efforts into reinvigorating cooperation with China, India, Brazil and South Africa. As a result of the global economic crisis in 2008, a more intensive phase began in Hungary's relations with these emerging powers. Its first commitment, the Global Opening Policy, was declared by the Hungarian Government in 2011. This was followed in 2012 by a new foreign economic policy—the Eastern Opening strategy. Although the government of Viktor Orbán has emphasised that it would like to maintain Hungary's strong and important economic relations with its traditional partners, the main objective of this policy has been to reduce the dependency of Hungary's economy on trade with Europe through increased economic relations with the East. As an extension of this policy, the government launched its Southward Opening Strategy in 2015, which concentrates on two regions: Latin America and the Caribbean (LAC), and Africa.

These strategies put forward active state intervention to diversify Hungary's export markets and structure while also intending to develop the export capability of small and medium-sized enterprises (SMEs). This foreign economic strategy puts an emphasis on developing trade and technology relations with countries of both the East and South. To enhance SMEs' entry into emerging markets, state-owned Hungarian National Trading Houses (MNKH) were opened in many countries. The development of economic diplomacy also entails strengthening and broadening the network of *attaches* assigned to foreign economic relations, and encouraging more aligned cooperation between export financing from state banks, the Ministry of National Economy and the Trade and Investment Agency. Besides these institutions, the importance of various chambers, committees and business forums has to be underlined. As a result, within the public Hungarian Chamber of Commerce and Industry, new departments have been established. Moreover, reactivating the work of Joint Economic Committees (intergovernmental organisations) and the growing number of meetings between high-ranking politicians (in Asia, Africa and Latin America) underpin Hungary's strong commitment to its opening towards emerging regions.<sup>1</sup>

Unlike Hungary, **Poland** has no comprehensive or updated document providing a clear vision or priorities for a similar global strategy. Its policy on emerging powers still falls under the

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<sup>1</sup> A. Éltető, A. Szunomár, *Ties of Visegrád countries with East Asia—trade and investment*, Working Paper No. 215, Institute of World Economics—MTA KRTK, Budapest, 2015.

2004 Strategy of Cooperation with non-European developing countries.<sup>2</sup> This document names China, India, Brazil and South Africa as among 18 “priority partners” for Poland, along with over 40 “important partners.” The most recent main official document specifying aims and priorities of foreign policy for 2012–2016 did not include cooperation with developing countries nor with emerging powers (as a global dimension) among its seven priorities.<sup>3</sup> However, under Priority 3, it states: “Poland is open to different directions and dimensions of regional cooperation” and there is a target for “global activity,” where China, India and Brazil are explicitly mentioned, albeit briefly along with other prospective partners for economic cooperation. The document emphasises as one of the tasks “promoting and supporting growth of mutual trade exchange and investments, including in non-European countries, particularly in Asia.” Non-European regions have started appearing more often in annual presentations of the foreign affairs ministers and in the presidential addresses to the diplomatic corps. The *exposé* by then-Foreign Minister Grzegorz Schetyna in April 2015 devoted an exceptional amount of time and space to Poland’s non-European partners, especially those in Asia.<sup>4</sup> These directions will remain important for the new government that took power in Poland in late 2015. In the *exposé* by current Foreign Minister Witold Waszczykowski on 29 January 2016, a long paragraph was devoted to China, India was mentioned as an economic partner in Asia, and South Africa noted as a main partner in Africa.<sup>5</sup>

Poland’s opening towards these emerging partners is driven by an economic agenda as the country strives to diversify its exports, which it sees as overly dependent on the EU (77% in 2014), provide support for Polish companies entering developing markets, and attract new investments. As part of this new economic diplomacy, Poland has intensified exchange visits with non-EU partners, organised a number of trade missions, and launched several export promotion programmes, some of them targeting selected developing countries. It is worth mentioning here the three programmes directed towards BICS: GoChina, which began in 2012; GoAfrica, launched in 2013; and GoIndia, announced in mid-2015. Poland has the most developed relations with China, with which it signed a strategic partnership in December 2011, while India, South Africa and Brazil are still lesser developed. This reflects the current priorities in Poland’s global policy, which is focused on Asia while slowly discovering Africa and South America.

In its relations with emerging powers, **Czech Republic** followed the path of the other post-communist countries in increasing attention to global actors in the south only after it had achieved its primary goals of transatlantic and European integration. During the transition period, much of the “sympathy capital” for developing countries became lost, especially in relations with countries that used to have strong links to the communist parties or the anti-colonial movements.<sup>6</sup> On the other hand, this “global return,” constituting a third period in Czech independent foreign policymaking, was also accompanied by stronger Europeanisation in these relations. Yet, it is important to emphasise that Czechoslovakia and the later Czech Republic has always maintained relatively strong relations globally, a tradition it inherited as a successor to Austria-Hungary. This is particularly true for South Africa, where Czechoslovakia supported the anti-apartheid movement.

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<sup>2</sup> “Strategia RP w odniesieniu do pozaeuropejskich krajów rozwijających się,” Warszawa, November 2004, [www.msz.gov.pl/resource/aaf21c98-4082-45c9-996c-a6f6c6a40a7b:JCR](http://www.msz.gov.pl/resource/aaf21c98-4082-45c9-996c-a6f6c6a40a7b:JCR).

<sup>3</sup> “Priorytety polskiej polityki zagranicznej 2012–2016” [Polish Foreign Policy Priorities 2012–2016], Warsaw, March 2012, pp. 20–21, [www.msz.gov.pl/resource/d31571cf-d24f-4479-af09-c9a46cc85cf6:JCR](http://www.msz.gov.pl/resource/d31571cf-d24f-4479-af09-c9a46cc85cf6:JCR).

<sup>4</sup> “Minister Grzegorz Schetyna o priorytetach polskiej dyplomacji” [Minister Schetyna on Polish Foreign Policy Priorities], Warszawa, 23 April 2015, [www.msz.gov.pl/pl/aktualnosci/wiadomosci/minister\\_grzegorz\\_schetyna\\_o\\_priorytetach\\_polskiej\\_dyplomacji\\_1](http://www.msz.gov.pl/pl/aktualnosci/wiadomosci/minister_grzegorz_schetyna_o_priorytetach_polskiej_dyplomacji_1).

<sup>5</sup> “Minister Witold Waszczykowski o priorytetach polskiej dyplomacji” [Minister Witold Waszczykowski on Polish Foreign Policy Priorities], Warszawa, 29 January 2016, [www.msz.gov.pl/pl/aktualnosci/wiadomosci/minister\\_witold\\_waszczykowski\\_o\\_priorytetach\\_polskiej\\_dyplomacji](http://www.msz.gov.pl/pl/aktualnosci/wiadomosci/minister_witold_waszczykowski_o_priorytetach_polskiej_dyplomacji).

<sup>6</sup> Quite surprisingly, the Europeanisation of bilateral relations was also true for Russia, where atypical relations from the mainstream European perspective normalised with EU accession.

BICS has become more prominent in Czech strategic documents, such as the new Concept of the Czech Republic's Foreign Policy, which emphasised that South Africa and Brazil are BRICS members, underlining their positions in Africa and Latin America, respectively.<sup>7</sup> While South Africa and Brazil are among three other country priorities within each of their respective regions (with an economic agenda as the main priority) and India is simply noted as the dominant economic partner in South Asia, China, though, received special treatment in the document. From this perspective, this policy paper approved by the government as a whole reflects well the special place of China among the BICS countries, while India, Brazil and South Africa are primarily perceived as major non-European economic partners. In addition to that, a hierarchy of BICS countries is established in the Czech Export Strategy 2012–2020, which reflects the priorities of the Ministry of Industry and Trade rather than the Ministry of Foreign Affairs.<sup>8</sup> While Brazil, China and India belong to 12 priority countries, South Africa is listed in a second category only as a country of "special interest."

**Slovakia's** approach to Brazil, China, India and South Africa is in a long-term perspective not monolithic. Although none of them are listed among the country's real strategic priorities, there are some noticeable differences in individual attitudes in Bratislava. While cooperation opportunities in Brazil and South Africa are still being explored by Slovak business and political entities, China and India are considered to be slightly more familiar. This is a natural result of the roles Beijing and New Delhi play on the international stage, that is, as emerging global powers.

Nevertheless, Slovakia has developed relations with all of the BICS countries within multinational organisations and in all cases economic aspects prevail over political ones. The priorities for the Slovak Republic's foreign policy in 2015, as put forth in a strategic planning document annually prepared by the Slovak Ministry of Foreign and European Affairs, confirmed these settings. It declared that "Slovakia will strive for an increase in Slovak export and receiving investments especially from China, India, Japan, South Korea and Brazil."<sup>9</sup> The document also presents the ambition to "strengthen territorial diversification of Slovak exports through greater engagement with the regions of the Arabian Peninsula, Latin America and Africa."<sup>10</sup>

### 1.3. The Attraction of Brazil, India, China and South Africa as New Partners

The BICS states have a special place in the V4 countries' global opening for many reasons. As noted above, they are regional leaders and emerging global powers offering many opportunities for economic cooperation. China and India are the two most-populous countries in the world and together with Brazil and South Africa constitute 40% of the world's population. BICS as a whole accounts for a fifth of global GDP, more than 16% of international trade and 3.4% of net outward FDI stock (see Table 2 below). After the global economic crisis in 2008, they become the main engines in the world's economy, quickly narrowing the distance to the most developed countries. They offer the last huge untapped consumer markets and have become a new source of foreign investment and development assistance in other regions. Despite their recent problems, including a recession in Brazil and slowing growth in China, their positions in the global economy will most likely be rising in the coming decades.

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<sup>7</sup> "Concept of the Czech Republic's Foreign Policy," Prague, 2015, [www.mzv.cz/jnp/en/foreign\\_relations/policy\\_planning/concept\\_of\\_the\\_czech\\_republic\\_s\\_foreign.html](http://www.mzv.cz/jnp/en/foreign_relations/policy_planning/concept_of_the_czech_republic_s_foreign.html).

<sup>8</sup> "Exportní strategie České republiky pro období 2012 až 2020" [The Export Strategy of the Czech Republic for the period 2012 to 2020], Prague, 2012, [www.businessinfo.cz/cs/clanky/exportni-strategie-cr-2012-az-2020-7148.html#!&chapter=1](http://www.businessinfo.cz/cs/clanky/exportni-strategie-cr-2012-az-2020-7148.html#!&chapter=1).

<sup>9</sup> "Zameranie zahraničnej a európskej politiky Slovenskej republiky na rok 2015," [www.mzv.sk/App/wcm/media.nsf/vw\\_ByID/ID\\_16A59B91DCF4DF52C1257DB2005968D3\\_SK/\\$File/zameranie2015.pdf](http://www.mzv.sk/App/wcm/media.nsf/vw_ByID/ID_16A59B91DCF4DF52C1257DB2005968D3_SK/$File/zameranie2015.pdf).

<sup>10</sup> *Ibidem*.

**Table 2. Selected data on BICS, (individually, in total, and as part of the global total, 2014)**

		Brazil	China	India	SA	BICS	World
GDP	\$ bn	2,346	10,355	2,049	350	15,100	77,845
	% World	3.0	13.3	2.6	0.4	19.4	100
Population	mIn	206	1,364	1,295	54	2,920	7,261
	% World	2.8	18.8	17.8	0.7	40.2	100
International trade	\$ bn	583	4,917	1,081	224	6,806	42,082
	% World	1.4	11.7	2.6	0.5	16.2	100
FDI outward flow (net)	\$ bn	12	69	16	-0.1	96	1,366
	% World	0.8	5.0	1.2	0.0	7.0	100
FDI outward stock (net)	\$ bn	191	317	97	83	689	20,414
	% World	0.9	1.6	0.5	0.4	3.4	100
Military expenditure	\$ bn	32	216	50	4	302	1,747
	% World	1.8	12.4	2.9	0.2	17.3	100

Source: WB (Population, GDP, International trade of goods and services), UNCTAD (FDI), SIPRI.

Stronger cooperation with the new powers may bring more benefits not only in terms of attracting FDI and increasing trade but also in revenues in tourism or education. It is often overlooked that China is today one of the largest sources of tourists and tourism revenue, far ahead of second-place U.S. in the ranking.<sup>11</sup> Chinese travellers spent a record \$165 billion abroad in 2014, or about 13% of global tourism receipts—an incredible 27% increase over 2013. Brazil remained 10<sup>th</sup> in the ranking at \$26 billion and 2.4% of the tourism market. India has also become one of the fastest-growing outbound tourist markets, with over 16 million tourists travelling abroad in 2012. According to the UN World Tourism Organisation, India was 23<sup>rd</sup> in terms of tourism spending, amounting to \$12.3 billion and 50% higher than in 2007.<sup>12</sup> Tourists from these countries head mainly to neighbouring countries, although Europe gets an increasing number of visits. When they do travel to Europe, however, they prefer mostly popular European destinations such as Spain, France, UK, Switzerland, and Germany, and far fewer travel to the V4 region.<sup>13</sup>

The BICS countries, especially China and India, play a leading role in the global higher education market. In 2012, the estimate was more than 4.5 million students were studying abroad at the post-secondary level, that is, more than five times the number of students as in 1975.<sup>14</sup> China and India were the largest home-states of international students, at 22% and 5% of the global total, respectively. Although most of them preferred the U.S., some European countries (mostly UK, but also Germany and France) have become increasingly popular in recent years. In education, the Visegrad countries play a minor role and attract very few students from the BICS countries, potentially missing out on the financial and political profits that such mobile students bring. For instance, British media reported in 2015 that international students in London alone (39% of them

<sup>11</sup> International tourist arrivals (overnight visitors) reached 1.133 billion in 2014 (or 4.3% higher than in 2013) and international tourism receipts reached \$1.245 trillion worldwide in 2014, up from \$1.197 trillion in 2013 (an increase of 3.7%). See: “UNWTO Tourism Highlights, 2015 Edition,” [www.e-unwto.org/doi/pdf/10.18111/9789284416899](http://www.e-unwto.org/doi/pdf/10.18111/9789284416899).

<sup>12</sup> “Market Insights: India,” European Travel Commission, March 2014, <http://etc-corporate.org/reports/market-insights-india>.

<sup>13</sup> For instance, in 2013 the whole region of Central and Eastern Europe (including Russia and Ukraine) received 4.2% of Chinese outbound tourists, 3.2% of Indians and 2.7% of Brazilians, a few times less than Western or Southern Europe. See: “European Tourism in 2014: Trends & Prospects Quarterly Report (Q1/2014),” European Travel Commission, Brussels, May 2014.

<sup>14</sup> OECD, *Education at a Glance 2014: OECD Indicators*, OECD Publishing, 2014, p. 350.

from China and India) contribute £2.8 billion (\$4.3 billion) a year to the UK economy through fees and spending on behalf of themselves, their friends and families.<sup>15</sup>

The growing international role of the BICS states is not constrained just to economic matters alone because they are also in some cases major military and political powers. China and India possess nuclear weapons and China has the world's largest army. They are major arms importers and BICS's combined military expenditures were 17% of the global total in 2014. They are also members of the G20, with a growing say in global trade and climate-change negotiations. China is a permanent member of the UN Security Council and India, Brazil and South Africa are the most natural candidates to join the club if and when the UN reforms the panel. All of the BICS countries are also strategic partners of the European Union (that is, four out of 10 in the world), although the quality and intensity of the partnerships vary significantly and are rather far from perfect.<sup>16</sup>

It is also important to note, that together with Russia they constitute the increasingly influential BRICS grouping and pose a challenge to the Western-dominated world order. They often present an opposite view than the EU at numerous international forums and frequently criticise the West. Striving for a larger international role, they strengthen political cooperation and develop new financial institutions, such as the New Development Bank, established in 2014. For the Visegrad countries, as members of the EU and NATO, this can pose a strategic constraint and challenge in dealing with the new powers without undermining the position of the Western institutions.

## 2. Brazil: Too Distant for the Visegrad Four?

The sheer geographical distance and limited contacts set the context for the Visegrad countries' relations with Brazil. During the post-World War II period, relations were limited and shaped by the undemocratic regimes in both Central Europe and Brazil, the former since 1948 and the latter under a military authoritarian regime since 1964. Nevertheless, at the beginning of the 1960s, the contact became more intensive, thanks in part to the so-called "New Foreign Policy of Brazil," which tried to diversify the country's international interactions along strong economic and developmental lines in contrast to its previous predominant tie to the U.S.

A new era in relations begun with the end of military rule in Brazil in the mid-1980s and the democratic transformation in Central Europe that started in 1989. Since 2004, the cooperation between them has been framed by Brazil's strategic partnership with the EU, including multilateral meetings such as EU-Brazil and EU-CELAC<sup>17</sup> summits. However, the Visegrad countries play only a minor role in this dialogue because the Brazilian perspective is focused mostly on a few main partners in Europe, namely Spain, France, Germany and Portugal.<sup>18</sup>

Brazil, on the other hand, is the most important Latin American partner for all four of the Visegrad countries. Its prominence in their foreign policy is determined by economic interests. The common ground for the partners is the effort to diversify international economic links to decrease the risk of dependence on just a few export destinations (the EU for the V4 and the U.S. for Brazil). Their mutual relations are not burdened by disputes from the past and there is growing recognition of Brazil in the V4 countries' political strategies.

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<sup>15</sup> B. O'Malley, "Income from non-EU foreign students dwarfs costs—Study," *University World News*, Issue No. 368, 21 May 2015, [www.universityworldnews.com/article.php?story=20150521093111718](http://www.universityworldnews.com/article.php?story=20150521093111718).

<sup>16</sup> See, for example: P. Kugiel, "EU-India Strategic Partnership Needs a Reality Check," *PISM Policy Paper*, no. 35 (137), October 2015.

<sup>17</sup> Community of Latin American and Caribbean States. For more, see: [www.eeas.europa.eu/lac/index\\_en.htm](http://www.eeas.europa.eu/lac/index_en.htm).

<sup>18</sup> K. Brudzińska, "V4—Latin America and the Caribbean States: New Partners?," *PISM Strategic File*, no. 16 (52), August 2014.



Relations between **Czech Republic** and Brazil date back to the creation of the independent Czechoslovak Republic in 1918. Brazil was the first Latin American country to officially recognise the newly established state later that year. After the dissolution of the Czechoslovak federation in 1992, Brazil immediately recognised the separate Czech Republic in 1993. The country, seen as a leading power in Latin America and a prospective economic partner, was explicitly mentioned in two foreign policy concepts adopted by different Czech governments after 2011. In the most recent one (July 2015), Brazil is mentioned four times, although only in a section dedicated to Latin America and the Caribbean, but with a note about its increasing global importance, including as a member of the G20 and BRICS and its strategic partnership with the European Union.<sup>19</sup> In the concept iterated by the previous right-leaning Czech government from 2011, Brazil was mentioned in a section dedicated to emerging powers together with India and Southeast Asia. The potential for security and military cooperation was emphasised and these countries' ties to the EU were used to support the notion that Czech foreign policy should include them in reaching its own goals and interests.<sup>20</sup> For comparison, the foreign policy concept from 2003 adopted by the Social Democratic Party-led government did not explicitly mention Brazil at all and there was only one short and very general paragraph dedicated to Latin America.<sup>21</sup>

Diplomatic relations between Brazil and **Hungary** began in 1927, although these were suspended between 1942 and 1961, and it was not until 1974 that they were raised again to the embassy level. In more recent times, a new more active phase in the bilateral relationship can be seen, especially since 2010–2011. This is in line with the Global Opening Policy of the Hungarian government of 2011, a document that contained about one and a half pages of analysis and policy aims regarding the Latin American region. The intensified cooperation can be well illustrated by the strategic and political agreements and exchange visits that have taken place, as well as by the intensified trade volumes and the number of Brazilian companies coming to Hungary.

As with the Czech Republic, Brazil was the first Latin American state to recognise **Poland's** independence in 1918. Diplomatic ties were established two years later, but it was not until 1961 that embassy-level relations started.<sup>22</sup> During the 1970s and 1980s there was a boom in economic relations, but Polish imports were financed by Brazilian loans that the government in Warsaw was unable to repay. Only after a "haircut" and restructuring of the debt in 1992 and a final payment in 2001 was the issue fully resolved. Although it resulted in a freeze in bilateral relations in the 80s it did not hamper them in the long term.<sup>23</sup> Brazil is mentioned as a "priority partner" in Latin America and one of the most important non-European states in the document "2012–2016 Polish Foreign Policy Priorities." In "Challenges for Polish Foreign Policy in LAC" paper, Brazil once more is described as a strategic partner and it calls on Poland to focus primarily on it in terms of economic relations.<sup>24</sup>

Diplomatic ties between **Slovakia** and Brazil go back as in the Czech case to the independence of the Czechoslovakia Republic in 1918 and, later, the recognition of Slovakia in 1993. Brazil is one of two countries in Latin America where Slovakia has an embassy and the only one from the region that maintains the highest diplomatic representation in Bratislava. It is also the

<sup>19</sup> "Concept of the Czech Republic's Foreign Policy," *op. cit.*

<sup>20</sup> "Conceptual basis of the Foreign Policy of the Czech Republic," Prague, 2011, [www.mzv.cz/file/675937/koncepcje\\_zahranicni\\_politiky\\_2011\\_cz.pdf](http://www.mzv.cz/file/675937/koncepcje_zahranicni_politiky_2011_cz.pdf).

<sup>21</sup> "Concept of the Foreign Policy of the Czech Republic," Prague, 2003, [www.mzv.cz/file/1413384/KONCEPCE\\_2003\\_2006.pdf](http://www.mzv.cz/file/1413384/KONCEPCE_2003_2006.pdf).

<sup>22</sup> For more, see: K. Brudzińska, "Overview of the Poland-Brazil Relations," in: *The Enlarged European Union in Times of New Challenges*, Konrad-Adenauer-Stiftung, March 2015, [www.kas.de/wf/doc/15431-1442-2-30.pdf](http://www.kas.de/wf/doc/15431-1442-2-30.pdf).

<sup>23</sup> For more, see: J. Mazurek, "Brazylia i Polska – 90 lat stosunków dyplomatycznych," Ambasada RP w Brazylii, [www.brasilia.msz.gov.pl/resource/20ad2be9-962b-44ae-b906-6661b5ff7830:JCR](http://www.brasilia.msz.gov.pl/resource/20ad2be9-962b-44ae-b906-6661b5ff7830:JCR).

<sup>24</sup> "Priorytety polskiej polityki zagranicznej 2012–2016," Ministerstwo Spraw Zagranicznych, Warszawa 2012; „Wyzwania dla polityki zagranicznej RP wobec Ameryki Łacińskiej i Karaibów (2015–2020 i po roku 2020),” Departament Ameryki, Ministerstwo Spraw Zagranicznych, Warszawa, maj 2015.

largest trade partner for Slovakia in the whole of Latin America. However, relations are maintained mostly through the EU's political mechanisms.

## 2.1. Political and Security Cooperation

Political contacts with Brazil since the establishment of the **Czech Republic** in 1993 have been relatively intense compared to previous periods in the country's history and dominated by economic cooperation. The first Brazilian president to visit Czech Republic was Fernando Henrique Cardoso in 1994 (as president-elect), followed by his successor Luiz Inácio Lula da Silva in 2008. The first Czech president to visit Brazil was Václav Havel in 1996, and in 2009 Brazil received an official visit of the second Czech president, Václav Klaus. Ministerial visits are quite frequent, mostly as part of economic diplomacy. Since 1993, Czech Republic is represented by an embassy in the capital, Brasília (one of seven Czech embassies in Latin America), the consulate general in São Paulo, and eight honorary consulates with consular jurisdiction over 10 states of the Brazilian federation. It is the only country in Latin America with a Czech consulate general and it has the largest number of honorary consulates. São Paulo is also one of five Latin American cities with an office of the Czech trade agency. In 2005, visa requirements were abolished for nationals of both states for a tourist stay of up to 90 days.<sup>25</sup>

The Czech Republic has signalled its high interest in defence cooperation and in 2010 representatives of both governments signed an agreement on the subject. The latest remarkable event was the participation of Czech Defence Minister Martin Stropnický in the largest defence and security fair in Latin America, LAAD, held in Rio de Janeiro in April 2015. In that visit, Stropnický held negotiations with his Brazilian counterpart and with the president of aerospace conglomerate Embraer. The Czech armed forces have declared preliminary interest in buying two Embraer KC-390 military transport aircraft but the negotiations are ongoing. Another area of possible cooperation is Czech training of Brazilian pilots on JAS-39 Gripen aircraft (Brazil recently decided to buy 36 of these planes, which are also used by the Czech military). To advance defence cooperation, in August 2015 the Czech Republic established an office of military attaché to its embassy in Brazil. It is the first such Czech military attaché in South America.

The bilateral dialogue between **Hungary** and Brazil was strengthened after 2010 and is well-illustrated by a recent, revitalised exchange of visits, mainly since 2011, when László Kövér, president of the congress, visited Brazil and some other major countries in Latin America such as Argentina and Uruguay with the aim to discuss economic cooperation. Since then, numerous visits, bilateral ministerial meetings and consultations have taken place. One of the most important meetings took place in June 2013 when Michel Temer, the Brazilian vice-president, visited Hungary and was received by Orbán and others. In 2016, intensification of relations is foreseen and Brazilian Minister of Foreign Affairs Mauro Vieira has accepted an invitation by his Hungarian counterpart, while official visits of Hungarian President János Áder are planned in 2016 throughout Latin America, including to Brazil.

Hungary opened its embassy in 1974 in Brasilia. The consulate general in São Paulo was closed in late 2009 due to fiscal constraints. In 2011, the Office for Foreign Economic Relations and Consulate attached to the embassy in Brasília was opened in São Paulo and in 2015 it was upgraded to a consulate general. Recently, an emphasis has been put on promoting economic relations between the two countries through institutions. New Hungarian trading houses were

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<sup>25</sup> See, Agreement between the Government of the Czech Republic and the Government of the Federative Republic of Brazil on Partial Abolition of Visa Requirements (signed on 29 of April 2004 in Prague): <http://aplikace.mvcr.cz/sbirka-zakonu/ViewFile.aspx?type=c&id=4593>.

opened in Rio de Janeiro and São Paulo in 2014, while in Brasília the foreign economic attaché serves the same aim.

The political dialogue between Brazil and **Poland** after 1989 was neither intensive nor regular. There were only four visits at the highest level: President Lech Wałęsa visited Brazil in 1995, Prime Minister Jerzy Buzek went in 2000 and there were reciprocal visits in 2002 of presidents Fernando Henrique Cardoso and Aleksander Kwaśniewski. At the invitation of Polish Prime Minister Ewa Kopacz, Brazilian Vice President Temer along with five ministers (mining and energy, aviation, fishery, maritime and tourism) met with representatives of the Polish government in September 2015. During his stay in Warsaw, two memorandums of understanding (MoU) were signed on cooperation between diplomatic academies, the Ignacy Jan Paderewski Polish Institute of Diplomacy and the Rio Branco Institute, and tourism ministries.

More vigorous bilateral dialogue happens at the ministerial level. In the last five years there were nine bilateral visits or meetings of various ministers and vice-ministers, mainly of foreign affairs and defence. Poland participated in branch fairs organised in Brazil, such as Latin America Aero and Defence 2015 in Rio or Brazil Offshore in 2011. There is also political coordination, for example, the recent visit by the heads of the political departments of the MFAs of all of the V4 countries to Brazil in October 2015.

Poland has broad political representation in Brazil. Apart from an embassy in Brasilia (one of eight in Latin America), it has one consulate general in Curitiba and five honorary consulates, one each in Belo Horizonte, Fortaleza, Manaus, Salvador de Bahia and Porto Alegre. There used to be a second consulate general in São Paulo but it was closed in 2013. Also, the Ministry of Development (Economy) operates the Trade and Investment Section of the embassy in São Paulo (one of two in Latin America). There is also a House of Culture Poland-Brazil in Curitiba.

One field of opportunity for the development of bilateral relations is defence cooperation. After signing in 2010 a bilateral agreement on defence cooperation with Brazil, Poland established its first military attaché in Latin America. The scope of cooperation focuses on military education, training and war games, link-ups between special forces and political dialogue. Poland sees Brazil as a potential market for its defence industry, however, with no major success yet.<sup>26</sup>

**Slovakia's** relations with Brazil achieved their highest level in 2001–2002 when reciprocal visits by the presidents of both countries took place—Slovak President Rudolf Schuster went to Brazil in 2001 and Brazilian President Fernando Henrique Cardoso travelled to Slovakia in 2002. More recently, the Slovak environment minister visited Brazil in 2012 and the following year exchange visits of defence ministers took place. That same year, the Brazilian minister of foreign affairs, Antonio de Aguiar Patriot, met in Slovakia with his counterpart, Miroslav Lajčák, who reciprocated with a visit to Brazil in March 2015. It was the first such visit by a Slovak foreign minister in 17 years and more intensified political and economic cooperation was agreed. Minister Lajčák presented Slovakia as a “supporter of multilateralism” and re-assured his hosts, saying that his country “wants to see and promotes Brazil’s active role on the global stage, as it helps to strengthen a multipolar world and the respect for universal principles.”<sup>27</sup> Slovakia is represented in Brazil by its embassy in the capital and four consulates, one each in Rio de Janeiro, Recife, Sao Paolo, and Joinville.

<sup>26</sup> K. Brudzińska, “V4–Latin America...,” *op. cit.*

<sup>27</sup> “M. Lajčák v Brazílii: Znovuoživenie kontaktov i konkrétne nové investície,” [www.mzv.sk/servlet/content?MT=/App/WCM/main.nsf/vw\\_ByID/ID\\_EA7419BDE7ECAA99C1257B4A002DA134\\_SK&PERIOD=2015\\_03\\_SK&NCH=Y&OpenDocument=Y&LANG=SK&PAGE\\_NEWSVIEW-AKTUALNEPODLAODBOBIAADMR-97JAZ2=3&TG=BlankMaster&URL=/App/WCM/Aktualit.nsf/\(vw\\_ByID\)/ID\\_ECD51AC882AB2FA8C1257E1400284540](http://www.mzv.sk/servlet/content?MT=/App/WCM/main.nsf/vw_ByID/ID_EA7419BDE7ECAA99C1257B4A002DA134_SK&PERIOD=2015_03_SK&NCH=Y&OpenDocument=Y&LANG=SK&PAGE_NEWSVIEW-AKTUALNEPODLAODBOBIAADMR-97JAZ2=3&TG=BlankMaster&URL=/App/WCM/Aktualit.nsf/(vw_ByID)/ID_ECD51AC882AB2FA8C1257E1400284540), 26 March 2015.

Opportunities for cooperation in military training and armaments, as well as collaboration among special forces was discussed during meetings of the defence ministers in 2013. Slovak Defence Minister Martin Glváč also presented a plan to open a defence attaché office in Brasilia, but that has not yet happened. During a stay by the Brazilian defence minister in Bratislava, a completely new meeting format, V4 + Brazil, was presented along with Visegrad initiatives on regional cooperation on military exercises as well as procurement and modernisation of the armed forces.<sup>28</sup> Interestingly, for the first time consultations of V4 political directors of foreign ministries with their Brazilian colleague took part in autumn 2015.

## 2.2. Economic Cooperation

According to the export strategy<sup>29</sup> elaborated by the Ministry of Industry and Trade and adopted by the **Czech Government** for the period 2012–2020, Brazil belongs to a group of 12 “priority countries” for promotion of Czech exports. Despite this, bilateral trade has suffered a decrease since 2012, though it maintains a positive balance for the Czech Republic (see Fig. 1). Although trade with Brazil has more than doubled since the beginning of the century, it still amounts to less than 1% of Czech Republic’s international turnover, second lowest among the “priority countries” after Iraq (based on statistics for the first three quarters of 2015).<sup>30</sup>

The commodity structure of Czech-Brazilian trade is relatively stable; more than half of Czech exports to Brazil are machinery and transport equipment (58% in 2014) and manufactured goods classified chiefly by material (19%), while around half of imports from Brazil are food and live animals (46%) and chemicals and related products (21%).<sup>31</sup>

In 2008, an agreement between the Czech Republic and Brazil on economic and industrial cooperation was signed in Prague. In addition, an MoU between the Ministry for Regional Development of the Czech Republic and the Ministry of Tourism of Brazil on cooperation in tourism was signed in 2012 in Brasília.<sup>32</sup> Besides this agreement, another on defence cooperation (signed 13 September 2010 in Prague) has a strong economic connotation to it, namely an investment by Brazil’s Embraer (the third-largest airplane manufacturer in the world after Airbus and Boeing) in Aero Vodochody, a Czech company. It is involved in the development and manufacture of the Embraer KC-390 military transport aircraft.

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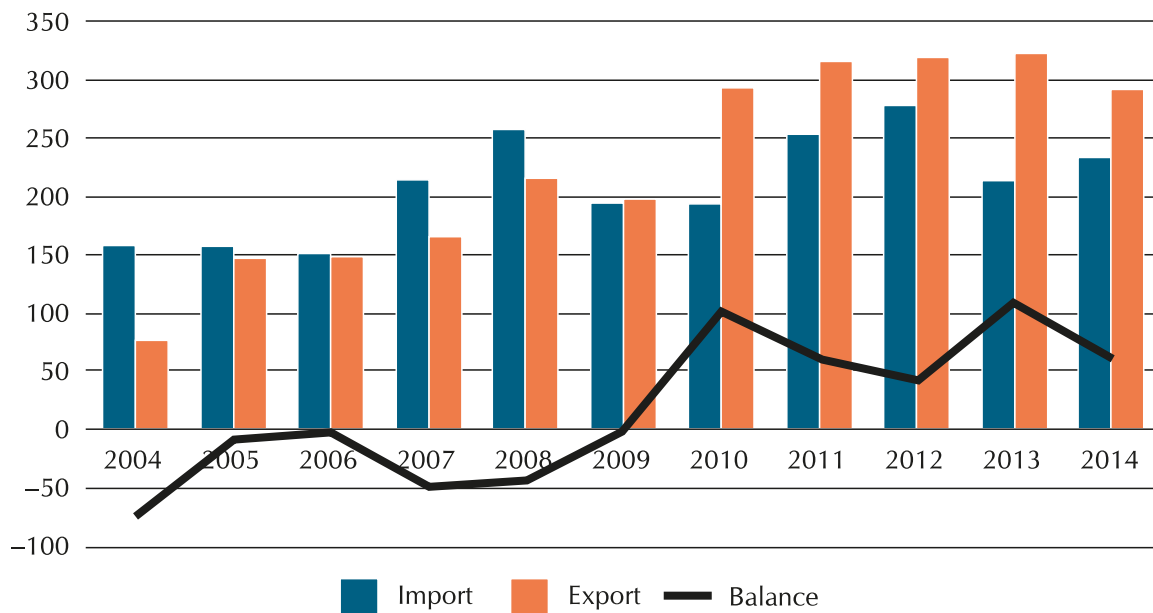
<sup>28</sup> “M. Glváč: V Brazílii chceme vytvoriť úrad vojenského pridelenca,” [www.teraz.sk/slovensko/glvac-brazilia-mosr-spolupraca/62805-clanok.html](http://www.teraz.sk/slovensko/glvac-brazilia-mosr-spolupraca/62805-clanok.html), 29 October 2013.

