

PALACKÝ UNIVERSITY OLOMOUC

Faculty of Arts

Department of Asian Studies

BACHELOR THESIS

The Development of Bilateral Relations between the People's Republic of China and the Slovak Republic Concerning Trade and Investment in the Time Period 1993-2016

Vývoj bilaterálnych vzťahov Čínskej ľudovej republiky a Slovenskej republiky v oblasti obchodu a investícií v období 1993-2016

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Statutory Declaration:

Hereby I declare that I elaborated the Bachelor Thesis *The Development of Bilateral Relations between the People's Republic of China and the Slovak Republic Concerning Trade and Investment in the Time Period 1993-2016* completely by myself and did not use sources or means without declaration in the text. Any thoughts from others or literal quotations are clearly marked.

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The aim of this Bachelor thesis is to examine if the accession of the Slovak republic to the EU has affected the later development of the bilateral relations in the field of economics, namely trade and investment.

The theoretical section provides a chronological overview of the overall development of the bilateral economic relations. Its purpose is predominantly to review and clarify the development justified in the context of the contemporary events. The examined time period starts with the "Peaceful Divorce" of Czechoslovakia in 1993 and ends with the year 2016.

The empirical findings section is devoted to the analysis of the gathered data regarding the bilateral trade exchange. The analysis supports the argument that the accession of the Slovak republic to the EU has significantly affected the later development of the bilateral economic cooperation.

Key words:

The People's Republic of China, the Slovak republic, Sino-Slovak relations, economic relations, the 16+1 Cooperation

I would like to extend my sincere thanks to my Thesis Supervisor B.c. Martin Lavička, MA for his valuable advice and patience.

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LIST OF ABBREVIATIONS:

CEE	Central and Eastern Europe
CSSF	Czechoslovak Federation
FDI	Foreign Direct Investment
MES	Market Economy Status
PPA	Public Procurement Act
PPP	Public-private partnership
PRC	People's Republic of China
SARIO	Slovak Investment and Trade Development Agency
SME	Small and Medium Enterprises
V4	Visegrád Four (Czech republic, Hungary, Poland and Slovakia)
WTO	World Trade Organization

EDITORIAL NOTE

The titles used in the following text are referred to in the original language with English translations provided. All of the titles and personal names in Chinese are referred to in the internationally recognized transcription Pinyin. All quotations and paraphrases from sources originally in Chinese or Slovak language are jointly translated into English language.

INTRODUCTION

For almost four decades has the world been watching China transforming into a geo-economical and geopolitical power. Under the Xi Jinping's lead has China's foreign policy significantly evolved, becoming noticeably more present and ambitious in the international political arena.

The 16+1 Cooperation and the One Belt One Road Initiative are all of the sudden bringing more of China's presence in the CEE region. As a Slovak Sinology student, we recognized early the lack of academic research and literature concerning the Sino-Slovak bilateral relations. Hence, China's sharp economic development, taking into account its current foreign policy tendencies such as the One Belt One Road Initiative, lead us to devote this Bachelor thesis to the analysis of the development of the Sino-Slovak economic relations.

This thesis seeks to analyze the bilateral relations development between the People's Republic of China and the Slovak republic. Hong Kong, Macao and the Republic of China (Taiwan) are excluded. The purpose of this thesis is particularly to review and clarify the bilateral economic cooperation concerning trade and investment interpreted in the context of the contemporary political events.

1. Methodology of Research

The significant lack of the academic research regarding the economic relations between China and Slovakia needs to be acknowledged on the outset. Hence, the chronological overview of the historical development, using a theoretical approach to qualitatively analyze the primary and the secondary sources, is based on data that have been gathered so far. The primary sources include but are not limited to the academic papers of Fürst and Pleschová (Czech And Slovak Relations With China: Contenders For China's Favour), Gregušová (Vzťahy krajín V4 s Čínou. ['Relations of the V4 countries with China.']), Pleschová (Export do Číny a podnikanie v Číne. Skúsenosti slovenských firiem ['Export to China and doing business in China. Experiences of Slovak companies']), Tubilewicz (Comrades No More: Sino–Central European Relations After The Cold War) and Turcsányi (Chinese financial presence in Slovakia and Slovak China-policy, Postavenie Možnosti Spolupráce Slovenska S Čínou V rámci Platformy 16+1 ['Slovakia's Position and Its Possibilities for Cooperation with China within the 16+1 Platform']). In addition to the data that have been collected from the Ministry of Foreign Affairs of the People's Republic of China and the Ministry of Foreign and European Affairs of the Slovak Republic.

In order to fully embrace the historical background, we attempted to acknowledge the foreign policy tendencies of the both states separately. To gather information demonstrating China's perspective, the academic papers elaborated by Zhōngguó shèhuì kēxuéyuàn ōuzhōu yánjiūsuǒ The Institute of European Studies of Chinese Academy of Social Sciences¹ were examined. With regard to the Slovakia's foreign policy tendencies vis-à-vis China, we collected information predominantly from the Annual Reports elaborated by the Ministry of Foreign and European Affairs of the SR and the Ministry of Economics of the SR in the time period from 2002 until 2016.

The outlined development of the economic relations demonstrates a vital shift of Slovakia's attitude concerning the bilateral relations. Until 2012, the Sino-Slovak economic relations concerned predominantly the bilateral trade exchange, however,

¹ “中国社会科学院欧洲研究所”.n.d. *Ies.Cass.Cn*. <http://ies.cass.cn>.

after 2012, a shift to the investment relations was observed. Thus, the data concerning investment has been incorporated into the thesis as well. The data regarding investment have been primarily collected from the academic papers of Pleschová (Chinese Investment in Slovakia: The Tide May Come), Turcsányi (Chinese financial presence in Slovakia and Slovak China policy) and Szczudlik-Tatar (Central and Eastern Europe in China's foreign policy after the last EU's enlargement). Due to the subject being significantly under-researched, the press releases of Slovak Investment And Trade Development Agency (SARIO) and The Spectator are incorporated, too.

The empirical findings section aims to analyze the overall development of the bilateral economic relations. The bilateral trade exchange and the structures of both the exported and imported commodities are analyzed. However, the limitations of the access to trustworthy information and data regarding the subject are significant. The presented figures demonstrate data gathered from the Statistical Office of the SR in the time period 2002-2016 and from the publication by Gregušová (Vzt'ahy krajín V4 s Čínou. ['Relations of the V4 countries with China.']) concerning the time period 1993-2001. The values of the trade exchange in the time period 1993-2009² are unitedly converted via XE Currency Converter, with the exchange rate 1 SKK = 0.0331939 EUR³. The values are, therefore, unitedly listed in the FOB EUR.

1.1 Research Question

The analysis of the figures in the empirical findings section provides the answer to our research question *if the accession of the Slovak republic to the EU has affected the bilateral economic relations, and if so, how*. The development tendencies and their transformations too, are justified and analyzed in the context of the contemporary political events.

² Slovakia adopted the common European currency Euro in 2009, with exchange rate 1 SKK = 0.0331939 EUR

³XE: "Convert SKK/EUR. Slovakia Koruna To Euro Member States". 2018. *Xe.Com*. <https://www.xe.com/currencyconverter/convert/?Amount=106296536&From=SKK&To=EUR>.

1.2 Thesis' Structure

The thesis is structured as follows. Firstly, the opening chapters of the theoretical section present an overview of the China's foreign policy tendencies development towards the Eastern Block of the CEE states. The chapters clarify that China *has not* proceeded a specific foreign policy towards Slovakia individually, rather than within a larger group of states. The overview outlines the time period from 1989 until 2016.

The following chapters provide a complex chronological overview. The development of the economic relations concerning trade and investment are clarified in the context of the contemporary political events. The thesis demonstrates that at the policy level, Slovakia's attention has undergone a dynamic shift from the trade relations to investment relations. The trend has been observed especially after Xi Jinping's new diplomatic initiative the 16+1 Cooperation in 2012 and subsequently the One Belt One Road Initiative in 2013 have been proposed.

Secondly, the empirical findings section provides a qualitative data analysis to entail a comparison of the bilateral trade relations' development. Specifically the trade balance and the commodity structure development in the time period *before* Slovakia's accession to the EU and *after* its accession are analyzed. The figures, elaborated by the author of this thesis, demonstrate the data collected by the Statistical Office of the SR (if not stated otherwise). The results presented in this thesis attempt to analyze the development of the *trade exchange* in the time period 1993-2016, however, they cannot be regarded as conclusive. Although the data regarding the bilateral trade are accessible and trustworthy, the data regarding Chinese FDI in Slovakia are vague. Besides, the topic is significantly under-researched. According to Turcsányi, as for year 2016, the values of the Chinese FDI indicated by several sources differ from 40 million EUR to 120 million USD.⁴ Due to the lack of trustworthy data, the analysis of Chinese FDI in Slovakia is omitted.

⁴ Turcsányi, 2016a, p. 16

2. China's Foreign Policy Towards the Eastern Block 1989-2016

The following chapter aims to briefly review the China's foreign policy tendencies towards the CEE region in the time period of 1989-2016. Given Slovakia's small area and its location in the heart of the Central Europe's region, China has not proceeded any specific policy towards Slovakia itself. China's policies were rather proceeded towards the Eastern Block countries⁵ jointly.

2.1 China and CEE 1989-2016

According to number of scholars, China's relations with the CEE had played rather insignificant role until the early 2010s.⁶ One of the major factors is that the establishment of the independent CEE states happened only after the dissolution of the Soviet Union in 1991, hence, there was no need for a specific policy towards the region to be proceeded. In the 1980s, under the umbrella of the Soviet Union, relatively stable trade relations with Czechoslovakia were maintained.

The China's incentives to foster friendly relations with the CEE are often mentioned in the academic papers. Scholars declare that China and the CEE region have had long tradition of warm economic relations. Besides, China praises the CEE for being among the first states to recognize the PRC, in addition to providing the inevitable assistance in the early stages of China's economic development.⁷ Furthermore, it is frequently stressed in the political speeches that both China and the CEE do not have any *historical grievance* over each other⁸, in sharp contrast to Western Europe states. Their imperialism induced China's loss of sovereignty, which has gone down in history under the term of "the century of humiliation".

