



It must be a win-win!

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China Investment Forum
Prague Castle, November 10th, 2015



Political relations with China ⁽¹⁾

- **Substantial elevation of political relations and mutual trust in recent years**
- **Official visits of top Czech political representatives to China:**
 - **President Miloš Zeman**
 - **Jan Hamáček, President of Chamber of Deputies of the Czech Republic**
 - **Jan Mládek, Minister of Industry and Trade of the Czech Republic**
 - **Svatopluk Němeček, Minister of Health of the Czech Republic**
- **A countless number of visits by regional representatives**



Political relations with China ⁽²⁾

- **November 20-27: Czech Prime Minister Bohuslav Sobotka travels to China, both 16+1 and bilateral visit**
- **Czech Chamber of Commerce, in cooperation with Czech-China Chamber, prepares accompanying business mission**
- **Several high-level visits of Chinese representatives to Czech Republic highly appreciated**
- **China is „in fashion“**
- **Political prerequisites for economic relations enhancement firmly in place**



Czech-China Economic Relations (1)

- Czech-China business relations have had long and fruitful tradition since 30s of 20th century
- Czechoslovakia significantly contributed to development of Chinese power sector and industry (thermal power plants, sugar refineries, film laboratories, plant for producing synthetic fibers, for the production of nitrogen and for the manufacture of machine tools)
- End of 80th of 20th century: China placed at 10th-11th place as to Czechoslovak trade (France, Italy and Great Britain were behind)





Czech-China Economic Relations (2)

- **End of 80s/beginning 90s**
 - **Massive structural changes of Chinese economy**
 - **Czech political and economic transformation**
 - **Fall of mutual trade, some reduction in economic cooperation**
- **Over past 15 years**
 - **Trade recovery**
 - **Mutual interest in private investment**
 - **Today China second trade partner, but due to Czech imports**
 - **on exports China only 18th, on imports 2nd, massive trade deficit**