<sup>29</sup> See, “Export Strategy from 2012,” <http://download.mpo.cz/get/45705/51548/587267/priloha001.pdf>.

<sup>30</sup> Compared with the other two BICS countries that are a priority for Czech exports, turnover of trade with China is 30 times bigger and with India it is twice as large as the turnover of trade with Brazil.

<sup>31</sup> “Facts on Foreign Trade of the Czech Republic,” Czech Statistical Office and Ministry of Industry and Trade, 2014, <http://download.mpo.cz/get/52877/60197/632511/priloha001.pdf>.

<sup>32</sup> The text of the agreement is available at: <http://aplikace.mvcr.cz/sbirka-zakonu/ViewFile.aspx?type=z&id=24282>.

**Figure 1. Trade in goods between the Czech Republic and Brazil, 2004–2014 (€ mln)**

Source: Czech Statistical Office.

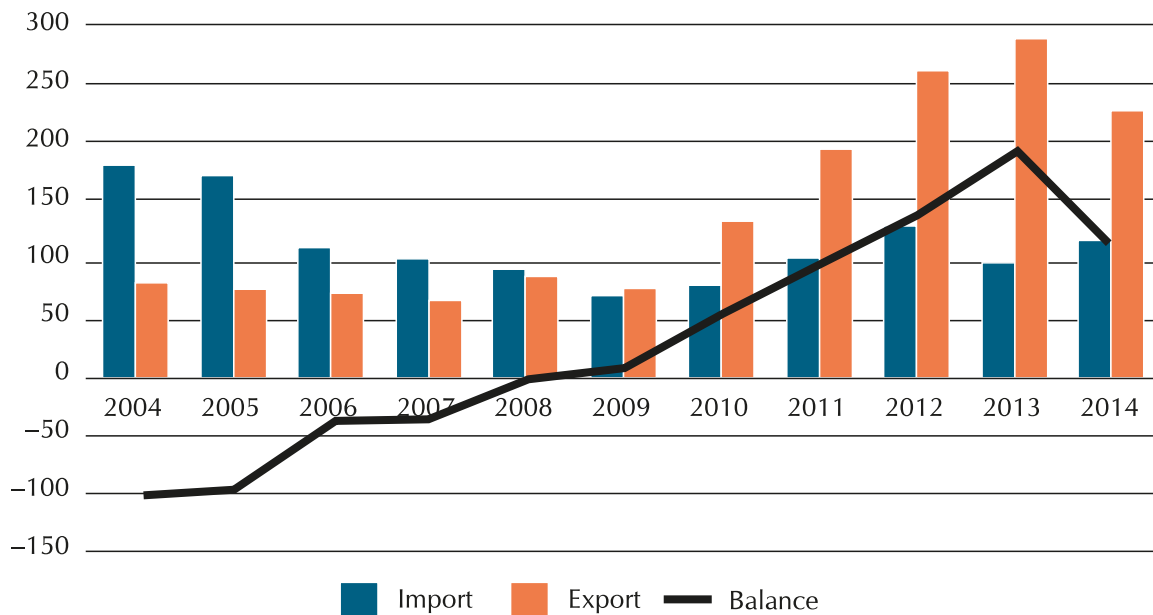
Despite the preceding agreements and institutional arrangements,<sup>33</sup> in economic terms **Hungarian** and Brazilian relations have intensified only since 2008 when Brazil acknowledged Hungary's market economy and an economic cooperation agreement entered into force.<sup>34</sup> This was followed by several meetings of a joint economic committee<sup>35</sup> with the main aim to promote trade and investment and to explore new areas of cooperation. The newly established Hungarian National Trading House in Rio de Janeiro and foreign economic attachés were tasked to intensify economic relations and support especially SMEs. Several other institutional channels aim to promote investment in both regions: along with the cooperation agreement, there are two investment agencies, HITA and Apex Brazil, and an agreement between the Brazilian Development Bank (BNDES) and Hungarian Eximbank to help finance joint projects of the two countries.

Brazil is Hungary's second most-important trade partner in Latin America after Mexico. Trade between the two countries had been declining until the global crisis in 2008–2009 but since 2010 has been increasing dramatically, especially Hungarian exports. They tripled between 2009 and 2014, reaching a peak in 2013 of €288 million before pulling back in 2014 to €227 million. Imports from Brazil have grown at a moderate rate since the crisis began, notching €116.8 million in 2014, or well below 2004 when it hit €180.6 million. These numbers, however, have to be considered in relation to their weight in Hungary's and Brazil's total trade, which reveals they are rather marginal. Brazilian exports of Hungary's total exports amount to about 0.3%, while imports barely reach 0.15%. From the Brazilian point of view, Hungary represents an even smaller share of its trade.

<sup>33</sup> In São Paulo, the Brazilian-Hungarian Chamber of Commerce and Industry was set up in 1990 and a similar institution was set up in Rio de Janeiro in 2004. While the most important agreements were the "Cooperation Agreement between ITD Hungary and APEX Brasil" (2004), the agreement to avoid double taxation goes back to 1986.

<sup>34</sup> The agreement was signed in May 2006.

<sup>35</sup> The first meeting of the Joint Economic Committee was held in 2012 in São Paulo (where the second Technical-Scientific Cooperation Agreement was signed), and was followed by a second meeting in Budapest in 2013. The third meeting of the JEC took place in May 2015 in Brasília.

**Figure 2. Trade in goods between Hungary and Brazil, 2004–2014 (€ mln)**

Source: Eurostat.

The structure of trade between Hungary and Brazil is traditionally dominated by machinery and transport equipment followed by manufactured goods. In the Hungarian exports to Brazil, besides the two mentioned categories, chemicals and related products and raw materials also appear at the top. The most important imported goods besides machinery and transport equipment and manufactured goods are raw materials, food, beverages, tobacco and chemicals.

In terms of FDI, in general the flows from Latin American countries to Visegrad countries is mostly characterised by high year-to-year volatility and relatively low volumes, with yearly FDI figures mostly tied to one or two transactions.<sup>36</sup> Concrete data on inward and outward FDI between Hungary and Brazil is often misleading and different sources (such as the Hungarian Central Bank, Hungarian Statistical Office or other government bodies) cite different levels of flows. However, the significance of these investment flows to overall FDI is rather marginal, equals only about 0.1 % of the total volume.

In contrast to the data from the Hungarian Central Bank, the Hungarian government claims more than \$400 million in Brazilian investment in Hungary since 2001.<sup>37</sup> The Brazilian Central Bank (BCB) has a dataset of similar magnitude and documents about \$428 million in Brazilian FDI to Hungary between 2006 and 2014, with two peaks, one in 2008 and another in 2010 (\$106 million and \$183 million, respectively), and all other years remaining significantly below that level, mostly at around \$10 million a year.<sup>38</sup>

Brazil is **Poland's** most significant trade partner in Latin America. The volume of trade has steadily increased in the 21<sup>st</sup> century to a record value of €1.26 billion in 2014 (see Fig. 3).<sup>39</sup>

<sup>36</sup> See: A. Éltető, Á. Szunomár, *op. cit.*

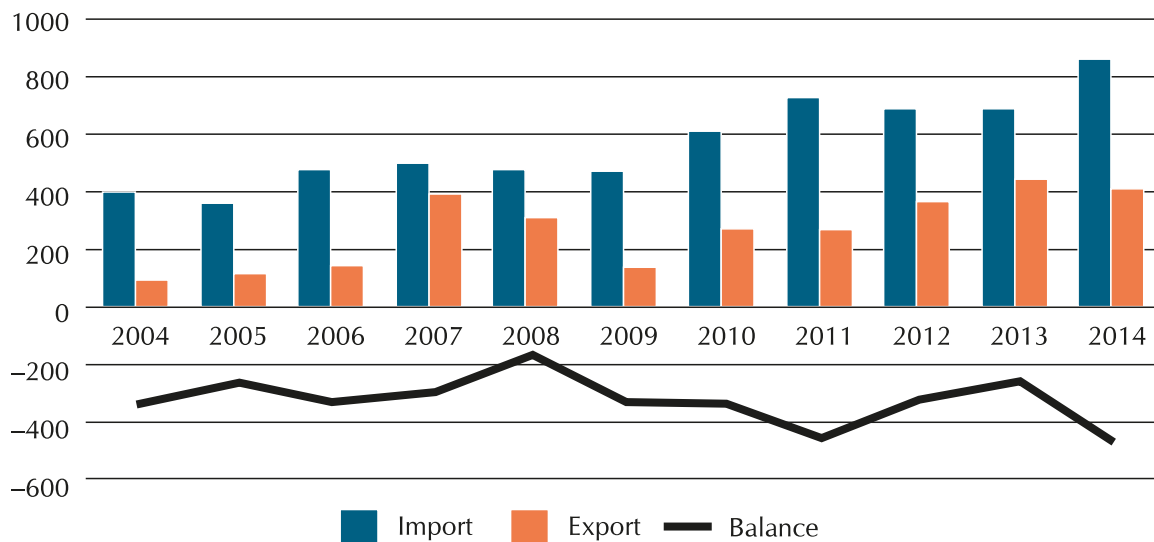
<sup>37</sup> "A kapcsolatok fontosabb gazdasági jellemzői," [www.mfa.gov.hu/kulkepviselet/BR/hu/Bilateralis/brazilia/ketoldal\\_u\\_gazd.htm](http://www.mfa.gov.hu/kulkepviselet/BR/hu/Bilateralis/brazilia/ketoldal_u_gazd.htm).

<sup>38</sup> The main Brazilian investments include Gerdau Hungria (iron industry), Petrobrás Hungary (petrochemicals), Votorantim–VCP Overseas Holding (commodities such as sulphate paper), Aracruz Celulose SA–Aracruz Trading Intl. (commodities such as cellulose), JBS SA–JBS Hungary Holding (beef), Comexport Trading (chemicals and fertilisers), BG Market (dealing with Hungarian wines and Brazilian textile products) and Sabo Ind. e Com.–KAKO Hungary (auto parts). In 2008, the Brazilian-Belgian beer company InBev set up a financial and accounting service centre in Budapest.

<sup>39</sup> "Economic cooperation between Brazil and Poland," Ministry of the Economy, Warsaw, June 2015.

Poland suffers a trade deficit with Brazil, which was decreasing in 2011–2013 before jumping back to more than €470 million in 2014, or nearly as high as in 2004. On average, in the last 10 years the deficit was about €330 million. Poland exported goods amounting €395 million in 2014, or four times more than in 2004, with average growth of exports of 35%. But this latter figure is so high thanks to low base effect. Poland imported goods worth €866 million in 2014, which is two times more than in 2005, with average growth of 12%.

**Figure 3. Trade in goods between Poland and Brazil, 2004–2014 (€ mln)**



Source: Central Statistical Office of Poland.

Although bilateral trade in goods is growing, neither country is an important trade partner to the other. Brazil is 31<sup>st</sup> among Polish export destinations with a share of just 0.24% of Polish global exports. The share of Polish imports from Brazil is two times higher and 0.52%, so still minor. Poland is even less important to Brazil, accounting for just 0.21% and 0.29% of exports and imports, respectively.

In Polish imports from Brazil, the dominant trade is in minerals (iron and copper ore, metals) and commodities (soy products, coffee, tobacco, sugar tropical fruits) as well as highly manufactured electro-machinery products (planes, automotive parts), plastics, and chemical products. On the other hand, 78% of Polish exports are in just three industries: electro-machinery products (automotive sector, telecommunication), chemicals (pharmaceuticals, fertilisers, sulphur) and plastics (Indian rubber). The most prospective sectors for development are shipbuilding and offshore, construction (big infrastructure investments are planned in Brazil), the train industry, chemicals, electro-machinery, the military sector and the medical industry.

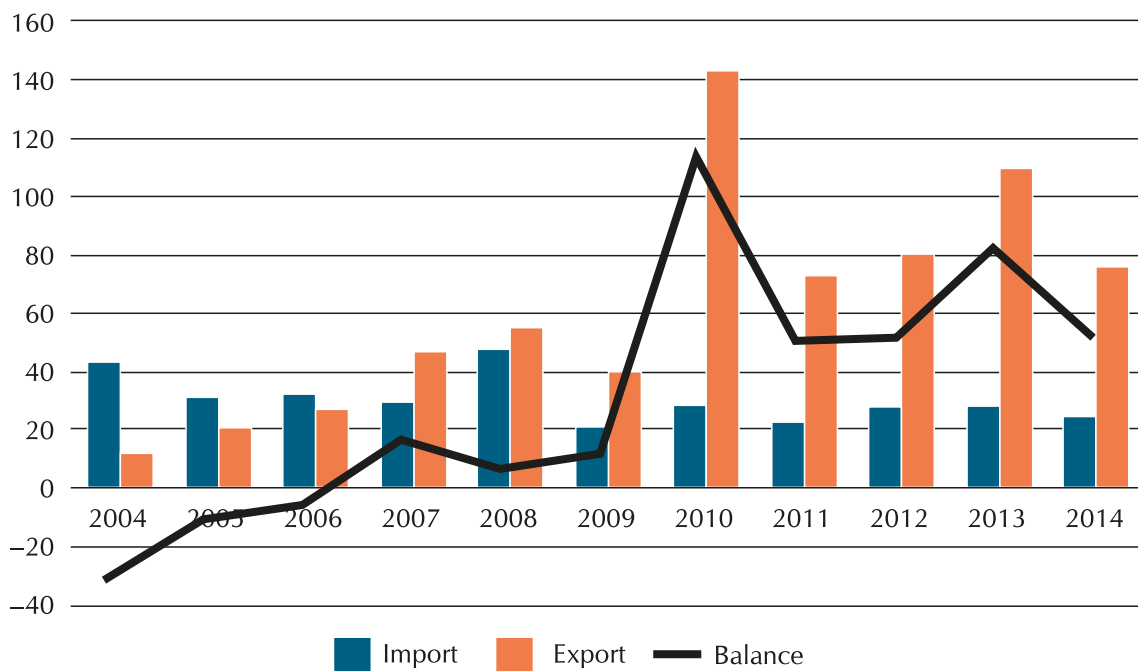
Although Brazil is much bigger than Poland, companies from that country invest much less in the latter. The value of Brazilian investments in 2013, according to the Brazilian Central Bank, amounted to just \$400,000, but according to the Polish Central Bank there is an outflow of Brazilian FDI. The largest and practically the only investment in Poland is Stefanini, a tech company employing 100 people. On the other hand, Polish investments in Brazil reached \$30 million in 2014. The most important companies are Selena and Grupa Chemiczna Boryszew (chemicals), Luz Light Factory (electro-machinery), Inglot and FM Group (cosmetics), Komandor (furniture), eSKY (services, tickets) and Medcom (train industry). What is more, Synthos, an Indian rubber manufacturer, planned the biggest Polish investment in Brazil (\$200 million to build a factory) but

the company has delayed it until the results of an anti-dumping procedure opened by Brazil are known.<sup>40</sup>

The Polish government promotes business in Brazil mainly by organising bilateral study trips and business missions connected to bilateral political visits, as well as by supporting the participation of Polish businesses in various sectoral fairs. Along with economisation of Poland's foreign policy and search for alternative markets, the Ministry of Economy added Brazil in 2012 to the list of priority directions. Thanks to that programme, Polish companies can receive support for such things as promotion of their industries during trade fairs and study trips for businesses and media coverage.<sup>41</sup> For example, in 2015 the Polish Ministry of Economy hosted an information point at a medical equipment fair.

For **Slovakia**, economic cooperation with Brazil is a prime area in their relations. The overall amount of mutual trade was €170 million in 2014, a slight decrease from the historic peak in 2013 (€200 million). Over the last five years, Slovakia has been able to maintain a positive trade balance. In 2014, Slovakia's exports to Brazil amounted to €92 million, or 0.14% of its overall exports, and imports totalled €73 million,<sup>42</sup> or 0.12% of Slovakia's total imports.<sup>43</sup>

**Figure 4. Trade in goods between Slovakia and Brazil, 2004–2014 (€ mln)**



Source: Eurostat (note, Eurostat data may differ slightly from national statistics due to the different methodologies in calculating imports).

More than one-fourth of Slovak exports to Brazil in 2014 was vehicles and spare parts, followed by almost the same share in nuclear reactors, machinery and other mechanical appliances. The rest of the goods coming from Slovakia were in the chemical, optical and iron

<sup>40</sup> "Zagraniczne inwestycje bezpośrednie w Polsce – 2014 (USD)," NBP, Warszawa 2015; "Polskie inwestycje bezpośrednie za granicą – 2014 (USD)," NBP, Warszawa 2015; „Economic cooperation between Brazil and Poland...," *op. cit.*

<sup>41</sup> K. Brudzińska, "Overview of the Poland–Brazil relations...," *op. cit.*

<sup>42</sup> "Výsledky zahraničného obchodu," MH SR, 22 November 2015, [www.economy.gov.sk/vysledky-zahranicneho-obchodu-6739/128424s](http://www.economy.gov.sk/vysledky-zahranicneho-obchodu-6739/128424s).

<sup>43</sup> *Ibidem.*



and steel industries. Slovakia's imports were mostly meat and other food products (28%) and engineering (20%).

The most important project in the area of investments is the establishment of the joint venture Embraco-Slovakia, initiated by Brazilian company Embraco, which produces refrigeration compressors and employs about 2,600 people in Slovakia. Since launching its activities in Slovakia, the company has invested there about €600 million. Moreover, in 2015 it announced two further investments in the eastern part of Slovakia. Embraco-Slovakia has its own research and development facilities producing ecological compressors with very low power consumption. Embraco's investment attracted the attention of two other smaller Brazilian companies, CRW Plasticos (produces plastic components for the automotive industry and the production of appliances, electronics and compressors) and Rudolph Usinados (manufactures metal components for the automotive industry), which are also located in the eastern part of the country.

From the perspective of traditional production in Slovakia and the export interests of Slovak companies there is a prerequisite for the further development of economic cooperation in the fields of mechanical engineering, chemical industry (rubber processing and fertiliser production), pharmaceuticals, information technology, software development and processing, and management of fixed and liquid waste (waste management).

### 2.3. Other Aspects of Relations

The **Czech Republic** is gaining more tourism from Brazil. The number of Brazilian nationals visiting Czech Republic reached almost 70,000 in 2014. However, the share of Brazilian visitors is still less than 1% of the total number of foreign visitors to the Czech Republic. Moreover, more than 90% of Brazilian visitors stay only in Prague or are there for just short one-day trips to its surroundings.<sup>44</sup> In 2012, an MoU on tourism cooperation between the Czech Ministry for Regional Development and Brazil's Ministry of Tourism was signed in Brasília.

In December 2014, the Czech Republic joined the Brazilian programme "Science without Borders," which aims to support Brazilian tertiary students in their studies abroad and which should open opportunities for funding of study stays for Brazilians at Czech universities. The institutionalisation of mutual educational and scientific cooperation dates back to the signing of an arrangement for similar cooperation by the respective ministries of education in 2008 in Brasília.

There is an increasing number of student exchange agreements between universities. The Czech side includes Charles University in Prague, Masaryk University in Brno, Palacký University in Olomouc, University of Economics in Prague, Czech University of Life Sciences Prague, Czech Technical University, and Institute of Chemical Technology Prague, while on the Brazilian side the agreements include Universidade de São Paulo, Universidade de Brasília, PUC Rio de Janeiro, Universidade de Belo Horizonte, Universidade de Salvador and many others.<sup>45</sup>

There are also several compatriot and Czech-descendant communities in Brazil and which are now organised in five institutions active in the south, southeast and central-west parts of the country. The Czech government offers financial support to them, including Czech language courses. However, their role in cooperation between the countries is still not significant.

A **Hungarian-Brazil** cultural agreement was put in place in 1996. The Hungarian government proposed the Cultural Action Plan in 1997, which was not signed, however, due to a lack of finances. Thus, cultural initiatives between the two countries are organised on an

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<sup>44</sup> See: tourism statistics at Český statistický úřad (ČSÚ), Cestovní ruch – časové řady, [www.czso.cz/csu/czso/cru\\_cr](http://www.czso.cz/csu/czso/cru_cr).

<sup>45</sup> See: Czech Embassy in Brasilia website at: [www.mzv.cz/brasilia/cz/kultura\\_krajane\\_skolstvi/skolstvi/index.html](http://www.mzv.cz/brasilia/cz/kultura_krajane_skolstvi/skolstvi/index.html).

individual or university level. In São Paulo, Curitiba and Porto Alegre, Hungarian Cultural Week is held every year, while in Hungary cross-cultural events are mostly related to events organised with the Brazilian embassy and Eötvös Lóránd University. The Brazilian embassy in 2013 set forth plans to open a Brazil Cultural and Education Centre in Budapest in the foreseeable future.

A scientific and technological cooperation agreement between Brazil and Hungary was signed in 1986 and has served as the basis for several bilateral cooperation efforts, mainly related to agricultural issues and water management. A good example of intensifying cooperation in this area was the organisation of the World Science Forum in 2013 in Rio de Janeiro, hosted by the Brazilian Academy of Sciences in partnership with the Hungarian Academy of Sciences and others. For Hungary, scientific and technological cooperation serves as an opportunity for technology transfers to Brazilian industry in areas such as biotechnology, medical equipment and energy. Within the framework of the Brazilian programme Science Without Borders, about 2,000 students in 2013–2014 went to Hungary to study.

In tourism, Hungary and Brazil signed a cooperation agreement in 1997 and since 2001 a mutual visa-waiver agreement has been in force. The number of Brazilians visiting Hungary has increased significantly recently, reaching 30,000 visitors a year in 2013. Trips in the opposite direction remain well below those figures, though. In 2012, around 5,400 Hungarians were recorded as having travelled to Brazil.

According to estimates, the Hungarian diaspora living in Brazil numbers about 80,000 to 100,000 people and they arrived in several waves.<sup>46</sup> Most of them live in São Paulo and the region, while 8-10% of them live in Rio de Janeiro and its surroundings, with only a smaller portion living in more remote areas. It is said that the Hungarian diaspora in Sao Paulo is very active and has played an important role in the recent revitalisation of bilateral relations. In Hungary, there are only about 400 Brazilians living there plus the new incoming students.

For **Poland**, Latin America has significant cultural ties as it is home to one of the biggest groups of people of Polish origin (so-called "Polonia"), with up to 2 million people living in the region. The Polish community in Brazil is the biggest in LAC and is estimated at 1–1.8 million people according to different sources. Although theoretically they form a great asset in bilateral relations, many of these emigrants no longer speak Polish. Yet, the central representative of the Brazilian–Polish Community (or BRASPOL) has been working there since 1990. It has five or so regional offices and maintains activity for the Polonia.

There have been a number of initiatives organised to attract this community's attention by promoting culture. Governmental and non-governmental houses of culture promote the country of origin and the history of migration. There is also a plan to open a radio station focused on Poland and offered in Portuguese for those who no longer understand Polish. Although such campaigns are aimed also at advertising visits to Poland, only about 18,000 tourists came to Poland in 2014 from Brazil.<sup>47</sup>

Great hopes have been linked to the Brazilian government's Science without Borders educational exchange programme. It is very attractive for Poland because students' costs are fully paid by the Brazilian government. According to government sources, after rounds of negotiations, only 30 students, mainly in medical studies, were agreed to be sent to Poland under this

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<sup>46</sup> The first of these people arrived to Brazil in the second half of the 19<sup>th</sup> century, followed by a second wave after the First World War, and a third one after the Great Depression in the 1930s. The next wave of emigration was related to the Second World War, and is made up mostly of Jewish people who were forced to emigrate due to political reasons. The last wave took place after 1956, amidst the Hungarian revolution and its repression, when some 3,000–4,000 Hungarians migrated to Brazil.

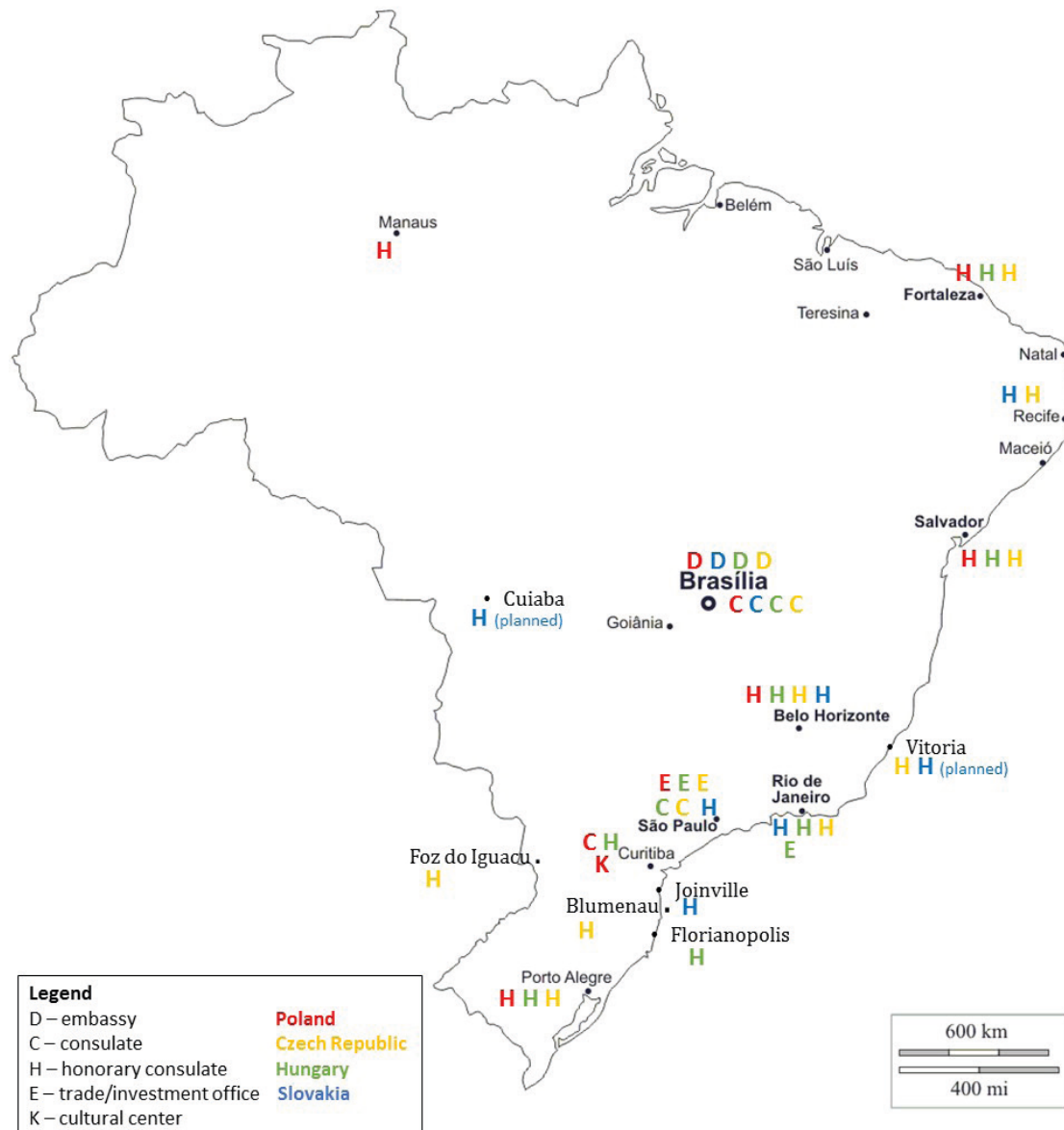
<sup>47</sup> Eurostat.

framework. There is the possibility for further cooperation on research and development. In April 2015, a cooperation agreement on aviation and space technologies was signed.

There are four **Slovak** consular offices in Brazil led by honorary consuls: in Sao Paulo (São Paulo state), in Joinville (Santa Catarina state), in Rio de Janeiro (Rio de Janeiro state) and in Recife (Pernambuco state). More are planned. An office in Belo Horizonte (Minas Gerais state) is being established and two others are planned for Vitoria (Espírito Santo State) and Cuiabá (Mato Grosso state).

The Slovak government has provided Brazil with one scholarship for the 2011–2012 school year. In total, 10 scholarships were provided between 2001 and 2012. A new model for government scholarships was adopted based on where official development assistance is sent and Brazil is not on the list of countries to which it is possible to provide support. The number of Slovak expatriates and their descendants in Brazil is low, anyway, and they are not associated with any organisation and cooperation with them is conducted only on an individual basis. In 2014, more than 4,000 Brazilian tourists visited Slovakia.

**Map 1. V4 representation in Brazil**



### 3. Quiet Rediscovery of India in the Visegrad Countries' Foreign Policy

During the Cold War, the communist regimes in Central Europe enjoyed good and friendly relations with socialist India, due to its political proximity to the USSR. Polish and Czechoslovakian companies constructed power plants and steel factories, provided military equipment and training, and extended political support in the international arena. This cooperation ceased to exist with the end of the bipolar world and beginning of the political and economic transformation in Central Europe. Past patterns of economic cooperation between state-owned companies collapsed and trade decreased, as did the intensity in the 1990s of official contacts. The situation started to gain momentum only with the onset of the 21<sup>st</sup> century and the V4 states' accessions to the EU.

Over the last decade, there has been a gradual rediscovery of India in Visegrad capitals, driven mostly by the rising Indian economy. High-level visits from the region to Delhi have come more often and trade volumes have increased many fold. Still, V4–India relations are characterised by unused possibilities and an imbalance in mutual interest. For instance, as most of the prime ministers from the V4 have paid state visits to India in the last decade, an Indian prime minister has not been in the region for some 20 years. There is an impression that India does not simply see the potential of the region and is satisfied being more of a passive partner. Therefore, its activities in the CEE lag China's. This, despite support from the V4 countries, more or less explicitly, for India's bid for a permanent seat on the UN Security Council, which is one of the highest priorities of Indian foreign policy. Yet, the country may still be one of the V4 region's main non-European economic partners and an important interlocutor when it comes to myriad global challenges.

Ties between the **Czech Republic** and India have traditionally revolved around mainly bilateral trade, and it still holds today. After the Velvet Revolution, bilateral trade between the two countries dropped, mainly due to the disintegration of Czechoslovak state companies. In 1993, payments between India and the Czech Republic switched to freely convertible currencies and in 1996, the Bilateral Investment Promotion Agreement (BIPA) was signed (and amended in 2010).<sup>48</sup> The Double Taxation Avoidance Agreement (DTAA) was signed in 1998.

Given India's potential, the Czech government has recently included India among the 12 priority countries for the implementation of its export strategy for 2012–2020.<sup>49</sup> Moreover, as Czech trade with the Russian Federation will likely decline due to sanctions, Prime Minister Bohuslav Sobotka has reiterated that the Czech Republic will compensate for these losses by shifting to "other rapidly developing economies, such as China, India or Brazil."<sup>50</sup>

After India's independence, **Hungary** was one of the first countries in the Warsaw Pact to establish political and business relations with it. When the democratic transition of Hungary and the economic reforms in India were initiated, the two countries' relationship seemed to intensify. In that period, two presidential-level meetings were held. In the first, Árpád Göncz visited India (1991) and then Shankar Sharma arrived to Hungary (1993). However, the next decade did not bring much success in this regard. Even if there were regular meetings, the outcomes remained at a rather low level. During the socialist–liberal government and especially after the visit of Minister of Foreign Affairs Kinga Göncz, the cooperation took a business-oriented direction.<sup>51</sup> Later on, in line with its Eastern opening policy, India became a priority partner of Hungary. As Péter Szijjártó,

<sup>48</sup> For the full text, see: "Embassy of India in Prague," BIPA, <http://india.cz/page/display/177/175>.

<sup>49</sup> "Export Strategy of the Czech Republic 2012–2020," Ministry of Industry and Trade, Prague 2012.

<sup>50</sup> "Sobotka se chlubí: Výrazně jsme zlepšili obraz Česka v zahraničí," *Echo24*, ČTK, 3 July 2014, <http://echo24.cz/a/wMem/sobotka-se-chlubi-vyrazne-jsme-zlepsili-obraz-ceska-v-zahranici>.

<sup>51</sup> G.I. Neszzmélyi, S.Z. Kusai, L. Pap, "India – az új kihívás és esély," *Külügyi Szemle*, Spring 2007, pp. 122–136.

minister of Foreign Affairs and Trade put it during the spring of 2015: “The economic cooperation between Hungary and India is expected to enter an extremely dynamic phase of development.”<sup>52</sup>

**Poland** established diplomatic relations with India in 1954, and in 2014 both celebrated the 60<sup>th</sup> anniversary of that moment.<sup>53</sup> Following the transformation that began in 1989, relations were downgraded, only to bounce back in the beginning of the 21<sup>st</sup> century. Today, India is considered a “priority” non-European partner for Poland and one of its prospective markets outside the EU. Polish governments see India as the second most-prospective new partner after China and has tried, unsuccessfully thus far, to upgrade relations to a strategic partnership. For now, their relations extend to economic cooperation and increasing cultural links. There are no major bilateral issues and both extend tacit support to the other in international forums.

For **Slovakia**, in terms of its foreign policy interests India is an important country with growing international authority and major economic and human potential. The official relations between the Slovak Republic and the Republic of India started in 1993. State Minister for Foreign Affairs of India R.L. Bhatia was the first non-European foreign minister to visit Slovakia, travelling there in February 1993. Since then, various bilateral contacts at different levels have taken place. The Slovak priority interest is to develop a more intensive political dialogue with an emphasis on wider economic cooperation.

### 3.1. Political and Security Cooperation

Unlike the People’s Republic of China, which maintains various dialogue formats such as the 16+1 forum with Central European countries, India does not seem to view the **Czech Republic** and the wider CEE region as a politically and economically strategic area. This claim is illustrated by the recent prolonged vacancy of the Indian ambassadorial position in Prague.<sup>54</sup> Moreover, Prime Minister Narendra Modi’s foreign policy reflects the country’s current “Look East” strategy, and, therefore, arranging high-level visits between Czech and Indian political counterparts seems to be met with a lack of interest on the Indian side. President Václav Klaus led a business delegation to India in 2005 and since that visit only the Czech minister of industry and trade and the ministers of defence and foreign affairs have frequently visited India.

The latest visit of a Czech cabinet minister to India took place in January 2015, when Minister of Trade and Commerce Jan Mládek visited New Delhi with a delegation of 24 business representatives and attended the 10<sup>th</sup> session of the Czech-Indian Joint Economic Committee. One month later, Czech Defence Minister Martin Stropnický visited India during an exhibition of military and civilian aircraft (Aero India 2015). During the trip, Stropnický met his counterpart, Manohar Parrikar, with whom he discussed defence-related Czech exports to India. Their discussion focused mainly on a positive solution to the TATRA Trucks bribery scandal,<sup>55</sup> an assault rifle tender for the Indian armed forces worth \$1 billion in which the company Česká zbrojovka was a major bidder,<sup>56</sup> and the possibility of exporting a passive surveillance system (VERA NG) to the Indian

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<sup>52</sup> HIPA. The article can be accessed at: <http://hipa.hu/en/news/promising-development-expected-in-the-economic-cooperation-between-hungary-and-india>.