The year 1989 brought the downfall of the Communism in the Soviet Union, which fundamentally affected the CEE's relations with China. The relations were freed

⁵ In this text, the term "Eastern Block countries" is referring to the former Soviet Union's Communist states of Eastern and Central Europe

⁶ Kong, 2014 p. 4, Turcsányi, 2014, p. 2

⁷ Chen, 2012, p. 5

⁸ Kong, 2013, p. 1-2

from the ideological association, however, it also caused gradual reorientation of their foreign policies. The CEE longed for Western democracy, while China set its attention to its neighbors and the Pacific Rim. Regarding mutual relations, China and the CEE, therefore, became of secondary importance.⁹

During the 1990s, several significant events occurred. The dissolution of the Soviet Union in 1991 encouraged several CEE countries on their journey to gain independence, leading to the “Peaceful Divorce” of the Czechoslovak Federation in 1992. China recognized both the Czech and the Slovak republics’ independence immediately, however, the ties sustained relatively insignificant, living of the Czechoslovakia’s reputation. The decade of “catching up with the West” resulted into loose relations between the CEE and China. Furthermore, the Tiananmen incident of June 1989 gravely affected the overall China-EU trade relations, whereby the economic sanctions froze up to 1 billion USD in Western import orders. The CEE was not an exception. In mid 1990s, Beijing attempted to preserve the trade relations with the CEE, articulating its eagerness by organizing a special trade fair in Harbin for enterprises from the Eastern bloc exclusively. Soon after the China’s Finance Minister officially declared Beijing’s eagerness to maintain the warm trade relations. Despite the introduced specific policy by the Chinese Ministry of Foreign Economic Relations and Trade in 1991, the trade faced rapid decline in the 1990s.¹⁰

At the policy level, the 1990s was time period of heated political dialogues regarding human rights. This trend led Beijing to attempt to stabilize the relations by establishing the Budapest Principles in accordance with the Five Principles of Peaceful Coexistence. As stated by the Foreign Ministry of the PRC, China pursued to enhance its understanding and explore means of improving the relations with the CEE.¹¹

The new century, however, brought the wind of change. Vital signals that China, as well as the CEE, have matured politically and proceeded to figure out their positions

⁹ Tubilewicz, 1999, p. 4

¹⁰ Tubilewicz, 1999, p. 4-6

¹¹ “China Developed Bilateral Relations With The East European States After Drastic Social Change In Them”. 2018. *Fmprc.Gov.Cn*. Accessed April 9. http://www.fmprc.gov.cn/mfa_eng/ziliao_665539/3602_665543/3604_665547/t18020.shtml.

in the international arena were sealed with China's accession to the WTO in 2001. China instantly emerged as a new regional and partially global power,¹² boosting its trade with the CEE dramatically. In 2003, China's government announced the "Go out Strategy", accelerating its impressive development in the field of international trade and generated capital for the further investments.¹³

The accession of certain CEE states to the European Union has had principal influence on their relations with China. As for the EU member states, it is the European Commission's duty to handle China-EU relations. The EU's Eastern Enlargement evoked China's interest, an evident example is the report entitled China's Policy towards Central and Eastern European States, elaborated by the China Institute of Contemporary International Relations. This report, published in 2003, focuses on the region-oriented political and economic matters. According to Szczudlik-Tatar, the EU's Eastern Enlargement was recognized as an improvement of the CEE's both economic and political status for blurring the lines between Eastern and Western Europe.¹⁴

Moreover, China was urged to reduce its large trade surplus. Therefore, to explore new market opportunities became a marginal necessity. The CEE's EU member states represented relatively uncomplicated access to a new market of over a billion consumers, whereby the workforce was of comparable quality with Western EU states, yet considerably cheaper.¹⁵ After 2008, besides the fact that China's presence in the CEE region has been gradually increasing, China also started to promote more explicitly its eagerness to establish a multipolar world order, as announced by the President Hu Jintao at the occasion of the 11th Ambassadorial Conference in Beijing in 2009.¹⁶

¹² Bondiguel, 2007, p. 3-4

¹³ Golonka, 2012, p. 23

¹⁴ "Central and Eastern Europe in China's Foreign Policy after the last Eu's Enlargement | Enlargement Of The European Union | International Politics". 2010. *Scribd*. <https://www.scribd.com/document/219580055/central-and-eastern-europe-in-china-s-foreign-policy-after-the-last-eu-s-enlargement>.

¹⁵ Bondiguel, 2007, p. 9-10

¹⁶ "Dishiyici Zhuwai Shijie Huiyi Zai Jing Zhaokai ['The 11th Ambassadorial Conference Started In Beijing']" 2009. *Ministry Of Foreign Affairs Of The The People's Republic of China*. <http://www.mfa.gov.cn/chn/gxh/xsb/xw/t574427.htm>.

The utmost revival of China-CEE relations experienced its peek in 2012. Under the President Xi Jinping and Premier Li Keqiang, the new initiative towards the CEE region has been proposed, entitled 16+1合作 (the 16+1 Cooperation). The new initiative was defined by a strong economic focus to stimulate the regional cooperation. This initiative has quickly sparked heated discussions in both public and political circles. Later in 2012, the President Xi Jinping also introduced the “China Dream” aimed at China’s evolving into a powerful, respected, yet peaceful, international actor.¹⁷ The One Belt, One Road Initiative was announced only a year later as an ambitious plan of the ancient Silk Road revival, connecting Eurasia in both infrastructure and trade, whereby the CEE region is to be one of the central logistic corridors.

Professor Kong Tianping provided an overview of China-CEE relations from the Chinese perspective. In his speech held at the Meeting Point at the Embassy of the Republic of Poland in 2013, he divided the relations into three periods. The first period of the mutual neglect (1989-1998) and the second period of both China and the CEE seeking for their positions in the international political arena (1999-2008). The third and the current stage, has lasted from 2009 until nowadays. In the aftermath of the global financial crisis, the opportunity for China-CEE relations to be rediscovered was triggered. In order to enhance the possibilities of the further cooperation, the 16+1 Cooperation was launched.¹⁸

Scholars genuinely argue about the potential aim of the China’s current presence in the CEE region. Aside from fearing the China’s “divide and conquer” approach over Europe, some assume that the CEE region is to be the “back door”, the “testing ground” or the “window of opportunity”¹⁹ for Chinese FDI inflow into the EU.

To conclude with, due to Slovakia’s geographical location, the tendency of China-Slovakia bilateral relations is being proceeded within a region. The relations have been fostered within a broader group of states such as the Soviet Union, the Czechoslovak Federation and currently the 16+1 Cooperation, rather than individually.

¹⁷ Varrall, 2015, p. 8

¹⁸ Kong, 2013, p. 2-3

¹⁹ Kaaczmarski, Jakóbowski. 2015, p. 1-4

Furthermore, in the period of the past three decades, China has matured in its foreign policy making, transforming into a more active and present international leader. China has even introduced the new ambitious One Belt One Road Initiative, whereby the importance of the CEE, and thus Slovakia, has potential to increase significantly.

3. Bilateral Economic Relations 1989-2004

Slovakia's strategy; doing business through politics

The limitations of the academic research and access to trustworthy data regarding this subject need to be acknowledged at the outset. The following chapter attempts to outline the overview of the bilateral economic relations starting with the year 1989, a turning point in both China's and Czechoslovakia's modern history. The year of the Tiananmen incident in China and the Velvet Revolution in Czechoslovakia. Divided into three sub-chapters, the overview of the chronological development of the bilateral economic relations is presented and furthermore justified in the context of the contemporary political events.

3.1 1989-2004

In the late 1980s, the structure of Czechoslovakia's exported commodities was predominantly concerning the execution of the two blocks of the Shentou power plant construction.²⁰ The contemporary trade was based on a system common for socialistic states; the *barter agreements*, concretely defining each item. The 1980s blossoming political ties bore fruits in both blooming trade and investment. According to Fürst, the closeness of the contemporary relations was reflected in the significantly limited media coverage of the Tiananmen incident in Czechoslovakia.²¹ However, the Velvet Revolution put an end to the honeymoon period, inducing that after 1989 Czechoslovakia was struggling with attracting China's attention to revive its old dream from the communist era.

Regarding the economic matters, the fundamental issue of the trade relations in the post 1989 period was the lack of a free market regime with convertible currency payments. The annually prolonged barter agreements were not seizing interest of Chinese businessmen anymore. Furthermore, the Czechoslovak manufactured commodities were found deficient to retain the original prestige and were unable to

²⁰ Fürst, 2002, p. 96

²¹ Fürst, Pleschová, 2010, p. 1366

withstand the competition at the international level. Czechoslovakia's economic diplomacy failed to boost exports and to reduce the growing trade deficit.²² The chain of this vicious circle was to be broken with a new trade agreement concluded in 1989 between the PRC and the CSFR, amending the Most-favored-nation clause, with estimation of a trade turnover over 350 million USD in 1991.²³

As mentioned earlier, the Tiananmen incident had a grave impact on the overall China-EU relations. Notwithstanding China's numerous attempts, the total trade exchange with Czechoslovakia reached mere 580 mil USD in 1990 and remained declining in 1991 to 178 mil USD. Taking into account the contemporary political events, perceiving democracy as a cultural heritage of the Velvet Revolution, Prague confronted Beijing in the matter of human rights. Soon after, the Czechoslovak President Václav Havel invited Dalai Lama to Prague in February 1990, which resulted into Beijing interrogating Czechoslovak ambassador, cancelling a government delegation and suspending several trade negotiations with Czechoslovak enterprises.²⁴

However, it is vital to note that China attempted to foster the diplomatic relations for the sake of the economic relations. In September 1991 the Foreign Minister Qian Qichen visited Czechoslovakia in order to hold talks on the recent issues, reaching the common conclusion of mutually not interfering into the internal affairs.²⁵ After the eventual split of the CSFR in 1992, China immediately recognized both the Czech and the Slovak republics in 1993, while maintaining warm diplomatic relations. Soon after, in February 1994, the aim of the first official visit of the Prime minister Vladimír Mečiar, was to promote Slovakia's economic potential, in particular the trade exchange, using the opportunity to reassure Beijing about Slovakia's adherence of the One China Policy.²⁶ The Agreement on Trade and Economic Cooperation between both parties was

²² Fürst, Pleschová, 2010, p. 1369

²³ Fürst, 2002, p. 92

²⁴ Tubilewicz, 1999, p. 4-7

²⁵ Polish Press Agency (PAP) (March 6, 1991); *China Daily* March 12, 1991), translated in *Foreign Broadcast Information Service Daily Report: China* [hereinafter, FBOS:CHI] 49 (March 13, 1991): 1, *ibid.* (September 13, 1991), in FBIS:CHI (September 16, 1991): 21.