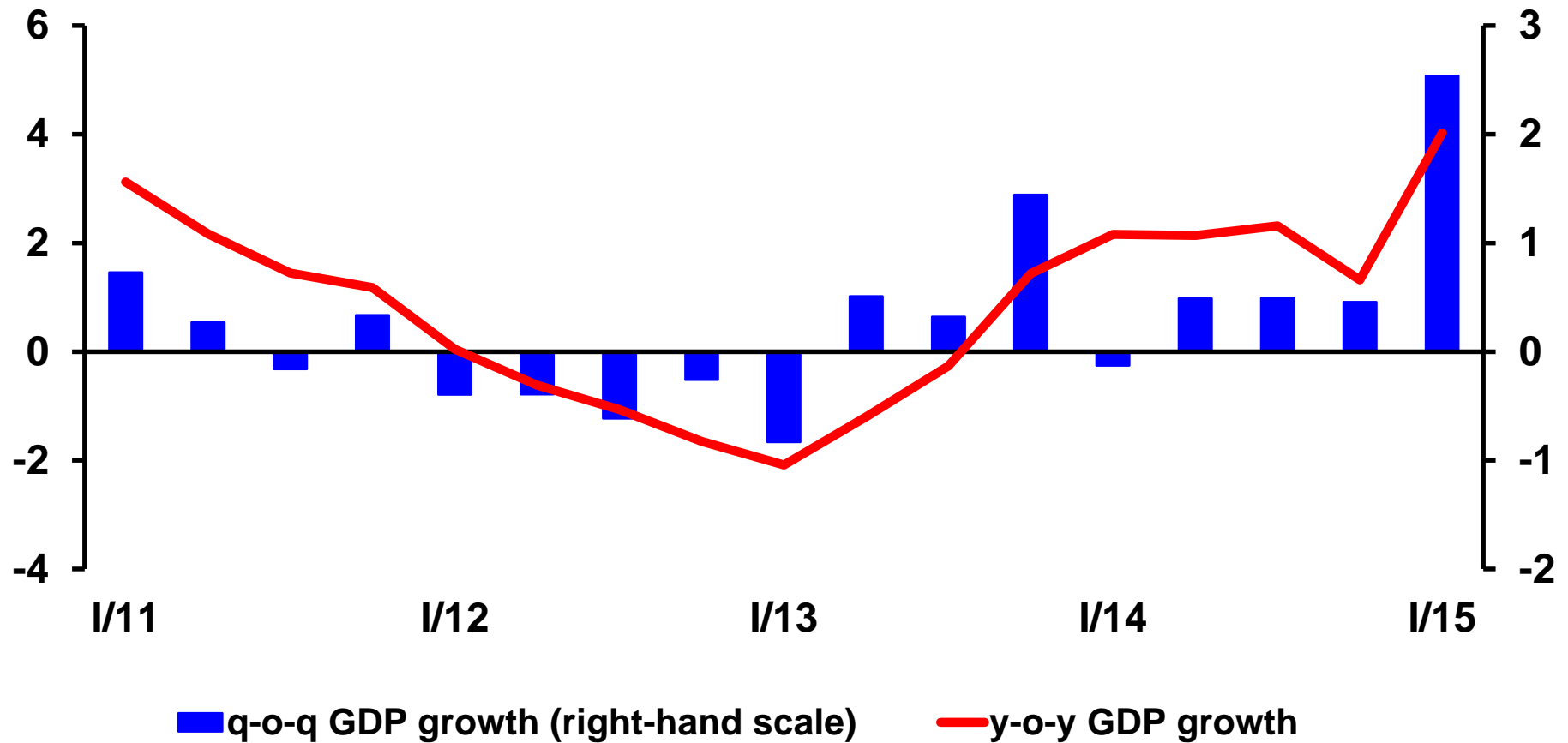
Massive potential for the future

- **Both China and Czech Republic went through immense changes during past two and half decades**
- **After some time, we found the way towards each other again**
- **In next decade (and behind), Chinese economy WILL grow**
- **Czech economic re-start**
 - **fast growth**
 - **macroeconomic and social stability**