<sup>53</sup> See: P. Kugiel, “Sixty Years of Poland-India Relations: Towards a Genuine Partnership?,” *PISM Strategic File*, no. 6 (42), March 2014.

<sup>54</sup> Renu Pall, who was designated to replace the outgoing Indian ambassador in October 2014, demanded that the Czech MFA grant a dependent visa to her mother. The Czech MFA turned down the demand, Pall subsequently refused the ambassadorial post and it was not until October 2015 that a new ambassador, Krishan Kumar, was named.

<sup>55</sup> In 2012, TATRA Trucks Company, which is a major supplier of trucks to the Indian armed forces, was charged with bribery attempts regarding the sale of 600 vehicles. The case was postponed in August 2014 due to lack of evidence and in December 2014 the Indian government renewed its orders for spare parts and 388 new vehicles.

<sup>56</sup> Ceska zbrojovka succeeded in the first round of the tender, however, in July 2015 the Indian government decided to cancel it.

air force. It must be noted, however, that India's military inventory is in large part composed of Russian systems and weapons, which may not always be compatible with Czech defence industry products. Nevertheless, the defence industry represents one of the biggest potentials for Czech exports to India with New Delhi increasing allocations to its military budget.

In terms of security cooperation, the Czech Republic and India engage mainly in mutual training activities and education. The Czech Republic offers India training in its CBRN facilities and the possibility to organise C-IED training.<sup>57</sup> The Agreement on Defence Cooperation between India and the Czech Republic was signed in October 2007, but this was also the only year when a bilateral action plan of cooperation was set up. A Czech-Indian Commission for Defence Cooperation is also in place but its last session took place in September 2011. On the international level, the Czech Republic supports India's ambitions to become a permanent member of the UN Security Council and overall reform of the UN.

In **Hungary**-India relations, a political dialogue has been conducted by regular meetings of the presidents of parliament and foreign ministers. In addition, during the last 12 years there were three high-level meetings with the participation every five years of Hungarian prime ministers. First Péter Medgyessy (2003), later Ferenc Gyurcsány (2008), and then Viktor Orbán (2013) travelled to India. During the last meeting, Orbán directly expressed the view that Hungary supports India's quest for permanent membership on the UN Security Council.

Prime Minister Orbán's visit to India in 2013 institutionalised the bilateral commitment to cooperation. Within that framework, specific areas are covered under the Joint Economic Commission, which meets annually and focuses mainly on economic and trade cooperation. Mutual cooperation is underpinned by similarities between the two governments' perspectives on international affairs.<sup>58</sup> One of the strategic pillars of the relationship is the "Agreement on Defence Cooperation" (of November 2003). The current state of bilateral defence ties was last reviewed during the seventh meeting of the Joint Defence Committee (12 May 2014) and the meeting of the Indo-Hungarian Joint Defence Committee (30 September–1 October 2013). The content of these lines of agreement is cooperation in the following areas: "training and R&T (Research and Technology) aspects of NBC defence (Nuclear, Biological, Chemical); upgrade and modernisation of Soviet/Russian-origin armament and armament systems; upgrade of some segments of battle systems of the Indian Armed Forces; military medical cooperation; [and] cooperation in the field of training and education."<sup>59</sup> All of these are supplemented by an MoU on cooperation in areas of defensive aspects of microbiological and radiological detection and protection that aims to facilitate the transfer of know-how, experience and technical information in the areas of biological, radiological and chemical warfare.

**Poland**-India relations concentrate on economic cooperation, and as such are linked to growing business opportunities in both countries. Although a high-level dialogue was maintained during the difficult years of the Polish transformation (Polish President Aleksander Kwaśniewski visited India in January 1998 and Prime Minister Leszek Miller followed in February 2003) their relations took on new momentum only following Poland's accession to the EU. President of India Smt. Pratibha Patil visited Poland in April 2009. Polish Prime Minister Donald Tusk paid a state visit to India in September 2010. However, an Indian prime minister has not been in Poland since

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<sup>57</sup> Chemical, biological, radiological and nuclear defence facilities and Counter-Improvised Explosive Devices training.

<sup>58</sup> In a press interview, Malay Mishra, the previous Indian ambassador defined the political similarities of the two countries: "Both leaders, Viktor Orbán in Hungary and Narendra Modi in India, are dynamic, forward-looking nationalistic leaders. Both would like to take their respective countries on the course of self-reliance and with the spirit of nationalism." The interview can be accessed at: <http://budapesttimes.hu/2014/08/29/a-sub-continent-in-one-country>.

<sup>59</sup> Website of the Hungarian Government. The article may be accessed at <http://2010-2014.kormany.hu/en/ministry-of-defence/news/tradition-and-innovation-armament-cooperation-with-india>.

the last visit by Morarji Desai in 1979. Other important, recent interactions include trips by Polish Foreign Minister Radosław Sikorski to Delhi in 2011 and 2013 (the latter for the 11<sup>th</sup> ASEM Foreign Ministers meeting) and Deputy Foreign Ministers Jerzy Pomianowski in 2012 and Katarzyna Kacperczyk in 2014 and 2015. Also, Deputy Prime Minister and Minister of Economy Janusz Piechociński attended the Vibrant Gujarat Summit in 2015. Deputy Prime Minister and Minister of Economy Piotr Gliński's visit to Mumbai in February 2016 confirms that strong relations with India will be important for the new Polish government under the Law and Justice party.

From the Indian side, important visitors to Poland have included Minister of Information and Broadcasting Smt. Ambika Soni in July 2012, Minister of State for External Affairs Smt. Preneet Kaur in January 2013, Minister of Steel Shri Beni Prasad Verma in October 2013, and Minister of Environment and Forests Smt. Jayanthi Natarajan in November 2013 (for the UN Climate Change Conference COP 19 and CMP 9 in Warsaw).

Along with more frequent high-level meetings, the bilateral dialogue was further institutionalised and broadened. In addition to regular Foreign Office Consultation (a protocol signed in 1996) there are two sectoral dialogues—Joint Working Group on Defence Cooperation (since 2003) and Joint Commission on Economic Cooperation (four sessions held thus far, in May 2008, May 2011, October 2013 and June 2015). In order to promote Poland and bilateral cultural cooperation, a Polish Institute of Culture was opened in Delhi in June 2012, the second in Asia after one opened in Tokyo. In addition to the Polish embassy in Delhi there is also a consulate general in Mumbai and an honorary consulate in Kolkata, and there is an idea to open another consulate in southern India (Bangalore). As well, the legal framework for relations has improved considerably.<sup>60</sup>

Apart from discussions on economic cooperation, both countries attach importance to defence and security cooperation, especially since India used to be one of the main export markets for Polish military equipment. Besides a contract for armoured military vehicles (WZT), which has not yet materialised, there is cooperation between the countries' special forces, national military academies and private defence industry sectors. A multi-billion-dollar programme for modernisation of the Indian army is seen as a new opportunity for a revival of traditional cooperation but severe competition and new, stricter rules on military procurement (including indigenisation) makes this a distant target.

The countries regularly consult each other on major international and regional issues, but this has not led to a major breakthrough in their relationship. For example, India did not join the international condemnation and sanctions regime on Russia, which may have disappointed many in Poland. On the other side, the Polish government generally endorses India's bid for permanent membership on the UN Security Council but link this support to a common EU position. However, the lack of strategic content in their cooperation and little mutual understanding hamper efforts to build a stronger relationship.

Since independence, the **Slovak Republic** and India have maintained friendly ties. One of the most significant visits of a Slovak political leader to India was the prime minister's trip in 1994, the president in 2004 and speaker of the national council in 2008. On the Indian side, the president visited Slovakia in 1997 and vice-president in 2000. A long-term imbalance persists in their mutual relations with regard to official visits from India. There are quite rich contacts between the MFAs based on the protocol on consultations signed in 1994: Slovak ministers visited India in 1997, 2008 and 2013 and state secretaries in 2007 and 2014. Historically, the first consultations

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<sup>60</sup> More than 10 agreements were signed between the two countries after 1989, including on cooperation in science and technology (1993), promotion and protection of investments (1996), defence cooperation (2003, amended in 2011), cooperation in combating organised crime and international terrorism (2003), extradition (2003), economic cooperation (2006), tourism (2009), healthcare and medical science (2009), audio-visual co-production (2012).

in the V4 + India format, at the level of territorial departments, took place in Bratislava in February 2015 during the Slovak presidency of the V4. Most recently, Minister Lajčák met his counterpart VK Singh on the sidelines of the Community of Democracies Ministerial in San Salvador in July 2015. Moreover, Economy Minister Vazil Hudak made a trip to India in October 2015 to strengthen economic ties and identify new opportunities for future investment.

The Slovak Republic has built up with India a fairly large contract base of 21 bilateral treaties.<sup>61</sup> Amendments to existing agreements on avoidance of double taxation have been in preparation since 2014, in July 2015 an MoU on standardisation was signed, and in August 2015 another concerning railways. There are others or updates to existing ones in the works in such areas as support for micro, small and medium-sized enterprises, as well as on cooperation on nuclear energy. Visa waiver agreement for holders of diplomatic passports is in the consideration stage. Besides its embassy in New Delhi, Slovakia operates consular offices in Calcutta and Mumbai.

Recently, military-technical cooperation has been enhanced, although the Slovak office of defence attaché was shut down in September 2014. Both the Indian and Slovak sides declare an interest in intensifying collaboration in building up military capabilities, joint training and military education. Four Slovak military professionals graduated from courses organised by the UN Centre for Peace Operations in New Delhi in 2012–2013 and one from the logistics course under UNSLOC-11 in 2014. Several projects involving the Slovak defence industry are being discussed (on the Slovak side, DMD, Konštrukta Industry, Konštrukta Defence, Kerametal, Vývoj Martin, and EVPÚ Dubnica, while on the Indian side there is Punj Lloyd, Larsen&Toubro, PSL, and TATA). In February 2014, Slovak producers participated in a military equipment exhibition and participation in another is planned for 2016.

### 3.2. Economic Cooperation

The BIPA and DTAA have helped boost **Czech**-Indian bilateral trade, which has steadily risen since 2000. In 2010, mutual trade surpassed €1 billion for the first time and with a positive balance for the Czech Republic. Between 2011 and 2013, bilateral trade decreased as Czech exports dropped by 27.1%. This negative development in Czech exports to India was partially caused by the transfer of production facilities from the Czech Republic to India—a trend that may continue in the future after India announced its “Make in India” initiative.<sup>62</sup> Nevertheless, Czech exports picked up in 2014, growing by 12.1%, and overall bilateral trade amounted to a record high of CZK 27.37 billion (nearly €1 billion). Growth in bilateral trade continued in 2015, surpassing the €1 billion mark in November.

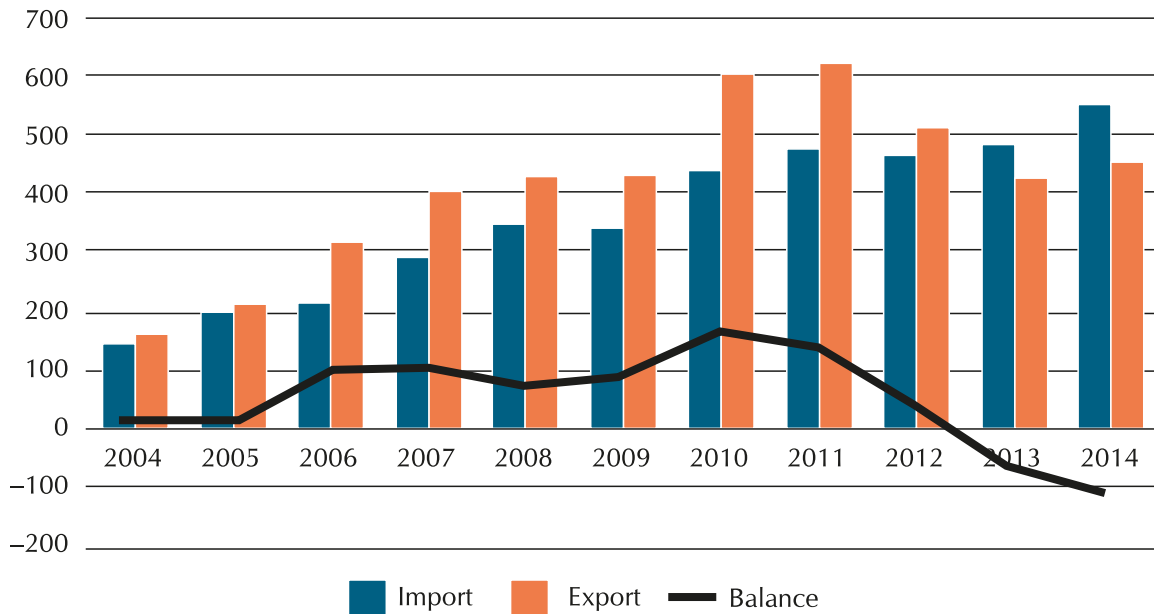
The major export commodities of the Czech Republic to India are machine tools and engineering products, telecommunication devices, organic chemicals, optical fibre, automobiles and glass products. On the import side, the Czech Republic mainly receives garments and textiles, pharmaceutical products, components for electronic devices, metallurgical products, coffee, tea and tobacco.

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<sup>61</sup> Among the most important documents agreed upon in 1993 were the Agreement on Economic cooperation (2004) and the Agreement on the Promotion and Reciprocal Protection of Investments (2006).

<sup>62</sup> “Make in India” is an initiative launched by Prime Minister Narendra Modi on 25 September 2014 to encourage multinational (and domestic) companies to manufacture their products in India.



**Figure 5. Trade in goods between the Czech Republic and India, 2004–2014 (€ mln)**

Source: "External trade in goods," Czech Statistical Office.

Since the year 2000, cumulative foreign direct investment from the Czech Republic to India equalled \$21.37 million (as of June 2015).<sup>63</sup> A major Czech investor in India is Skoda Auto, which entered the market in 2001 and currently maintains two manufacturing plants in the country. With sales of only about 200,000 automobiles since 2001 (as opposed to China, where Skoda sells the same number of cars each year), Skoda Auto is currently considering holding back future investments in India, including postponing the development of a model specifically designed for the Indian market, where small Asian cars maintain the largest market share. Among the reasons for the decision Skoda Auto representatives have cited an unstable business environment, tax issues and an uncertain policy framework in India.<sup>64</sup>

It is likely that the Indian government, as part of its "Make in India" initiative, will aim to tackle the problems listed by Skoda Auto's representatives, as these are common concerns of all foreign investors. Another hindrance reiterated by potential Czech investors in India is the fact that each state maintains its own legislation, which poses a difficulty for foreign firms to operate across the entire Indian market.

To support Czech business in India, the trade promotion agency of the Czech government—CzechTrade—has an office in Mumbai and plans to open a new office in Bangalore. Furthermore, the Czech embassy in New Delhi will receive additional personnel, including one new diplomat-economist.

Business exchanges and cooperation are enhanced and deepened by the participation of Czech and Indian companies at various specialised industrial exhibitions. The Czech Ministry of Industry and Trade has, for example, facilitated the participation of Czech companies at the IMTEX fair focused on machinery tools in Bangalore in 2015, and in 2012, India was the partner country

<sup>63</sup> This number qualifies the Czech Republic as the 64<sup>th</sup> largest FDI investor in India in the given period. See: "Fact Sheet on Foreign Direct Investment (FDI)," Ministry of Commerce and Industry, Department of Industrial Policy and Promotion, [http://dipp.nic.in/English/Publications/FDI\\_Statistics/2015/india\\_FDI\\_June2015.pdf](http://dipp.nic.in/English/Publications/FDI_Statistics/2015/india_FDI_June2015.pdf).

<sup>64</sup> "Skoda to hold investments in India," *Business Standard*, 26 September 2014, [www.business-standard.com/article/companies/skoda-to-hold-investments-in-india-114092501005\\_1.html](http://www.business-standard.com/article/companies/skoda-to-hold-investments-in-india-114092501005_1.html).

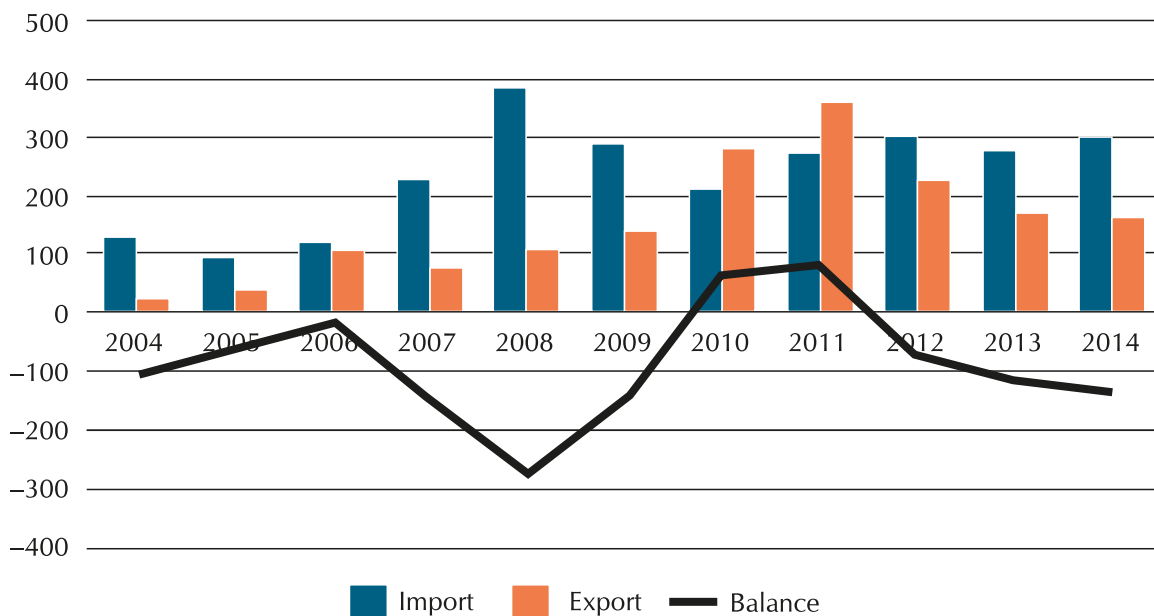
to the International Engineering Trade fair in Brno. Similar bilateral efforts are also being planned for the future.

In addition to the defence industry being one of the areas with the most potential for the development of future business exchanges between India and the Czech Republic, engineering and machinery tools is a prospective sector for increased trade between the two countries because it combines traditional Czech know-how in the field with India's rising demand for such products and services.

Based on data on international trade in goods, India was **Hungary's** 31<sup>st</sup> import and 45<sup>th</sup> export partner in 2014, according to the Hungarian Central Statistical Office (KSH). On one hand, it seems to show progress in the relationship compared to 2011–2012 when India was 33<sup>rd</sup> in imports; since then, the value of the exchange has risen from €268 million to €291 million. On the other hand, it must be noted that India was the 29<sup>th</sup> import and 37<sup>th</sup> export destination for Hungary in those years. In absolute terms, Hungarian exports to India have been backsliding even more drastically, halving in two big steps, from €350.6 million to €159.5 million in three years.

Since the pace of India's economy is mainly driven by its own consumption and the V4 countries, even together, are dwarfed by the size of India's territory and population, there are serious barriers blocking bilateral economic cooperation. This means that due to the limited scale of production in Hungary, its companies can hardly satisfy the needs of the Indian market.

**Figure 6. Trade in goods between Hungary and India, 2004–2014 (€ mln)**



Source: Eurostat.

In both directions, trade means mainly the exchange of processed products, machinery and equipment. The decline after 2012 was the result of a fall in mobile phone exports and secondary transformers.

A brighter area is investment. In 2014, the highest amount of FDI from India to Hungary (€494.8 million) was recorded, or a third of the total and more than double the second-biggest partner, China, and more than triple Japan, its third-ranked partner that year. India also is in an illustrious position if we sum up new jobs created. It added 1,575 new jobs, overtaking Germany (1,431), and was only second after the U.S. (2,729).

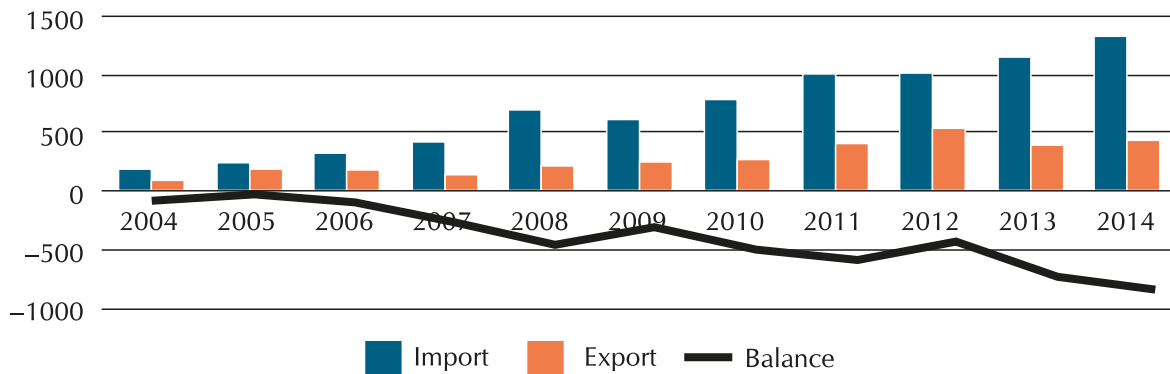
According to Hungarian data, in 2015 the Indian investment presence in Hungary amounted to \$1.5 billion; however, two years ago it was \$1.8 billion. Meanwhile, the number of jobs provided by Indian-owned companies grew from 8,000 to 10,000 and will soon increase significantly: 975 new jobs are planned for the \$510 million Indian Apollo Tyres factory in Gyöngyöshalász, the company's first greenfield investment outside of India.

Hungary's Minister of Foreign Affairs Péter Szijjártó named four areas of cooperation in 2015 after negotiations with Devendra G. Fadnavis, the chief minister of Maharashtra state, which is a leading region of the Indian economy. The future of this economic relation might be based on IT and the software development sector, supplies for the automotive industry, and pharmaceuticals.<sup>65</sup> In addition, science and space exploration may be new or emerging areas for cooperation.<sup>66</sup>

Trade and investments form the backbone of **Poland-India** relations. A significant increase in trade turnover was recorded after Poland's accession to the EU. Exports to India climbed from a mere €68.8 million in 2004 to over €519 million in 2012, only to fall to €413 million in 2014. In the same period, imports from India jumped from €208 million to €1.282 billion. This means, however, that Poland has a huge trade deficit (at €869 million in 2014) with India and it has only widened over the last decade.

Major products exported to India in 2014 were: electromechanical products, 41.6% (mainly machinery and mechanical appliances, 22.1%, and machinery and electrical appliances, 14.3%), metallurgical products, 25.9% (mainly iron, steel, steel scrap and zinc and zinc products), and chemical products, 20% (mainly synthetic and synthetic products and rubber and rubber products). The main imports from India were chemical products (around 30%), light industry products (28%) and electromechanical products (14%). There were 1,033 Polish companies active in exports to India in 2014 and over 4,000 firms importing goods from India, according to Polish Ministry of Economy data.

**Figure 7. Trade in goods between Poland and India, 2004–2014 (€ mln)**



Source: Central Statistical Office of Poland.

<sup>65</sup> HIPA, <http://hipa.hu/en/news/promising-development-expected-in-the-economic-cooperation-between-hungary-and-india>.

<sup>66</sup> It is worth mentioning that BHE Bonn Hungary participated in India's space programme and has been supplying special high-tech microwave receivers for the Indian Deep Space Network. The company developed and manufactured essential microwave equipment that was used as part of the Microwave Ground Checkout System in the Satish Dhawan Space Center at Sriharikota Space Port. BHE's productions were used also in the Chandrayaan-1 project (the first ever satellite mission to find water-ice on the surface of the moon) and in the Mars Mission of India (the first such programme by India to send a space probe to another planet).

Bilateral investments play an increasing role in cooperation between the countries. The stock of Polish investments in India was valued at the end of 2013 at \$235.5 million, up from \$217.5 million in 2012. This makes India the second-biggest destination for Polish investments in Asia after Singapore and ahead of China. In just 2012, the inflow of Polish FDI to India amounted to only \$34.2 million.<sup>67</sup> According to India's data, Polish FDI equity inflows are even higher—\$619 million between 2000 and June 2015, which makes Poland India's 26<sup>th</sup> largest investor, with 0.24% share of total FDI in the country.<sup>68</sup> Polish companies that operate in India include Toruńskie Zakłady Materiałów Opatrunkowych (TZMO) in Dindigul (manufacturing hygienic and sanitary products) Can-Pack Poland in Aurangabad (metal packaging), Bioton (a factory in Pune), Polmor (a joint-venture in steel construction in Hyderabad), Inglot (cosmetics), and Geofizyka (seismic surveys for oil companies).

Indian investments in Poland are smaller in value but include more operators. According to official statistics from the National Bank of Poland, the stock of Indian FDI in Poland was \$92 million by the end of 2013, which was 0.04% of all FDI in the country. There are over 20 major Indian companies operating in Poland, mainly in the manufacturing sector, including UFLEX (packing), Videocon (electronics), Escorts (tractors) Essel Propack (plastic packing), Indorama (polyethylene packing material); in the outsourcing sector, including Infosys (business process outsourcing, or BPO), HCL Technologies (global technical support), Genpact (business process management), WIPRO (BPO), Tata Consultancy Services (consulting); in pharmaceuticals, including Strides Arcolab, Ranbaxy, Glenmark Pharmaceuticals. Yet, the actual size of Indian investments in Poland may be by far larger as some of them, including the biggest ones, are officially assigned to other countries for formal reasons. A case in point is Accelor Mittal's more than \$2 billion investment in the steel sector in Poland which is not regarded officially as Indian as it is a company formally registered in Luxembourg.

Nevertheless, both sides agree that the level of economic cooperation is far below its potential. Poland is only India's 56<sup>th</sup> largest trade partner and accounts for just 0.22% of its trade.<sup>69</sup> India's share in Poland's trade stood in 2014 at 0.51% (0.25% of exports and 0.76% of imports) which makes it the latter's 26<sup>th</sup> largest trading partner (43<sup>rd</sup> in exports and 26<sup>th</sup> in imports). The most promising sectors for cooperation identified by the Polish Ministry of Economy include mining, energy, defence, gas and oil exploration, pharmacy and medical equipment, machinery for food processing and services (mostly BPO and IT). The new Polish government perceives a potential for boosting bilateral economic cooperation, particularly in the field of innovations, e.g. in green technologies. During the fourth session of the India-Poland Joint Commission on Economic Cooperation (JCEC) held in Warsaw on 15 June 2015, an ambitious trade target was established of \$5 billion by 2018. The two sides agreed also to prioritise cooperation in three sectors and establish new bilateral joint working groups on coal, IT and food processing, which are seen as the most prospective areas for development. Poland also responded positively to its partner's "Make in India" campaign and the Polish Ministry of Economy announced it was launching a new promotion programme called "GoIndia" in April 2015. Thus far, however, this programme has not been operationalised and its future looks uncertain with the change of government.

From the **Slovak** perspective, the Indian market represents a business opportunity, particularly in military and defence, energy, infrastructure, automotive and rail industry, agriculture and food processing, environmental technologies and renewable energy, water and waste management, and tourism. More investment opportunities should be created also due to the

<sup>67</sup> "Notatka o stosunkach gospodarczych Polski z Republiką Indii," Ministerstwo Gospodarki, August 2015.

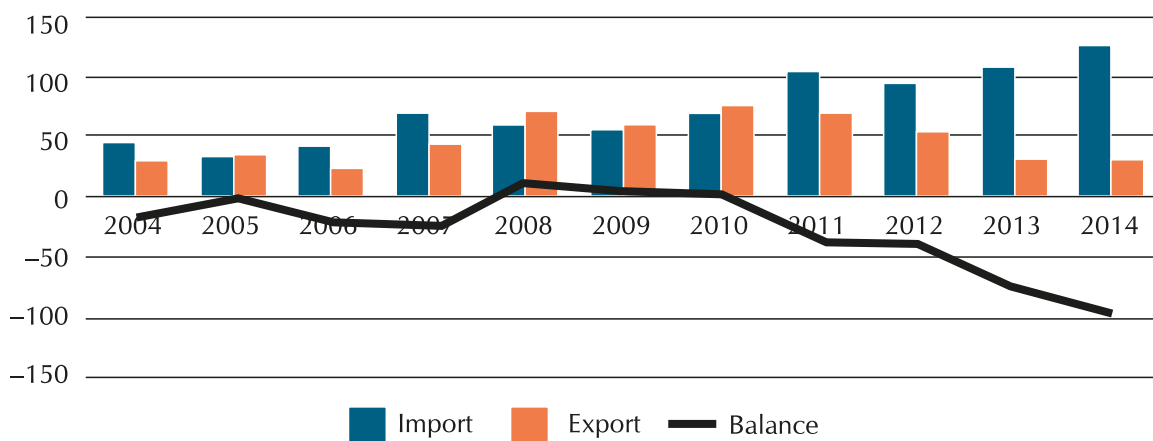
<sup>68</sup> "Fact Sheet on Foreign Direct Investment (FDI) from April, 2000 to June, 2015," The Department of Industrial Policy & Promotion, Ministry of Commerce and Industry, Government of India, [http://dipp.nic.in/English/Publications/FDI\\_Statistics/2015/india\\_FDI\\_June2015.pdf](http://dipp.nic.in/English/Publications/FDI_Statistics/2015/india_FDI_June2015.pdf).

<sup>69</sup> "Export Import Data Bank," Department of Commerce, Ministry of Commerce and Industry, Government of India, <http://commerce.nic.in/eidb/default.asp>.

ambitious plans of the government of India to build and modernise its infrastructure, which should be supported by private entrepreneurs to a significant extent. Access to the Indian market is for Slovak exporters quite complicated due to non-tariff barriers and the need for close cooperation with local distribution partners.

A joint economic council of the Indian Ministry of Business and Trade and Ministry of Economy of the Slovak Republic was established in 1994. Its last meeting took place in February 2015. Direct contacts between companies and their associates and between the Slovak Investment and Trade Development Agency (SARIO) and its Indian counterparts have intensified in recent years.

The total amount of foreign trade between Slovakia and India has grown since 2009. It reached its peak in 2011 (€276 million). In 2014, it was €264 million. However, Slovak exports to India have been decreasing in the last five years (to almost €31 million, or less than half of the export figure for 2011) and compared to the overall size of the Indian consumer market are extremely low. Imports from India, meanwhile, hit €233 million and have been increasing by 10% a year. The main export items were machinery and electrical equipment (43.2%), chemical products (12.4%), metals (9.8%), vehicles (6.6%) and plastics and rubber (5.7%). The commodity structure of imports from India in 2014 was dominated by textiles (37%), footwear (21.7%) machinery and electrical equipment (13.5%) and chemical products (7.3%).<sup>70</sup>



**Figure 8. Trade in goods between Slovakia and India, 2004–2014 (€ mln)**

Source: Eurostat (note, Eurostat data may differ from national statistics due to different methodologies for calculating imports).

Steel company ArcelorMittal is the biggest Indian investor in Slovakia, launching its activities in the country in 2006. In October 2013, the company opened a plant in western Slovakia, raising to six the number of factories in the country. Rumours about interest in the acquisition of US Steel Košice also came out in 2014. Car producer Jaguar Land Rover, owned by Indian company Tata Motors, plans to locate an investment worth €1.5 billion in Slovakia in 2016. It would be the company's first factory in Europe outside of the UK.

### 3.3. Other Aspects of Relations

Cooperation in education and science between the **Czech Republic** and India is based on the agreement for cooperation in culture, education and science concluded in 1996. Indology

<sup>70</sup> "Výsledky zahraničného obchodu," *op. cit.*

is a traditional academic discipline in the Czech Republic and began with the establishment of a Chair in Sanskrit at Charles University in 1850 and continued with the creation of the Oriental Institute in 1922 under the auspices of the Czech Academy of Sciences. To promote academic exchanges, the Czech Academy of Sciences has an agreement for cooperation with the Indian Council for Scientific and Industrial Research and with the Indian National Academy of Sciences.

Currently, about 200 Indian students are studying medicine, engineering and science at various Czech universities and the number is increasing every year.<sup>71</sup> For Czech students, the Indian government offers five positions within the Indian Technical and Economic Cooperation (ITEC) scholarship programme. In addition, Czech scholars have the opportunity to apply for grants and scholarships through the Indian Council for Cultural Relations (ICCR).<sup>72</sup> Bilateral research projects in IT, natural sciences, climate change, energy, and health are supported by the joint Indo-Czech programme KONTAKT II.<sup>73</sup>

Within the ICCR framework, an Indian Cultural Centre was established in Prague in 2011 and focuses on activities such as screening movies, hosting lectures, organising performing art events, and others.

The Indian community in the Czech Republic numbers around 1,400 expatriates,<sup>74</sup> many of whom are professionals working for Indian or multinational companies such as Arcelor Mittal, Infosys and Avia Ashok Leyland. Tourism between the two countries is steadily on the rise. According to the Indian embassy in Prague, the “shooting of a Bollywood film in July 2014 on historical locations of Prague has generated interest and increased the number of Indian tourists since.”<sup>75</sup> To further promote Indian tourism in the Czech Republic (and other V4 countries) the Czech agency CzechTourism has organised the “V4 Roadshow in India,” in December 2015.<sup>76</sup>

Cultural and educational cooperation between **Hungary** and India has been boosted in recent years and is now a key area. The biggest step in cultural educational has been the Education Exchange Programme (EEP), signed on 19 November 2014. The EEP’s aim for the period 2014–2017 is to encourage cooperation in education and research (publications, conferences, etc.). For that purpose, Hungary provides 200 scholarships to its universities for Indian students and research fellows. In return, India offers 35 scholarships for Hungarian students and research fellows who may study English and Hindi languages or other disciplines at the post-graduate and doctoral levels.

About 4,000 to 5,000 Hungarians visit India every year for various reasons, including seeking job opportunities.<sup>77</sup> The number of tourists from India visiting Hungary is dynamically growing. In 2014, the figure exceeded 6,000 and was 157% of the previous year. This number may multiply further after low-cost Hungarian air carrier Wizz Air Holdings Plc. launches Budapest–Mumbai flights. This step could facilitate greater people-to-people exchanges as well.

<sup>71</sup> “Bilateral Relations,” Embassy of India in Prague, 14 July 2015, <http://india.cz/page/display/176/175>.

<sup>72</sup> The ICCR was founded in 1950 by Maulana Abul Kalam Azad, independent India’s first education minister. “Its objectives are to actively participate in the formulation and implementation of policies and programmes pertaining to India’s external cultural relations; to foster and strengthen cultural relations and mutual understanding between India and other countries; to promote cultural exchanges with other countries and people; and to develop relations with nations.” Retrieved from ICCR’s official website at <http://iccr.gov.in>.