²⁶ Tubilewicz, 1999, p. 5

concluded in 1994. This Agreement acts as the core document, on which the overall mutual cooperation has been based.²⁷

Contrary to the Czech republic, Slovakia has chosen rather cautious approach towards the sensible issues of China's internal affairs. Slovakia's engagement with China aimed to fully embrace the potential of the economic matters; by *doing business through politics*. During the time period 1993-2008, Slovakia set its attention on China more than any other Asian country.²⁸

Undergoing the economic transformation, the introduction of the neoliberal trade strategy only opened the door wider to the cheap imports. The cheap imports lacking adequate reciprocal market access lead to the steadily increasing trade imbalance.²⁹ In 1990s, several Czech and Slovak manufacturers endeavored to establish joint ventures with Chinese companies, however, most of the cases were short-lived due to their insufficient competitiveness in the oversupplied Chinese market.³⁰

Two joint Chinese-Slovak ventures, both limited liability companies, were established in the late 1990s. Beijing Burda Children's Toys launched its business in March 1996, a quarter-share ownership belonged to Burda Toys, Ltd. Bratislava, and the rest was under the ownership of Beijing Xinhui Industry and Trade Co., Ltd. The joint venture ceased to exist. The second joint venture, Weihai Rocks Lollipops, Ltd., producing sweets, was founded in 1998 by two groups of Slovak associates and a Chinese real estate dealer. The Slovak side owned 65 percent of the share until 2005, when the Slovak associates sold their shares completely.³¹

In 1990s, several factors affected Slovak exporters to China. The inability to renew the barter agreements, in addition to the vast lack of experience penetrating the

²⁷ "Hospodárska spolupráca medzi SR a ČĽR [the Economic cooperation between the SR and the PRC]. 2018. *Ministry Of Foreign Affairs*. Accessed April 9." https://www.mzv.sk/documents/10182/1677593/Hospodárska+spolupráca+medzi+SR+a+Č%ADnou_pr%C3%ADloha_1.pdf/b840bf10-e297-4853-a09d-d004c670e853. p. 1

²⁸ Fürst, Pleschová, 2010, p. 1372

²⁹ Taube, 2002, p. 78–107

³⁰ Fürst, Pleschová, 2010, p. 1371

³¹ Pleschová, 2007, p. 119-120

Chinese market resulted into severe conditions for Slovak enterprises. Inducing that companies Technoexport and Strojexport [Maschineexport] ceased trading, whereby only Technopol, Strojimport [Maschineimport], Investa and Martimex succeeded in maintaining their position in the Chinese market.³²

Throughout the 1980s and the 1990s, Slovak exports to China were of insignificant volume. Regarding the exports in the first half of the 1990s, the presented information is derived from the publication by Pleschová (Export do Číny a podnikanie v Číne. Skúsenosti slovenských firiem [‘Export to China and doing business in China. Experiences of Slovak companies’]). The exports were composed predominantly of the commodities of Východoslovenské železniarne [Eastern Slovak Metalworks], generating almost 80 percent of the total of Slovakia’s export to China, until the company ceased trading in 1996. Nevertheless, the most significant Slovak exporters in the 1990s were Východoslovenské železniarne [Eastern Slovak Metalworks] (US Steel Košice since 2000), BSH Pumps and Drives, Whirlpool Tatramat (Whirlpool Slovakia since 2000), Biotika (Zentiva since 2005), Sauer-Danfoss and Volkswagen Slovakia, with foreign majority shareholders. In addition to Matador, Konštrukta-Industry [Constructa-Industry], Omnia and AHP Hydraulika [AHP Hydraulics], with Slovak majority shareholders.³³ On the contrary to the insignificant Slovak exports, the steadily growing China’s exports resulted into the gradually increasing trade deficit, which reached 30 million USD in 1993.³⁴

Slovakia kept its sanguine pro-China approach and persistently attempted to seize China’s attention. Under the Prime Ministership of Vladimír Mečiar, a special Chinese-Slovak “Friendship Group” was established in 1995.³⁵ In April of the following year, the first Slovak President Michal Kováč paid an official visit to China. Due to the internal affairs, the Prime Minister Vladimír Mečiar seized upon the President Kováč’s

³² Pleschová, 2007, p. 19

³³ Pleschová, 2007, p. 43-44

³⁴ Fürst, Pleschová, 2010, p. 1370

³⁵ “Informácia O Pribehu A Výsledkoch Oficiálnej Návštevy Qian Qichena’ [‘Information About The Course And Results Of Qian Qichen’s Official Visit’], Archive Of The Slovak Ministry Of Foreign Affairs.” 1995

official visit. The fear of angering Mečiar resulted into a handful delegation, which had an overall negative effect on the visit, leaving Beijing concerned about the political stability in Slovakia.³⁶ Hence, this high-level visit had no significant influence, neither agreements nor projects for the further cooperation were discussed.

Unexpectedly, in the first decade after gaining its independence, China's engagement with Slovakia focused more on strengthening the political ties over the economic matters. Especially by promoting the One China policy. The opening of the Taipei Economic and Cultural Office (TECO) in the capital resulted into a surprisingly sharp reaction of the Chinese MFA,³⁷ notwithstanding the fact that the TECO in Bratislava was established considerably later, ten years after the Prague's TECO opened.³⁸

Regarding the high-level visits, a Chinese delegation visited Slovakia in February 2001. The delegation was led by Wu Yi, the PRC Government member responsible for the economic cooperation. The official visit was concluded with her announcing China's keen interest of purchasing five hundred Volkswagen passenger cars, training aircraft engines and 10,000 tons of steel.³⁹ Furthermore, the Slovak party was informed of the Chinese Government approval of the execution of the Shentou power plant by the Czech-Slovak consortium. In fact, the final decision of the Chinese Government was concluded with the Czech-Chinese Joint Declaration in December 1999.⁴⁰ To this day there are no available data concerning the aforementioned purchase by the Chinese side. This diplomatic exchange, besides the Shentou project approval, left Slovakia once more with no bright prospects for the future cooperation. In early 2003 the Slovak President Rudolf Schuster visited China and held talks with the

³⁶ Tubilewicz, 1999, p. 6

³⁷ "Foreign Ministry Spokesperson on Taiwan's Officially Setting up a Representative Office in Slovak [sic.]", available at: www.fmprc.gov.cn/ce/ceee/eng/dtxw/t111715.htm, accessed 27 November 2008.

³⁸ Fürst, Pleschová, 2010, p. 1374-1375

³⁹ Gregušová, 2005, p. 9

⁴⁰ "Joint Communiqué between the Governments of the PRC and the The Czech republic", 18. 12. 1999, <http://www.fmprc.gov.cn/eng/wjb/zzjg/dozys/gjlb/3160/3161/t16650.htm> (February 2004).

President Jiang Zemin.⁴¹ However, similarly, no significant outcomes for any potential economic cooperation were reached.

The much-publicized Shentou project concerned the construction of the power plant located in Shanxi province. The initial construction of two power plant blocks (200 MW) was completed in the 1980s, followed by the execution of the additional two power plant blocks (500 MW) in the 1990s. The Slovak subcontractor Slovenské energetické strojárne (SES a.s.), Tlmače [Slovak Power Engineering Plants (SES a.s.) Tlmače], supplied power plant boilers and boiler equipment worth 4.5 billion CZK.⁴² within the time period 2002-2004.⁴³

The sanguine concept of the contemporary Slovak 'China Strategy' composed of several aspects. The major aspect was the coherent adherence of the One China policy, besides the persistent attempts to win China's favor. One of the rather curious approaches was bestowing high state honors on Chinese ambassadors to Slovakia, as a sign of Slovakia's desire to maintain warm relations with China.⁴⁴ In a sharp contrast, the Dalai Lama's visit to Slovakia in October 2000 was met with no desire. None of the Slovak Government's representatives were willing to meet Dalai Lama in person, not even for an unofficial meeting. The Slovakia's MFA even obliged Hotel Devín, where Dalai Lama was being accommodated, to remove the Tibetan national flag.⁴⁵

Taking into account this contemporary 'China Strategy' it is vital to mention that it bore no significant fruits. No significant improvement concerning the economic matters in the time period 1993-2008 was achieved. Except the execution of the Shentou power plant, the few Slovak enterprises exporting to China experienced a large decline throughout the 1990s.⁴⁶

⁴¹ "President Jiang Zemin Held Talks With Slovak President Rudolf Schuster". 2018. *Fmprac. Gov. Cn.*

⁴² Agroinštitút Nitra ['Agroinstitute Nitra'], <http://www.agroinstitut.sk>. 2001. "Press Article - Only 5 % At Home - SES Tlmače, A.S.". *Ses.Sk.* <http://www.ses.sk/en/?start&navID=51&id=9>.

⁴³ Pleschová, 2007, p. 43, 82

⁴⁴ Fürst, Pleschová, 2010, 1372

⁴⁵ Fojtů, 2001, p. 11

⁴⁶ Fürst, Pleschová, 2010, 1374

3.2 2004-2012

The accession of Slovakia to the EU in 2004 urged several alternations at the policy level to be proceeded. The original Agreement on Trade and Economic Cooperation was modified to the current Agreement on Economic Cooperation. As the immediate instrument acts the Intergovernmental Joint Commission for Economic and Trade Cooperation between the PRC and the SR, established under the Article 9 of the Agreement.⁴⁷ As a sign of recognizing Slovakia as a soon to be the UNSC member, the Prime Minister Wen Jiabao visited Slovakia in 2005. Slovakia opposed the EU's additional trade restrictions of textile and shoes imports from China. In contrast, the trade dumping and the intellectual property rights had to receive a closer attention after gaining the EU membership. Slovakia also actively contributed to EU-China common agenda, including discussions of the controversial issues such as the EU's embargo on China or granting China the MES.⁴⁸ Despite Slovakia's persistent attempts to establish exclusive economic relations with China via politics, besides the Prime Minister Wen Jiabao's official visit, there was no other significant improvement of Slovakia's profile in China.

Another unsuccessful though much-publicized project was the intended afforestation of several Chinese provinces. Supposedly, Slovak enterprises were to join the Green China program, which aim was to annually afforest 50 000 to 300 000 hectares of Chinese soil, worth 200 mil USD. This project was not executed in the initiated time period 2004-2006.⁴⁹

The exports to China experienced an increase by approximately 70 percent annually in the time period 2007-2009. The volume, however, scarcely exceeded 0.7 percent of the Slovakia's total exports. The exports boost is closely related to the economic reforms introduced by the Slovak right-wing government in the second half

⁴⁷ "Hospodárska spolupráca medzi SR a ČĽR [‘the Economic cooperation between the SR and the PRC’]. 2018. *Ministry Of Foreign Affairs*. Accessed April 9." https://www.mzv.sk/documents/10182/1677593/Hospodárska+spolupráca+medzi+SR+a+Č%ADnou_pr%C3%ADloha_1.pdf/b840bf10-e297-4853-a09d-d004c670e853. p. 1

⁴⁸ Fürst, Pleschová, 2010, p. 1378

⁴⁹ Gregušová, 2005, p. 8

of the 1990s. The economic reforms resulted into a major FDI inflow to Slovakia, subsequently boosting the exports to China. The multinational companies' commodities export proved to be highly successful and competitive in the oversupplied Chinese market.⁵⁰ In particular, exports from the *automotive sector* increased significantly.