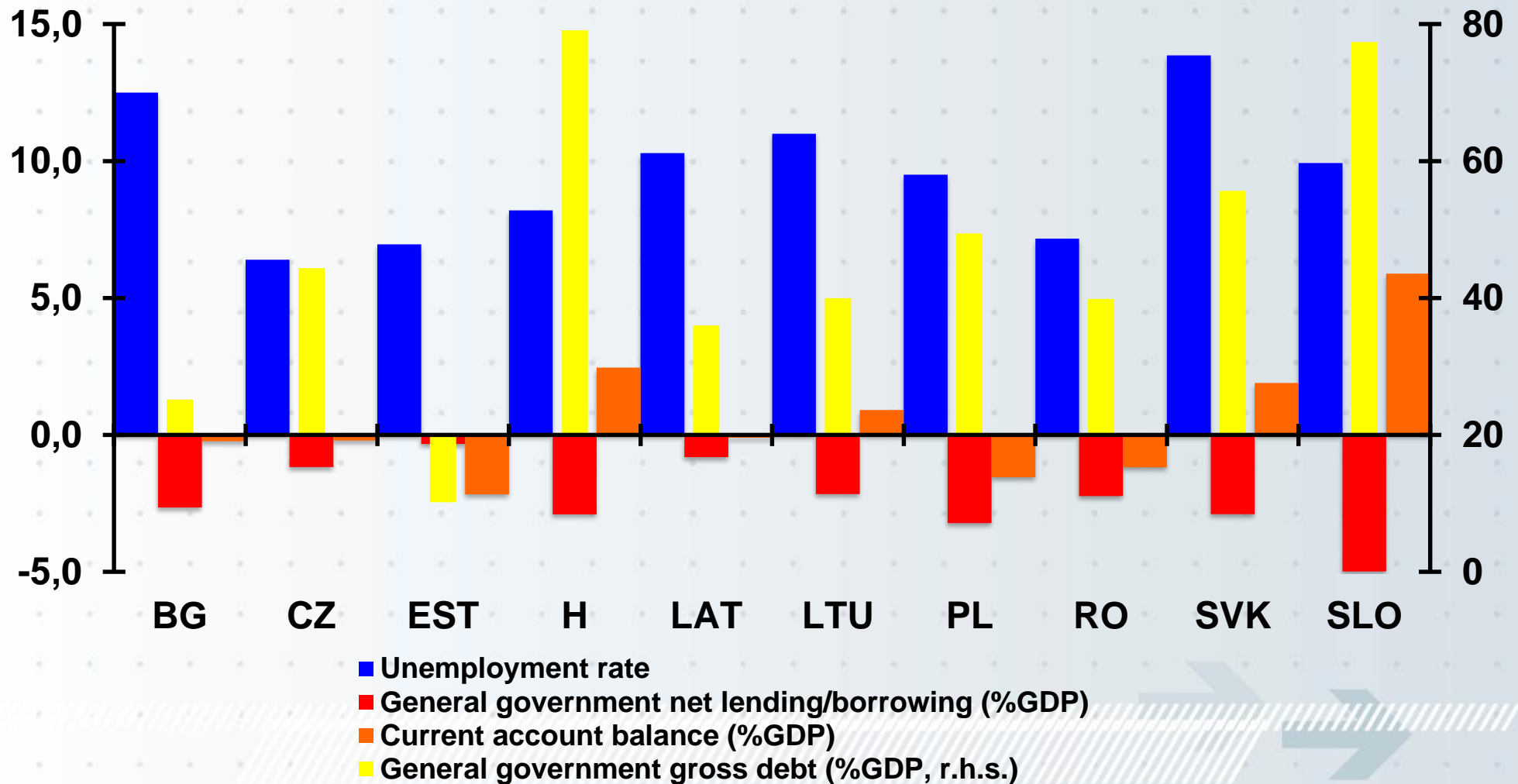


GDP, 2010 – 2015, seasonally adjusted



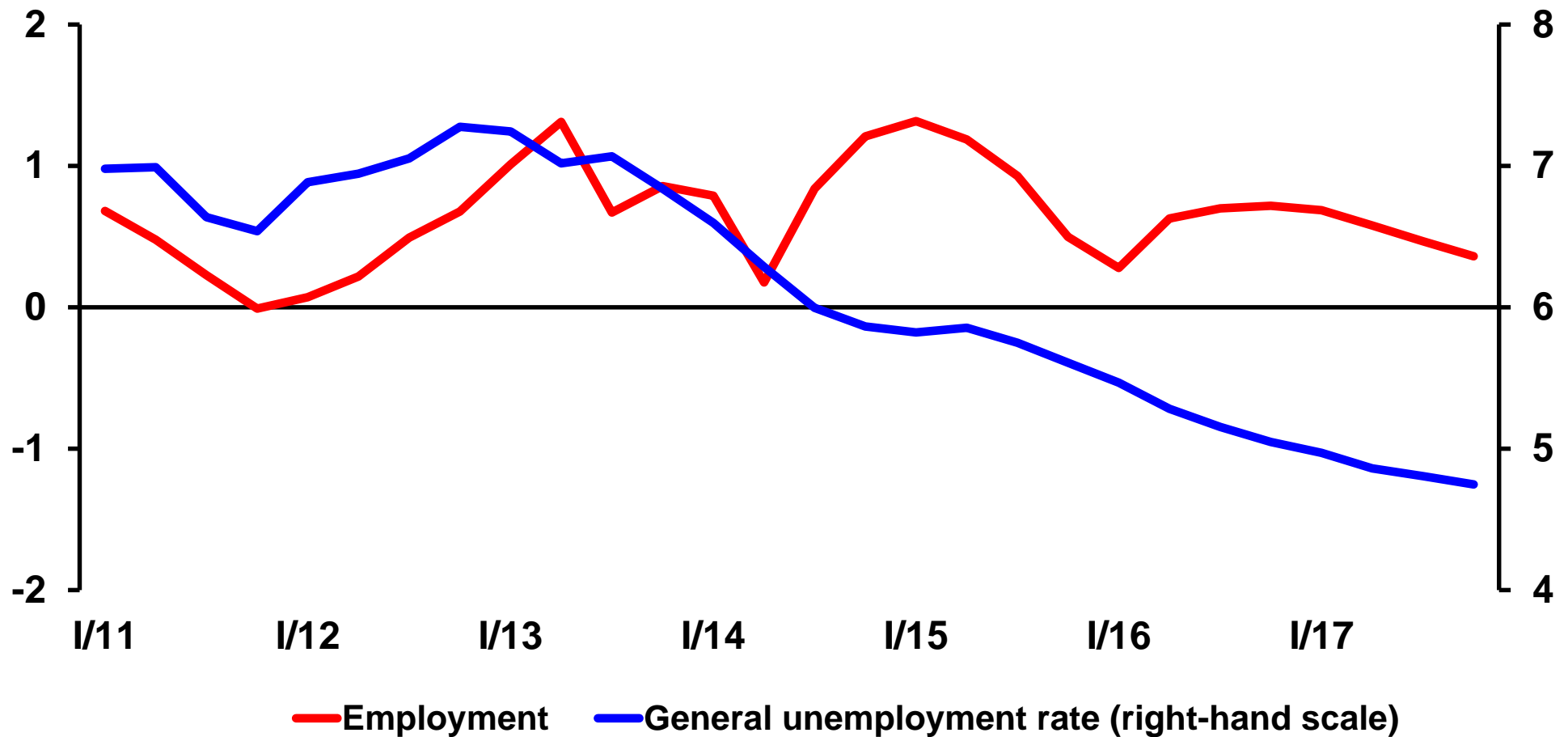


CEE: unemployment, public finance, BoP



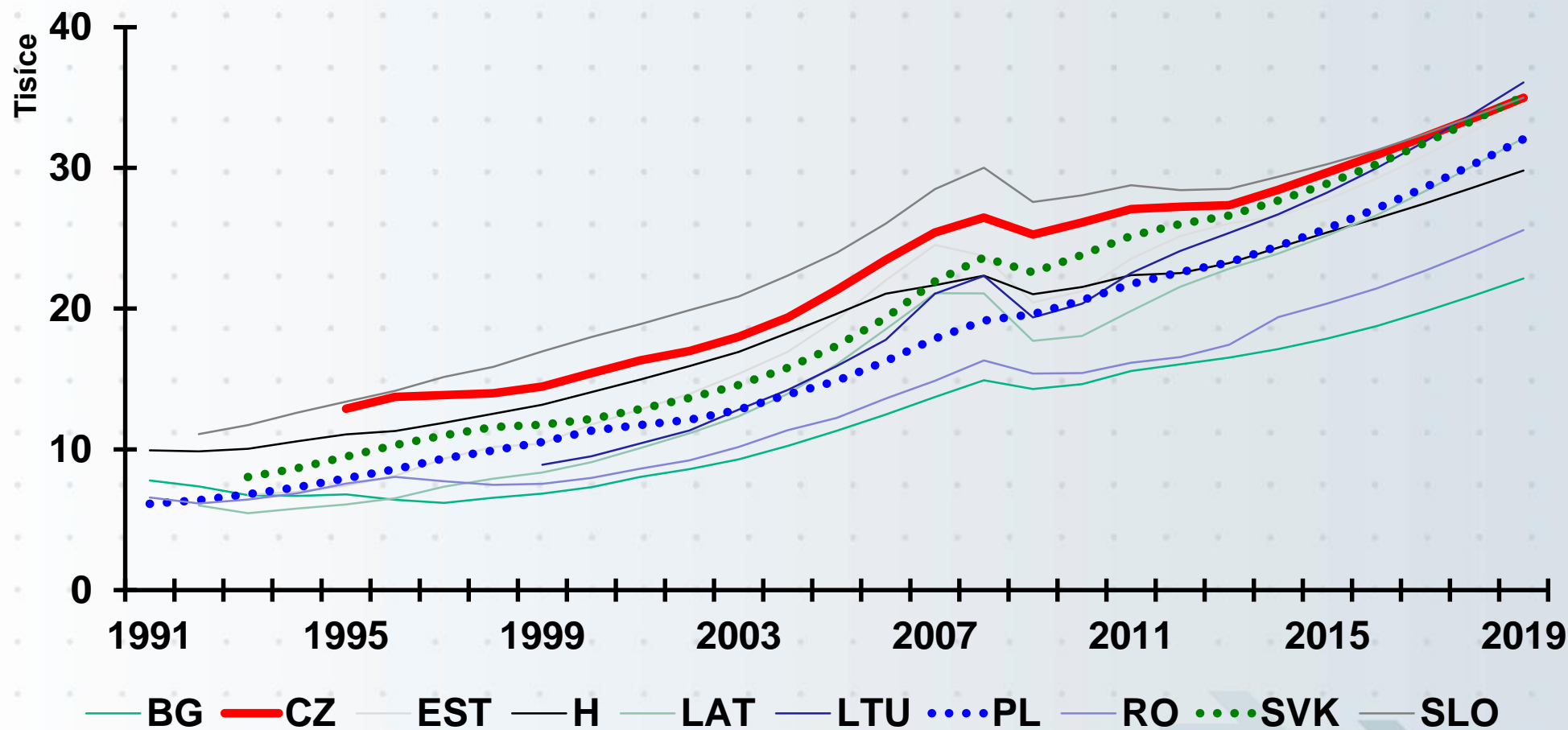


Labor market forecast





GDP per capita, 1991-2019, PPP





Czech exports, limits

- **Traditional exports: manufacturing, mainly machinery a transportation equipment and industrial consumer goods**
- **Chinese limitations: non- tariff barriers, licensing and certification according CCC, intellectual property protection**
- **Czech side limitations: price competitiveness, insufficient service support, lack of understanding of cultural and social distinctions**





Chinese imports