<sup>73</sup> “Podpora společných česko-indických výzkumných projektů,” Ministerstvo školství, mládeže a tělovýchovy, [www.msmt.cz/vyzkum-a-vyvoj/podpora-spolecnych-cesko-indicky-vyzkumnych-projektu?lang=1](http://www.msmt.cz/vyzkum-a-vyvoj/podpora-spolecnych-cesko-indicky-vyzkumnych-projektu?lang=1).

<sup>74</sup> Based on data from the year 2011. United Nations Statistics Division, “Foreign-born population by country/area of birth, age and sex,” *UNSD Demographic Statistics*, <http://data.un.org/Data.aspx?d=POP&f=tableCode%3a44>.

<sup>75</sup> “Bilateral Relations,” *op. cit.*

<sup>76</sup> “Agentura CzechTourism zve na road show V4 v Indii,” CzechTourism, 22 September 2015, [www.czechtourism.cz/marketingove-aktivity/prezentacni-akce/agentura-czechtourism-zve-na-road-show-v4-v-indii](http://www.czechtourism.cz/marketingove-aktivity/prezentacni-akce/agentura-czechtourism-zve-na-road-show-v4-v-indii).

<sup>77</sup> The interview is at: <http://budapesttimes.hu/2014/08/29/a-sub-continent-in-one-country>.

The Indian community in Hungary totals about 500 people and is constantly growing, mainly because of the number of Indian students. Despite 200 scholarships offered annually to Indian students, the slots have not been utilised yet because there are only 40 students who have studied at various universities in the country for a longer period. There also are exchanges of research scholars and scientists for both short or longer periods. The majority of the Indian community in Hungary comprises IT experts and works in Indo-Hungarian joint ventures. Only a few have married a Hungarian and settled in Hungary.

The necessary infrastructure for maintaining cultural traditions and regular meetings is in place for the Indian community in Hungary. The Amrita Shergill Cultural Centre (ASCC) was formally opened in November 2010 and took its current name on 15 August 2014. The ASCC is a well-equipped centre that includes an auditorium, library and exhibition hall, and it regularly organises events and publishes a bi-monthly publication called *Amrit*. Besides these opportunities, there are “more than 200 yoga centres and about eight schools of Indian dances and music in Hungary.”<sup>78</sup>

People-to-people ties are viewed as an important link between **Poland** and India, and India enjoys a traditionally positive attitude among Polish society. Indology studies at major Polish universities also date back to the 19<sup>th</sup> century, with the first department established at Jagiellonian University in Krakow in 1892. This is further complemented by a new-found enthusiasm for Indian popular culture, illustrated by the growing number of fans of Bollywood cinema as well as reinvigorated interest in Indian cuisine, yoga and Ayurveda. At the official level, promotion of Indian culture is limited to occasional performances of Indian troupes and there is still no Indian cultural centre in Warsaw. On the other hand, thanks to the Polish Institute in New Delhi, established in 2012, there has been growing interaction between theatres, museums, festivals and artists in recent years. For example, Indian writers are regularly invited to the Conrad Literature Festival in Krakow and Poland was a featured country guest of the Book Trade Fair in New Delhi in 2014. It is important to note growing cooperation in the film industry, with several Bollywood movies (including “Kick”) and commercial projects shot in Poland and film coproduction has proved a helpful tool in attracting more Indian visitors.

Tourism is a natural bond between Poland and India. In 2014, more than 10,400 Indian visitors travelled to Poland, although as a group they constituted only 0.07% of foreign visitors to the country. Regularly, more Poles are travelling to India. Over 25,000 visited India in 2014 and this trend may get a further boost now that Poland was included in mid-2015 in traveller-friendly e-Tourist Visa on Arrival scheme covering 44 countries.

Education offers another cooperation area with growing potential, as Polish universities seek more international students to fill the vacuum from the demographic losses in Poland. In 2014, there were 545 Indian students at Polish universities, the largest group ever. Still, this is a small share (1.2%) of all foreign students in Poland (46,101) and hardly comparable to the number of Indians studying in other EU countries (over 50,000).<sup>79</sup> Despite the significant potential of the country, Poland, unlike Hungary, does not offer any government-funded scholarships for Indian students and Poles used to have 11 slots within the Indian Council of Cultural Relations’ scheme to study in India.

A new and increasingly important element for reinvigoration of cooperation is played by the Indian diaspora in Poland. Although official data on Indian citizens in the country shows there were 2,639 people at the end of 2014, it is estimated at over 4,000 when people of Indian

<sup>78</sup> The report is at [www.mea.gov.in/Portal/ForeignRelation/Hungary\\_2015\\_07\\_09.pdf](http://www.mea.gov.in/Portal/ForeignRelation/Hungary_2015_07_09.pdf).

<sup>79</sup> For more, see: K. Pędziwiatr, P. Kugiel, “Poland as a Study Destination: The Case of Indians at Polish Universities,” in: A. Surdej, M. Kędzierski (eds.), *Economic Challenges for Higher Education in Central and Eastern Europe*, Adam Marszałek, Toruń, 2015, pp. 187–213.

origin are included.<sup>80</sup> They represent a relatively prosperous minority and run several cultural and business associations that are active in the promotion of India and efforts towards stronger bilateral links between the two countries. This community is also relatively well-educated and active in the labour market. In 2014, more than 1,200 Indians were granted a work permit in Poland. In comparison, the Polish diaspora in India is much smaller and amounts to some 200 people, dispersed in many parts of the country.

India has not been regarded as a priority partner for Polish foreign aid and development cooperation plays a minimal role in bilateral relations. Modest development projects regularly organised within a small-grants programme operated by the Polish embassy in New Delhi are the only experiences in this field. For instance, there were projects in 2014 worth some €30,000.

Importantly, there is growing engagement between research and academic partners. Several Polish institutes (such as PAN and SGH) have bilateral MoUs with Indian counterparts. Warsaw University launched a studies programme on “Contemporary India” in 2012 and has established an institutional partnership with over a dozen Indian universities and institutes. It was instrumental also in opening Polish Studies Centres at the universities in Manipal and Kolkata. Moreover, a track two dialogue has been ongoing since 2008 between major public think tanks (Polish Institute of International Affairs and the Indian Council of World Affairs, or ICWA) along with occasional contacts with other research organisations (such as Observer Research Foundation, Institute of Defence Studies and Analyses, and Gateway House).

Finally, a new but promising area of cooperation is found at the regional level. In addition to a decade-long, though rather inactive, partnership between the Malopolska Voivodship and Andhra Pradesh, new links are being established between Punjab and Lubelskie Voivodship and an agreement between Utharkhand and Opolskie Voivodship is being considered. Yet, there is no formal cooperation between cities from either country.

**Slovakia** and India are developing broad cooperation based on an agreement covering the fields of culture, education, science, tourism, sports and mass media, which was signed in New Delhi in March 1996. Several presentations by Slovak artists have been organised by the Slovak embassy.

Also, Indian receive study support from the Slovak National Scholarship Programme for students, university teachers, researchers and art workers. Slovak Technical University, Academy of Arts in Bratislava, Comenius University, Matej Bel University, University of Presov and other specialised institutions also accept students from this programme. The Slovak Academy of Sciences accepts Indian students for short-term internships. Cooperation in science and research is based on scientific cooperation agreements signed in 1996 between the Slovak Academy of Sciences and the Indian Academy of Sciences (INAS). Under the agreements, exchanges of scientists and researchers are conducted and since 2009, there is a joint committee on science and technology.

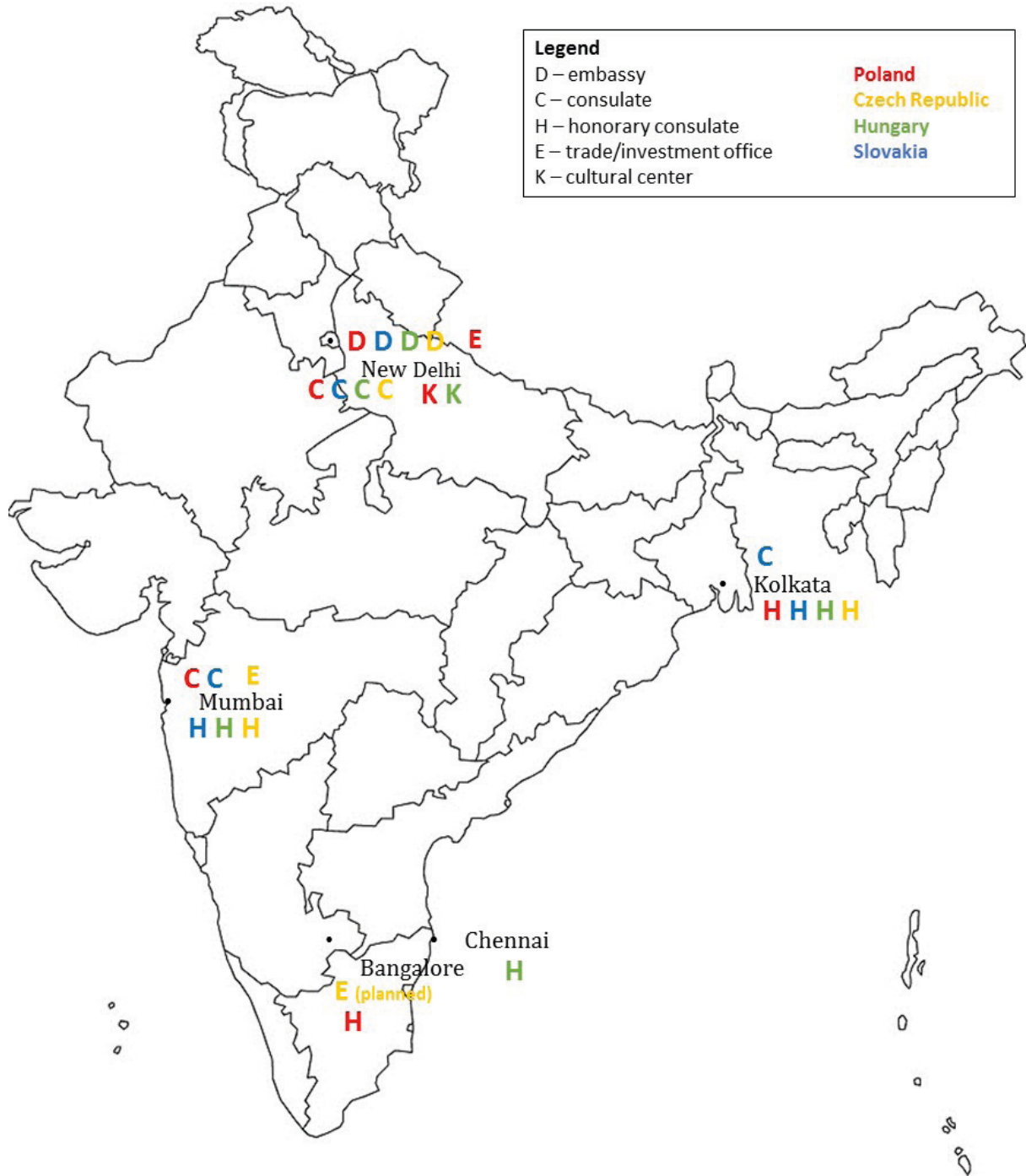
Finally, the increasing number of tourists from India traveling to Europe opens up opportunities for development of tourism to Slovakia. However, its potential rise is limited by the absence of representation of the Slovak Agency for Tourism in the South Asia region and its lack of activity in this market.

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<sup>80</sup> For more, see: P. Kugiel, K. Pędziwiatr, “The Indian Diaspora and Poland–India Relations,” *PISM Report*, November 2014.



Map 2. V4 representation in India



#### 4. Visegrad Countries' Relations with China: Luring and Taming a Dragon

China appears to be the most important partner for the Visegrad countries of the four emerging powers. This is reflected by the biggest trade volumes of the group and intensified political dialogue. Relations characterised by ideological differences and criticism of China's human rights records for much of the 1990s have undergone a remarkable shift in the early 21<sup>st</sup> century towards a more pragmatic approach now driven mainly by an economic agenda. There are also no major differences between the Visegrad members' policies towards China. The main risk for the V4 countries is their competing economic interests, especially with regards to attracting Chinese investment and increasing exports to the Chinese market.

There are a number of similarities and also some differences in the V4 states' relations with China. For instance, all of V4 members perceive and present themselves as regional hubs and gateways to the EU as part of the new Chinese initiative "One Belt One Road" (also known as "New Silk Road"). Unfortunately for them, all of the Visegrad countries record a large negative trade balance, from as high as 1:9 for Poland to 1:3 for Slovakia. Hungary has a specific strategy towards China and the largest Chinese diaspora in the CEE and was the first to work towards a closer partnership. Poland is the only country among the V4 that is a founding member of the China-led Asian Infrastructure Investment Bank (AIIB) and a strategic partner. Czech Republic, on the other hand, is the most preferred destination for Chinese tourists and a country that is fast catching up with China after two decades of strained relations. Slovakia seems to be the least active in relations with China, although it has the best trade balance.

The long-term strategy of the **Czech Republic** is deeply influenced by 1950s-era communist Czechoslovakia investments and export activities with the China; since the beginning of the post-communist transformation, Czech state policy has continued to focus on the economic potential of the booming Chinese market. While the main target of Czech foreign policy was accession to the EU and NATO, East Asia remained far beyond the Czech political goals. Today, regarding China as an alternative export and investment destination is in accordance with mainstream European policies.

**Hungary** formally recognised the People's Republic of China in October 1949. During the following decade, the relationship began to develop through a huge number of high-level visits, followed by an improvement in economic, political and cultural ties. In international affairs, Budapest cooperated closely with Beijing and has supported the Chinese position on Tibet, reunification (one-China policy), and United Nations Security Council membership.

After the democratic transition of 1989, the level of contact between the two countries declined, primarily as a result of the re-orientation of Hungarian foreign policy, but a new fruitful period began at the beginning of the new millennium sparked by a visit by Hungarian Prime Minister Peter Medgyessy in 2003 to Beijing. In the past 10–15 years, Hungary has been the most active partner of China among the Visegrad members, and Hungarian governments, regardless of political orientation, have committed themselves to the development of relations with China. In line with this, Hungary is open to many types of cooperation with Beijing, including taking every opportunity to promote economic relations and the Hungarian government supports China on many sensitive issues such as lifting the arms embargo against it or granting market economy status to the country. To emphasise its commitment towards China, the Hungarian government never meets on the governmental level with diplomatic delegations from Taiwan or Tibet and also tends to remove anti-China protesters from the streets of Budapest whenever a high-level Chinese delegation visits the Hungarian capital. In turn, Hungary indeed occupies a prominent place among the Chinese people and government compared to its geopolitical position. The Hungarian government's desire has long been to serve as a gateway or hub for China to the whole of Europe.

They consider relations with China to be of great importance and bilateral investment and trade relations are becoming increasingly close.

**Poland** also established diplomatic relations with People's Republic of China in October 1949 and was the second country after the USSR to open diplomatic representation with the new Chinese regime. During the Cold War, Polish-Chinese cooperation was a function of both countries' relations with the Soviet Union and concentrated mostly on cultural exchanges. In the wake of Poland's transformation after 1989, bilateral relations weakened as cooperation with China did not make the list of Polish priorities. Initially after joining NATO (1999) and the EU (2004), Sino-Polish relations did not change remarkably, although they remained formal, but not intensive. Only after the global economic crisis did this situation begin to change. After a few years of more intensive political dialogue, the fall of 2011 was a turning point in Sino-Polish relations, which were upgraded from friendly cooperation to a strategic partnership. Officially, Poland has not yet adopted a specific document or strategy regarding its foreign policy towards China. Nevertheless, China was identified as important in terms of developing relations with Asia in a March 2012 speech by Minister of Foreign Affairs Radosław Sikorski, which outlined the priorities of Polish foreign policy for 2012–2016. The role of China was also highlighted in the November 2014 and April 2015 *exposés* by Minister of Foreign Affairs Grzegorz Schetyna. The current foreign minister, Witold Waszczykowski, underlined the special place of China as a major economic partner in his first *exposé* on foreign policy priorities on 29 January 2016.

After the independence of **Slovakia** in 1993, China was not a priority in the foreign policy of the country and it has never returned. A look into major documents on Slovak foreign policy reveals an interesting feature—more recent documents seem to pay less attention to China than somewhat older documents. For instance, the recent mid-term strategy for foreign policy until 2015 does not mention China (or Asia in general) at all, and instead the document presents a rather “traditional” European and Atlantic approach. The declaration on foreign policy direction for the year 2014 mentions the EU-China strategic partnership, proposes the possible development of relations with China in the V4 platform and mentions the possibility of utilising Chinese economic potential. A similar document from 2013 mentions also vaguely the goal of “intensifying economic cooperation” with China, and in 2012 a document tells of “supporting of Slovak exports” to newly emerging markets.<sup>81</sup> Looking into still timely but more distant documents—including those of the right-wing pre-2006 governments—we can see more elaborated mentions of China, such as in the 2004 foreign policy directions. Interestingly, though, we can also read here about a preference for being “cautious” in raising sensitive issues such as Tibet, Taiwan and human rights. Similar to editions in subsequent years, the document explicitly mentions the “One China” principle in Slovak dealings with both China and Taiwan. The defining feature of Slovak official foreign policy towards China may be that it is explicitly and practically unwilling to touch on “sensitive” political issues. China is, according to the Slovak official position, regarded as a rising global power with which Slovakia wants to develop intense relations. The Slovak government's interest in relations with China is viewed as mainly economic—both in trade and investments—although security aspects are also considered to be important.

#### 4.1. Political and Security Cooperation

The **Czech**-specific experience in relations with the PRC reveals a continuous fluctuation in political ties that reflects changes in the Czech domestic political situation. The left-wing governments uphold pragmatic “economy first” policies while the conservative-right cabinets

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<sup>81</sup> R.Q. Turcsányi: “Chinese Financial Presence in Slovakia and Slovak China-policy,” in: Á. Szumonár (ed.), *Chinese Investments and Financial Engagement in Visegrad Countries: Myth or Reality?*, Institute of World Economics, Budapest, 2014, p. 99.

usually combine business-oriented approaches with more assertive criticism of China due to the issue of Tibet and the PRC's human rights record in general. Besides the official government policies there has been the strong influence of individual human rights supporters, among them the former dissident and later president Václav Havel took the lead. President Havel continued inviting the Dalai Lama, prominent Chinese exile dissidents (Wei Jingsheng, Wang Dan, Harry Wu), as well as (unofficially) political delegations from Taiwan (the prime minister and vice-president, Lien Chan, in 1995). Besides President Havel, the Green Party (Strana zelených), when it joined the government for the first time in 2006 raised the themes of Tibet and human-rights abuses to high-level politics by initiating the establishment of the Tibet Friendship Group in the Czech parliament (2007), and chasing out the Chinese delegation during their visit to parliament by displaying a Tibetan flag there (2009). The Green's minister of environment protection and minister of education both hung Tibetan flags in front of their residences, i.e., official government buildings.

The worst crisis in bilateral political ties followed Czech Prime Minister Jan Fischer's meeting with the Dalai Lama in his government residence in 2009.<sup>82</sup> In response, Beijing cancelled an invitation for the Czech prime minister to attend Expo 2010, and the era of cold relations lasted until the first 16+1 summit (annual gatherings of prime ministers from China and 16 Central European countries) in Warsaw in 2012. The U-turn in political ties was initiated by the new Czech political representatives who came to power after the parliamentary and presidential elections in 2013; newly elected president Miloš Zeman and premiere Jiří Rusnok shifted significantly the course of the country's relations with Beijing, and re-established the mutual political dialogue (described as a "restart of political relations"). Czech's human rights policy, obviously was never backed by sufficient domestic consensus, and criticism of China was rejected by left-wing political parties as well as by business lobbies and individual scholars, and the general public and media were also divided in their view of how far the Tibetan exile issue and Czech's inconsistent policy on human rights went along with its economic priorities.<sup>83</sup>

The visit of Foreign Minister Lubomír Zaorálek in Beijing in 2014 followed 15 years after the last trip by one of his predecessors; the same year, President Zeman arrived in China, just one decade later than the last visit by the previous president (Klaus). The new Czech approach is strongly supported by President Zeman and the Czech Social Democratic Party-related business lobbies. The Czech-Chinese Investment Forum, which was consequently held in Prague in 2013, 2014 and 2015, was hosted by President Zeman. His leading role in the new Czech policy on Beijing was underlined by his controversial attendance as the only EU statesman in Beijing at a ceremony marking the 70<sup>th</sup> anniversary of the end of WW2 (September 2015).<sup>84</sup> The extraordinarily active agenda in 2015 and robust upgrading of bilateral relations concluded with a visit by Prime Minister Sobotka to China, who attended the 16+1 summit in Suzhou in November 2015 and held individual meetings with Chinese Prime Minister Li Keqiang and President Xi Jinping. The Czech representative was expected to sign an agreement joining Czech Republic to China's "One Belt, One Road" project.<sup>85</sup>

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<sup>82</sup> The ECFR analysis regarded the Czech Republic as the most assertive critic of China in the whole EU. See F. Godement, J. Parelló-Plesner (with A. Richard), "The Scramble for Europe," policy brief, [www.ecfr.eu/page/-/ECFR37\\_Scramble\\_For\\_Europe\\_AW\\_v4.pdf](http://www.ecfr.eu/page/-/ECFR37_Scramble_For_Europe_AW_v4.pdf).

<sup>83</sup> R. Fürst, "The Czech Experience with Relations with China: Nothing to Win, Nothing to Lose," in: R. Fürst, F. Tesař (eds.), *China's Comeback in Former Eastern Europe: No Longer Comrades, Not Yet Strategic Partners*, Institute of International Relations, Prague, 2013, pp. 60–68.

<sup>84</sup> M. Chang, "Only China's 'true friends' attending 70<sup>th</sup> anniversary parade as key western leaders and Kim Jong-un won't be there," *South China Morning Post*, 25 August 2015, [www.scmp.com/news/china/diplomacy-defence/article/1852359/thirty-countries-leaders-attend-second-world-war?page=all](http://www.scmp.com/news/china/diplomacy-defence/article/1852359/thirty-countries-leaders-attend-second-world-war?page=all).

<sup>85</sup> "Sobotka odletěl do Číny, bude mluvit o investicích i lidských právech," *EuroZprávy.cz*, 21 November 2015, <http://domaci.eurozpravy.cz/politika/137770-sobotka-odletel-do-ciny-bude-mluvit-o-investicich-i-lidskych-pravech>.

A more active and cordial period in **Hungary's** relations with China dates back to a visit by Prime Minister Péter Medgyessy to Beijing in 2003 after which several diplomatic visits as well as confidence-building measures and gestures were taken. A special envoy position was created within the Prime Minister's Office for the development of Hungarian-Chinese relations. Since then, Hungarian governments usually have a commissioner or a special representative to handle Hungarian-Chinese relations. The first results of Hungary's new China policy were the arrival of a branch of the Bank of China to Hungary (2003), the creation of the Bilingual Chinese-Hungarian Primary School in Budapest (2004) and the initiation of a direct flight connection between Budapest and Beijing (2004). All of these were unique in the region at the time.

Although China was neglected by the first Orbán government (1998–2002), it was cherished by the second (2010–2014) and now the third (2014-present). Orbán kept emphasising the importance of the East even before the elections and then during his campaign, saying that "... an Eastern wind is blowing in the world economy" to which the Hungarian economy needs to adapt. As a result, the Chinese-Hungarian economic relationship has been intensifying even more in recent years. High-level delegation visits are exchanged within short periods of time. After Orbán's visit to China at the end of 2010, in May 2011 Chinese State Councillor Dai Bingguo visited Budapest to discuss joint business deals in transportation, aviation and energy, as well as political and cultural cooperation. This meeting was followed by Premier Wen Jiabao's visit to Budapest in the summer of 2011. After Wen's visit, expectations from the Hungarian side became higher than ever. Domestic media echoed the importance of the country's role as a gateway to China while international media reported about a new Chinese-Hungarian "special relationship," which caused mixed feelings among both Hungary's neighbours and the EU institutions.

**Poland** seems today to have the most intensive and advanced framework of bilateral relations with China. The multiplicity of mechanisms makes Sino-Polish cooperation comprehensive and multidimensional. Relations are carried out on at least three levels. The first level is bilateral and includes both central platforms (e.g., annual strategic dialogue, annual inter-governmental committee dialogue, bi-annual prime ministers summit, etc.) and local governmental platforms (e.g., annual Poland-China Regional Forums<sup>86</sup> as a mechanism for contacts between local governments, entrepreneurs, and others; partnership agreements between regions and cities; local government liaison offices in China, etc.). The second is the sub-regional level, mainly within the framework of the 16 + 1 summits (as another channel for contacts with Chinese leaders) and lower-level meetings in this formula that cover various areas of cooperation (e.g., meetings of local leaders, investment forums, think-tank summits, etc.). Finally, the third dimension is the EU level, mainly EU-China summits and sectoral dialogues.

In Poland's China policy, local cooperation between provinces, cities, counties, and towns has recently gained importance and is perceived in Poland as a step in the right direction for real implementation of what is otherwise a vague "strategic partnership" slogan. While the central level engages the Chinese authorities and business circles by signalling that Poland is a country worth cooperating with, the real cooperation takes place at the lower, local level. Regions know better the needs of their "small homelands"—including their strengths and local business characteristics—and can easily identify potential areas of cooperation. Therefore, cooperation between local governments seems to be an effective way to implement Poland's China policy goals.

Poland-China relations got a boost with the signing of a strategic partnership declaration in December 2011 during Polish President Bronisław Komorowski's visit to China. But before upgrading bilateral relations to a strategic partnership, there was a time of mutual probing and

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<sup>86</sup> The first forum was held in Gdańsk (Poland) in April 2013, the second in Guangzhou (China) in June 2014, and the third in Łódź (Poland) in June 2015.

a significant intensification of political dialogue visible in the increasing number of high-level visits. It seems that 2008 was an important year for intense political dialogue. At the end of this year, Polish Prime Minister Donald Tusk paid an official visit to China (it was the first such visit since 1994), while in mid-2011 a member of the CPC Standing Committee, He Guoqiang, visited Poland—a visit during which both sides eventually agreed to establish the strategic partnership. Closer ties were confirmed by Prime Minister Wen Jiabao's visit to Poland in April 2012, during which he presented a new strategy towards Central Europe ("12 Measures") and launched the 16 + 1 format, as well as lower-level meetings using the same formula. Furthermore, the importance of China in Poland's foreign policy has been already confirmed by its new leaders elected in 2015. During a well-received official visit to China by new Polish President Andrzej Duda (23–27 November 2015), he assured China that Poland would continue to strengthen relations.

Regular and intensive political dialogue with China is considered a prerequisite (or tool) for enhancing economic cooperation, which is the primary objective. Hence, the strategic partnership with China is related mainly to economic goals and Poland treats the related document as a political umbrella, signalling to Chinese (local) authorities as well as Chinese businesses that it is worth launching cooperation with Poland. Still, the economic results are not completely satisfactory, even though in 2013 Poland recorded a 17% increase in exports to China, and a 6% increase in imports. In that sense, the declaration should be seen as a long-term investment. What is more, for Poland, the strategic partnership also means that an open and sincere dialogue on sensitive issues might be possible and that Poland is eager to share with China its experience with successful transformation.<sup>87</sup>

China did not attract much interest from **Slovakia** until 2003 when, during President Rudolf Schuster's trip to China, a new institutional framework of bilateral relations was established after signing new agreements on cooperation. However, even during this period there were relatively large numbers of state visits on both sides.<sup>88</sup> The first Slovak government led by Prime Minister Robert Fico in 2006–2010 can be characterised by an unusual level of activity in Slovak relations with China at the time. While previous governments also showed some interest in China, even frequently travelling there, Fico was the first Slovak prime minister to present China as an alternative to the country's previous partners, especially those from the EU.<sup>89</sup> For Fico, China was then a good business opportunity because of the immensity of its market. During the first term of the Fico government, all the highest representatives of Slovakia, including President Ivan Gašparovič, Speaker of Parliament Pavol Paška, and Foreign Minister Ján Kubiš, visited China in order to stimulate mutual economic cooperation. The bilateral talks with China reached their zenith when Chinese President Hu Jintao arrived to Slovakia in 2009. Nevertheless, rather than desiring to facilitate Slovak exports to China, the Chinese delegation was much more interested in investment in Slovakia.

At the time, the Slovak authorities also tried to please their Chinese counterparts by avoiding any critique of the human-rights situation in China. When Prime Minister Fico and President Gašparovič hosted the Chinese president in Bratislava, neither of them raised the human-rights issue, even if some NGOs had appealed to them to do so. Moreover, the Slovak president decided not to boycott the 2008 Olympics Opening Ceremony in Beijing, in contrast to some European leaders (for example, German Chancellor Merkel or British Prime Minister Gordon Brown). The Slovak authorities prevented any disturbances during visits by Chinese dignitaries, in part by not making their visit public (such as the arrival of China's defence minister). This attitude, however,

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<sup>87</sup> J. Szczudlik-Tatar, "Poland-China Relations: Forging a Strategic Partnership," in: M. Huotari et al. (eds.), *Mapping Europe-China Relations: A Bottom-Up Approach*, a report by the European Think-tank Network on China, October 2015, pp. 56–58.

<sup>88</sup> R.Q. Turcsányi, *op. cit.*, p. 98.

<sup>89</sup> G. Pleschová, "The Slovak and Hungarian Partnerships with China: High Hopes That Did Not Come True," in: R. Fürst, F. Tesař (eds.), *op. cit.*, p. 48.

followed the line of previous Slovak governments, which typically silenced the issue of human rights in China.

The earlier pro-China policy was challenged after the parliamentary elections in June 2010. The new Slovak government introduced changes to Slovak foreign policy that, among other things, concerned its relations with China. The diplomacy that had put Slovak economic interests at its forefront was replaced by a more values-oriented diplomacy. One of the manifestations of this change was an appeal from the Committee for Human Rights and National Minorities of the Slovak parliament to the Chinese government to release from prison the Nobel Prize laureate Liu Xiaobo. Also, the government decided to use EU structural funds for the construction of highways instead of financing them through less costly public-private partnerships, as had been considered earlier. This decision was not challenged even by the new Fico government when it took over after early elections in 2012.

It also appears, that Fico's government has given up on its previous complacency towards China. For example, the Slovak authorities have stopped preventing manifestations appealing to China to respect human rights and during a meeting of the vice-chairman of the Chinese government, Hui Liangyu, in 2013, Foreign Minister Lajčák mentioned the human-rights issue. Moreover, Slovakia has accepted three Uyghur prisoners from Guantanamo, one of only six countries in the world to do this and leaving China's claims for extradition unheard.<sup>90</sup> In the last two years, the intensity of mutual contacts has increased both in political and economic terms. The visits of Prime Minister Fico, Speaker of Parliament Pellegrini and Foreign Minister Lajčák to Beijing in 2015 have confirmed this fact. However, Fico did not participate in the Fourth CEE and China Summit (16+1) in November 2015 in Suzhou due to illness, but was represented by Deputy Prime Minister Ľubomír Vážny.

#### 4.2. Economic Cooperation

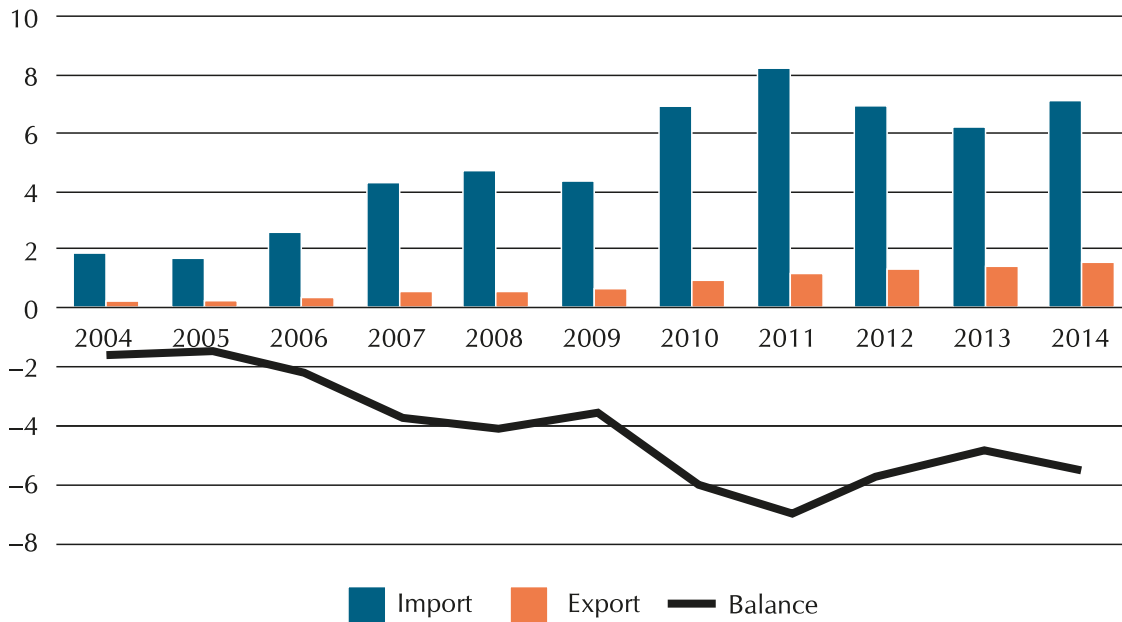
Even though the **Czech** expectation of a positive economic outcome endures and China is explicitly listed in several government and ministerial strategic documents,<sup>91</sup> the real volumes of exports and number of received investments are still disappointing, with exports to China remaining low at 1.5% of total Czech exports. When re-exports to China through other European countries are included, however, the real Czech export situation is estimated to be significantly higher. Czech exports have continuously risen and in 2013 reached €1.4 billion while imports hit €11.2 billion, for a net balance of €9.8 billion to China; in 2014, the figures were €1.6 billion and €13.3 billion, respectively and a balance of €11.7 billion, again in China's favour.<sup>92</sup>

The 16+1 format supposedly had no real influence on this trend. The rising exports result from the growing ability of Czech traders, mostly automotive and engineering companies (Škoda Volkswagen, Škoda Transportation, Škoda Electric, Tatra), as well as from active trade diplomacy through trade representative offices in Beijing, Shanghai, Chengdu, and Guangzhou, as another one that was planned for 2015.

<sup>90</sup> *Ibidem*, p. 56.