At the 'China Strategy' level, Slovakia's incentives to foster the economic relations via politics remained unshaken. The Prime Minister Róbert Fico publicly criticized the US national missile defence and the Slovak President Ivan Gašparovič attended the Olympic Games held in Beijing in 2008. A year later, the Chinese President Hu Jintao included Slovakia, as the only EU member state in his Eastwards tour. The Chinese delegation expressed its keen interest in future cooperation in the field of infrastructure; in particular the investments in the highways and railways construction projects. Besides, in the aftermath of the global financial crisis, Slovakia appeared as a reasonable state for Chinese FDI inflow; an EU member state with stable political and economic environment, high labour productivity,⁵¹ yet considerably low tax rates.⁵²

According to Szczudlik-Tatar, China was to invest, or at least intending to invest into several projects in Slovakia by the year 2010. The planned projects included a production plant, which was to be established in Nové Mesto by Guangzhou Ehom Science and Technology Company. The investment was to reach approximately 29 million EUR and create 500 job positions.⁵³ Furthermore, Jianghuai Automobile Co. was supposedly considering an assembly plant construction, taking advantage of the Slovakia's Euro zone membership, Central European location and favorable business environment.⁵⁴

⁵⁰ Luo, 2000, 99–101

⁵¹ Fürst, Pleschová, 2010, p. 1378

⁵² "EU27 Tax Ratio At 39.8% Of GDP In 2007". 2007. *Ec.Europa.Eu*. <http://ec.europa.eu/eurostat/documents/3433488/5584264/KS-SF-12-002-EN.PDF/f6a21cde-13a9-4b7e-8638-2bb9b400db67>.

⁵³ a.s., Petit. 2010. "Chinese Company Plans €29 Million Investment In Slovakia". *Spectator.Sme.Sk*. <https://spectator.sme.sk/c/20035534/chinese-company-plans-29-million-investment-in-slovakia.html>.

⁵⁴ Mihalascu, 2010. "Chinese Automaker Jianghuai Plans To Build A Plant In Slovakia". *Autoevolution*. <https://www.autoevolution.com/news/chinese-automaker-jianghuai-plans-to-build-a-plant-in-slovakia-20099.html>.

Nevertheless, in 2010, the total value of the Chinese FDI was estimated at mere 490,000 USD.⁵⁵ Prior to 2006 there had been practically no materialized Chinese FDI. Thus, the EU membership has definitely borne its fruits in attracting some Chinese investments. In 2006, the IT company Lenovo established its Lenovo Operation Center for Europe, Middle East and Africa (5 million EUR) in the capital.⁵⁶ ZVL Auto, based in Prešov, sold its majority shareholder stake to Chinese corporation TSB Bearings Group Co., Ltd. in 2007. Furthermore, The Mesnac Qingdao Co. Ltd. opened its European Research and Technical Centre for design and production of tyre manufacturing machines and spare parts in 2009, establishing its factory in Dubnica nad Váhom. Two years later, SaarGumi opened its factory in Dolné Vestenice. As for Chinese indirect investment, in 2011, Inalfa Roof Systems settled its production facility for vehicle roof windows in Krakovany. In 2013, the Zhuzhou FDI acquired a materials factory from its German owner ZF Boge Friedrichshafen from automotive industry.⁵⁷

The minor Chinese FDI inflow to Slovakia needs to be clarified. The possible interpretation might be the selection of the preferable sectors and states for Chinese FDI for the 12th Five-Year Plan (2011-2015). The above-mentioned selection was presented in the catalogue issued by the Chinese Ministry of Economics in 2011,⁵⁸ whereby Slovakia was not included among the 12 of the 16 CEE preferable states.⁵⁹

Throughout the 2010s, a major shift of the Slovak 'China Strategy' was observed. The Slovak Investment and Trade Development Agency (SARIO) has emerged as a crucial governmental tool contributing to the bilateral trade and investment promotion. For instance, SARIO acted as a partner of the China Investment

⁵⁵ Szikorova, 2012, p. 1374

⁵⁶ Pleschová, 2017, p. 136

⁵⁷ Turcsányi, 2014, p.89-107, Pleschová, 2017, p. 136

⁵⁸ "Duiwaitouziguobiechanyezhiyin [FDI Guide By Country]". 2011. <http://www.ndrc.gov.cn/zcfb/zcfbqt/201109/W020110914336044749061.pdf>.

⁵⁹ Jakóbowski, 2015, p. 2

Forum in Prague⁶⁰ or co-organized the Canton Fair Conference on Chinese trade exchange, held in Bratislava.⁶¹

The year 2012 may be considered as the milestone in the modern China-CEE relations. At the first China-CEE Summit in Warsaw, the Prime Minister Róbert Fico held talks with the Prime Minister Wen Jiabao. The discussed topics regarded predominantly the infrastructure investment, tourism cooperation, the proposed airline connection between Bratislava and Tianjin and the gradual promotion of Slovak winegrowers in China.⁶² In 2012 it appeared to Slovakia that the dreams of the intensified bilateral cooperation with China were finally about to become real.

3.3 2012-2016

The academic research concerning the bilateral economic relations after 2012 is very limited. Therefore, the chronological overview of the development from 2012 until 2016 is based on the data gathered so far, including but not limited to the documents elaborated by the Ministry of Foreign and European Affairs of the Slovak Republic. Predominantly the Annual Reports 2012-2016, and the Slovak press releases were used.

The expectations, however, soon altered into a gradual bitter disappointment on Slovakia's side. Overall, the second term of Róbert Fico's Prime Ministership, especially after the year 2012, did not seem to be overly China-optimistic. On contrary, Slovakia has been considerably 'daring' vis-à-vis China at the policy level, such as the admission of the three Uighur prisoners from the Guantanamo prison in 2013.⁶³ In late

⁶⁰ "China Investment Forum | SARIO, Slovak Investment And Trade Development Agency". 2018. *Sario.Sk*. <http://www.sario.sk/en/news/china-investment-forum#comment-0>.

⁶¹ "Canton Fair Conference In Bratislava | SARIO, Slovak Investment And Trade Development Agency". 2018. *Sario.Sk*. <http://www.sario.sk/en/news/canton-fair-conference-bratislava#comment-0>.

⁶² "Slovensko Má Záujem O Čínske Investície [Slovakia Is Interested In Chinese Investments]". 2018. *TERAZ.Sk*. <http://www2.teraz.sk/zahranicie/slovensko-ma-zujem-o-cinske-invest/6329-clanok.html>. "R. Fico Odletel Na Fórum O Spolupráci S Čínou, Stretne Sa Aj S Orbánom [R. Fico Flies To China To Attend The China Co-Operation Forum, He Will Also Meet Orban]". 2012. *TERAZ.Sk*. <http://www.teraz.sk/slovensko/r-%20co-odletel-na-forum-o-%20spolupraci/6251-clanok.html>.

⁶³ "Uighur men held for 12 years leave Guantánamo Bay for Slovakia", *The Guardian*, December 31, 2013, <https://www.theguardian.com/world/2013/dec/31/uighur-men-leave-guantanamo-bay-slovakia>.

2016, the Slovak president Andrej Kiska even met Dalai Lama for a 'private' visit,⁶⁴ triggering heated arguments in the national political arena. However, to one's surprise, the Chinese national media remained relatively silent, rarely mentioning the visit beyond the official response of the Chinese Ministry of Foreign Affairs.⁶⁵

Economically speaking, one may argue that the relations have improved whatsoever after the establishment of the 16+1 Cooperation. From the trade exchange perspective, Slovak exports have been experiencing stagnation even decline after 2011, while the trade deficit has almost doubled in the time period 2012-2016. The transformation of the Slovak 'China Strategy' is evident, the attention has gradually shifted to the FDI whereby SARIO plays the major role in promoting Slovak investment climate. The frequency of the business exchanges has increased since 2013. Beginning with the three major Investment seminars organized by SARIO, which were held in Beijing, Hangzhou and Shanghai and aimed at promoting Slovak business environment.⁶⁶

At the policy level, a minor progress was achieved. The Memorandum of Understanding on promoting the cooperation between Chinese and Slovak SMEs was concluded in 2013. Taking into account that the majority of the Slovak enterprises are SMEs, Slovak exporters experience severe difficulties penetrating the highly competitive Chinese market.⁶⁷

From China-CEE relations perspective, neither the 2013's nor the 2014's Annual China-CEE Summit brought any significant improvements. On the both occasions the Prime Minister Róbert Fico held talks with the Prime Minister Li

⁶⁴ "Dalai Lama visits Slovakia, meets president, university students", The Spectator, October 17, 2016, <https://spectator.sme.sk/c/20358241/dalai-lama-visits-slovakia-meets-president-university-student.html>.

⁶⁵ Šebok, Filip. 2016. "Chinese Media Watch: Dalai Lama Visits Central Europe". *Asian.Sk*. <http://www.asian.sk/en/chinese-media-watch-dalai-lama-visits-central-europe/>.

⁶⁶ "Hospodárska spolupráca medzi SR a ČĽR [‘the Economic cooperation between the SR and the PRC’]. 2018. *Ministry Of Foreign Affairs*. Accessed April 9." https://www.mzv.sk/documents/10182/1677593/Hospodárska+spolupráca+medzi+SR+a+Č%ADnou_pr%C3%ADloha_1.pdf/b840bf10-e297-4853-a09d-d004c670e853. p. 2

⁶⁷ "Hospodárska spolupráca medzi SR a ČĽR [‘the Economic cooperation between the SR and the PRC’]. 2018. *Ministry Of Foreign Affairs*. Accessed April 9." https://www.mzv.sk/documents/10182/1677593/Hospodárska+spolupráca+medzi+SR+a+Č%ADnou_pr%C3%ADloha_1.pdf/b840bf10-e297-4853-a09d-d004c670e853. p. 1

Keqiang.⁶⁸Nevertheless, no signs of neither progress nor improvement of the economic cooperation between the two countries were shown. On the contrary, the 2014's Summit was foreshadowing the gradual disappointment of the contemporary state of the bilateral economic relations. In spite of the fact that the Prime Minister Róbert Fico repeatedly discussed the opening of a Chinese bank's branch and the construction of the hydroelectric power plant on Ipeľ River,⁶⁹ no steps regarding the actual realization of the initiated projects have been proceeded. The Prime Minister was frustrated with the unsuccessful projects and the minor FDI inflow to Slovakia, despite the frequent business exchanges. He remained absent at the following China-CEE Summit in Suzhou, justified by an illness. His absence was, however, not perceived positively by the Chinese leaders.⁷⁰

In 2010s, it is no secret that Slovakia has been desperately trying to seize attention of Chinese companies for the execution of the infrastructure projects. The First Joint Seminar of Sino-Slovak Enterprises, held in Bratislava, paid close attention to the PPP Projects,⁷¹ thus it is obligatory for the Chinese companies to establish a consortium with a local Slovak company in order to participate in the public tender procedures.