- **Very turbulent development: electronics and computer components, telecommunication equipment, electrical machinery and appliances, industrial machinery, textile and metal products**
- **Re-export through Czech products, mainly into EU, but elsewhere**
 - **Positive indirect BoP effect**
 - **But still, deficit improvement needed**
- **Czech limits – visa policy!!!**





Czech Investment in China

- **Škodaexport Praha: project of consortium of the companies – supply of 2 (500 MW) blocks for power plant in Shentou**
- **Škoda Auto: production of various models of Škoda cars in Shangai**
- **TOS Varnsdorf, participation in the joint-venture project of building the factory for construction of machine tools**
- **PPF/Home Credit, credit finance,**
- **Varimatik, joint-venture, production of low-emission boilers**



Chinese investment in CZ

- **Changhong (production of televisions in Nymburk)**
- **Shanghai Maling Aquarius (invested 450 mil. CZK in construction of food processing factory)**
- **Beijing Figur Company (invested in manufacture of crystal glass in Nový Bor)**
- **Huawei (cooperation with Vodafone)**
- **CEFC - recently**





It must be a win-win!

- **We support Chinese investment ...**
 - ... but their share on total FDI is still marginal**
- **Fast Czech economic growth today provides for dynamics ...**
 - ... and macroeconomic stability provides for high expected returns**
- **We must insist on mutually beneficial cooperation, resulting in high value-added products, on the latest technology edge**
 - ... only then we can assure a win-win framework**





Thank you for attention