<sup>91</sup> "Exportní strategie ČR," [www.businessinfo.cz/cs/zahranicni-obchod-eu/statni-podpora-exportu/exportni-strategie-cr.html](http://www.businessinfo.cz/cs/zahranicni-obchod-eu/statni-podpora-exportu/exportni-strategie-cr.html); "Strategie mezinárodní konkurenceschopnosti ČR pro období 2012–2020," [www.vlada.cz/assets/media-centrum/aktualne/Strategie-mezinarodni-konkurenceschopnosti-Ceske-republiky.pdf](http://www.vlada.cz/assets/media-centrum/aktualne/Strategie-mezinarodni-konkurenceschopnosti-Ceske-republiky.pdf); "Programové prohlášení vlády ČR, 2014," [www.vlada.cz/cz/media-centrum/dulezite-dokumenty/programove-prohlaseni-vlady-cr-115911](http://www.vlada.cz/cz/media-centrum/dulezite-dokumenty/programove-prohlaseni-vlady-cr-115911); "Analýza a koncepce MPO podpory exportu," [www.mpo.cz/dokument92065.html](http://www.mpo.cz/dokument92065.html).

<sup>92</sup> Czech official statistics, "Statistika ČSÚ: Zahraniční obchod," <http://apl.czso.cz/pll/stazo/STAZO.STAZO>.

**Figure 9. Trade in goods between Czech Republic and China, 2004–2014 (€ bln)**

Source: Eurostat (the figures above differ from the official Czech national statistics due to a different methodology for calculating imports).

The Czech Republic has been a successful receiver of FDI among the former Eastern Bloc and became an attractive investment location for East Asian states, namely South Korea, Japan and Taiwan, which were mostly focused on the car industry (Toyota, KIA, Hyundai) and IT and electronics (Panasonic, Hitachi, Matsushita, Daikin, Foxconn). Chinese investments arrived surprisingly late and the first relevant investment package was signed between the J&T Slovak-Czech financial group and private Chinese CEFC and valued at about \$750 million. The deal included 49% of Travel Service, the leading private Czech airliner. This investment deal was signed during President Zeman's visit to Beijing on 3 September 2015, on the occasion of the 70th anniversary of the end of World War II. It included other significant transactions such as ones involving the Lobkowicz Group brewery, Slavia (Prague's popular football club), and also minority stakes in two media conglomerates, Médea Group and Empresa Media. The CEFC's lust for purchases included two historical buildings in the centre of Prague as its bank and company residences. The total amount of this investment deal has been estimated at up to CZK 10 billion (€370 million).<sup>93</sup>

Chinese discovering Czech investments seems ongoing. Prime Minister Sobotka, during his high-level meetings in China in November 2015, continued negotiations on other big investment deals, mainly the large resort of Thermal Pásohlávky (near Břeclav) in the south-east region, estimated at over CZK 2 billion, and the opening of another direct flight connection, Shanghai-Prague, by China Eastern.<sup>94</sup> Whether 2015 was successful in obtaining a large flow of Chinese investments still cannot be confirmed by official FDI statistics, to which online access is usually delayed by a year or more, yet the package of investments in J&T group would hardly appear in state statistics as the receiver is a multinational corporation not listed in the Czech Republic. Also, the structural complementarity of the recent Chinese investments with Czech needs for

<sup>93</sup> "CEFC continues with expansion to Czech market," *Prague Monitor*, 7 September 2015, <http://praguemonitor.com/2015/09/07/cefc-continues-expansion-czech-market>.

<sup>94</sup> "Sobotka s Haškem se chystají do Číny. Kvůli miliardovým investicím na Břeclavsku," *Lidovky.cz*, 21 November 2015, [www.lidovky.cz/hasek-poleti-se-sobotkou-do-ciny-kvuli-projektu-na-breclavsku-p6e-zprav-domov.aspx?c=A151121\\_152833\\_In\\_domov\\_ELE](http://www.lidovky.cz/hasek-poleti-se-sobotkou-do-ciny-kvuli-projektu-na-breclavsku-p6e-zprav-domov.aspx?c=A151121_152833_In_domov_ELE).

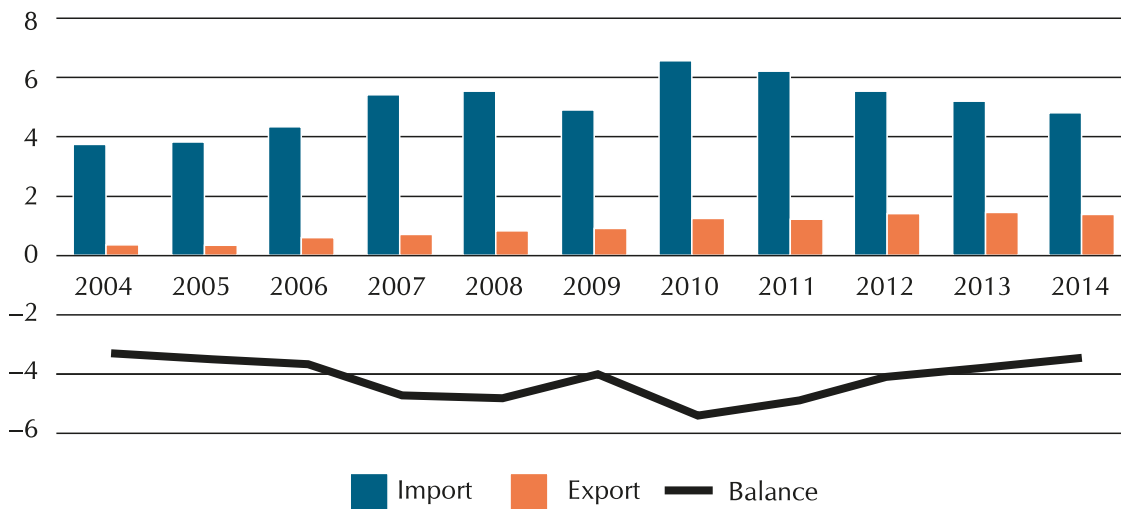


high technology input, import focus and job creating industries is questionable, especially in comparison with robust Korean and Japanese investments that much better match the desired Czech industry sectors.

Although **Hungary's** Eastern opening policy accelerated economic relations with China, this process had begun well before the official announcement in 2012. In 2004, the Hungarian consulate in Shanghai reopened and in 2010 a new consulate opened in Chongqing. Some organisations such as the Hungarian-Chinese Economic Chamber and the Chinese-Hungarian Business Committee were established to intensify bilateral business relations. In addition, for some years Hungary has been developing its relations with China in a multilateral forum, too: the first China-CEE Economic and Trade Forum was held in Budapest in June 2011.

In trade relations, China is one of Hungary's most important partners in terms of imports: since 2005, it has ranked fourth (except for in 2010, when it was third). By 2012, the Chinese share of Hungary's total imports had increased by more than two-and-a-half times, and the value of imports rose more than fivefold on 2003. Between 2003 and 2008, Chinese imports increased by an average annual rate of 24%. Since 2010, the value of imports has been between €5 billion and €6.5 billion annually. The value of Hungary's exports to China is significantly lower than its imports. Nonetheless, they have been increasing since the turn of the millennium (see the figure below). China is Hungary's 15<sup>th</sup> most important export partner and foremost among Asian countries, with Hungarian exports to China representing around 2% of Hungary's total exports.

**Figure 10. Trade in goods between Hungary and China, 2004–2014 (€ bln)**



Source: Eurostat.

Hungary's Eastern opening policy does not concentrate only on developing trade relations and opportunities but also on attracting investment from emerging Asian countries where China is considered to be an investor. Therefore, Hungary provides state subsidies and incentives for potential investors outside the EU, including China. In the case of Hungary, so-called "customs free zones" were highly attractive for "greenfield" foreign investors already during the 1990s. Nowadays, Hungary is the only country in the region to have introduced a special incentive for foreign investors from outside the EU, which is a possibility to receive a residence visa when fulfilling the requirements of a certain level of investment in Hungary.<sup>95</sup>

<sup>95</sup> Third-country nationals are allowed to acquire Hungarian permanent residency status by investing in Special Hungarian Government Bonds that have a minimum 5-year maturity. The minimum initial investment by each subscriber was €250,000 but recently was raised to €300,000.

Chinese investment to Hungary started to increase significantly after the country joined the EU in 2004. According to Chinese statistics, it has meant a rapid increase from \$0.65 million in 2005 to \$370.1 million in 2010. In 2010, Hungary alone took in 89% of the Chinese capital flow to the CEE region.<sup>96</sup> By 2014, the amount of Chinese investment had further increased, reaching \$556 million, according to Chinese statistics, which is by far the highest in the region. Nevertheless, this amount is far greater when taking cumulative Hungarian data into account since a significant portion of the Chinese investment is received via intermediary countries or companies and therefore appears elsewhere in the Chinese statistics. According to Hungarian reports (cumulative data), Chinese investment in Hungary was about \$3 billion by 2014. It is true, however, that the majority of Chinese investments are connected to some big deals, not a number of smaller ones.

The Beijing government often emphasises that it treats Hungary like a hub for Chinese products in the European Union. To this end, it plans several infrastructure-related investments in the coming years: China wants to transform Szombathely airport into a major European cargo base, develop the infrastructure and services of the Debrecen airport and—as part of China’s “One Belt, One Road” initiative—support and finance a modernisation project for the Belgrade-Budapest railroad connection.

In addition to infrastructure, Chinese businesspeople are active in other areas. Chinese enterprises mainly target IT and telecommunications sectors in Hungary through main investors ZTE Corporation, Lenovo or Huawei (which recently decided to open a distribution centre for Europe in Hungary). Sectors such as electronics are also popular (Hisense), as well as research and development, chemicals (Wanhua Group in Miskolc, BBKA’s citric acid factory in Szolnok), and the mechanical industry (Canyi’s European centre for lamp production).

China gained special prominence in **Poland’s** foreign economic policy not only due to its huge market and the growing interest of Chinese enterprises in investments abroad but also because of the huge trade deficit (1:9) that Warsaw wants narrowed. Therefore, Poland’s economic goals in its cooperation with China are to expand Polish exports to China (e.g., agricultural products, food, luxury items such as jewellery, amber and alcoholic beverages, safety equipment for mining, etc.), but not to limit imports from the PRC (more than 50% of imports from China are highly processed goods and high-tech components for Chinese, Korean and Japanese plants located in Poland). Poland also seeks to attract Chinese investments (mainly greenfield and brownfield), increase Polish investments in China and support Polish entrepreneurs in their business interests in the PRC.

Economic cooperation is still modest and the huge negative trade deficit on the Polish side (€15 billion) has not been narrowed. In terms of imports, China is Poland’s third biggest economic partner after Germany and Russia. What is more, the structure of trade is unfavourable as about 40% of Polish exports include unprocessed goods such as raw materials (base metals, chemicals and plastics), which are susceptible to global price fluctuations. China’s decreasing imports of raw materials such as copper, Poland’s main export to China, recently worsened this situation. Poland also sells to China highly processed products—agriculture equipment, aircraft, computer parts, machinery and vehicles. The share of highly processed goods in Polish exports to China increased recently from 23.4% to 29%. Additionally, one can observe an increase in exports of agricultural goods and food to China, a result of opening the Chinese market to Polish pork products.<sup>97</sup> But China in 2014 blocked Polish pork (which represents a significant part of Poland’s exports to China) after two cases of African swine fever (ASF) were reported in eastern Poland. Further,

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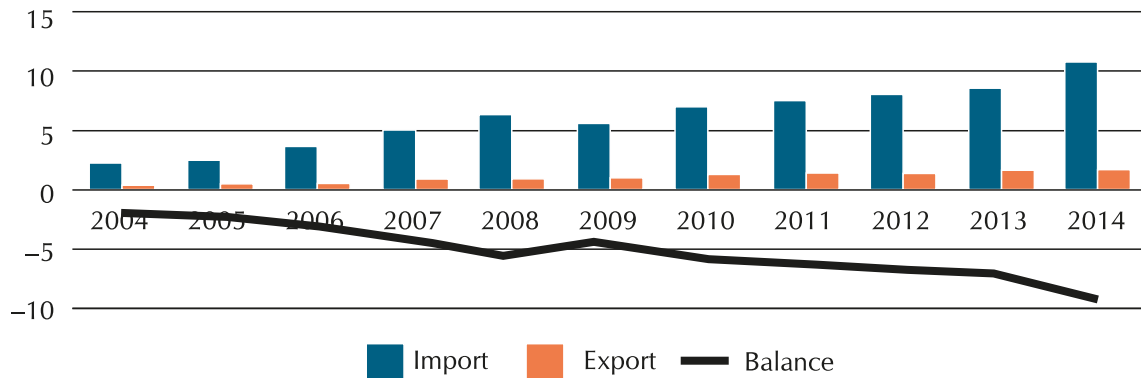
<sup>96</sup> C. Xin, “Trade and Economic Cooperation between China and CEE Countries,” *Working Paper Series on European Studies Institute of European Studies Chinese Academy of Social Sciences*, vol. 6, no. 2, 2012.

<sup>97</sup> “Chińska Republika Ludowa. Informacja o stosunkach gospodarczych z Polską” [The People’s Republic of China. Info about economic cooperation with Poland], Ministerstwo Gospodarki, [www.mg.gov.pl](http://www.mg.gov.pl).

Poland is still awaiting export certificates for some agricultural products, especially important after Russia imposed sanctions on Polish fruit and vegetables.

China's exports to Poland include mainly engineering industry products and textiles. The main portion of the Polish imports from China consists of telephone and television sets and parts, computers and computer parts, mobile phones, storage devices, modems, toys, converters, printing machinery parts, circuit boards, taps, cocks, valves, etc.<sup>98</sup>

**Figure 11. Trade in goods between Poland and China, 2004–2014 (€ bln)**



Source: Eurostat (note, Eurostat data may differ from national statistics due to different methodologies for calculating imports).

The volume of Chinese investment in Poland is also unsatisfactory. In 2013, the total amount reached about \$266 million, which represents only 0.14% of the total foreign capital in Poland. The latest big Chinese investments were the acquisition of the civilian part of Huta Stalowa Wola in early 2012 (Chinese firm LiuGong purchased the civilian part of the steel mill in Stalowa Wola, which was the first full privatisation in Poland with Chinese capital), and in Kraśnik in 2013 the Tri-Ring Group invested PLN 300 million in the biggest bearing factory in Poland. Since then, there have been only a few examples of Chinese investments on the Warsaw Stock Exchange. Other Chinese FDI to Poland is found in the IT sector: TCL in Zyrardow and Digital View in Koszalin both manufacture LCD panels; the Nuchtech company in Kobylka, near Warsaw, produces an X-ray inspection system used mainly in transport (e.g., for trains) and ZTE and Huawei have Warsaw offices. Moreover, in Wola Kosowska near Warsaw is a large Chinese and Asian products distribution centre—GD Poland.

It is worth mentioning the Chinese bank sector's interest in Poland. In 2012, two of the biggest Chinese banks—Bank of China (BoC) and Industrial and Commercial Bank of China (ICBC)—opened branches in Warsaw. Their presence in Poland is perceived as a signal of greater upcoming Chinese investments in the region but for now there has been no big Chinese investment. It is worth mentioning that the Chinese investor in Kraśnik is supported by the BoC Warsaw branch.

Despite the unsatisfactory investment landscape, it seems that after President Duda's visit to China, one can observe greater interest among Chinese investors. For example, in January 2016, Huawei together with the Polish Optical Internet Research Centre launched a project in the Poznań innovation centre,<sup>99</sup> China Harbour opened its regional office in Warsaw, and Sinohydro won a bid to build the Lublin-Chelm transmission line.

<sup>98</sup> *Ibidem.*

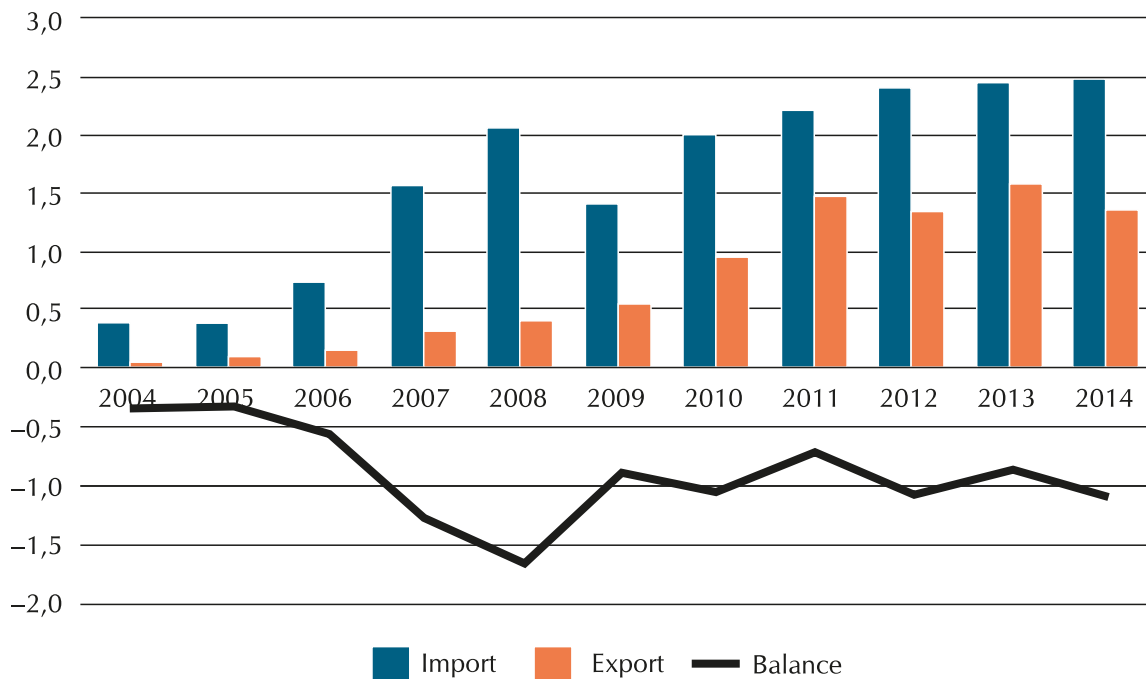
<sup>99</sup> "Inauguration of PSNC-Huawei Innovation Center," [www.man.poznan.pl/online/en/articles/2786/Inauguration\\_of\\_PSNC-Huawei\\_Innovation\\_Center.html](http://www.man.poznan.pl/online/en/articles/2786/Inauguration_of_PSNC-Huawei_Innovation_Center.html).

Polish investment stock in China at the end of 2012 amounted to about €150 million. The structure of these investments indicate that Polish entrepreneurs are interested mainly in mining (KGHM Shanghai CopperTrading, the first KGHM branch in Asia), pharmaceuticals (Bioton), and construction chemicals (Selena's investments in the Nantong zone where polyurethane foams are produced and a silicon plant in Foshan). It is also worth mentioning a long-standing Polish-Chinese joint-venture (the first in the PRC's history), the shipping company Chipolbrok, which was founded in 1951 and has offices in Shanghai and Gdynia.

Economic relations between **Slovakia** and China are focused primarily on trade, with China representing one of the V4 member's most important trading partners. It is the fourth biggest import partner with a share of 7.7% of total imports from abroad (€4.65 billion in 2014) and the 12<sup>th</sup> largest export partner, with a share of more than 2% (€1.38 billion). China is Slovakia's second largest trade partner (after Russia) outside the EU.

Commodity trade exchange is characterised by a deficit on the part of the Slovak Republic in 2014, reaching €3.27 billion. Total foreign trade turnover is negatively influenced by including goods exported by foreign global companies in China's export statistics. In recent years, Slovak exports to the Chinese market has grown steadily, mainly thanks to the automotive industry. Although in 2014 there was a modest annual decline, the overall amount has tripled compared to 2009. Imports have been growing continuously for several years and have more than doubled since 2009 (from €2.17 billion to €4.65 billion in 2014).

**Figure 12. Trade in goods between Slovakia and China, 2004–2014 (€ bln)**



Source: Eurostat (note, Eurostat data may differ from national statistics due to different methodologies for calculating imports).

Exports to the Chinese market are dominated by the automotive industry (Volkswagen), which has more than 70% of the total. Another 11% is shared by machinery for industry and pumps and bearings, and 3.5% by footwear. Nearly half of Chinese imports to Slovakia is telecommunication equipment, televisions, computers and office equipment, mostly from non-Chinese multinational companies. Clothing, footwear, furniture, toys and leather products totalled approximately 15%.

It can be observed in general that there were practically no Chinese investments in Slovakia prior to 2007.<sup>100</sup> From 2007 on, there have been varying levels of Chinese investments in the country. The definite amount of Chinese investment is impossible to tell but according to available sources it can be established that it is relatively modest compared both to neighbouring countries and to other investors in Slovakia, including Asian ones. In 2007, the stock of Chinese overseas investments in the country reached €22 million. Then, in 2007–2011, Chinese companies invested about €37 million in Slovakia, which amounted to only about 0.3% of the total FDI in the country. If companies owned by a non-China based but Chinese-owned subsidiary are counted, the estimate of current Chinese investments in Slovakia can be up to €100–200 million. According to information from the National Bank of Slovakia, up to 99% of the Chinese-acquired shares of companies are in steel products and machinery.

In 2014, Chinese companies China South Locomotive Group and China Aerospace Science and Industry Haiying Group entered the automotive industry in Slovakia with a total investment of €110 million. Chinese company Huaxin Energy Group (CEFC) gained 10% of the shares of J&T, one of the biggest investment companies in Slovakia, and it is expected that the share will increase to 30% in the future. Private Chinese company Flame recently invested around €10 million in opening a shoe factory in eastern Slovakia, creating over one hundred jobs with an option to raise that to two hundred. The Chinese manufacturer of LED displays LEYARD Europe also plans to invest in factories in eastern Slovakia.

At the end of the second term of the Fico government, rumours about another Chinese investment started to appear—supposedly a “trade hub” on the Slovak-Ukrainian border where the broad-gauge line ends. The hub would serve both for imports coming from China but also for all exports coming from the whole of Europe to China.

It is worth mentioning that the first Fico government, while hoping for a historical upgrade of economic relations with China, adopted a number of steps. One of its initiatives was supporting China in its dispute with the EU about European imports of solar panels from China. By doing so, Slovakia acted against both the European Commission and the U.S., although it must also be stressed that Germany also opposed the harsh measures that Brussels had pushed ahead against China.<sup>101</sup>

#### 4.3. Other Aspects of Relations

Despite the frigidity in Sino-**Czech** relations before 2012, the agenda in the field of regional ties, culture, academia, healthcare, tourism and environmental technologies was rapidly expanding. The first direct flight connection Prague-Beijing (Hainan Airlines) was established in autumn 2015 and another direct link, Prague-Shanghai, is being negotiated. A robust increase in tourism (over 300,000 tourists visited Czech Republic in 2014)<sup>102</sup> is expected to continue. The Czech and Chinese Ministries of Education signed a joint agreement on various kinds of cooperation for 2016–2019, including raising the number of scholarships, mutual cooperation among universities, and common research and innovation projects. Besides these, recent Czech cultural diplomacy (Czech culture festival in Shanghai) made great advances in big cities, even during the period of cold relations before 2012 (performances by the Czech National Theatre Ballet and Czech Philharmonic Orchestra, Chinese attending the Prague Quadrennial, the release of the Czech-Chinese popular movie romance “Somewhere only we know,” and others).

<sup>100</sup> R.Q. Turcsányi, *op. cit.*, p. 97.

<sup>101</sup> G. Pleschová, *op. cit.*, p. 49.

<sup>102</sup> “Kontakty na zahraniční zastoupení” [Contacts of foreign representations], CzechTourism Agency, 2015, [www.czechtourism.cz/o-czechtourism/kontakty/kontakty-na-zahranicni-zastoupeni/cina](http://www.czechtourism.cz/o-czechtourism/kontakty/kontakty-na-zahranicni-zastoupeni/cina).

Czech media, on the other hand, continue criticism of the trend in bilateral relations (claiming values have been traded for profit), which increased the existing stress of negative coverage on China's worsening human rights record and Tibet, while the European context of Sino-Czech relations is scarcely mentioned and remains hardly noticed.

The main characteristics that describe **Hungarian**-Chinese people-to-people links is the large Chinese diaspora in Hungary, robust education cooperation and rising tourism. Hungary has the highest Chinese population in Central Europe at around 20,000. The majority arrived in the early 1990s after a 1988 Hungarian-Chinese consular agreement included abolishment of visa requirements between the two countries. Of course, in addition to the lack of a visa requirement, there have been other economic, political and emotional<sup>103</sup> factors that pushed the Chinese towards Hungary. After this provision had been in force for some years, Hungary in the 1990s had a Chinese minority of about 40,000, even though in the 1980s the number of Chinese people living in Hungary amounted to only a few hundred. According to the extant literature, the presence of a Chinese diaspora is a known factor in attracting Chinese FDI.<sup>104</sup>

The presence of China in Hungary is also noticeable in cultural and educational fields. There are at least 24 friendship or pairing agreements between cities in China and Hungary. The Confucius Institute also plays an important role in strengthening Hungarian-Chinese touristic, educational and cultural ties. Its Budapest branch was founded in 2006 (as the first within the CEE region) and it is active in nine cities and partners with 35 institutions. According to its website the institute organises 50 cultural events a year and has more than 2,000 students. Hungary has three more Confucius Institutes, one at the University of Szeged (where the parties established a China Centre that focuses on education, innovation and foreign relations), another at the University of Pécs in cooperation with Hebei United University (which aims to promote traditional Chinese medicine), as well as one at Miskolc University, where the Wanhua Industrial Group contributed to establishing a China Centre.

According to government information, the number of Chinese tourists coming to Hungary doubled over the past five years, hit 90,000 in 2014 (which is a 19% increase compared to the previous year) and is expected to double in the next five years. In May 2014, the China–Eastern-Central Europe Tourism Regional Centre was opened in Budapest to improve collaboration between the Chinese Tourism Authority and the national tourism agencies of the CEE countries. Although the Budapest-Beijing flight operated by Hainan Airlines and Hungarian Airlines Malév was halted when Malév went bankrupt in 2012, as a result of recent developments in economic and political fields, from May 2015 Air China started a new direct flight from Budapest to Beijing.

**Poland** considers culture and educational cooperation to be important instruments that help to create a positive image of Poland in China. This is the reason for expanding the role and staff of the Cultural Section in the Polish embassy in Beijing, which now has seven people assigned to such cultural events as film, theatre, posters, literature, music, and art. The turning point in Poland's cultural promotion in China was in 2010 and the significant Shanghai Expo 2010 (including Chopin Year 2010), during which Poland completed 11 key cultural projects in Shanghai, Beijing, Tianjin and Hangzhou. The promotion of Polish culture in China was also continued during the Polish presidency of the European Union (second half of 2011), when Beijing was one of the 10 presidency capitals where cultural events were organised. The embassy also launched a website that focuses on promoting Polish culture and is designed especially for Chinese language users ([www.bolanwenhua.org](http://www.bolanwenhua.org)).

In mid-2014 the Polish Institute was opened in the Polish embassy in Beijing. Despite information from the MFA, in fact it is not a fully-fledged Polish Institute—an institution

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<sup>103</sup> Thanks to the attention the Chinese government paid (during the 1978–1979 reform process) to Hungarian “reform socialism,” Hungary's reputation among the Chinese people was quite good and the impressions of the first Chinese migrants were also promising. They described Hungary as a “treasure land,” “Eastern Europe's heavenly palace.” In addition, some Chinese believe that Chinese and Hungarians are distant relatives.

<sup>104</sup> See: P.J. Buckley et al., “The Determinants of Chinese Outward Foreign Direct Investment,” *Journal of International Business Studies*, vol. 38, no. 4, 2007, pp. 499–518.

subordinated to the MFA with the aim of promoting Polish culture—but kind of a new name given to the expanded cultural section at the Polish embassy. Poland has been trying to open an institute outside the embassy for a very long time but these efforts have met obstacles from Chinese administration. Apart from embassy efforts to promote Polish culture (every month there are several Polish cultural events in China<sup>105</sup>), other projects have been undertaken by the Adam Mickiewicz Institute (AMI), an institution established in 2000 under the Ministry of Culture and National Heritage and responsible for the promotion of Polish culture abroad. Four years ago, AMI launched “Project Asia” to promote Polish culture in China, Korea, Japan and India.<sup>106</sup> For China, the main tools of culture promotion, including dissemination of Chinese language abroad, are its Confucius Institutes. There are four in Poland, one each in Kraków, Wrocław, Opole and Poznań.

One of the objectives of the bilateral relations is educational cooperation. It is estimated that in the academic year 2011/2012, only about 480 students from mainland China were studying in Poland. The country would like to invite Chinese students to study in Poland (in part to offset a demographic decline) and not only for financial reasons but mainly as a way to build close people-to-people relations, which could also positively influence economic cooperation. The prospect for better educational cooperation is the Boym Universities Consortium, a group of Polish universities that offers Chinese students the possibility to get a quality education.

Moreover, there is ongoing cooperation in political, economic and security research between Polish and Chinese partners. For example, the Polish Institute of International Affairs cooperates with the China Institute of International Studies (CIIS), the Shanghai Institutes for International Studies (SIIS) etc.

Poland also would like to cooperate with China in the tourism sector. The institution responsible for that task is the Polish Tourist Organisation (POT), a state agency that promotes Poland as an attractive tourist destination. In 2011, POT established a liaison office in Beijing (in the form of a “Home Office”). POT organised several workshops in China to facilitate direct contacts between the Polish and Chinese tourist industry. These activities will be followed by inviting Chinese tour operators for study tours to Poland. In addition to these promotional activities, POT uses other tools in promoting tourism to Poland, such as study tours for Chinese journalists and preparing Chinese language brochures on Polish tourist attractions. Simultaneously, POT is taking steps to assist Polish tour operators, hotels and restaurants in their efforts to adjust their services to the needs of Chinese tourists. In 2013, POT launched its campaign in Asian countries (China, India and Japan) called “I like Poland.” As a result, 73 Chinese journalists and 61 Chinese tour operators visited Poland, while the website poland.travel recorded 17 million unique visitors from China. During President Duda’s visit to China in November 2015, Poland and China signed an MoU on tourism cooperation and POT established a fully-fledged office in Beijing. In 2014, 48,000 Chinese tourists visited Poland. It is worth mentioning that in mid-2012 LOT Polish Airlines launched a direct flight from Warsaw to Beijing on a code-share basis with Air China.

Cooperation between **Slovakia** and China in other areas is rather limited. Slovakia sees some opportunities to change this situation with the new 16+1 cooperation framework. For instance, on 21–23 September 2015, the 2<sup>nd</sup> China and Central Europe Symposium was held in Slovakia to promote innovation, technological cooperation and international technology transfer, which is the first event organised by Slovakia within the initiative. During a visit by the Slovak delegation to China on the sidelines of the 16+1 meeting in Suzhou in late 2015, representatives of both countries supported the idea of establishing virtual centres for technology transfer in Slovakia. An agreement with ZTE was also signed in Suzhou on the establishment of a research and development centre in Slovakia worth €20 million.

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<sup>105</sup> A detailed calendar with events is available on the website of the Cultural Section of the Polish Embassy in Beijing, [http://pekin.msz.gov.pl/pl/wspolpraca\\_dwustronna/kultura/kalendarz\\_impres](http://pekin.msz.gov.pl/pl/wspolpraca_dwustronna/kultura/kalendarz_impres).

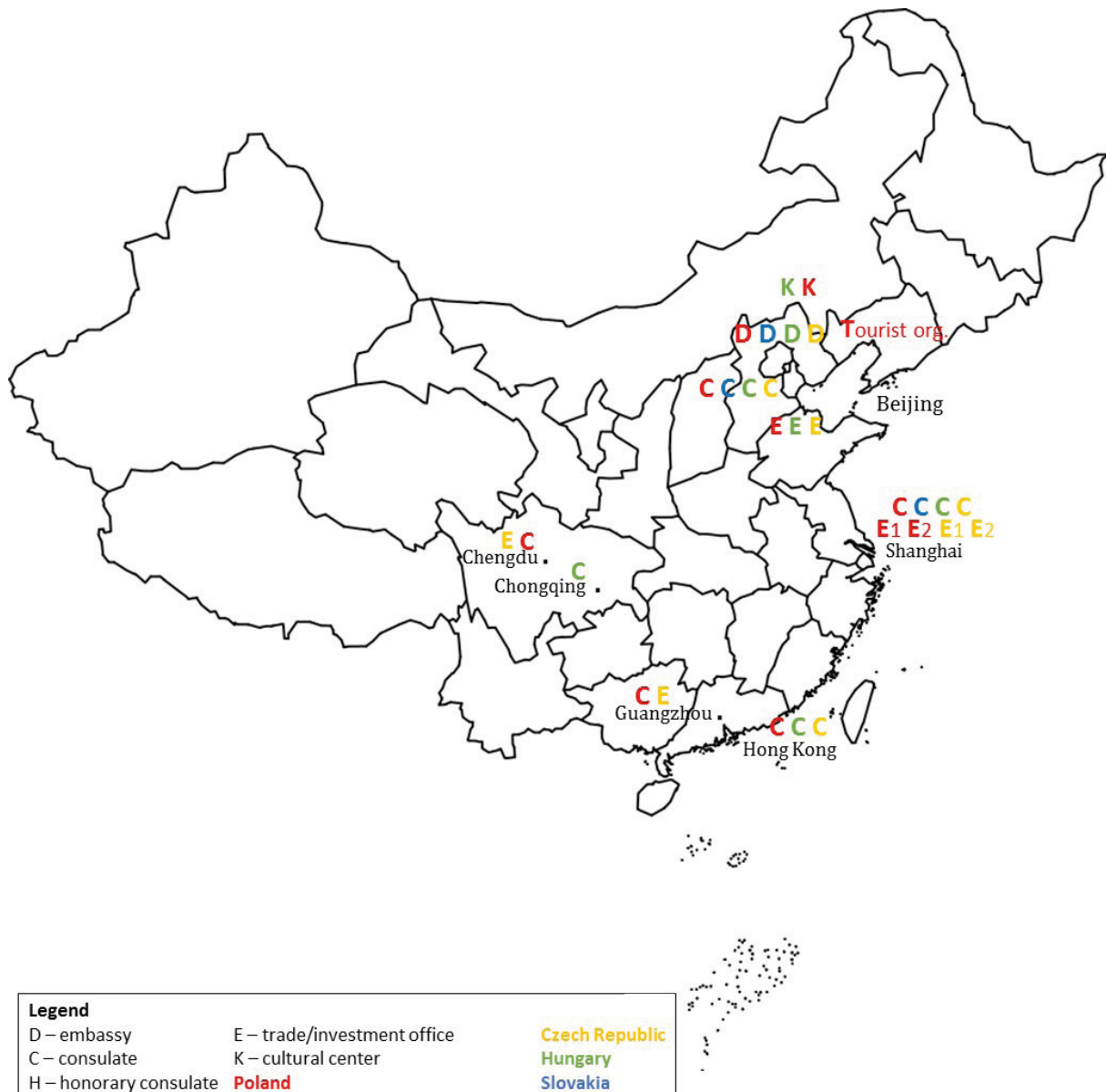
<sup>106</sup> Information about events organised in China under the Project Asia framework is available at <http://asia.culture.pl/en/china-events>.