Despite the frequency of the Chinese business delegations visiting Slovakia in 2014, no successful outcomes were achieved. Neither the second conference promoting the “European Chinese Business Center”,⁷² nor an investment seminar for Zhejiang province delegation were a sufficient incentive for the B2B negotiations between the entrepreneurs from the automotive industry and winegrowers to take place.⁷³

⁶⁸Turcsányi, 2016a, p. 35-36

⁶⁹ AGLO. 2014. “Program Členov Vlády | Úrad Vlády SR [‘Program of the Members of the Government | Government Office of the SR’]”. *Vlada.Gov.Sk*. <http://www.vlada.gov.sk/program-clenov-vlady/?page=66>.

⁷⁰ Turcsányi, 2016a, p. 36-37

⁷¹ “The First Joint Seminar Of Sino - Slovak Enterprises | SARIO, Slovak Investment And Trade Development Agency”. 2013. *Sario.Sk*. <http://www.sario.sk/en/news/first-joint-seminar-sino-slovak-enterprises#comment-0>.

⁷² “Chinese Delegation From The Hubei Province | SARIO, Slovak Investment And Trade Development Agency”. 2014. *Sario.Sk*. <http://www.sario.sk/en/news/chinese-delegation-hubei-province>.

⁷³ “The Investment Seminar For Chinese Delegation From Zhejiang Province | SARIO, Slovak Investment And Trade Development Agency”. 2014. *Sario.Sk*. <http://www.sario.sk/en/news/investment-seminar-chinese-delegation-zhejiang-province>.

Furthermore, the food sector was identified as a potential sector for the future cooperation in 2012. The Ministry of Agriculture and Rural Development of the SR focused on the entry of a potential Chinese investor to the canning industry in Slovakia, using the opportunity to promote Slovak wine. In 2015, the Slovak delegation attempted to negotiate a contract allowing Slovak enterprises to export dairy products, especially the milk powder. According to Slovak press SME, three Slovak enterprises including Levické mliekárne [Dairy Levice] expressed their keenness to export their dairy products to China.⁷⁴ Following, the State Veterinary and Food Administration of the SR (ŠVPS SR) has repeatedly sent requests for the import protocols to its Chinese partner organization, the AQSIQ. Even though Slovakia has fulfilled all the factual and procedural prerequisites regarding the export of meat, milk, live bovine animals and embryos, no significant progress from the Chinese side has been proceeded.⁷⁵

Speaking of investment, the volume of Chinese FDI in Slovakia remains marginal,⁷⁶ generating volume below 1 percent until nowadays. However, the announced and realized Chinese investment for the period 2013-2016 saw a significant improvement.

The Slovak-Chinese joint venture WDL Airlines promoted the direct flight connection between Bratislava and Tianjin.⁷⁷ This project, which was to be realized within 2013-2015 in Bratislava,⁷⁸ has not been realized in 2018. Similarly, the ambitious project of the “European Chinese Business Center” in town of Senec, was to be established in 2014. The Business Center was to gather up to 200 Chinese enterprises

⁷⁴ a.s., Petit. 2015. “Číne Pošlú Mlieko Tri Slovenské Firmy. Čakajú Na Zmluvu [‘Three Slovak Companies Will Send Milk to China. They are Waiting For Contract’]”. *Ekonomika.Sme.Sk*. <https://ekonomika.sme.sk/c/7832366/cine-poslu-mlieko-tri-slovenske-firmy-cakaju-na-zmluvu.html#ixzz59Z3s0xr8>.

⁷⁵ “Hospodárska spolupráca medzi SR a ČĽR (‘the Economic cooperation between the SR and the PRC’). 2018. *Ministry Of Foreign Affairs*. Accessed April 9.” https://www.mzv.sk/documents/10182/1677593/Hospodárska+spolupráca+medzi+SR+a+Č%3%ADnou_pr%C3%ADloha_1.pdf/b840bf10-e297-4853-a09d-d004c670e853. p. 11-12

⁷⁶ Turcsányi, 2014, p. 94

⁷⁷ SITA, 2013, “Bratislava má mať priamu leteckú linku do Číny, úrady o ničom nevedia. [‘Bratislava is Supposed to Have a Direct Flight to China, the Authorities are Not Aware of Anything.’]” <http://eko-nomika.sme.sk/c/7045302/bratislava-ma-mat-priamu-letecku-linku-do-ciny-urady-o-nicom-nevedia.html>

⁷⁸ Turcsányi, 2014, p. 94-97

including the branch of the Bank of China, along with traveling agencies and other services.⁷⁹ This project, however, also lacks existence in 2018.

With regard to the realized investments, one of a few successful greenfield investments has to be paid attention to. The FLAME shoes established its plant in Kružlov Bardejov in 2014. The plant's production focuses on rubber shoes production using special EVA technology.⁸⁰ Another example was the opening of Huawei's e-shop in the capital, which is run by IRDistribution, a.s. creating up to 50 job positions.⁸¹ In 2014, the IEE opened a new factory in Košice. (The IEE is a fraction of the Haiying Ltd.) The factory produces mainly electrical sensors and safety related products in the automotive industry. The investment amounted to 10 million EUR and created over 530 jobs, with an annual production of 12 million sets of car sensors.⁸²

Moreover, a Chinese FDI in IT sector was announced in 2015. ZTE, one of the leading Chinese telecommunication equipment and systems companies, invested 20 million USD into establishment of a Research laboratory in Bratislava.⁸³ In 2016, Leyard Shenzhen Opto Electronics established a production facility for large-scale display screens. The investment is of 2.3 million EUR with an announced further investment of 3 million EUR.⁸⁴

Regarding Chinese indirect investment, the J&T Finance Group signed a strategic cooperation agreement with the Chinese Corporation China Energy Company Limited (CEFC) in mid 2015. CEFC supposedly purchased 50 percent of its

⁷⁹ SITA, 2012, "Európske čínske centrum pri Senci otvoria v roku 2014. [‘The European Chinese Center nearby Senec will be Opened in 2014’]" <http://www.webnoviny.sk/ekonomika/europske-cinske-centrum-pri-senci-otv/499801-clanok.html>

⁸⁰ Pleschová, 2017, p. 136

⁸¹ Turcsányi, 2014, p. 94-97

⁸² "Slávnostné Otvorenie Nového Závodu Spoločnosti IEE V Košiciach Pánom Veľvyslancom [‘Opening Ceremony of the New IEE Company in Košice, by the Ambassador’]". 2014. *Sk.Chineseembassy.Org*. <http://sk.chineseembassy.org/slo/xwdt/t1212784.htm>.

⁸³ Turcsányi, 2014, p. 94 - 97 AND "Slovenskú Vedu Má Podporiť Čínska Investícia [‘Slovak Science Receives Chinese Investment Support’]". 2015. *Pravda.Sk*. <https://spravy.pravda.sk/domace/clanok/375337-slovensku-vedu-ma-podporit-cinska-investicia/>.

⁸⁴ Pleschová, 2017, p. 136

shareholding stake.⁸⁵ A few months later, the China National Nuclear Corporation (CNNC) and the Energy and Industrial Holdings (EPH) joined the bid over 66 percent share of the Slovak Power Plants. The estimated price of the Slovak Power Plans was 3.6 billion EUR, being sold by the Italian company Enel. Later that year, the EPH eventually won the bid. The Chinese capital was indirectly involved in the EPH via the J&T Finance Group, which owns one third of the EPH's total shareholding.⁸⁶

The tender participation of Chinese companies, however, remains with no success. The submitted bids of both China Communications Construction Company Limited and China Gezhouba Group International Engineering were unsuccessful. Therefore, no Chinese companies were able to participate at the announced PPP project of the R7 and D4 dual carriageway execution in 2015.⁸⁷ In summer 2016, the announced construction of the hydroelectric plant on Ipeľ River was also unsuccessful.⁸⁸ However, similarly to CNNC's unsuccessful bid, this project was being put on hold mainly due to the fact that the Slovak Government was unwilling to offer the state guarantees to the Chinese investor.⁸⁹

Overall, it is rather problematic to estimate the real value of Chinese FDI in Slovakia. The data values collected from the Chinese and Slovak sources differ significantly. In 2016, the estimated value was anywhere from 40 million EUR to 120 million USD.⁹⁰

⁸⁵ “Čínský Podíl V J&T Vzrostl Na Dvojnásobek, Brzy Má Dosáhnout 30 Procent - E15.Cz [‘China's J&T Share Doubled, Soon Could Reach 30 Percent - E15.Cz’]”. *Zprávy E15.Cz*. <http://zpravy.e15.cz/byznys/finance-a-bankovnictvi/cinsky-podil-v-j-t-vzrostl-na-dvojnásobek-brzy-ma-dosahnout-30-procent-1224135>.

⁸⁶ Turcsányi, 2016b, p. 4-5

⁸⁷ “S Číňanmi Spájajú Sily Najväčšie Slovenské Firmy [‘The Largest Slovak Companies Join Forces with Chinese Companies’]”. 2015. *Pravda.Sk*. <https://spravy.pravda.sk/ekonomika/clanok/346152-s-cinanmi-spajaju-sily-najvacsie-slovenske-firmy/>.

⁸⁸ Priehradu Na Ipli By Mohli Postaviť Číňania [‘The Ipeľ Dam Could be Constructed by Chinese’]”. 2013. *Pravda.Sk*. <https://spravy.pravda.sk/ekonomika/clanok/300923-priehradu-na-ipli-by-mohli-postavit-cinania/>.

⁸⁹ Turcsányi, 2016b, p. 4-5

⁹⁰ Turcsányi, 2016a, p. 16

With regard to Slovakia's performance at the international political arena, it is essential to note that the mid 2010s have brought considerable amount of attention. Speaking of China-CEE relations, the II. Symposium of China-CEE Virtual Technology Transfer Center was established in the Slovakia's capital in 2015.⁹¹ Besides, for the first time in its short history, Slovakia held the Presidency of the Council of the EU in the second half of 2016, devoting the discussion to EU-China crucial issues, such as granting China the MES.

In the aftermath of the Dalai Lama's visit, the Prime Minister Róbert Fico held talks with the Prime Minister Le Keqiang at the occasion of the 5th Annual China-CEE Summit.⁹² He seized the opportunity to invite him for an official visit to Slovakia in 2017. Despite the attempts, similarly, this Annual Summit did not bring any significant adjustments regarding the economic matters for Slovakia as well.

Speaking of the Slovak 'China Strategy' in the mid 2010s, the importance of the 16+1 Cooperation has been acknowledged. As demonstrated in the Annual Report of 2016, elaborated by the Ministry of Foreign and European Affairs of the SR, the 16+1 Cooperation has been recognized as an effective tool to strengthen the mutual relations with the emphasis on the economic relations under the One Belt One Road Initiative.⁹³ Later in 2016, the Memorandum of Understanding between the PRC and the SR on the promotion of the joint development of the "Silk Economic Road" within the framework of the joint Slovakia-Chinese Economic Committee was concluded.⁹⁴ The elaboration of the bilateral agreement was predominantly aimed at strengthening of the economic cooperation. This aspect is further emphasized in the document entitled the Strategy of the Foreign Economic Relations of the SR for the time period 2014-2020. As declared

⁹¹ "Slovakia, Slovenia Seek Growth, Cooperation Global Times". 2018. *Globaltimes.Cn*. <http://www.globaltimes.cn/content/1095331.shtml>.

⁹² "Li Keqiang Holds Talks With Prime Minister Algirdas Butkevicius Of Lithuania And Prime Minister Robert Fico Of Slovakia". 2016. *Fmprc.Gov.Cn*. http://www.fmprc.gov.cn/mfa_eng/topics_665678/lkqfwjjssthsstltwyelsbcxlgjhy/t1413726.shtml.

⁹³ "Správa O Plnení Úloh A Zameranie Zahraničnej Politiky [Task Report And Perspectives of the Foreign Policy]". 2018. Accessed April 10. <https://www.mzv.sk/documents/10182/2686701/Sprava+o+plneni+uloh+a+zameranie+ZP+2016-2017>.

⁹⁴ "Slovakia, Slovenia Seek Growth, Cooperation Global Times". 2018. *Globaltimes.Cn*. <http://www.globaltimes.cn/content/1095331.shtml>.

by the Ministry of Foreign and European Affairs of the SR, the further economic development of Slovakia in the time period 2014-2020 shall predominantly focus on the export exchange to the markets outside EU territories. China remains to be listed among the most favored countries to enhance the economic relations with.⁹⁵

⁹⁵ 2016. *Economy.Gov.Sk*. <http://www.economy.gov.sk/uploads/files/sA4Ooupd.pdf>.

4. Analysis of the Bilateral Economic Relations 1993-2016

The following empirical section is devoted to the analysis of the overviewed development of the bilateral economic relations. In particular, the trade exchange and the structures of both the exported and imported commodities are analyzed.

Each of the subchapters begins with a brief overview of the particular time period. After summarizing the major achievements and drawbacks, the trade exchange balance is analyzed with regard to the contemporary political events. Furthermore, a brief analysis of the development of the both exported and imported commodity structures is elaborated.

The limitations of the access to trustworthy information and data regarding the subject need to be acknowledged. The demonstrated figures, elaborated by the author of this thesis, are based on data available at *the Statistical Office of the SR* if not stated otherwise. The values of the trade exchange in the time period 1993-2009⁹⁶ are unitedly converted via XE Currency Converter, with the exchange rate 1 SKK = 0.0331939 EUR⁹⁷. The values are, therefore, unitedly listed in the FOB EUR.

4.1 1993-2004

After the eventual split of the CSFR in 1993, Slovakia did not oppose embracing China. On the contrary, Slovakia hoped the economic engagement would bring benefit to its struggling economy. With the cautious approach towards interrogating China's internal affairs in mind, the full attention was yielded to the economic matters, concentrating on China until 2008. However, in the first decade after its birth, China's engagement with Slovakia focused rather on promotion of its One China Policy over economic matters.⁹⁸ Therefore, the results of the Slovak contemporary 'China Strategy' are far from being breathtaking. As the only achievements may be considered the

⁹⁶ Slovakia adopted the common European currency Euro in 2009, with exchange rate 1 SKK = 0.0331939 EUR

⁹⁷ XE: "Convert SKK/EUR. Slovakia Koruna To Euro Member States". 2018. *Xe.Com*. <https://www.xe.com/currencyconverter/convert/?Amount=106296536&From=SKK&To=EUR>.

⁹⁸ Fürst, Pleschová, 2010, p. 1374-1375

concluded Agreement on Trade and Economic Cooperation and the approval of the execution of the Shentou power plant construction by the Czech-Slovak consortium.

Trade Exchange

Regarding Slovakia's export to China in the time period 1993 until mid 2000s, as stated in the publication by Pleschová *Export do Číny a podnikanie v Číne. Skúsenosti slovenských firiem* ['Export to China and doing business in China. Experience of Slovak companies'], the export consisted predominantly of the technological equipment. The largest success was achieved in repeated export of the tire manufacturing machines, whereby the main Slovak exporter Matador, a.s. exported the truck and radial tires production lines. Konštrukta-Industry a.s. [Constructa-Industry a.s.], exported rubber tire inner tubes and steel ring cutters production lines. During this time period, Matador's export was worth 1.6 billion crowns⁹⁹ (over 53 mil EUR), Konštrukta-Industry a.s. [Constructa-Industry a.s.]'s export was worth 476 million crowns (approximately 16 mil. EUR).¹⁰⁰

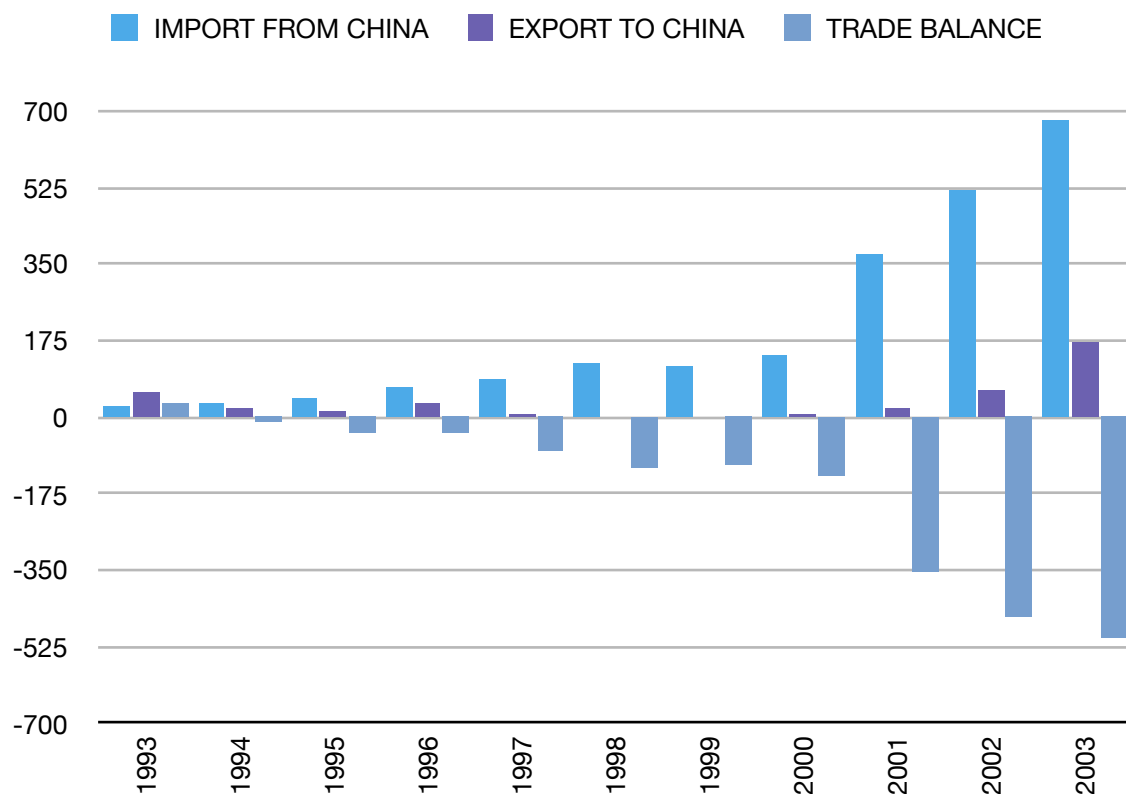
Under the initiative of the Slovak government to catalyze the trade exchange and business cooperation, the Slovak Investment and Trade Development Agency (SARIO) was established in 2001. SARIO is a government-funded allowance organization performing under the supervision of the Ministry of Economy of the SR.¹⁰¹ Among other institutions and agencies, SARIO transformed into a major governmental tool promoting Slovak investment climate and business environment in the 2010s.

⁹⁹ converted with the exchange rate 1 SKK = 0.0331939 EUR via XE: "Convert SKK/EUR. Slovakia Koruna To Euro Member States". 2018. *Xe.Com*. <https://www.xe.com/currencyconverter/convert/?Amount=106296536&From=SKK&To=EUR>.

¹⁰⁰ Pleschová, 2007, p. 43

¹⁰¹ "SARIO, Slovak Investment And Trade Development Agency". 2018. Sario.Sk. Accessed April 10. <http://www.sario.sk>.

Figure no.1 Bilateral Trade Exchange 1993-2003 (in mil. EUR)



Source: Data for the time period 1993-2001 are derived from the academic paper Gregušová, 2005, p. 18, data for the time period 2002-2003 are derived from the Statistical Office of the SR.

The Figure no.1 shows that the trade surplus in 1993 (of 29 million EUR) gradually changed during the 1990s. It vaulted over and reached -11 million EUR only a year later in 1994. The trade surplus experienced a gradual increase until 1998, when suddenly decreased to -112 million EUR. However, after 1999 the surplus sharply jumped from -112 million EUR to -507 million EUR in 2003. Before Slovakia's accession to the EU, the trade surplus increased by more than 17 times, reaching its new historic high in 2003.

During the first year of Slovakia's independence, volume of solid of 53 million EUR was exported to China. This volume was not reached nor exceeded until 2002, when the overall export to China reached 60 mil EUR. However, the exports underwent a significant decline in the late 1990s, decreasing to 8 million EUR in 1997. The stagnating exports reached the total volume of mere 22 million EUR within the time

period of the following four years. The exports revived only in 2001, reaching 20 million EUR, the highest value reached in the period of the last five years. An evident increase of the exports can be observed at the beginning of the new millennium, when the volume advanced by over 8 times within the period of three years.

As shown at the Figure no.1, the volume of imported goods from China experienced a gradual increase in the overall time period 1993-2000. China's exports rose from 24 million EUR in 1993 to 143 million EUR in 2000. However, a considerably sharp increase was experienced after 2000, when the volume of the export to Slovakia almost tripled, jumping to 373 million EUR in 2001. The exports advanced to 517 million EUR in 2002, eventually reaching 678 million EUR in 2003. Thus, China's export to Slovakia rose by over 28 times within the first decade of Slovakia's independence.