Slovakia's head of staff at the Ministry of Education, Science, Research and Sport held talks with the Chinese state secretary of the Ministry of Education in November 2015 and signed a programme of cooperation between the two ministries for 2016–2019. Based on this agreement, annual bilateral exchanges of university students, teachers, researchers and doctoral students will take place. This would boost so far the quite limited cooperation in this field, now represented only by Slovak language studies by 23 Chinese students at the Faculty of European Languages in Beijing.

Another MoU was signed between the Slovak ministry of Education and Huawei Technologies. It covers a sponsorship programme called Huawei Future Telekom Seeds, through which visits by Slovak students to Huawei research centres in China should take place every year starting in 2016.

In 2014, more than 14,000 Chinese tourists visited Slovakia, a figure comparable to those coming from Spain, Switzerland or Israel, for instance. In comparison to the previous year, it was a slight decrease (almost 16,000 in 2013), although, according to partial statistics, in 2015 the trend has reversed again and so far more than 11,400 tourists have visited Slovakia in the first half of the year (compared to 5,308 in the same period of 2014).

Map 3. V4 Representation in China





## 5. The Visegrad Countries' Relations with South Africa: Gateway to Africa

Although Africa is not perceived as a priority by any of the V4 member states, their relations with the Republic of South Africa (SA) have developed quickly in recent years. SA is viewed in Visegrad countries as a bridge and a gateway to sub-Saharan Africa, one of the most rapidly developing regions in the world. The V4 states underline in their relations with the South African partners the absence of a colonial history and present themselves as natural partners in Europe and as countries also experienced in socio-political system transition. The cooperation is the strongest in terms of trade and investment but political dialogue and educational projects have also recently been enhanced. Yet, at the political level, the V4 members are often lumped in with the EU in their treatment from the current South African administration and its opinion of the West's view of the global South, often bringing up accusations of neo-colonialism in the relations. The limited capacities of the diplomacy and the division of foreign policymaking between the presidency, the Department of International Relations and Cooperation, and the African National Congress also create a challenge for the intensification of mutual cooperation.

Meanwhile, in policy on sub-Saharan Africa the **Czech Republic** continues along the path set by Czechoslovakia.<sup>107</sup> The first Czechoslovak mission south of the Sahara opened in 1926 in Cape Town and by World War II was the only efficient mission of a Central European country. The consulate was closed in 1963 when the Czechoslovak government turned its declaratory support for the anti-apartheid African National Congress (ANC) and the partly overlapping South African Communist Party into military training of its members in Czechoslovakia. Upon the repeal of apartheid laws, the consulate in Cape Town reopened in early 1991 and was soon upgraded to an embassy when diplomatic relations with South Africa were officially renewed in October that year.<sup>108</sup> The political dimension in relations was dominant in the early 1990s, symbolised by the meeting of two major human-rights defenders who later became presidents, Nelson Mandela and Václav Havel, in 1992. However, while some Czech goodwill from the anti-apartheid fight remained, it is no longer considered relevant to either Czech or South African diplomacy. Yet, there is an exceptional intensity of mutual relations for a Central European post-communist country because former Czech President Václav Klaus was the first head of state of the region to visit South Africa, traveling there in 2006. However, because he was also accompanied by businesspeople, the economic agenda was already at the forefront and continues to determine the current Czech-South African relations today.

The **Hungarian** government's Southern Opening policy, declared in 2015, largely affects Hungary's relations with sub-Saharan Africa and within the region one of its most important partners is South Africa. Both countries have had diplomatic relations for more than 25 years. Unlike several other African countries, the strength of this relationship has not faded after the regime changed in 1990 and Hungarian embassies in Africa closed their doors one after the other.<sup>109</sup> This constant presence in the Republic of South Africa has borne fruit: Hungarian–South

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<sup>107</sup> Ondřej Horký-Hlucháň is grateful to Michal Jeřábek or the Department for States of sub-Saharan Africa of the Czech MFA (8 October 2015), Ivo Jančárek, junior deputy minister for non-European countries and economic and development cooperation, also with the Czech MFA (14 October 2015), Ivana Klímová, formerly with the Economic and Commercial Section of the Czech Embassy in Pretoria (13 November 2015), Blanka Fajkusová, former ambassador of the Czech Republic to South Africa (22 January 2016), and Vladimír Jeništa, head of the CzechTrade Office in Johannesburg (e-mail communication). Some information on Czech-South African relations is based on Ondřej Horký-Hlucháň's chapters in the book series *Česká zahraniční politika: Analýza ÚMV* and *Czech Foreign Policy: Analysis*, published annually by the institute of International Relations in Prague since 2008.

<sup>108</sup> Velvyslanectví České republiky v Pretorii: *Vedoucí zastupitelských úřadů v Pretorii*, [www.mzv.cz/pretoria/cz/o\\_velvyslanectvi/z\\_historie/vedouci\\_zastupitelskych\\_uradu\\_v\\_pretorii.html](http://www.mzv.cz/pretoria/cz/o_velvyslanectvi/z_historie/vedouci_zastupitelskych_uradu_v_pretorii.html).

<sup>109</sup> From the more than 10 embassies operating in the region in the 1970s and 1980s, only two kept their doors opened throughout the 1990s and early 2000s: Kenya and South Africa. However, Hungary has already reopened its

African bilateral ties have been growing stronger, not only in economic terms but also regarding people-to-people contacts and cultural aspects.

**Poland** and SA established diplomatic relations on 18 December 1991 (earlier that year South African and Polish Offices of Interests were opened in Warsaw and Pretoria and a Polish Commercial Office in Johannesburg). Currently, South Africa is one of the most important partners for Poland in Africa, especially in terms of economic issues (currently, it is Poland's main trading partner in Africa). Growing interest in African markets, including SA, is mainly the result of Poland's policy towards non-European states of development of trade and investment links (so-called "economisation of foreign policy"). However, despite development of bilateral political, trade and educational contacts in recent years, SA is still not a priority for Poland's foreign policy or for Polish business.

Diplomatic relations between **Slovakia** and South Africa were established on 1 January 1993 when Slovakia established its embassy in Pretoria. In June that year, the General Consulate of South Africa in Bratislava was promoted to embassy, which resulted in a further acceleration of mutual ties. However, South Africa decided to close its embassy in Slovakia in March 1998 for financial reasons. There has been only an honorary consulate in the country since 2005. For Slovakia, South Africa is one of its most important political and economic partners in Africa, although its importance to Slovak foreign policy is still very limited. Therefore, there are only minor mentions of the country in Slovak strategic foreign policy documents and state only that Bratislava will pay adequate attention to the development of bilateral relations with, predominantly, four African countries including South Africa (the others are Nigeria, Kenya and Ethiopia). Bearing this in mind, Slovakia sees South Africa mainly through the lens of trade and as an "economic gateway to Africa."

### 5.1. Political and Security Cooperation

The **Czech Republic** benefits from steady political relations with SA facilitated by the stable capacities of their respective embassies in Pretoria and Prague. In the last decade, mutual relations intensified, with former Czech President Václav Klaus the first head of state from the region to visit South Africa in 2006. His visit, accompanied by businesspeople, was already dominated by an economic agenda, which has continued in Czech-South African relations until today. In 2008, then-Deputy President of South Africa Phumzile Mlambo-Ngcuka reciprocated the official visit of President Klaus. Another highlight was the troika headed by Czech Foreign Minister Karel Schwarzenberg during the Czech presidency of the EU in the first half of 2009. Since then, there have been regular bilateral consultations of deputy foreign ministers, most recently with Marius Fransman, who visited Prague in May 2013, and Martin Tlapa, who went to Pretoria in November 2014.

Despite the failure to organise ministerial visits to date, the general intensity of contacts can be considered successful given the pragmatic turn and focus on "national interests" in South Africa's foreign policy under Jacob Zuma's presidency as well as the country's ambitions stemming from being part of the BRICS group, at least in comparison to Nelson Mandela's and Thabo Mbeki's more "idealistic" terms. Parliamentary relations are less intense from the South African side but have met with much interest from the Czech side. Currently, the parliamentary group of the Chamber of Deputies for South Africa has 18 members (out of 200 deputies).<sup>110</sup>

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embassy in Nigeria and plans to open others in Ethiopia, Ghana and Angola. These efforts show the renewed interest in sub-Saharan Africa.

<sup>110</sup> "Meziparlamentní skupiny přátel," PSP ČR, [www.psp.cz/sqw/organy2.sqw?s=1](http://www.psp.cz/sqw/organy2.sqw?s=1).

As with the other V4 countries, there is no strong specific content for the mutual Czech Republic-SA political dialogue. There are ongoing consultations on human rights, for example, which is an asset in spite of the divergence in views between the two countries, but the issue of reform of the UN Security Council has not been raised recently by South Africa. So far, there has not been substantial use of the existing memorandum concerning military cooperation, which is a challenge for the respective defence ministries. Even though Czech exports to SA are worth €0.4 billion, Czech arms exports did not exceed €30,000 and amounted to just four licences for small arms.<sup>111</sup> However, Czech exporters have started to mobilise and in 2014 five Czech arms producers participated in the Africa Aerospace and Defence (AAD) fair in Gauteng and in 2015 South African army representatives participated in the biannual International Fair of Defence and Security Technology (IDET) in Brno. On the other hand, military cooperation within the Gripen User's Group, with members Czech Republic and South Africa along with Hungary, Sweden and Thailand, will expand to include Brazil, which concluded a deal with Saab, and possibly to Slovakia, too. This makes the Gripen User's Group a unique forum where three V4 countries and two BICS countries (including SA) may participate equally.

Prior to 1989, there were only a few high-ranking political contacts between **Hungary** and South Africa. However, a huge number of Hungarians arrived in the aftermath of the 1956 revolution crushed by the USSR and now form a diaspora. Some 13,000 Hungarian expatriates have been living there and forging stronger ties between the countries. The diaspora was even visited by Cardinal József Mindszenty in 1973. While respecting the UN resolutions condemning apartheid, Hungary kept a low profile (focused on trade) in its relationship via intermediaries with South Africa during the 1970s. After veteran Communist Party leader Janos Kadar was forced into retirement, his successors attributed greater importance to South Africa and reciprocal visits intensified. In 1990, Gyula Horn, Hungarian foreign minister at the time, invited his counterpart, Pik Botha, who visited Hungary in January that year. In July the next year, the wife of the South African president visited Budapest and the castle at Keszthely. In April 1999, former President Mandela paid a state visit to Hungary at the invitation of President Árpád Göncz. This was Mandela's last trip to a European capital before retiring from office.

Cultural and people-to-people ties were and are robust due to the large Hungarian diaspora and the abolition of visas, which led to a further intensification of contacts. Currently, South Africa is Hungary's most important trading partner in Africa, and in 2011, the position of Economic and Commercial Counsellor was created at the Hungarian embassy in Pretoria. Several South African-Hungarian businesspeople are active in the Hungarian market, and with their active involvement, the South Africa-Hungary Joint Economic Commission was established on 13 May 2013.

In general, **Poland**-SA political relations can be assessed as good and still developing. However, they serve mostly as support for the economic interests of both sides, which are in the limelight of the bilateral relations. Poland and SA have signed several intergovernmental agreements such as ones on avoiding double taxation (1993), on industrial, technological and trade cooperation in the defence industry (1999), on scientific and technical cooperation (1999) and on economic cooperation (2013). Also, the "Protocol on Consultations between the Department of Foreign Affairs of the SA and the Ministry of Foreign Affairs of Poland" was signed in Pretoria in 1995.

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<sup>111</sup> „Výroční zpráva o kontrole vývozu vojenského materiálu, ručních zbraní pro civilní použití a zboží a technologií dvojího užití v České republice za rok 2014,” Ministry of Industry and Trade, <http://zbrane.nesehnuti.cz/wp-content/uploads/V%C3%BDro%C4%8Dn%C3%AD-zpr%C3%A1va-o-kontrole-v%C3%BDvozu-vojensk%C3%A9ho-materi%C3%A1lu-ru%C4%8Dn%C3%ADch-zbran%C3%AD-pro-civiln%C3%AD-pou%C5%BEit%C3%AD-a-zbo%C5%BE%C3%AD-a-technologi%C3%AD-dvoj%C3%ADho-u%C5%BEit%C3%AD-v-%C4%8Cesk%C3%A9-republice-za-rok-2014.zip>.

Since the establishment of diplomatic relations, several SA officials have paid visits to Poland, including Deputy Minister of Foreign Affairs Aziz Pahad (1996), Minister of Trade and Industry Alec Erwin (1997), Deputy President Jacob Zuma (2004) and Deputy Minister of Trade and Industry Rob Davies (2008). From the Polish side, SA was visited by Ministers of Science and Higher Education Andrzej Wiszniewski (1999) and Prof. Michał Seweryński (2007), MFA Undersecretary of State Witold Waszczykowski (2007) on bilateral political consultations and Undersecretary of State in the Ministry of Economy Marcin Korolec (2009). There were also some visits on the parliamentary and provincial levels.

The highest level visit was paid by Polish Prime Minister Donald Tusk in October 2013. He was accompanied by a group of Polish companies as well as several ministers responsible for such areas as agriculture, transport, environment and science. Then, in March 2014, SA Deputy President Kgalema Motlanthe visited Poland in the company of 50 entrepreneurs and a group of ministers dealing with such areas as transport, rural development and agricultural reform, science and technology, and trade and industry.

Regular political consultations on the level of undersecretaries of state take place every year. The main topics of discussion include economic issues, cooperation in multilateral forums (especially the United Nations), security in Africa (mainly peacekeeping operations) and Europe (including the situation in Ukraine). However, despite the consultations and recent high-level visits, cooperation in the political field is rather scarce and thus does not play a major role in bilateral relations. The stronger emphasis is put on economic issues, including trade and investment cooperation, which is in line with Poland's strategy towards emerging markets.

**Slovakia**-South Africa relations were suspended in the 1960s because of the official United Nations embargo against the apartheid government in South Africa. They started to develop again only in October 1991 when the former Czechoslovakia and South Africa restored official diplomatic relations.

The most important political visit to Slovakia from the South African side was one made by Vice President Phumzile Mlambo-Ngcuka in May 2008. Reciprocal visits by the ministers of foreign affairs of Slovakia and South Africa took place in 2007 with the main focus cooperation in the field of security-sector reform. The visit Foreign Minister Lajčák to South Africa is planned for the first half of 2016. The fifth meeting of the Joint Council for Economic Cooperation with the participation of the Slovak minister of economy was planned for early 2016. A business mission sponsored by the Slovak Investment and Trade Development Agency, postponed in 2014, should also take place in 2016.

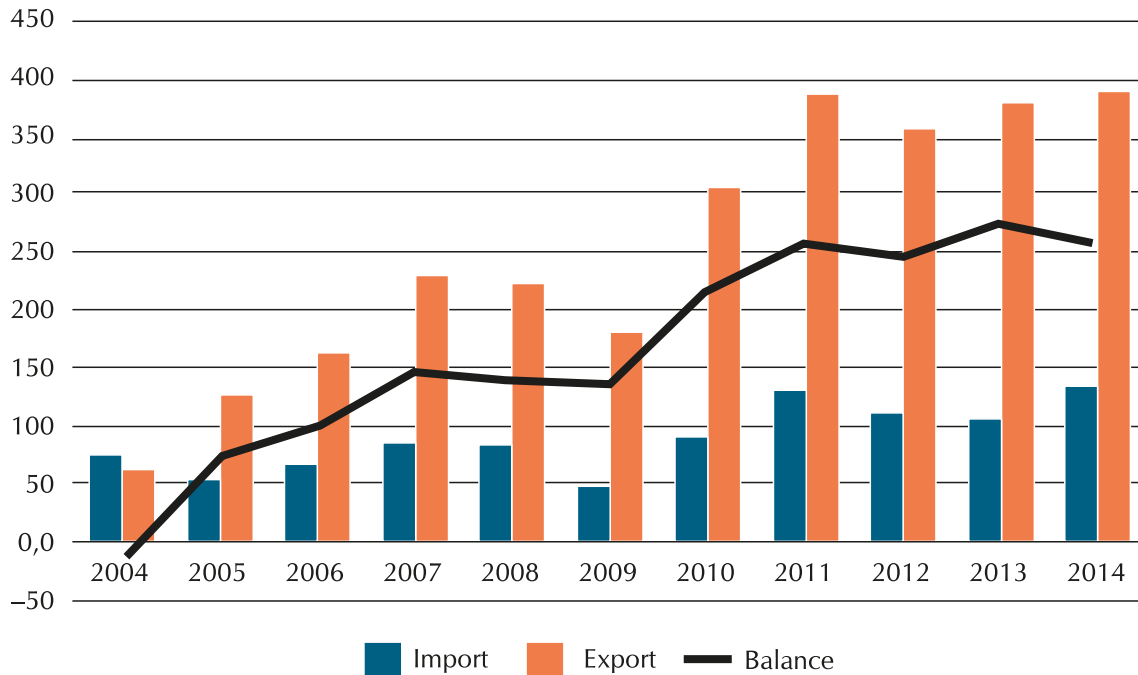
## 5.2. Economic Cooperation

As members of the EU, all V4 countries' trade relations with SA are regulated by a Trade, Development and Cooperation Agreement (TDCA) that makes access to local market easier. Economic relations could get a new push with the ratification of the Economic Partnership Agreement between the EU and SA. Given this, as well as the stable business environment and fewer cultural discrepancies compared to other African states, many companies from Visegrad countries consider SA to be a springboard for further access to parts of the continent.

Economic cooperation makes up the core of **Czech**-South African relations. On the one hand, sub-Saharan Africa as a whole represents only 0.5% of Czech exports globally. On the other hand, 60% of this goes to South Africa, which is no longer the biggest market in the region (Nigeria) but it is the most similar to that of Europe. Total exports worth about €400 million in 2014 can be considered minor but they represent a quarter of exports to China and more than

doubled in 2009–2014.<sup>112</sup> Moreover, there is a huge surplus in the trade relation with South Africa and the balance does not have a post-colonial structure, with even imports to Czech having high added-value. In this respect, South Africa is considered by knowledgeable Czech companies to be a market with relatively easy communication across the cultural diversity of South African businesses.

**Figure 13. Trade in goods between Czech Republic and South Africa, 2004–2014 (€ mln)**



Source: Eurostat (note, Eurostat data may differ from national statistics due to different methodologies for calculating imports).

It is crucial to note, however, that a significant part of this trade takes place within a few corporations, and notably the Volkswagen Group, with machinery and vehicles representing as much as 75% of the Czech exports. The fact that independent government or joint V4 action can hardly influence the decisions of large transnational companies only emphasises the role of soft-power and brand-building by the Czech Republic and other V4 countries for enabling trade and investment. Therefore, areas such as culture and tourism play a strong role in representing the V4 countries as stable and prosperous markets. For larger companies, there is also an important role played by subcontracts brought to Czech companies by their European or American parents. For example, Czech firm Hutní montáže received a major subcontract to build a boiler in a coal power plant in the Mpumalanga province through a European partner. Big corporations are also natural players in the FDI field, where major asymmetry is present between South Africa and the Czech Republic. South African FDI leads in the Czech markets for beer (SAB Miller owned Pilsner Urquell until recently), internet retail (Naspers owns Mall.cz as well as the price comparison site Heureka.cz), and paper packaging (Mondi Štětí). In other markets, Bidvest is an important player for B2B food distribution as well as in the retail of frozen food (Nowaco). Steinhoff owns furniture retailer Kika, and Pepco has also entered the Czech market. Even though there have been Czech attempts to invest in South Africa, they were much smaller in scale and requirements by the SA government BEE (Black Economic Empowerment) programme means that Czech SMEs prefer to

<sup>112</sup> It is necessary to take into account that some trade to South Africa is re-exported to Namibia, Zimbabwe and other countries of the Southern African Customs Union (SACU).

find a local partner to receive their exports. For them, South Africa is a very competitive market where they have to take risks and find a niche. Until recently, a list of prospective sectors and subsectors was available on the government-run portal BusinessInfo.cz to assist new entrants. As far as government support for Czech companies is concerned, there is a division of labour between CzechTrade in Johannesburg, which can assist, for example, with market research, and the Czech embassy in Pretoria, which is better suited to help facilitate contacts with the SA government when necessary, among other assistance, although both have just one person in each institution. The embassy is also active in South African provinces with joint V4 presentations (see Case Study 1, below).

Given that the South African market is not considered to be a difficult one, many companies have decided to enter it without any contact with Czech authorities. An important Czech exporter, Linet, a producer of hospital beds, presents itself in SA and more generally worldwide as a Dutch company because that is where its headquarters were formally relocated. This speaks to the relative insignificance of the “Made in Czech Republic” brand. It has been emphasised that the capital Prague remains a more popular brand than the country itself.

### Case Study 1: An SME Success Story

Micos is a medium-sized company founded in 1990 and based in eastern Moravia. It produces optical distribution box routers and exports them to 30 countries. In 2014, it analysed the South African market and made a call to the CzechTrade office in Johannesburg. The internet boom in South Africa is an opportunity for the company as South Africa has long distances between settlements and given its development trajectory has practically skipped the phase of metal-based wire connections, passing quickly to optical ones. The main problem the Czech company encountered was competition from Chinese companies that are able to offer their clients financial services, too. Among other things, the CzechTrade office helped Micos with invitations to a fair in Johannesburg and now the Czech company has an official distributor in South Africa. Turnover for its first year in South Africa has reached €40,000.\*

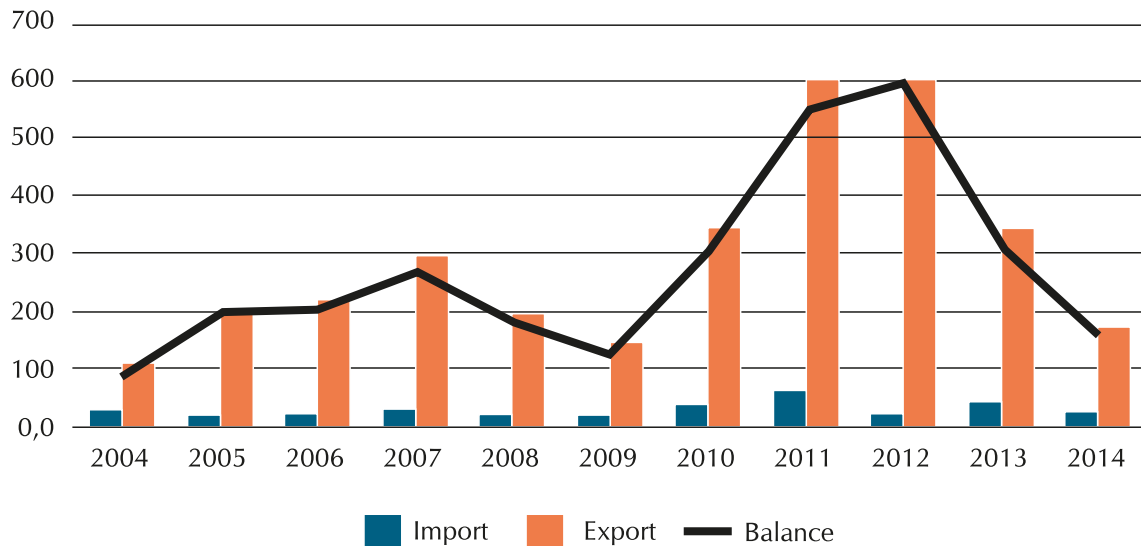
\*“Pomáháme připojit Jižní Afriku k internet,” BusinessInfo.cz, 30 June 2015, [www.businessinfo.cz/cs/clanky/pomahame-pripojit-jizni-afriku-k-internetu-66294.html](http://www.businessinfo.cz/cs/clanky/pomahame-pripojit-jizni-afriku-k-internetu-66294.html).

On the African continent, the South Africa is **Hungary’s** most important economic and trade partner. Taking into account non-EU partners, South Africa is the fourth most important importer of Hungarian products, namely industrial machinery and equipment, medical equipment and pharmaceuticals, cars, and car parts, toys and others. Roughly one-third of all Hungarian exports to the African continent go to South Africa. The trade balance is currently in Hungary’s favour.

As Hungary’s most important trading partner in sub-Saharan Africa, South Africa is attributed a large role in its Southern Opening policy. Since 2011, Hungary has an Economic and Commercial Counsellor at its embassy in Pretoria. In 2014, Hungary opened a National Trading House in Pretoria to facilitate the complete process of export activity for Hungarian firms willing to join the South African markets. It also aims to link supply with demand and support Hungarian firms already established in the area.

South Africa counts on furthering cooperation in several fields, namely transfers of Hungarian developmental and production know-how (e.g., ICT, energy efficiency and production technologies, agricultural technology) and in getting business relations to a new level by intensifying them. Another prospective area is Hungarian water management and irrigation system experience, since South Africa faces a water shortage. South African partners have also

demonstrated vivid interest in elements of so-called intelligent or smart cities (with cost-effective buildings that use eco-friendly heating and water networks). Complex infrastructure solutions are also areas of possible further cooperation.



**Figure 14. Trade in goods between Hungary and South Africa, 2004–2014 (€ mln)**

Source: Eurostat.

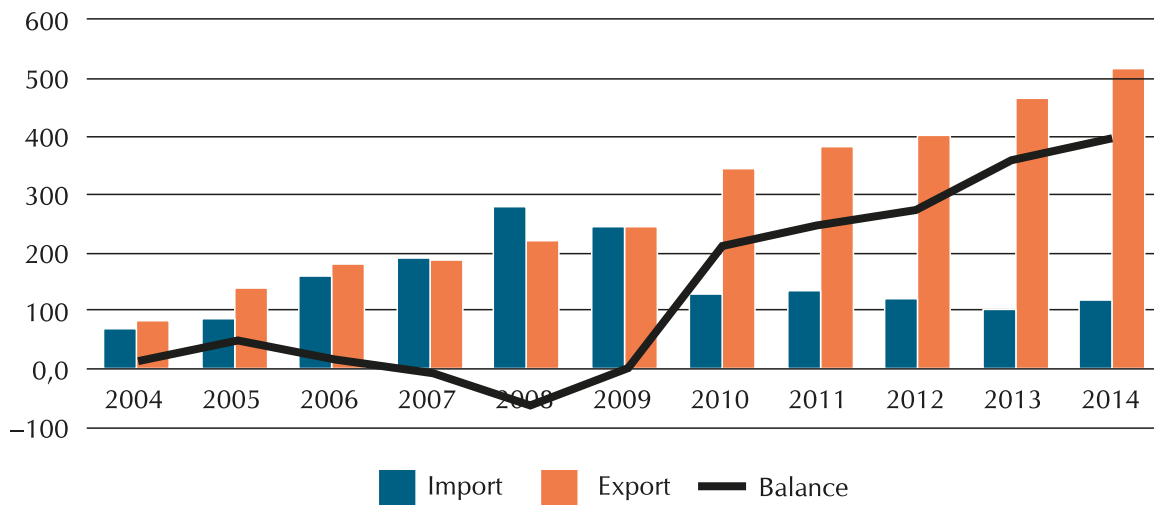
South Africa is the only African country to have invested more than \$200 million in Hungary. There are several multinational companies of South African origin that have chosen Hungary as a destination for investment, including SABMiller (one of the world’s biggest beer manufacturers) and paper giant Mondi Group. A new but very powerful entrant to the Hungarian market is Pepco discount clothing and household appliances store network. Pepco plans to have a hundred stores across Hungary in the near future.

For **Poland**, SA is perceived as an important trade and (and to a lesser extent) investment partner in Africa. Given SA’s economic potential, it has been named as one of the six most prospective African markets for Polish companies within the framework of the government’s “GoAfrica” programme aimed at supporting Polish entrepreneurs on this continent.

According to Eurostat data, in 2004–2014 bilateral trade turnover rose from €152 million to €629.6 million, which means a fourfold increase. In that time, Polish exports grew faster than imports. In 2004, Polish exports amounted to €83.3 million and by 2014 had risen to €511.8 million (or, by more than 600%) while at the same time imports grew from €68.7million to €117.8 million (or, by around 70%)<sup>113</sup> (see Fig. 15). Thus, Poland has a big trade surplus, amounting to €394 million in 2014. Given these data, SA is the biggest African trade partner for Poland, accounting for about 20% of Polish trade on the continent.<sup>114</sup> However, in terms of Poland’s global trade, SA’s position is much weaker, coming in at 26<sup>th</sup> in exports and 29<sup>th</sup> in imports.

<sup>113</sup> Imports from SA recorded a significant slice after the global financial crisis broke out. In its peak in 2008 it amounted to €277.3 million.

<sup>114</sup> In the case of Polish exports, SA accounts for 20%, and in imports, 27% according to the Polish Ministry of Economy.

**Figure 15. Trade in goods between Poland and SA, 2004–2014 (€ mln)**

Source: Eurostat.

Poland exports mainly processed goods to SA, such as machines, mechanical appliances, chemicals, vehicles and related parts or metal products. There is also growing exports of agricultural goods, such as wheat, preserves and sweets. In imports from SA, the first category is mechanical appliances, but the majority consists mainly of primary goods, such as mineral products, metals, leather products or agricultural goods (especially citrus fruit, grapes and wine). Therefore, both economies seem to be complementary to a great extent and engaged in the global value chains (GVCs) of international companies, such as the automotive industry. The most prospective sectors for future cooperation include mining, food processing, energy, oil and gas (research, extraction and processing), infrastructure, building materials, transport, vehicles and parts (for cars and planes through participation in GVCs), machinery, shipbuilding (also training for SA trade fleet members), metallurgy, cosmetics, pharmaceuticals, ICT and logistics. Another interesting area may be clean-coal technologies, given both countries' dependency on coal in their energy mixes.

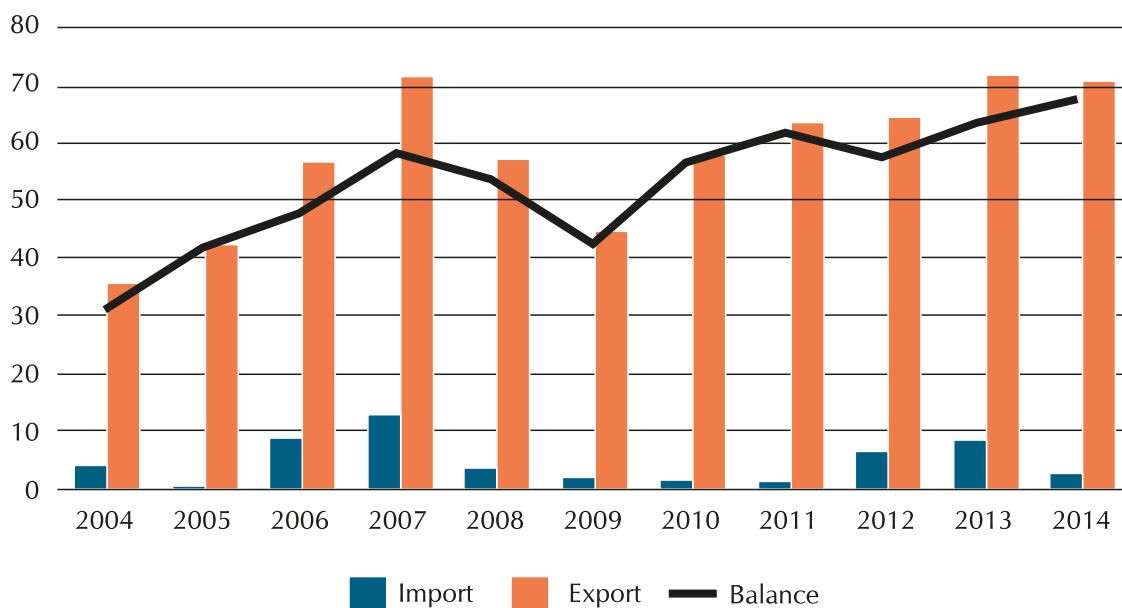
In terms of FDI, there is a huge disparity between the activity of Polish and South African capital. According to Polish National Bank data, South African FDI in Poland amounted to €140.6 million at the end of 2013 (making SA the leader among African states). SA firms invested in such areas as healthcare (Life Healthcare company), internet portals (Naspers), brewers (SAB Miller), the paper industry (Fra-Mondi), wood industry (Zakłady Celulozy i Papieru w Świeciu Celuloza S.A.) and retail sale of furnishings (Pepkor). South African investors are also present in such areas as the metal and machine industry, gastronomy and hotels. At the same time, Polish FDI in SA was worth just \$4.3 million, including the mining company Kopex and cosmetics producer Inglot. It is worth mentioning that since 2013 the Polish Information and Foreign Investment Agency (PAIiZ) and Trade and Investment South Africa officially cooperate on attracting investors.

Poland's government is active in supporting companies and promoting the Polish economy in SA, especially through the "GoAfrica" initiative. As examples, one can identify the participation of Polish business representatives in several important trade fairs in SA, such as Power Generation World Africa, SAITEX (Tools, Hardware and Building Supplies), Elektra Mining, and Africa Rail, all held in Johannesburg in 2014, a trade mission with Polish food producers in March 2013, and a business forum organised during Prime Minister Donald Tusk's visit in October 2013. In coming years, Polish food products will be one of the main goods promoted in the SA market. Moreover, Polish firms are supported by the Trade and Investment Promotion Division of the Polish Embassy (the division is based in Johannesburg).



Although South Africa is not a traditional trade destination for **Slovakia**, it is its most important trading and investment partner in Africa and also a gateway for trade cooperation with other countries in the region. Mutual economic cooperation and trade exchange has a positive trendline in the last decade but is still much below the capacity of both economies. The total volume of trade between the Slovak Republic and South Africa increased sevenfold in the period 2003–2007, with a Slovak surplus since 2002. The establishment of the Joint Council for Economic Cooperation between Slovakia and South Africa in 2005, which has the aim of regular reviews of economic and trade cooperation opportunities at the intergovernmental level and the participation of the private sector, helped to increase further trade exchange. Mutual trade recorded its highest point in 2013 when it was one-fourth higher compared to the previous year. In 2014, trade was slightly lower, especially on the South African export side, reaching an overall total of almost €94 million.<sup>115</sup>

**Figure 16. Trade in goods between Slovakia and SA, 2004–2014 (€ mln)**



Source: Eurostat (note, Eurostat data may differ from national statistics due to different methodologies for calculating imports).

As Slovakia exports to South Africa mainly automotive products (nearly half of all exports), the most important firm exporting to South Africa in recent years has been Volkswagen Slovakia. Other key exporters include Emerson, Hella Lighting Slovakia, and Bekaert Slovakia. There is quite a wide range of importers, with the biggest supermarket chains Tesco, Kaufland and Terno among them. Besides cars and the categories attached to the exporters mentioned above, other major exported goods in 2014 included telecommunications equipment, electrical machinery and equipment, equipment for energy production, fertilisers, rubber products and others. Imports in 2014 were dominated mainly by fruit (and related products such as juices) and nuts, cars and parts, raw iron, stationery and paper goods, ore, wine, chemical products and electrical machinery.