The state of the contemporary trade exchange may be clarified with regard to the economic transformation, which Slovakia underwent in the late 1990s. Furthermore, China gained the WTO membership in 2001, emerging as a new economic power. The tripled value of Slovak export of 60 mil EUR in 2002 may be of a close relation to the execution of the Shentou power plant by the Czech-Slovak consortium. The Slovak subcontractor Slovenské energetické strojárne (SES a.s.) Tlmače [Slovak Power Engineering plants (SES a.s.) Tlmače] provided supplies to Shentou in the second half of 2002.¹⁰²

Regarding the Slovak enterprises penetrating the Chinese market, several aspects played an important role. The vast lack of experience and *guanxi* of Slovak businessmen in the highly competitive Chinese market resulted in both Chinese-Slovak joint ventures' unsuccessful end. Another example, *Všeobecná úverová banka* [The Slovak branch of the Intesa Sanpaolo Bank] was not successful in localizing its services and therefore had to quit the Chinese market. On the other hand, in 2002, Elektrotechnický výskumný a projektový ústav (EVPÚ) [Electrotechnical Research and Projecting Company Nová Dubnica, j.s.c] established its office in China, providing

¹⁰² Pleschová, 2007, p. 82

security testing and low-weight electronic products' certification.¹⁰³ As for 2018, there is, however, no information available at the EVPÚ's official website regarding the current state of the representative office in China.¹⁰⁴

Commodity Structure Analysis

Due to the limited access to the available information, the figures demonstrating the commodity structures in the time period before Slovakia's accession to the EU are omitted.¹⁰⁵ According to the Commercial and Economic Department of the Embassy of the Slovak republic in Beijing, the main commodities exported in this time period consisted of: flat-rolled products of iron or non-alloy steel, electric motors and generators, ball or roller bearings, machinery for working rubber or plastics and transmission shafts. China's contemporary import commodity structure consisted of: pharmaceutical substances, hydraulic pumps, automatic washing machines, plates, vulcanized rubber blanks, casting molds or cores, amine compounds, parts and accessories of the motor vehicles, central heating boilers, table glass, wood, fabrics, heaters, leather, and control devices.¹⁰⁶

To summarize the overall period of the bilateral economic relations before Slovakia's accession to the EU, no major achievement at the diplomatic neither economic level was achieved. The first decade of Slovakia's independence is characterized by significantly slow development and stagnation of Slovak export, in addition to no Chinese FDI present in the country. The introduced neoliberal economic strategy in the early 1990s induced considerable stagnation of the Slovak exports and accelerated the trade surplus. Slovak enterprises experienced major obstacles penetrating the over-consumed Chinese market and both joint ventures were unsuccessful. From the perspective of the contemporary 'China Strategy', the persistent

¹⁰³ Pleschová, 2007, p. 43-44

¹⁰⁴ Skalický Robert, RoskaSoft. 2018. "EVPÚ, A.S |Representatives". *Evpú.Sk*. <http://www.evpu.sk/english/representatives>.

¹⁰⁵ The Statistical Office of the SR keeps the database of the commodities structure according to SITC Rev.4 since 2004.

¹⁰⁶ Pleschová, 2007, p. 43

attempts to seize China's attention bore no fruit, aside from the execution of the Shentou power plant project.

4.2 2004-2016

Firstly, this subchapter provides an analysis of the overall economic relations development within the time period 2004-2016. The analysis justifies the findings on the examples observed from the presented chronological overview. Secondly, the bilateral trade exchange and the commodity structure development are demonstrated and further analyzed.

The accession of Slovakia to the EU in 2004 has significantly influenced the later development of the bilateral economic relations. At the policy level, the Agreement on Trade and Economic Cooperation was modified to the current Agreement on Economic Cooperation. Furthermore, the Sino-Slovak bilateral relations were placed under the umbrella of the European Commission.¹⁰⁷ Regarding its 'China Strategy', Slovakia persistently attempted to win China's favor and did not hesitate to present its political views openly in the field of the international political arena.

The time period 2004-2016 can be considered as the era of 'high hopes and unkept promises'. After the project of the Shentou power plant construction was successfully finalized in 2004, Slovakia was striving for another investment to emerge. The much-publicized project of the afforestation was eventually neglected and has not been executed.¹⁰⁸

Regarding the Slovak exporters to China, only limited information concerning the time period 1993-2006 is available. Besides the Shentou power plant construction, which significantly improved the contemporary trade exchange, the exports until mid 2000s came predominantly from the multinational and foreign companies based in Slovakia. Among the largest exporters from Slovakia to China were mainly foreign

¹⁰⁷ "Hospodárska spolupráca medzi SR a ČĽR ('the Economic cooperation between the SR and the PRC'). 2018. *Ministry Of Foreign Affairs*. Accessed April 9." https://www.mzv.sk/documents/10182/1677593/Hospodárska+spolupráca+medzi+SR+a+Č%C3%ADnou_pr%C3%ADloha_1.pdf/b840bf10-e297-4853-a09d-d004c670e853. p. 1

¹⁰⁸ Gregušová, 2005, p. 8

subsidiaries (Agrofert or US Steel.) and multinationals (Alcatel-Lucent, Bosch and Siemens, Lexmark, Osram, Samsung, Sauer-Danfoss, or Volkswagen). Only a few Slovak companies (Matador, Konštrukta-Industry [Constructa-Industry a.s.], ZTS Sabinov and Kinex) were able to withstand the competition.¹⁰⁹

The time period 2004-2016 can be divided into two sections. To be specific, to the period before the launch of the 16+1 Cooperation and the period after the launch. The time period 2004-2012 can be considered as the “golden period” of the bilateral economic relations. Economically speaking, Slovak exports to China gradually increased, whereby the freshly gained European membership appeared to finally seize interest of Chinese investors. Particularly in the aftermath of the global financial crisis, (2009-2012) Slovakia appeared more appealing with its steady economic environment, stable political situation, the EU membership and numerous benefits originating from the Eurozone membership. Besides, the strategic location, high labour productivity, yet considerably low tax rates seemed also very attractive.¹¹⁰

Speaking of investment, there was a complete lack of Chinese FDI present in the country prior to the year 2006. Until 2012, five Chinese FDI were realized, namely; the Lenovo Operation Center (2006), ZVL Auto’s controlling stake of 55 percent (sold to the Chinese corporation TSB Bearings Group Co., Ltd. in 2007), Mesnac’s European Research and Technical Centre (2009), SaarGummi’s factory (2011) and Inalfa Roof Systems’s controlling stake of 100 percent (sold to Beijing Hainachuan Automotive Parts Co., Ltd. in 2011).¹¹¹ Even though the volume of the materialized Chinese FDI remained marginal,¹¹² it represents a significant contrast to the time period 1993-2004. With regard to Chinese FDI, it is vital to note that aside the Lenovo Operation Center, four of the five materialized investments belong to the automotive industry.

¹⁰⁹ Pleschová, 2007, p. 159

¹¹⁰ Fürst, Pleschová, 2010, p. 1378

¹¹¹ Turcsányi, 2014, p. 89-107, Pleschová, 2017, p. 136

¹¹² Szikorova, 2012, p. 1374

Shift of the Slovak 'China Strategy'

On account of the lack of the academic research regarding the foreign policy tendencies of Slovakia in the mid 2010s, we attempted to analyze the Annual Reports 2002-2016 elaborated by the Ministry of Foreign and European Affairs of the SR.¹¹³ Briefly summarized, the Annual Reports until 2009 provide more detailed information on steps proceeded regarding the 'China Strategy', emphasizing the urge to strengthen *the bilateral* economic relations. However, after the year 2010, the Annual Reports became gradually more brief and vague. This may be justified in the context of the new right-wing Slovak Government lead by Premier Iveta Radičová, who introduced alternations into the Slovak foreign policy, also concerning the relations with China.¹¹⁴ After 2012, the focus steadily shifted to *Slovakia's position within the 16+1 Cooperation* rather than emphasizing the importance of fostering the bilateral relations.¹¹⁵ Thus, it may be concluded that after 2012 the bilateral relations became of secondary importance. The Slovak Government preferably set its attention to Slovakia's investment opportunities within the 16+1 Cooperation.

Economic Relations 2012-2016

The following time period 2012-2016 reflects the gradual transformation of Slovakia's attitude towards the bilateral economic relations. The hopes were high in 2012, envisioning the gradual increase of the economic cooperation, however, the reality differed and the hopes shattered. From the perspective of the bilateral trade relations, Slovak exports to China were experiencing considerable stagnation and even decline in the mid 2010s. The possible argument behind the evident stagnation may be the gradual shift of Slovak Government's concentration, yielding its attention to attracting Chinese FDI rather than enhancing the bilateral trade exchange. Notwithstanding the numerous negotiations at the high-level diplomatic meetings, only

¹¹³ "Dokumenty K Zahraničnej Politike - Ministerstvo Zahraničných Vecí A Európskych Záležitostí SR [‘Documents on Foreign Policy-Ministry of Foreign Affairs and European Affairs of the Slovak Republic’]”. 2018. *Mzv.Sk*. <https://www.mzv.sk/zahranicna-politika/dokumenty-k-zahranicnej-politike>.

¹¹⁴ Pleschová, 2014, p. 55

¹¹⁵ "Dokumenty K Zahraničnej Politike - Ministerstvo Zahraničných Vecí A Európskych Záležitostí SR [‘Documents on Foreign Policy-Ministry of Foreign Affairs and European Affairs of the Slovak Republic’]”. 2018. *Mzv.Sk*. <https://www.mzv.sk/zahranicna-politika/dokumenty-k-zahranicnej-politike>.

insignificant progress from the Chinese side was proceeded to enable export of Slovak food products, especially wine and dairy.¹¹⁶ During the 2012-2016 time period, there are three major aspects to be paid attention to.

Slovakia's 'Daring' Approach vis-à-vis China

At diplomacy level, the heavy heart on China was clearly and openly expressed. Overall, Slovakia has violated the One China Policy several times, for instance by not refusing the admission of the three Uighur prisoners from the Guantanamo prison in 2013.¹¹⁷ Moreover, the Slovak President Andrej Kiska's (un)officially met with Dalai Lama,¹¹⁸ and the Prime Minister Róbert Fico expressed his disappointment over the unsuccessful projects with his absence at the 2015 China-CEE Summit in Suzhou.¹¹⁹ These examples may seem insignificant, however, demonstrate the evident shift of Slovakia's attitude towards the bilateral relations with China, creating a strong contrast to the time period 1993-2008.