The largest South African investors in Slovakia are SAB Miller, which owns a majority of the Topvar brewery (Saris and Topvar) and Mondi BP, which is the major owner of the paper and cellulose plant in Ruzomberok. Investments by South African food and gastronomy company Bidvest are among the newest in Slovakia. It joined the Central European market in 2009 after the acquisition of the Slovak Nowaco Group. Also, Naspers bought a majority stake in Netretail

<sup>115</sup> "Výsledky zahraničného obchodu," *op. cit.*

Holding, which operates online stores not only in Slovakia but also in Poland and the Czech Republic. Moreover, the retail chain Pepco opened its first stores in Slovakia in 2015.

### **Joint Business Presentations in South Africa**

Joint presentations in various South African regions are organised with economic attachés from V4 countries. Occasionally, another country from Central Europe, such as Austria or Croatia, is invited to participate. The seminars differ when it comes to the details with regard to a particular region or place but usually they entail:

A hosting organisation opens the event (local chamber of commerce or agency);

- Economic attaché from the V4 country holding the presidency presents the group's history, geography, economic situation, etc.;
- Other V4 economic attachés present their countries and economic and investment opportunities;
- Open discussion follows;
- The initial part is followed by B2B meetings and every economic attaché provides participants with contacts and recommendations on companies in their respective country (participating representatives initiate meetings prior to the main event).

The presentations can yield concrete results. For Slovakia, they directly led to the signing of contracts between Slovak and South African companies. Moreover, the economic attaché maintains a database/business network that may be used in case of any interest from parties in either country.

The V4 presentations hold quite a positive reflection among provincial agencies and chambers of commerce, especially if all of the member states take part. It is one of the most effective tools of economic diplomacy in South Africa, although some argue that they are more about competition between members than cooperation. According to others, though, this competition is "positive" and complementary, bearing in mind that joint presentations are only an initial way of attracting companies. Real success depends on the ability and rapidity of the steps taken by individual diplomats after the joint seminars.

It is worth mentioning that the V4 countries' representatives responsible for economic affairs cooperate on promotional projects, including those at the regional or municipal levels, and attract the attention of local business circles. The V4 countries also organise seminars with South African regional economic institutions, trade chambers and business associations, such as the Mpumalanga Economic Growth Agency or Gauteng Growth and Development Agency. These activities have been positively assessed by Polish and Czech officials, among others, as a valuable contribution to the development of economic links between SA and Central Europe.

Joint venture Earl Brics, which produces eco-friendly bricks, operates in the SA market and a Slovak-Hungarian investment focused on generating energy from used tyres is projected. Furthermore, a solar field consulting and technology company, Solar GeoModel, closely cooperates with the University of Stellenbosch and state-owned energy company Eskom.

### **5.3. Other Aspects of Relations**

The geographical distance, lack of direct flights and relative narrowness of the South African middle class due to extreme income and wealth inequalities globally make the intensity of people-to-people contacts relatively low. However, there are several areas where contacts between particular V4 states and SA are consistently developing. It is worth mentioning that SA

is host to the only Visegrad House in the world (see sidebar), which aims to better promote the V4 and its common activities and cultural and business events.

It is worth mentioning V4-SA cooperation in education and science. For example, there are several activities conducted by Polish and South African partners, such as the Polish National Centre for Research and Development (NCBiR) work with the National Research Foundation (NRF) of SA on financing scientific projects in various fields, including healthcare, agriculture, biotechnology, green technologies and ICT. Moreover, the Polish Academy of Sciences collaborates with NRF on medicine, physical chemistry and economics. On the academic level, Adam Mickiewicz University in Poznań cooperates with the University of South Africa in Pretoria and Warsaw Business School has signed an agreement with Wits Business School in Johannesburg. Poland is also the third largest shareholder (at around 10%) in the SALT (South African Large Telescope) project. The Czech Republic does not provide scholarships to South African students anymore, due to the capacities on the South African side, but the academic relations were quite fruitful, as South Africa paid for its students to study in English-language programmes in technology at regional universities until recently. More generally, South Africa has recently initiated talks on an agreement on academic cooperation with the Czech Ministry of Education, Youth and Sports. Contacts were also initiated by the universities in Hradec Králové and Masaryk and Mendel Universities in Brno. Hungary's Stipendium Hungaricum scholarship programme is a useful initiative for both countries. Through it, Hungary pays for the education of future SA leaders and South Africa aims in part to reduce its high youth unemployment rate through the programme. Stipendium Hungaricum offers scholarships for a hundred South African students every year to pursue their university studies in Hungary.

The V4 region is not an important destination for South African tourists. Only Czech Republic attracts a considerable number of South Africans, but the 2,000 or so visitors who visited Prague in 2011 is significantly fewer than the numbers of Chinese or even Brazilian tourists. Macedonia and Croatia have both had very successful media campaigns in South Africa to attract tourists. According to South African Ambassador Johann Marx, Hungary should also put more emphasis on getting South Africans acquainted with its unique historical monuments and bathing culture. Currently, the two countries are working on extending the 30-day long visa-free tourist stay to 90 days, which would facilitate mutual visits. South Africa as well as other sub-Saharan countries suffer from media stereotypes about Africa, but the 2010 World Cup played an important role in breaking down those images (especially for such countries as Slovakia whose team participated in the tournament). The climatic conditions make South Africa an attractive destination for Czech sport professionals, making that a prospective field of cooperation, but overall, people-to-people relations remain relatively low in all fields concerned, and even in comparison with the economic exchanges. The attractiveness of Slovakia to South African tourists is very limited and visits amounted to only 570 in 2014 and 387 in 2015.

### **The Visegrad House in Cape Town: An Inspiration**

The Visegrad House in Cape Town was established in March 2010 in the former consulate general of the Czech Republic, the owner of the building. Based on a four-party agreement, the V4 share the cost, making it a relatively low expense for each of the countries, any one of which probably could not afford to maintain or hire such premises. While it is an example that may be used elsewhere, the fact that the Visegrad House was established at an existing villa located in a residential area with other diplomatic missions but far from Cape Town's downtown, offers some limitations for extended use of the rather small offices and representative rooms without a major conference hall. On the other hand, its limits and opportunities are shaped by the decentralised nature of the South African political and economic system where only parliament is located in Cape Town and other major political institutions as well as the business core of the country is in Gauteng province (Johannesburg and Pretoria).

In any case, Visegrad House is the first and the only example of V4 cooperation on consular activities and the promotion and cultural integration of V4 societies in SA. The work of the house is to spread knowledge about the Visegrad Group, its members' cultural heritage and present economic and investment opportunities. It also provides consular services because Cape Town is located 1,600 km away from Pretoria and has a relatively high number of V4 expatriates. The house uses the principle of rotational responsibility, with each V4 member paying for rental of the house and having it at its full disposal for one week a month.

Slovakia seems to use the house the least, perhaps because it has the smallest community in South Africa. It uses the house for an annual reception for Slovaks living in the country and 1-2 economic seminars. According to assessments by Slovak diplomats, the organisation of such seminars at the Cape Town's chamber of commerce or its agency locations attract higher participation from local companies. Therefore, the V4 house has more of a symbolic role in presenting unity and cooperation among the Visegrad members.

Although opinions among Polish officials on the Visegrad House are diverse and for a couple of months it was maintained by only the three other members, roughly around the period corresponding to the elections to the Sejm in 2015, some positive results were also recognised and Poland is still interested in maintaining this project. These concern especially the consular duties undertaken at the house and gatherings of Polish diaspora in SA. The Visegrad House is also used to arrange events that are aimed at attracting the attention of local politicians and businesspeople to build a positive image of the V4, but particularly by Poland. Moreover, unlike Slovakia and the Czech Republic, Poland and Hungary have mobile systems for delivering visas. The Czech Republic has recently outsourced its system to private companies.

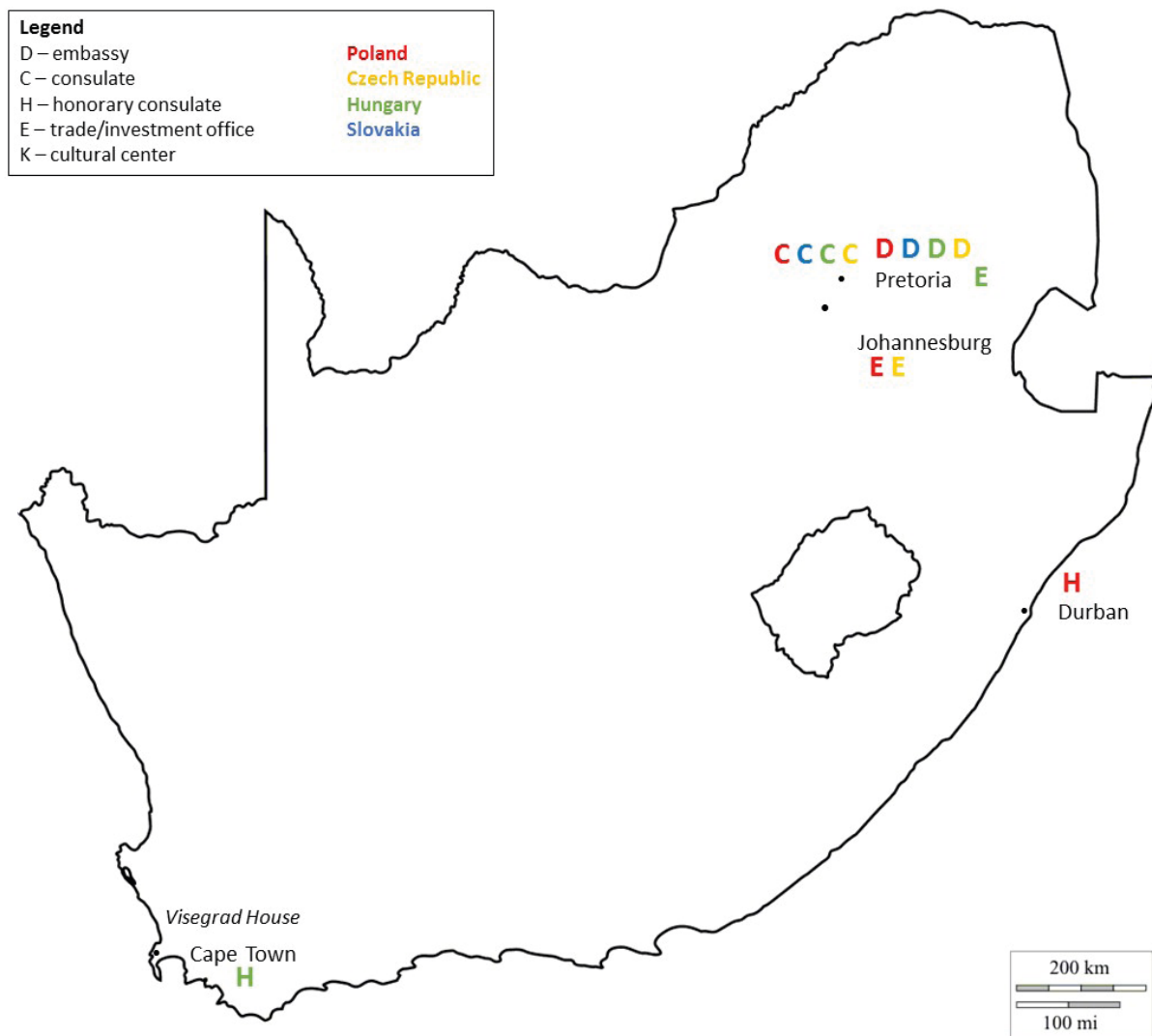
The joint use of the Visegrad House significantly eases the maintenance of relations in Cape Town and the surrounding area, which has a large Hungarian community. It also helps interest-representation of Hungarians, whether locals or visitors, which previously had been secured by an honorary consul in Cape Town with the assistance of the Hungarian embassy in Pretoria. Another reason for the Hungarian presence in Cape Town is developing opportunities in bilateral economic and trade relations, given that the province's capital is the second largest economic centre in the Republic of South Africa, especially for agriculture and textiles.

In their position as "landlords," Czech diplomats have stressed the unique opportunity of using the V4 House at the beginning of each parliamentary season to gather a large crowd of South African MPs, which individually the V4 countries probably would not attract. The event raises awareness of the Visegrad Group beyond the usual networks that influence South Africa's relations with the EU.

Activities in the field of development cooperation are rather limited and concentrated. The Czech embassy in Pretoria has a close partnership with a local school for children with special needs, supported by the small local grants scheme of Czech development cooperation. Also, Polish priests and missionaries often take part in making so-called “small grants” within the context of Poland’s development aid policy. These are small, valued initiatives directed mostly to vulnerable groups of people, such as children and women. Under the “small grants” programme several projects in education (e.g. school for blind children), healthcare or facilitation of access to drinking water have been undertaken. Polish missionaries also are involved in cultural and educational activities, such as conducting Polish language courses. The potential for partnership-based development cooperation that would benefit from the V4’s transition experience seems to be limited because of the limited capacities of the South African government institutions and the legacy of the apartheid regime in the ideological orientation of the current administration.

The V4 diaspora in SA is very small. The Polish minority numbers around 30,000 people. They participate in several Polish emigré organisations that promote Polish heritage and culture. The Czech diaspora, estimated at 3,000 to 5,000 people in the 1980s, is not very active in bilateral relations.

**Map 4. V4 representation in South Africa**



## 6. The V4's Overall Cooperation with BICS

In recent years, the Visegrad countries have made considerable progress in enhancing relations with BICS countries. At the bilateral level, the political dialogue has intensified, trade has experienced fast growth, and new initiatives were launched in cultural or educational cooperation. Yet, the Visegrad Group played a limited role in these engagements and was hardly seen as a forum for cooperation with non-European partners. However, with rebuilt bilateral contacts, new initiatives at the subregional level have been tested. Among them, was the Visegrad House, established in South Africa in 2010. Also, V4 ambassadors in India have occasionally organised cultural events, ranging from concerts to feasts featuring member state cuisine. In South Africa, joint business promotion programmes have taken place. Brazil and India have already had meetings in the V4+ format at the level of directors of territorial departments in the MFA in 2015. In addition, the V4+ format was useful for a meeting of ministers of defence with Brazil in 2013. Also, China considers engaging in a dialogue in this forum, although it applies more attention to the larger 16+1 platform. Most likely South Africa also would be interested in cooperation with the V4 if attention is paid to finding relevant content for potential meetings as well as making sure that the format does not replace bilateral consultations, which is indeed a risk taking into account the relatively limited capacities of the country's diplomacy. Working alongside the V4+Japan or V4+Korea mechanisms, this format can be gradually upgraded to the foreign minister level and then eventually to summits of heads of government or state, which would give more visibility to the Visegrad brand. It can be assumed that meeting with four leaders from Central Europe would be a more attractive option for BICS leaders than bilateral visits. Whether this mechanism gains prominence in the future will depend on assessments of costs and benefits for each of the V4 and BICS countries.

### 6.1. Political and Strategic Cooperation: In Search of the Added-Value of the V4

An overview of Visegrad members' political relations with Brazil, India, China and South Africa gives a rather mixed picture. On one hand, there is growing interest and stronger political will in V4 capitals for developing closer partnerships with non-European powers. This global opening is relatively new and started around the same time as EU accession in 2004 and was triggered again after the financial crisis began in 2008. Another similarity among the V4 is that their policies are highly pragmatic and driven by an economic agenda. Moreover, the V4 have no bilateral problems, no differences, and no issues in their relations with the BICS countries. They also do not have a colonial heritage that negatively impacts relations. On the contrary, they often have a common history of foreign occupation, socialist economies, and transition from developing country to middle income-country and from dictatorship to democracy. With a U-turn in policy towards China among the V4 countries, most recently in the Czech Republic, they all take generally the same approach to these partners. Importantly, and hence unlike their views on Russia, there is little risk that any of the BICS states would become a bone of contention within the Visegrad Group.

At the same time, the Visegrad members face comparable challenges in their relations with these emerging powers because of their weaker economic and political potential. Due to the structural asymmetry amongst all of them, though to a different extent for each, they struggle to attract equal attention and interest from BICS capitals anywhere close to that of the larger EU Member States. Therefore, high-level V4 member visits to BICS countries are hardly reciprocated, the political dialogue is at a low level and the range of issues discussed is limited. When cooperating with much larger partners, the individual Visegrad countries risk having their issues downplayed and bilateral relations would serve mostly the other side. These perils are further underpinned by

limited knowledge and understanding of these non-European powers and restricted capacities to further their national interests overseas. In addition, all of the V4 countries are little known within the BICS states, and the collective V4 brand is even less recognisable.

Although all of the Visegrad countries have recognised the importance of closer cooperation with BICS, they show different levels of commitment to cooperation. Hungary was first to discover the potential of cooperation with these emerging powers, especially China, and has devoted extra political effort and economic resources to reinvigorate their relations. For instance, it offers 200 scholarships to Indian students and special incentives (i.e., residence permits) for investors from BICS countries. It is the only one among the V4 that has specific strategies targeting all of these emerging powers and openly supports BICS on important matters. Poland, as the biggest V4 country, records the biggest trade turnover with the group and seems often to have the most advanced relations with BICS countries. It was the first among the group to form a strategic partnership with China in 2011, and is hoping for a similar arrangement with India. It is the only Visegrad country that is a founding member of the AIIB set up by China. Czech Republic is the leader among the V4 in relations with South Africa and is working towards launching a strategic partnership with China in 2016. Slovakia seems to be the least active in political dialogue but is working to catch up with its regional peers and attracts relatively the largest FDI from BICS.

After years of closer cooperation, however, none of the BICS countries is atop the foreign policy agenda of any V4 country, which are still focused on the EU and NATO. China, the world's second-largest economy and a recognised global power, is clearly the most important non-European partner for all of the Visegrad governments. This is partly a result of China's active policy towards Central and Eastern Europe, as illustrated by the 16+1 mechanism and the "One Belt, One Road" initiative, which already includes the V4. India, which offers a huge market and has a long history of friendly relations, seems to be the second most important partner for all of the Visegrad countries. The country has recently signalled growing interest in the region, with two official India-Central European Business Forums taking place in Delhi and Bangalore in 2014 and 2015, respectively. Relations with Brazil and South Africa are less advanced, partly due to weaker historical links, geographical distance, and less economic potential. Strained contacts with South Africa during the apartheid period helps to explain the relatively less-developed ties with the V4 states. What is also clear from the examples is that the intensity of cooperation is largely dependent on the interest of the BICS partner.

Relations between V4 and BICS are clearly dominated by economic considerations. Political dialogue is seen as a tool to create a conducive climate for trade and investment. Potential in defence and military cooperation is also untapped. All of the V4 countries that used to provide military equipment to India during the Cold War continue to see some opportunities. Slovakia, Czech Republic and Poland are pursuing defence cooperation with Brazil and offer military training and joint exercises to its military. More tangible outcomes of these initiatives have yet to materialise.

Despite the reinvigoration of bilateral cooperation with BICS, there is very little strategic content in the relations, which are predominantly focused on economic interests. The V4 countries rarely undertake meaningful dialogue with these emerging powers on important regional or global issues. The occasional statements, documents or declarations endorsed in the V4 capitals remain very general in scope, rhetorical in character, and rarely have any follow up in practice. Moreover, the Visegrad countries have not used the group itself as a tool for cooperation with BICS. They have never produced a joint statement on relations with any BICS country and do not use their position in the EU or other international forums to raise their views and suggestions on how to design policy towards these new powers. As a result, the BICS countries have not seen the added-value of the Visegrad Group compared to bilateral relations with each of its members. As long as the V4 is not recognised as an interesting partner, a V4+ summit with BICS does not look

likely. More worrisome, the added-value of the V4 in this regard is not clearly visible even to the Visegrad members themselves.

Diplomats from the region have raised a number of concerns regarding the utility of the V4+ format with BICS. The dominant view is that the Visegrad Group serves now to strengthen these countries' position within the European Union and is not intended to further their global expansion, therefore adding new aims of cooperation can threaten the coherence of the group and weaken their role in Europe. A popular opinion is that the Visegrad countries often have simply competing economic and political interests vis-à-vis BICS and room for practical cooperation is rather small. This is especially true in attracting FDI and the export of products. It is argued that difficulties with the implementation of some of its joint global initiatives, such as the Visegrad Houses or economic promotion, stand as vivid examples of the diverging interests of the V4 members.

Some Polish representatives observed that as the biggest country in the region Poland does not need this format to pursue its national interests in its relations with BICS. They argue that it is most beneficial for the smallest countries in the group and those with the least developed relationships. Also, it will naturally be an advantage for outside partners to be able to present their views to four states at once. On the other hand, one can hear complaints from those representing Poland's three partners about its reluctance to coordinate policy on international issues, as illustrated in its initial reservations to form a joint V4 non-paper on the EU's global strategy. Czechs also tend to see the V4's biggest role as helping its members coordinate a position at the EU level and as the most natural avenue for its future activity. Hence, V4 cooperation outside the EU, inspired by Nordic cooperation, for example, would make sense only if the role of the EU declined. Concerns about the utility and practical role of the V4 in cooperation efforts with BICS is shared also in Slovakia and Hungary.

Hence, if the V4 is to be a useful forum for cooperation with BICS it must demonstrate that it has added-value beyond the bilateral relations for both Visegrad members and their BICS partners. For the Visegrad countries, the group's main value lies in its collective potential: by acting together and speaking with one voice they can leverage their individual positions. The V4 as a group can be simply seen as a more attractive partner for these emerging powers and a way to reduce any natural imbalance in that potential. There are some areas where Visegrad members can cooperate by tapping into the benefits of scale. The V4 also can be a useful platform for information-sharing and consultation on policy towards the BICS countries.

From BICS's perspective, traditional bilateral cooperation seems to be the most natural form of engagement. Contact with the V4 is a rather new experience and the benefits of engagement at this sub-regional level are not always clear. The elites in the BICS countries still do not understand well the Visegrad Group and its real influence.

The practical value of the Visegrad Group for the BICS states rests on the V4's ability to develop and present a common position on relations with these emerging powers or important international issues. The members' collective voice would matter a lot in the EU, for instance, because it is still the biggest economic partner for all the BICS countries. That would make the V4 a valuable ally and a possible lobbying force for the BICS countries within the Union on issues important to them (such as climate change, FTAs, etc.). All of the BICS countries have a long list of priority concerns and interests (such as India's desire for membership in the UNSC or accession to nuclear non-proliferation regimes or China's desire for emerging market status) where they seek support. If V4 can evaluate a joint policy on those matters and come up with one position that would be favourable for BICS, their collective view would be highly valued.

Also, there is recognition that the V4 can be a useful partner on specific economic issues, such as cooperation among defence industries or joint investments in infrastructure, where scale



matters. For instance, V4 companies can bid for comprehensive contracts in transformative urban development, including providing solutions for transportation, wastewater management, renewable energies, etc. Joint infrastructure investments seem also more feasible than individual ones due to large scale of the tasks.

Finally, it must be underlined that the attractiveness of the V4 as a collective partner for BICS will depend on its internal cohesion and strength. As observed by one Indian diplomat, “India will look at the V4 as seriously as you look at yourself.” The future of cooperation at the V4+ level is linked, thus, to the dynamic within the group and how much cooperation or competition it displays. To build up its international position vis-à-vis these emerging powers, the V4 needs to improve both its political links as well as material connections such as roads, railways, energy networks and power grids. More mutual trust and confidence is equally essential for them to work closer. A distinctive and vibrant self-awareness in the V4 and a firm V4 brand would help improve its perception among the BICS countries. Relations with global powers, contrary to some concerns in the region, can be, in fact, an argument for stronger cooperation and interconnectedness.

## 6.2. From Economic Competition to Coordination and Cooperation

The Visegrad Four economies have been in the process of catching up as defined mainly by European powers, and foreign economic relations have played a key role in their restructuring. In the past decade, most of these countries became increasingly interested in boosting trade relations with and attracting investments from emerging economies and in supporting companies' entrance to developing markets. The economic and financial crisis of 2008 was an additional impetus as V4 governments started to seek out new opportunities in their recovery from the recession and actively wanted to decrease their economic dependency on the EU. However, despite these economic diversification plans, most V4 governments lack a unified strategy towards emerging countries. Nevertheless, they all share two main goals in relations with BICS countries. To increase their exports to new markets and attract more investment. This, in turn, turns them into competitors. To plan a more cooperative approach they would need to see the other Visegrad members as partners and cooperate with them.

### *Trade Relations*

In general, we can state that economic relations with China is highly important to all of the V4 countries. However, a common feature of V4 trade with China is a considerable trade deficit present in every country. Poland is the largest country and also has the highest deficit, while Slovakia is the smallest and has the lowest. Trade with India is also marked by a large deficit on the V4 side. South Africa, on the contrary, is the only BICS country with which all of the Visegrad countries record a clear trade surplus. The V4 members minus Poland enjoy a trade surplus in relations with Brazil. In general, the trade deficit in cooperation with China and India is the biggest challenge to be addressed by the Visegrad countries.

V4 trade is still largely concentrated on the EU markets, from 73% in Poland's case to 80% for Slovakia and Hungary in 2014. Yet, during the first decade of EU membership the Visegrad countries managed to diversify their trade outside the EU and lessen their dependency on the traditional market: the EU share of Poland's trade decreased from 78% to 73%, Slovakia's dropped from 83% to 80%, and the Czech Republic's was declined from 84% to 80%. Hungary is the only V4 country that trades now more with the EU (78%) than 10 years earlier (76%). European markets are naturally a more important direction for exports of Visegrad products (from 78% in Poland's case to 84% for Slovakia) than imports (from 69% for Poland to 77% for the Czech Republic). Still, cooperation with BICS has proved helpful in diversification of V4 trade (see Table 3 below).

The share of BICS in V4 total trade doubled in the last decade in most cases (except for Hungary), although it still remains at a low level and ranges from 3.3% for Slovakia to 4.9% for Czech Republic. More worryingly, the four emerging powers receive only a small part of V4 exports, from 1.8% in Poland's case to 2.4% each for Slovakia and Hungary. This suggests there is still much room for improvement.

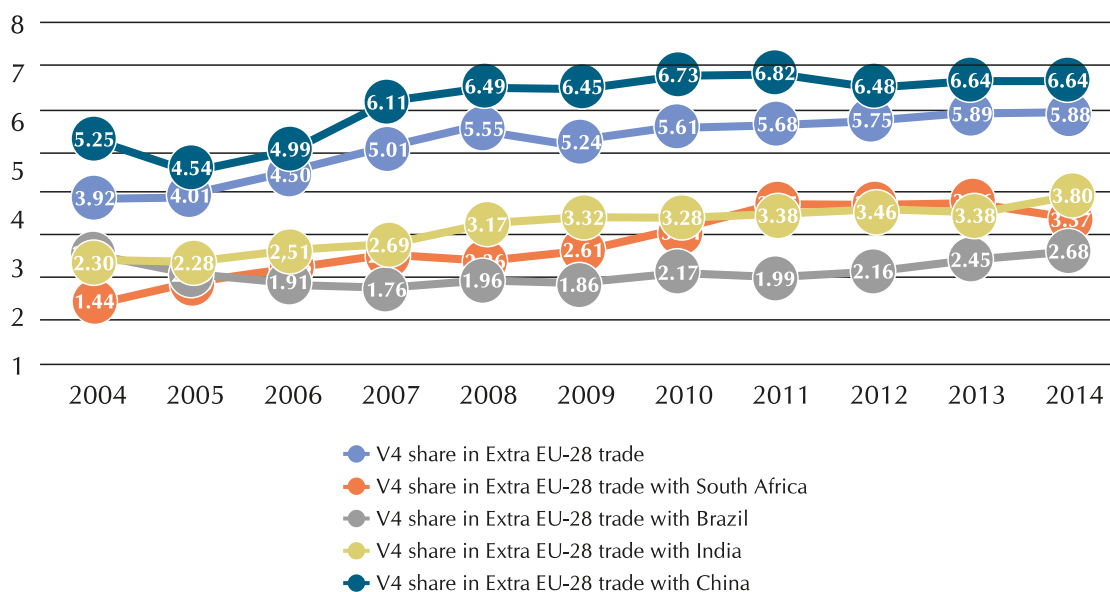
**Table 3. Selected trade partners of the V4 in 2014 and 2004**

Flow	Trade partner (share in %)	POL		CZE		HUN		SLO	
		Year		Year		Year		Year	
		2004	2014	2004	2014	2004	2014	2004	2014
Export	EU	80.6	77.1	87.7	82.2	84.4	80.0	87.2	84.4
	BICS	1.2	1.8	0.9	2.0	1.2	2.4	0.6	2.4
	Rest of the World	18.2	21.1	11.4	15.7	14.4	17.6	12.2	13.2
Import	EU	75.4	69.1	80.4	77.4	68.7	75.1	79.0	76.0
	BICS	4.1	7.4	3.9	6.6	8.2	6.7	2.0	4.3
	Rest of the World	20.6	23.6	15.8	16.0	23.1	18.2	19.1	19.7
Total	EU	77.8	73.0	84.0	80.0	76.2	77.6	82.9	80.3
	BICS	2.7	4.6	2.4	4.2	4.9	4.4	1.3	3.3
	Rest of the World	19.5	22.3	13.6	15.8	18.9	17.9	15.7	16.4

Source: Authors' compilation based on Eurostat data.

As the BICS countries emerge as increasingly important trade partners for the V4, its members contribute more to EU external trade. Indeed, the V4 share of overall EU trade with the outside world increased from 3.92% in 2004 to 5.88% in 2014, mostly as a result of stronger imports. The V4's share of extra-EU28 imports increased from 4.78% to 6.62% and exports from 3% to 5.15% between 2004 and 2014 (see Fig. 17, 18 and 19).

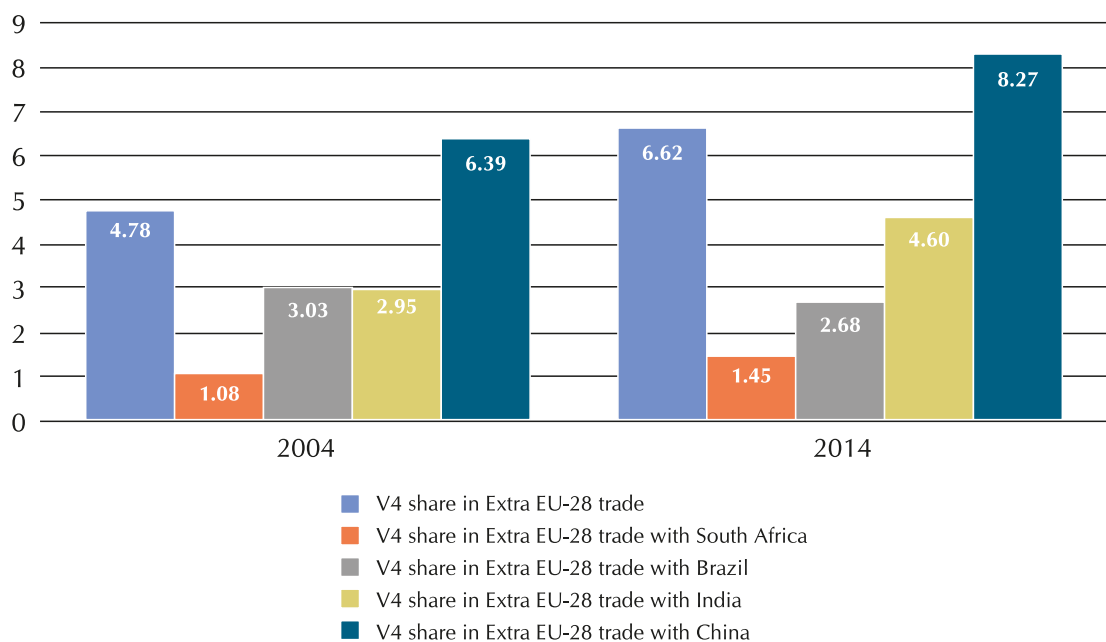
**Figure 17. V4 share of extra EU-28 trade, 2004–2014 (%)**



Source: Authors' compilation based on Eurostat data.

Yet, V4 trade with three of the BICS countries (not counting China) is far lower than the average share of EU trade, despite positive trends. V4 countries contributed only 3.8% to EU trade with India (up from 2.30% in 2004), 3.37% with South Africa (up from 1.44% in 2004), and—the least—with Brazil at 2.68% (almost the same as 10 years earlier, or 2.56%). Only the V4's trade with China was above average, coming in at 6.64% in 2014, up from 5.25% in 2004. This country though takes prominence in trade for the V4 countries, though most is attributed to imports, which explains the huge trade deficits of the Central European countries. While the V4 share of EU imports from China jumped from an already high 6.39% in 2004 to 8.27% in 2014, the share of exports also grew, from 2.19% to 3.65%. The V4 countries recorded the most change in exports to South Africa (from 1.79% to 4.9%) and India (from 1.68% to 2.96%), with less impressive progress made in exports to Brazil (from 1.84% to 2.68%).

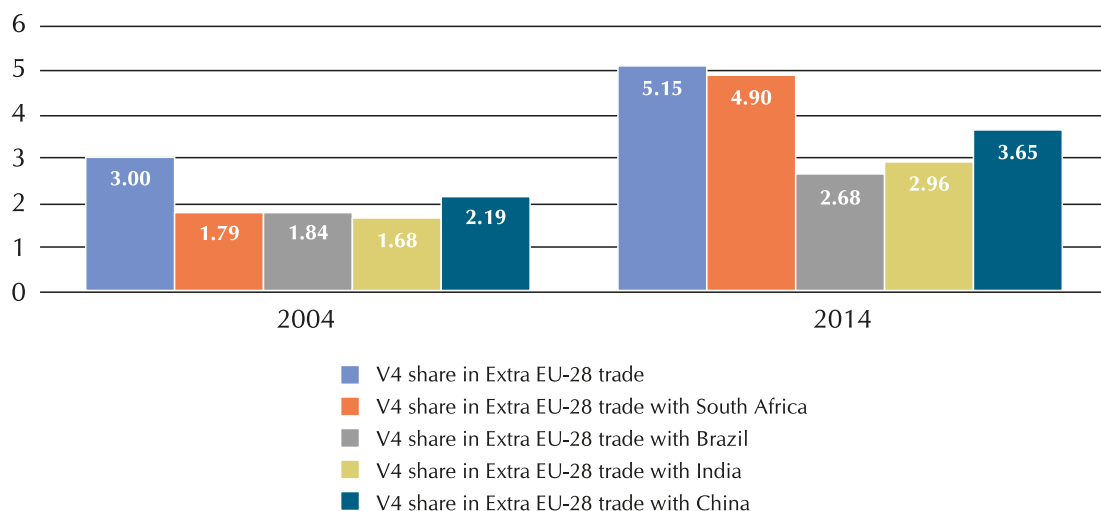
**Figure 18. V4 share of extra-EU28 imports globally and from BICS countries in 2004 and 2014 (%)**



Source: Author's compilations based on Eurostat data.

This clearly shows that EU trade with the outside world is still dominated by the biggest European Member States and that the potential of the Visegrad countries in relation to the BICS states remains untapped. They should strive to further increase their share of EU trade with emerging markets and compete with other European companies rather than against each other.

Analysis of the V4 export structure in relation to the BICS countries brings more interesting conclusions. First, the majority of the top components of all the V4 countries' exports to BICS are produced by multinational companies located in the V4 but not owned by V4 entities, which translates to limited public policy leverage. The levels and structure of V4 exports to BICS are less dependent on state policies and more dependent on the planning of multinational enterprises and international trends in trade. While V4 exports are dominated by large companies, SMEs cannot benefit from the growth of the emerging BICS markets yet. Therefore, SMEs would need special support in order to be successful in those distant markets.

**Figure 19. V4 share of extra EU28 exports globally and to BICS countries in 2004 and 2014 (%)**

Source: Authors' compilation based on Eurostat data.

**Table 4. Top categories of competition in exports from the V4 to BICS countries**

China	India	Brazil	South Africa
Apparatus for electrical circuits	Engines	Telecom equip.	Motor vehicles for persons
Telecom equip.	Electrical machinery	Vehicle parts, accessories	Paper & paperboard, cut to shape or size, articles
Electricity distribution equip.	Vehicle parts, accessories	Synthetic rubber	Automatic data processing machines
Vehicle parts, accessories	Pumps (non-liquids), compressors, fans.	Rotating electric plant, parts	Vehicle parts, accessories
Pumps (non-liquids), compressors, fans	Organo-inorganic, heterocycl. compounds, nucl. acids	Apparatus for electrical circuits	Rubber tyres, tyre treads or flaps & inner tubes
Base metal manufactures		Electricity distribution equip.	

Source: Authors' compilation based on UNCTAD data.

Second, almost all of the categories represented in Table 4, i.e., export categories to BICS where V4 countries compete with each other, are at the same time important components of their individual exports to BICS. There are many exceptions to that, such as to India where only Poland exports a large volume of synthetic rubber, and to China where only Slovakia exports a large number of passenger cars. In general, however, the homogeneity of the V4 exports to the different BICS countries is significant and confirm the notion about potential economic competition between Visegrad companies. On the other hand, this could be drawn upon as a resource. This creates a benefit opportunity such as that stemming from coordinated V4 public diplomacy or from intra-industry cooperation within the V4 group in competing for bids through multinational consortia.

Third, competition within V4 exports to BICS is dominated by manufactured goods, mostly machinery—engines, telecom equipment, vehicles, pumps etc. There are some other types of goods exported in vast volumes to BICS, such as mineral products from Hungary to South Africa, copper from Poland to China (accounting for over 30% of Polish exports to China), or medical products from Slovakia to India, but those are not V4-competitive. Although starting from a very low base, there is growth in the export of agricultural goods. Upon closer look, however, it becomes clear

that competition in V4 exports to BICS is dominated by different types of machinery, which can be used to narrow and establish a profile for possible cooperation.

Fourth, there are many V4-competitive sectors that are exported to several or all of the BICS countries, such as vehicle parts and accessories. This means that common measures employed in one BICS country can be applied at lesser (decreasing marginal) costs elsewhere.

On the import side, the leading products for the V4 countries from Brazil and South Africa are mainly primary products (minerals, metals, agricultural products) and mechanical appliances, while in the case of India they are mainly chemical products, light industry products and electromechanical products, and in the case of China they are highly processed goods such as telecommunications equipment.

### *Investment*

The role of BICS capital in the Visegrad countries compared to total invested capital is still very small but in the last few years has accelerated significantly. There is growing demand from the V4 side in attracting FDI, with China considered a main source of investment. Poland is the leading recipient of FDI in the V4 region and typically it attracts more investment from Brazil, South Africa and India than the other three V4 countries; however, in the case of Chinese investment, Hungary receives the majority of capital of the V4.

The V4 countries often present themselves as a gateway to European markets but they have also good connections to the eastern and southern parts of Europe. When searching for possible factors that make the V4 region a favourable investment destination for emerging countries, cost and quality of labour should be considered first: a skilled labour force is available in sectors such as manufacturing and automotive, in which BICS and mainly Chinese interest is growing, while labour costs are lower in the V4 region than the EU average. The change of institutional setting of the V4 countries due to their economic integration into the EU has been another important driver that has spurred FDI in the region, especially in the manufacturing sector. Market size is yet another important aspect; however, only Poland has a notable advantage here.

**Table 5. Foreign direct investment by BICS in the V4 in 2014 (€ mln)**

Destination country	Origin country	BRAZIL	CHINA	INDIA	SOUTH AFRICA
POLAND	Inward flow (net)	-4.7	69	13.2	11.7
	Inward stock (net)	-22.8	147.5	37.4	148.1
CZECH REPUBLIC	Inward flow (net)	-1.4	2.2	-5.5	-1.4
	Inward stock (net)*	-3.1	-6.3	29.2	2.6
HUNGARY	Inward flow (net)	12.8	89.3	34.4	0.1
	Inward stock (net)	-16.6	147.8	123.08	-10.2
SLOVAKIA	Inward flow (net)	-0.7	-2.0	-1.8	0.7
	Inward stock (net)	1.7	33.8	-2.3	-2.5

\*As of 31 December 2013.

Source: for Poland, National Bank of Poland (NBP); for Hungary, Central Bank of Hungary (MNB); for Slovakia, National Bank of Slovakia; for Czech Republic, Czech National Bank (CNB).

Furthermore, providing state subsidies and incentives for potential BICS investors are tools that have proven useful. Poland offers special economic zones for foreign investors, and since 2010 the website of the Polish Information and Foreign Investment Agency (PAIIZ) is available in Chinese. Hungary also has made several gestures and taken measures, including special incentives

for foreign investors from outside the EU, such as the possibility to receive a residence visa when meeting the requirement for a certain level of investment in Hungary.

Typically, BICS investments in the V4 countries are greenfield investments; however, in the case of China we can observe more mergers and acquisitions in recent years as the economic crisis has accelerated Chinese companies' interest in the region due to new opportunities and increasing receptiveness from the V4 side. Generally, FDI from BICS to the Visegrad countries is mostly characterised by high year-to-year volatility and relatively low volumes (compared to European and American capital), whereas yearly FDI figures are mostly tied to one or two transactions. India and China invest the most in the V4, while South Africa and Brazil are less active. It must be underlined that the V4 also attracts a minimal portion of BICS investments in the EU.

An interesting feature of these FDI figures is that some BICS companies such as Pepco, Tata, Huawei, and Lenovo are present in all or most of the V4 countries, which shows that BICS companies consider the Visegrad region to be a single market of sorts. This suggests also that the Visegrad countries' promotion campaigns can capitalise on this and present the potential of the whole, larger region rather than each individual nation.

Outward FDI from the V4 to BICS also shows strong volatility year to year, which is mostly explained, again, by specific transactions between one or two firms. In most cases, with some exceptions, there is a huge disparity between the activities of V4 and BICS capital, with V4 investments in BICS countries negligible compared to BICS's activity in the V4.

#### *Future V4 Economic Cooperation*

Because both the V4's knowledge of BICS markets and BICS's knowledge of V4 economic opportunities are relatively low, more research is needed to map the economic needs of both groups and focus on them when building up the economic relationship. Due to the lack of information, most companies in the V4 don't even know how to find business partners and trade or investment opportunities. For them, for example, it would be useful to know that when searching for possible BICS partners or markets they should focus more on the subnational level (such as provinces or cities) in these BICS countries rather than look to the national or whole country level.

As major emerging markets, BICS countries offer a number of economic opportunities for the V4 in both traditional and new sectors. Visegrad companies should continue the cooperation in such sectors as defence, mining and energy, automotive, machinery, agriculture and food processing. Moreover, there are some new fields such as green technology or smart cities where BICS countries are explicitly open to cooperation and the V4 countries have a comparative advantage with adequate knowledge and technology to transfer. In addition, certain new large-scale initiatives, such as China's "One Belt One Road" and India's "Make in India" campaign, offer new possibilities. Finally, BICS societies are increasingly rich and should be among the next targets for promotion of tourism and education, both fast-growing sectors.

Although very often the V4 companies compete for market access or contracts, there are areas in which cooperation would be a more profitable approach. Due to the scale of investments required in BICS, a consortium of Visegrad firms could present a more comprehensive offer than individual firms alone. For instance, India could be interested in giving a V4 cluster of companies contracts to develop one of its new 100 smart city projects. Also, a V4 consortium could jointly bid for procurements for the newly established Asian Infrastructure Investment Bank, which will start funding projects in tune with the "One Belt One Road" initiative.

Some steps should be taken in order to manage natural competition and to help SMEs benefit from the V4-BICS relations. One potential tool for that would be a "V4 SME Fund," which could be operated by the International Visegrad Fund, first as a grant programme to help V4 companies

enter BICS markets. After finding V4 partners, these companies could apply for financial support to attend relevant fairs in BICS countries or to conduct market research. Or they could be used to promote the V4 as a brand as well as a potential destination for FDI or as a potential market. Later, it could become a separate fund operated by V4 governments.

As Visegrad representation in all BICS countries and provinces is not comprehensive, the V4 countries could establish joint representative offices along the lines of the already mentioned trading houses in provinces or cities where none or only some of the V4 countries are present. By analogy, V4 companies should have joint representation or shared desk at various exhibitions and industrial fairs in BICS countries. In parallel, chambers of commerce in each Visegrad country could also form a joint V4 chamber to represent common interests and offer opportunities for cooperation. As Poland is a founding member of the newly established Asia Infrastructure Investment Bank, consortiums of V4 companies headed by Poland could have an additional opportunity to participate in new infrastructural projects and building institutional connections with emerging regions. More discussions, frequent contact and stronger networking (possibly with help from the IVF) are necessary as a first step.

It is also important to remember that economic cooperation and success in BICS countries is strictly linked to political support. Thus, good diplomatic contacts and political support are crucial for V4 companies to succeed. As political gestures strongly influence BICS countries' economic decision-making, they could certainly have an effect on economic relations between V4 and BICS

### 6.3. Untapped Potential of People-to-People Contacts

One of the greatest impediments to closer cooperation is the information deficit and knowledge gap. Limited cooperation over the last 25 years, concentration on immediate neighbourhoods and low interest among media mean the V4 countries are little known in BICS. The same is true the other way around. Hence, stronger people-to-people contacts can play a crucial role in the reinvigoration of ties and providing solid ground for better political and economic cooperation.

#### *Academic Cooperation: Beyond Scholarships*

Education and academic cooperation are important elements of international relations. BICS countries are major sources of students seeking to study at foreign universities. Although many of them now have enough resources to pursue higher education abroad on a paying basis, scholarships still play a facilitating role in the promotion of the educational offers of new destinations. Thus far, the V4 countries except Hungary have offered very modest financial support to attract BICS students. Therefore, new scholarships available at both the national and regional levels would help promote the V4 countries as education destinations.

More than this, the V4 countries should step up efforts to promote their universities to paying students. Therefore, academic cooperation between the BICS and V4 countries now has the opportunity to move to a higher level, one based on the comparative advantage of the V4 countries: the existence of quality study programmes in English, especially in the field of technical sciences, at an affordable price compared to the United States or other European countries. There are already examples of best practices that can be spread to other V4 and BICS countries. About 2,000 students went to Hungary, Brazil's first Central European partner, in 2013 and 2014 to study within the framework of the programme "Science Without Borders" (SWB, or *Ciencia Sem Fronteiras*). It is estimated that in Hungary around 400 Brazilians now live in the country, which offers further potential to spread goodwill about Hungary after students return to their country of origin. A similar

programme is now starting in Poland. However, these types of programmes are not limited to studies in English. The Jan Perner Transport Faculty of the University of Pardubice, Czech Republic, hosts a group of 16 South African students in an undergraduate programme for learning transportation technology and communications and has been funded by the SA government since 2008. This study programme is taught in Czech and therefore South African students must learn the language, which allows them to have closer relations with the country and benefit from their studies on the South African labour market. Even though this type of cooperation is not funded from the V4 in its development cooperation budget, a limited number of scholarships at the V4 level funded by the IVF, for example, could benefit all the V4 countries, since it can be considered an investment in goodwill.

#### **The IVF's Role in Supporting Cooperation with Emerging Markets**

Originally, the main purpose of the International Visegrad Fund (IVF) was to facilitate the development of closer cooperation within the V4 region as well as between the region and other countries, especially in the direct neighbourhood. For example, the V4 Eastern Partnership program (V4EaP) was initiated in 2011 to enhance cooperation between the Visegrad region and countries of the Eastern Partnership. The main goals of such programmes are to facilitate know-how, for example, social and economic transformation and regional cooperation, in the V4. The Visegrad Fund is not confined to Europe alone, as it launched the V4–Japan Joint Research Program for formulating and supporting research projects on a multilateral basis between the V4 region and Japan, and the V4–Taiwan Scholarship Programme to facilitate academic exchanges by providing support for Ph.D. candidates and postdoctoral researchers. Patterned after these programmes, a V4–BICS or a V4–Emerging Economies programme could be created to deepen cooperation between the V4 and emerging powers in many fields and could include academic and journalist exchanges, scholarships, artist residencies, and more.

Another form of academic cooperation based on equal relations with roots in the V4 countries is research funding agencies. To highlight one such example, the Polish National Centre for Research and Development (NCBiR) runs joint scientific projects with the National Research Foundation (NRF) in South Africa. While bilateral agreements between research funding agencies exist in the V4 countries, they mostly focus on OECD countries and underestimate the potential of the BICS countries. Again, the IVF can offer additional funding to trigger V4-wide cooperation and harness the resources of the governments. In the field of social sciences, the V4+ Think Tanks format with the participation of embassies is another opportunity for improving political and social relations. The scholarship evaluations also show that graduates of V4 universities are not systematically contacted and used as regional ambassadors, but this type of V4 cooperation would be very much dependent on the willingness of V4 embassies in the BICS countries to cooperate.

#### *Tourism and Diasporas*

As trade and investment also depend on the image of the country that importers and investors bear in mind, tourism is possibly the easiest way to build up a country's image. Moreover, with the growing middle class in the BICS countries and the saturation of primary tourist destinations in Western and Southern Europe, the V4 can jointly use this potential, possibly in combination with other tools, even though the Visegrad countries naturally compete for tourists as the majority is concentrated in the Czech Republic only. Indeed, V4 itineraries can be introduced by tour operators and this option is already supported by the *V4 Road Show* in Brazil, which combines advertising and tourism promotion agencies, airlines and travel agencies. The fact that *Road Show* is a private initiative hints at its financial sustainability.



However, people-to-people contacts generally, and tourism in particular, cannot work without simplified and harmonised visa procedures. For example, the Czech Republic and Slovakia still cannot use the e-Tourist Visa scheme of the Indian government. Moreover, Hungary is today the only country in the region that has introduced a special incentive for foreign investors from outside the EU, namely the possibility to receive a residence visa upon a certain level of investment in Hungary. By offering a joint Chinese and Hungarian language primary school in Budapest, Hungary has created further opportunities for circular migration, which is considered to be the most beneficial to both the V4 and BICS countries.

### **“European Quartet, One Melody”**

In 2003, the V4 countries joined forces to attract a higher number of overseas tourists to the region. This has taken place through the countries’ respective national tourism agencies (i.e., CzechTourism, Hungarian Tourism Plc, Polish Tourist Organisation, Slovak Tourist Board) and focuses primarily on promotional activities in the U.S., China, Taiwan, India, Japan and, most recently, in Brazil, South Africa and Canada. The promotional name chosen for this joint marketing initiative is “European Quartet, One Melody.”

The main coordinator of the initiative is the tourism agency of the respective state holding the V4 presidency. The work plan (i.e., marketing plan) of “European Quartet, One Melody” is jointly elaborated at the beginning of every year and sets out the cooperation and promotional agendas. The main marketing activities of the “European Quartet, One Melody” initiative commonly include the production of promotional materials and maps in multiple languages, V4 tourism statistical brochures, e-seminars and short promotional videos about the V4 countries. The tourism agencies also effectively cooperate in participating in tourism fairs, taking part in international consortia of travel agents (e.g., “Signature”), organising workshops and “roadshows,” and also in inviting stakeholders from the tourism industry on study tours of Central Europe.

In 2014, the V4 countries jointly organised four roadshows, nine destination presentations and workshops, and two fairs. In target countries, the “European Quartet, One Melody” initiative promotes both traditional and emerging travel themes, such as Central European cities, culture and history, UNESCO sites, spa and medical tourism, gastronomy, adventure holidays and MICE (meetings, incentives, conferences and exhibitions). Altogether, the Central European countries contributed to the joint campaign nearly €368,000 in 2014.\* In 2013, the amount was €468,000.\*\*

The initiative helps V4 countries form a coherent image of Central Europe for attracting tourists, pools resources for promotional activities and shares the costs of marketing. Also, overseas tourists rarely spend their entire trip in one European country and often tour various European destinations. Jointly promoting the V4 states gives overseas tourists further incentives to tour more than one Central European country.

\* “Annual Report 2014,” CzechTourism, [www.czechtourism.cz/getmedia/6b56b175-0698-4500-840d-830e5829c519/CzechTourism\\_FINAL-VZ-2014-EN.pdf.aspx](http://www.czechtourism.cz/getmedia/6b56b175-0698-4500-840d-830e5829c519/CzechTourism_FINAL-VZ-2014-EN.pdf.aspx).

\*\* “Annual Report 2013,” CzechTourism, [www.czechtourism.cz/getmedia/96f00a55-d7ee-4a72-a73b-32478979c86f/25\\_07\\_14\\_vyrocn\\_i\\_zprava\\_2013.pdf.aspx?ext=.pdf](http://www.czechtourism.cz/getmedia/96f00a55-d7ee-4a72-a73b-32478979c86f/25_07_14_vyrocn_i_zprava_2013.pdf.aspx?ext=.pdf).

While the extent of the involvement of the V4 diasporas in the BICS countries varies in size and activity—more than a million people of Polish descent in Brazil to about 30,000 in South Africa—one country, Hungary, has reported successful cooperation with its rather small diaspora in Brazil. This proves the large untapped potential of such contacts and calls for being better harnessed to strengthen bilateral links and promotion of V4 culture. Also, the positive

impact of BICS diasporas in the V4 (such as the 20,000 Chinese in Hungary or 4,000 Indians in Poland) must be better used for promotion of cooperation. Again, the V4 embassies play a key role in supporting these networks which extend beyond cultural and historical proximity to other networks important for successful promotion of a country or region in the BICS countries.

### *Development Cooperation, Transition Experience and the Media Image*

BICS, as middle income countries, is not a priority recipient of official development assistance from the V4 countries. While the Czech Republic's programme of small local projects, which provides funds directly from its embassies and mostly aims at rather symbolic projects, the V4 countries might look to it and upgrade it to promote their transition experience in fields where demand by BICS countries is identified in order to differentiate the group's members from other donors. The annual support by the Czech Republic of the Tri-Continental Human Rights Festival in South Africa since 2013 goes in that direction. Small projects run by Polish faith-based development organisations in South Africa also contribute to goodwill. However, the biggest window of opportunity in the field of development is trilateral development cooperation, which would combine one or several V4 countries, a BICS country and a less-developed country.

BICS countries also suffer from stereotypical representations in V4 media, which also affects the willingness of Visegrad businesses to export to BICS countries. And *vice versa*, BICS media play a key role in making V4 countries attractive for investment and other projects, for example, South African journalists have been hosted by Polish think tanks and the Polish press agency. Some cooperation with national press agencies in organising tours for BICS journalists could also be envisaged.

### *Cultural Promotion, Film Industry and Sports*

Both "high" culture and popular culture are key ingredients in building the brand of an attractive destination. While the Czech Republic and Slovakia do not have any cultural centres in BICS countries, Hungary has had an Information and Cultural Centre in New Delhi since 1978 and a Hungarian Cultural Centre was opened in Beijing in 2014; Poland opened the Polish Institute in Delhi in June 2012, and another institute of culture as an extension of its diplomatic mission in Beijing in 2013. This is not enough to promote the Visegrad brand in such big and diverse countries. For comparison, one can point at larger EU Member States that have several cultural centres in each BICS country and in several major cities. The costs of running such a centre are very high, and hence, the logic of scale is an opportunity for effective and collaborative institutionalisation of the V4's cultural promotion abroad. Hungary already launched an *ad hoc* cultural season in China, but the Visegrad Houses could play the best role for these in the future in cases when an individual V4 country would not have the financial means to run such a structure. Meanwhile, the V4 embassies in BICS countries can strengthen cooperation by organising V4 film festivals, cuisine feasts, concerts, art shows, etc.

The film industry is another potential field for V4 cooperation. Due to the geographical closeness and variety of its natural and cultural landscapes, the agencies subsidising foreign filmmakers can offer joint sets for shooting locations. The influence of Korean and Chinese TV series and films on tourism has been documented in the Czech Republic. By shooting the movie "Kick," a Bollywood production, Poland also became more visible in India. Finally, sports offer another opportunity for cooperation. China aims to host the 2022 Winter Olympic Games and has asked the Czech Republic for guidance in improving its performance in winter sports where the V4 countries are more successful.

## 7. Conclusions and Recommendations

The Visegrad countries consider emerging powers to be important non-European partners and are searching for a stronger relationship. Yet, despite the progress they've made over the last decade in relations with BICS, there is still untapped potential. The bilateral political dialogue is at a low level and irregular and the institutional and legal framework for cooperation remains underdeveloped. Diplomatic representation is generally limited to the capitals, which in the case of large countries like those of BICS limits outreach and impact on the ground. The V4 still plays a minimal role in shaping EU policy towards these four strategic partners.

Despite positive trends in trade, the V4's exchange with BICS is mostly below the average share of extra EU28 trade, with the exception of China. Many V4 countries suffer a considerable trade deficit and attract only a small fraction of FDI from the BICS states compared to other EU members. Also people-to-people links are modest. Tourism and education exchanges, although growing fast, are still limited. Direct flights were scarce for most of last 25 years and a new network of connections is developing but slowly. All these factors make rhetorical declarations about the V4 being a gateway to the EU sound hollow.

The future shape of cooperation between the V4 and BICS countries will depend on national policy and bilateral initiatives as well as the potential of any one country. Still, it can be assumed that closer cooperation between the Visegrad countries in relations with BICS states can help free up this potential. The Visegrad Group has come through different phases in its two-plus decades and with an emerging global orientation in its members' national foreign policies, outreach to BICS may be the natural next step of collaboration. As the new government in Poland seeks reinvigoration of Visegrad Group as one of its priorities, a more intensive phase in its history may be around the corner. Closer cooperation in policy towards the new global partners could be opening a new dimension.

At the same time, it is important not to overestimate the V4's role in relations with BICS and to not be overly ambitious. The Visegrad Group is not a magic solution for stronger ties with major emerging powers. Competing economic interests may even feed mutual animosity and rivalries for political recognition can pose a threat to the coherence of the group. Not all of the Visegrad countries believe that this format can be equally useful for all partners and some may prefer a bilateral approach. There is a risk that this platform would serve mostly the non-V4 partners rather than any of its members. In *extremis*, the illusion of having one partner to deal with could lure them in and justify their abandonment of bilateral contacts. Thus far, the existing V4+ mechanism in relations with other non-EU partners has yielded few tangible benefits and the first attempts at a regional dialogue with India or Brazil has shown few results.

Therefore, the V4+ format must not be seen as a substitute for bilateral relations between V4 countries and their BICS partners. It is important to remember that the V4 was set up originally for a different purpose and its main area of operation remains the EU and region. It is possible that the V4 countries will not always hold a similar position on cooperation with the BICS states and that a win-win situation is not possible all the time. In fact, this mechanism must be used pragmatically as another foreign policy instrument that supplements traditional avenues of cooperation. It can be strengthened in areas where the regional approach is the most appropriate, such as promotion, tourism, and cultural interactions.

There are at least three ways in which cooperation at the level of the Visegrad Group may be useful. First, the individual experiences of the Visegrad members' cooperation with its BICS partners already offer interesting case studies for others and best practices can be shared among them. Second, much can be done to improve coordination of the Visegrad Group in relations with demanding partners. Third, one can point to numerous practical tools and instruments that can

serve all of the V4 states in their relationship with BICS, minimising strategic imbalance in their potential. It is important to use the V4+ mechanism in a way that it proves the added-value of the V4 for both its members and BICS partners.

### 7.1. Best Practices in Relations with BICS

Over the course of the last decade, the V4 countries have developed their own mechanisms and means to enhance bilateral relations with BICS, fit for individual circumstances and needs. This could serve as point of reference or inspiration to learn from these experiences and see whether they could be useful for other V4 partners. Some ideas that deserve attention include:

- Hungary’s global strategies (“Eastern Opening,” “Global Opening,” “Southern Opening”) have sent a clear signal about the country’s willingness to enhance cooperation with non-European partners and has encouraged companies to explore their potential in new markets. Other V4 countries can see whether it is helpful in their case to present clear-cut documents on global strategy.
- Hungary’s scheme of offering a residence visa for foreign investors has brought its first positive results, especially among Chinese investors, and this programme can be considered by other V4 countries as a means to encourage more foreign capital inflow while taking into account possible security risks.
- The Hungarian National Trading Houses established in emerging markets is another idea worth exploring. All of the V4 countries face similar hurdles in supporting SMEs’ expansion to distant markets and mechanisms tailored to the needs of entrepreneurs can be relevant.
- Most of the V4 countries invested recently in developing expertise on the BICS countries. For instance, in Poland a new Centre for Contemporary Indian studies at Warsaw University offering MA courses on India in English was opened in 2012 and several China-focused institutes have been established at several universities. This process must be continued and expanded to develop understanding also about Brazil or South Africa.
- Poland shows the potential for cooperation at the local level, especially with Chinese partners. Examples include the city relationship of Łódź and Chengdu and the cooperation between Łódź Voivodship and Sichuan Province, which are success stories of the so-called “bottom-up” approach. This proves that well-prepared local businesses (Łódź is a strong centre for Asian studies and also offers training for local businesses and authorities) with a clear business plan and determination—in this case, a railway cargo connection—may inspire local governments to set up such tools as liaison offices, spurring central authorities, for example, to open a consulate to enhance cooperation with distant partners that focuses not on capitals but on smaller cities that may be more on the periphery but which are more attractive for the V4 as latecomers.
- Poland’s special promotion programmes dedicated to selected countries or regions such as “GoChina,” and “GoAfrica,” (and the newly created “GoIndia,” “GoIran,” “GoArctic” initiatives) along with special websites where one can find in one place various information have played a positive role in raising awareness and interest in distant markets. These programmes are a way for businesses to overcome their lack of knowledge, one of the main barriers for V4 companies operating outside the EU.
- The Chinese diaspora in Hungary and the Indian population in Poland have proved helpful in reinvigorating official relations and economic cooperation at the inter-state level. This could encourage other countries to better use the potential of BICS nationals

and reinvigorate cooperation with the V4 diaspora to bring more understanding of and initiatives with the new powers.

- The Czech Republic has managed to promote both its ancient and modern cultural heritage beyond tourism and involve it in Chinese contemporary TV and movie production, as attested to by the huge success of the romance film, “Somewhere only we know,” shot with the financial support of the Czech government. Joint film production can be a helpful promotional tool for Visegrad.

## 7.2. Towards a New Cooperative Approach in the V4

All of the Visegrad countries focus in their relations with BICS on reaching economic goals, though better political recognition of the V4 countries by the emerging powers would enhance their international position as well. The quality and intensity of cooperation with BICS will continue to be shaped mostly at the bilateral level, but closer cooperation within the V4 can bring new dynamic to these relationships. There are three general ways for V4 countries to cooperate in this regard.

First, the **V4 can serve as a platform for information-sharing and consultation** on policy towards BICS. This global dimension of foreign policy may be added to the presidency programme of the respective Visegrad country and discussed at various levels. It is apparent that V4 knowledge about the BICS partners and access to information is more limited than for most biggest European countries and this exercise would help to name, explore and design new areas and initiatives for cooperation. Better consultation would also help mitigate and manage the natural competition among the V4 members in terms of economic cooperation. More than this, it can help V4 companies come up with joint offers for BICS countries, enhancing their competitive strength vis-à-vis the Visegrad’s European and American counterparts. V4 companies can be encouraged to form clusters and consortia to present joint offers for BICS, especially in large-scale projects in military and defence cooperation, smart cities and urban development, infrastructure and railways. In addition, closer coordination of their position would safeguard them from being played against one other by larger global powers. It would be important, thus, not to allow divide-and-rule politics to be applied in the V4’s relations with BICS.

Second, **Visegrad members can strive to coordinate their position towards BICS and launch the formal V4+ mechanism with interested partners.** The starting point is that BICS countries will not be interested in this format unless they see the added-value of the V4 in comparison with bilateral cooperation. Thus, V4 governments may checklist important issues for BICS and show where the V4 can offer collective support and in what form. It would be especially important to present this common position at international forums, especially the EU. Such a position would make the V4 partners’ voices better heard and give them more influence than any might individually. On a regular basis, issues concerning the new global powers could be included in joint declarations and statements after regular meetings and interactions with BICS representatives.

The V4+ format should be strengthened and offered to all BICS partners. India and Brazil may be the most likely partners to take this cooperation forward, but South Africa can also be interested in developing new links with Europe. China, which is already active at a higher regional level (16+1) may like to cooperate with the V4 on selected issues. Starting with meetings of directors of territorial departments, this should be followed by bilateral summits and meetings on the sidelines of other international conferences. The agenda should be designed to match the particular needs and specificities of the dialogue with a single partner and V4 interests. For instance, climate change and environmental protection are areas where all V4 and BICS countries

face similar challenges and interest in developing new solutions and technologies and it can be fertile ground for a thematic V4+ working group.

Third, the **V4 countries can consider deeper cooperation and pooling their resources in expansion to BICS**. Due to the scale and diversity of the BICS partners, none of V4 countries has enough capacity alone to make their diplomatic presence or cultural promotion felt across all the countries and comparable to the larger EU members. Through cooperation, however, they can reduce costs, widen their outreach and promote a common Visegrad brand. This would be most appropriate in soft policy areas such as promotion of tourism, cultural cooperation, and provision of consular services but it can also be useful in economic cooperation, for instance, by promoting the whole V4 region as an investment destination or supporting V4 consortiums on BICS markets. This would require, however, some shift in thinking about V4 cooperation. BICS investments in the V4 must not be seen as a zero-sum game, where a win for one country is a loss for the others. With closer cooperation and better infrastructure connections each “win” can be turned into a “win-win” scenario as FDI in one country can have positive spillover effects on others. For instance, recent investments by the Indian company TATA in Slovakia can result in new orders for its partners in Poland or Hungary. When the V4 promotes itself as one region, FDI inflow from BICS may increase.

### 7.3. Next Steps in V4 Cooperation with BICS

Apart from larger political goals and a new approach to cooperation with BICS, there is a set of practical steps that can be taken by V4 governments to advance relations in the future. This can be done through existing instruments and available mechanisms as well as new ones that can be easily created for the sake of larger gains. If the BICS partners are to be treated as truly strategic players and valuable partners, these extra efforts may be considered essential.

#### *Recommendations*

- **V4 countries should include discussions on cooperation with BICS into their presidency programmes.** Regular consultations on global policy, including relations with the emerging powers would help to ease natural competition, exchange information and plan common actions. Joint declarations by the V4 on important international issues would be a helpful tool for raising the V4’s international profile and speaking with one voice. Consultations and joint positions would be especially important within the EU to influence European policy towards BICS. The more leverage the V4 has in Brussels the more attractive a partner it can be for BICS.
- Once the content of V4 cooperation is identified, **the group should offer the V4+ mechanism to all of the BICS partners** as with the case of Japan or South Korea. Foreign leaders could be invited to regular ministerial meetings or to summits of heads of state and government to discuss relevant issues. If V4+ summits are not always possible, high-level meetings could take place on the sidelines of international forums (EU Summits with strategic partners, UN GA, ASEM, UNCLAC, etc.). Regional joint commissions or task forces could be established to discuss important issues specific to a given BICS partner, from UN reform and counterterrorism to export promotion and smart-city development.
- **Strengthen and open the International Visegrad Fund to support a dedicated programme for scientific, cultural and educational cooperation with BICS.** The IVF can emerge as a major body providing grants for cooperation between V4 and BICS researchers, activists, journalists, students and artists. A scholarship programme would enhance academic

exchanges and mobility of researchers. A V4–BICS Joint Research Programme could formulate as well as support concrete research projects carried out on a multilateral basis between the V4 region and one or more emerging countries. As in the case of the existing Flagship Projects programme, a similar initiative could support reform processes, political association and economic integration, strengthen institutional capacities, contribute to the development of civil society and the overall transformation of these countries.

- **Revive and strengthen the Visegrad Houses concept** and open more branches (offices) in major BICS cities, because they can be a clearly visible example of V4 cooperation outside Europe and a crucial tool for promotion of the Visegrad brand. They should offer consular services and be used for cultural cooperation, information points and promotion of the V4 region and individual countries. This would help to save resources (funds, people, expertise) for the individual Visegrad countries while attracting local businesses to establish contacts with partners from across the V4 in one place. Hence, the group could expand its presence on the ground and visibility to many cities beyond capitals.
- **Promote the Visegrad region as a tourist destination** for BICS nationals, as it still receives a small proportion of tourists from BICS in Europe and is little known among their societies. At the same time, non-European tourists rarely visit only one country in Europe on their European tours, and thus a packaged tour of V4 countries could be a valuable tourist product. The project “One Melody Four Quartets,” aimed at tourist promotion, was a first attempt in this regard but it must be given more resources and strengthened to bring tangible results.
- **Promote the Visegrad region as an attractive FDI destination** and source of high-quality and cheaper products and technologies. This can take the form of joint promotional campaigns, participation in trade fairs, exhibitions, trade missions, V4 roadshows, etc. A special place in this approach can be played by V4 chambers of commerce in a given BICS country or establishment of an umbrella organisation, a V4 Chamber of Commerce.
- **Encourage private companies in the V4 as well as public export, tourism and investment promotion national bodies to form consortia** for joint promotion and bidding for contracts and projects in BICS countries. Beginning with a pilot project, special funding should work as an incentive for the V4 partners to prepare a joint offer and jointly look for business opportunities in emerging markets. The pilot project could be eventually turned into a regional V4 SME fund.
- **Facilitating visa procedures for tourists and businesspeople:** V4 and BICS should work towards easing visa procedures and enhancing exchanges of tourists and businesspeople. For instance, India may extend its e-visa Tourist on Arrival to Czech Republic and Slovakia. V4 can consider simplified visa applications for business and 90-day visas. It would be helpful to support further expansion of direct flights between V4 and BICS countries.
- **Use movies as a means of promotion.** The V4 can support film co-production with BICS partners that would be shot in the region and help to reach out to popular audiences with an attractive message. This would be particularly relevant for cooperation with the Indian (Bollywood) or Chinese film industry and it may also encourage other countries to engage in this kind of cooperation. It has been proved that movies can be powerful tools to enhance tourism flows and promote a country’s brand.







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