Slovakia's Active Approach to Seize Chinese FDI

The shift of Slovakia's attention concerning the economic matters initiated an active approach to seize Chinese FDI. A vital necessity of the business delegations' exchanges as well as the Slovak business and investment climate promotion emerged. The number of the investment seminars organized both in China and Slovakia can be considered as an active attempt of Slovak Government to catalyze the Chinese FDI inflow to the country. The frequency of the business delegations exchanges has significantly increased after 2013. A strategic move was holding seminars where close attention was paid to the Public-private partnership projects (PPP) as well as the

¹¹⁶ "Hospodárska spolupráca medzi SR a ČĽR [‘the Economic cooperation between the SR and the PRC’]. 2018. *Ministry Of Foreign Affairs*. Accessed April 9.” https://www.mzv.sk/documents/10182/1677593/Hospodárska+spolupráca+medzi+SR+a+Č%3%ADnou_pr%3%ADloha_1.pdf/b840bf10-e297-4853-a09d-d004c670e853. p. 10 - 12

¹¹⁷ "Uighur men held for 12 years leave Guantánamo Bay for Slovakia", *The Guardian*, December 31, 2013, <https://www.theguardian.com/world/2013/dec/31/uighur-men-leave-guantanamo-bay-slovakia>.

¹¹⁸ "Dalai Lama visits Slovakia, meets president, university students", *The Spectator*, October 17, 2016, <https://spectator.sme.sk/c/20358241/dalai-lama-visits-slovakia-meets-president-university-student.html>.

¹¹⁹ Turcsányi, 2016, p. 37

construction execution process.¹²⁰ With regard to the participation in a public tender under the Public Procurement Act in Slovakia, it is essential to note that it considerably differs to the PPP tender procedures in China.¹²¹ The obstacles Chinese companies have to face, emerging from the Slovak legislation and the lengthy bureaucratic procedures, are beyond the scope of this thesis. However, they await further academic research.

Shift from Bilateral to CEE Relations

Last but not least, the third and the final observed aspect is the evident shift from fostering the bilateral relations to enhancing China-CEE relations. This observation is, however, far from breathtaking. Especially in the light of the first chapter, which demonstrates the clear evidence of the historical tendency to proceed the bilateral relations within a broader group of states. The first decade of the bilateral economic relations reflects its underdevelopment, which has significantly changed after Slovakia gained the EU membership, inducing minor Chinese FDI inflow and relatively successful trade balance until 2013. Furthermore, after the launch of the 16+1 Cooperation, Slovakia acquired considerably larger recognition within the scope of this initiative, thus the CEE region gained significant importance within the new ambitious One Belt One Road Initiative. The Slovak Government seems to acknowledge this aspect and after a brief period of its disappointment with China's attitude towards the bilateral relations, it shifted its attention towards the 16+1 Cooperation, as clarified in the Strategic Plan for the 2014-2020 time period.¹²²

A justification of Slovakia's potential geographical importance within the 16+1 Cooperation is reflected in the opening of the first intermodal transport terminal in Žilina in 2015. The opening of the terminal created a transit route of the fast railway

¹²⁰ "The First Joint Seminar Of Sino-Slovak Enterprises | SARIO, Slovak Investment And Trade Development Agency". 2013. *Sario.Sk*. <http://www.sario.sk/en/news/first-joint-seminar-sino-slovak-enterprises#comment-0>.

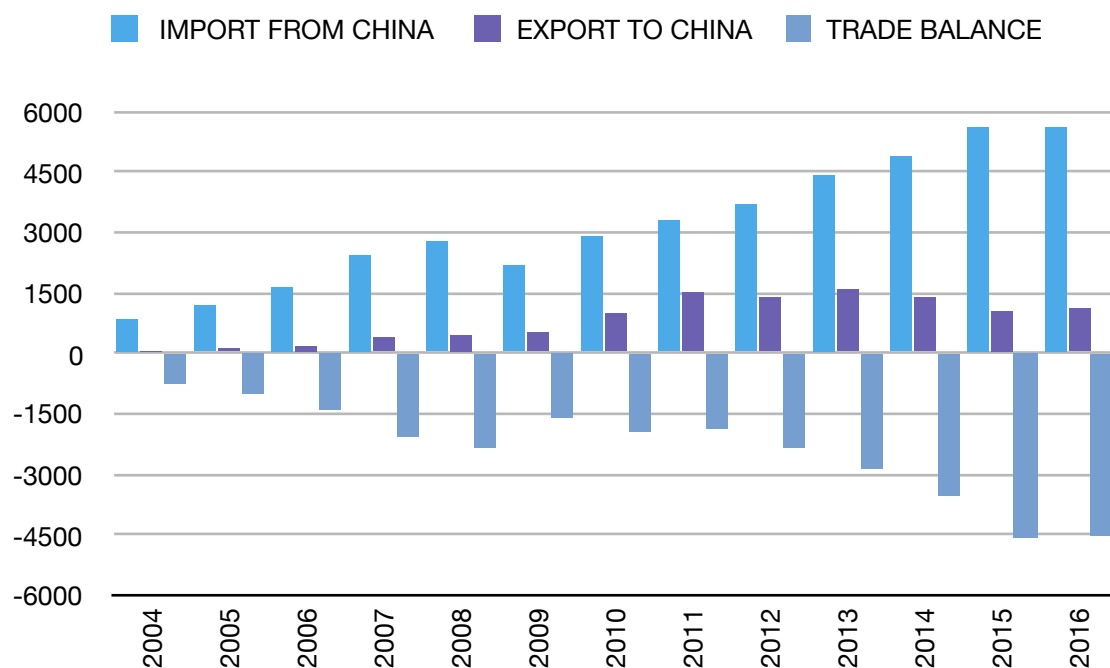
¹²¹ "Hospodárska spolupráca medzi SR a ČLR [the Economic cooperation between the SR and the PRC]". 2018. *Ministry Of Foreign Affairs*. Accessed April 9." https://www.mzv.sk/documents/10182/1677593/Hospodárska+spolupráca+medzi+SR+a+Č%3%ADnou_pr%C3%ADloha_1.pdf/b840bf10-e297-4853-a09d-d004c670e853. p. 5

¹²² "Správa O Plnení Úloh A Zameranie Zahraničnej Politiky [Task Report And Perspectives of the Foreign Policy]". 2018. Accessed April 10. <https://www.mzv.sk/documents/10182/2686701/Sprava+o+plneni+uloh+a+zameranie+ZP+2016-2017>.

connection from the port of Pyreus to Budapest. The transit route Budapest-Štúrovo-Galanta-Leopoldov-Žilina, further connecting the Czech Republic and Poland, induces that Žilina might become a central logistic corridor on the transit of three European corridors. The first transit, entitled the Baltic-Adriatic, with route Žilina-Katowice-Warsaw-the Gdansk port, the second, entitled the Rhine-Danube, tracing Žilina-Ostrava-Prague-Munich-Stuttgart, and the third, via Košice to Ukraine.¹²³

Trade Exchange

Figure no.2 Bilateral Trade Exchange 2004-2016 (in mil. EUR)



Source: Data for the time period 2004-2016 are derived from the Statistical Office of the SR.

The figure results show that the trade surplus continued to increase gradually until 2006, after 2006, the surplus jumped to -2355 million EUR. Paradoxically, the global financial crisis in 2008 induced the surplus narrowed to -1614 million EUR, the second lowest value reached since 2006. The surplus kept fluctuating until 2011, reaching -1830 million EUR. In 2012, it suddenly rose to -2323 million EUR and kept

¹²³ ““Hospodárska spolupráca medzi SR a ČR [‘the Economic cooperation between the SR and the PRC’]. 2018. *Ministry Of Foreign Affairs*. Accessed April 9.” https://www.mzv.sk/documents/10182/1677593/Hospodárska+spolupráca+medzi+SR+a+Č%3ADnou_pr%3ADloha_1.pdf/b840bf10-e297-4853-a09d-d004c670e853. p. 6

increasing. After jumping from -2323 million EUR in 2012 to -4600 million EUR in 2015, the surplus reached the all time high, almost doubling its value within the period of the past three years. In 2016, below market expectations, the surplus narrowed to -4476 million EUR due to an insignificant decline of imported goods from China. Overall, the trade surplus started to visibly increase after 2014.

An explanation for the somewhat balanced trade surplus during the global financial crisis is that the Chinese exports to Slovakia temporarily declined, however, Slovak exports to China remained slowly but steadily increasing. Taking into account the relatively stable trade balance until year 2013, Slovakia appeared to be a reasonable state for Chinese FDI inflow and was statistically ranked among the states with the most balanced trade surplus with China at the beginning of the 16+1 Cooperation in 2012.¹²⁴ Nevertheless, the trend was short-lived and Slovak exports have been evidently stagnating, even declining after 2011.

The Slovak exports to China have been experiencing a fluctuating pattern after its accession to the EU. The exports reached minor 83 million EUR in 2004, twice less than the exported value in 2003 (170 million EUR). After 2004 the exports kept lethargically increasing, doubling its value every second year. Surprisingly, the global crisis did not affect the volume of the exported goods, on the contrary, the exports maintained to grow. The first peak was reached in year 2011, when exports jumped to 1491 million EUR, however, temporarily narrowed to 1349 million EUR in 2012. The all time high of 1596 million EUR was reached in the next year 2013, yet, in the following years, the exports decreased to 1375 million EUR. The record low of 1019 million EUR was reached in 2015, the lowest exported value since 2010. A minor increase to 1141 million EUR was experienced in 2016.

The relatively steady increase of the exported goods from Slovakia until 2011 needs to be acknowledged in the context of the contemporary events. Slovak exports were catalyzed as a result of the economic reforms introduced by the Slovak right-wing government in the second half of the 1990s, inducing a major FDI inflow to the

¹²⁴Turcsányi, 2016, p. 14

country.¹²⁵ Thus, it is evident that the majority of the Slovak exports to China have been predominantly composed of the commodities produced by these multinational companies, due to their higher competitiveness. With regard to the minor export value reached in 2004, it may be concluded that the final year of the Shentou power plant execution did not significantly influence the total value of the exported goods to China. In a sharp contrast to the year 2002, when the value of the exported volume tripled.

The imported goods from China demonstrate a gradually increasing pattern. China's exports to Slovakia rose to 851 million EUR in 2004 and kept rising until 2009, reaching an all time low of 2169 million EUR. The exports temporarily decreased due to the global financial crisis, however, restored in the following year, jumping to 2918 million EUR. Since 2010, the exports to Slovakia have been steadily rising, whereby the value of the exported goods to Slovakia advanced by approximately 6 times in the first decade of Slovakia's EU membership. The all time high of 5695 million EUR was reached in 2015. The following year, the value of the exported goods experienced a minor decrease to 5616 million EUR, the first minor decline of China's export since 2009. With regard to the minor increase of Slovak exports to China in 2016, the minor decline of China's export represents a strange occurrence, which leaves a question mark concerning the potential future development of the bilateral trade exchange.

To conclude with, a possible explanation for the demonstrated decline of Slovak export to China may reflect the overall attitude of Slovak Government towards China. Particularly its disappointment with the stagnation of the announced Chinese FDI, as well as the shift of its attention towards the Chinese FDI rather than the trade exchange enhancement.

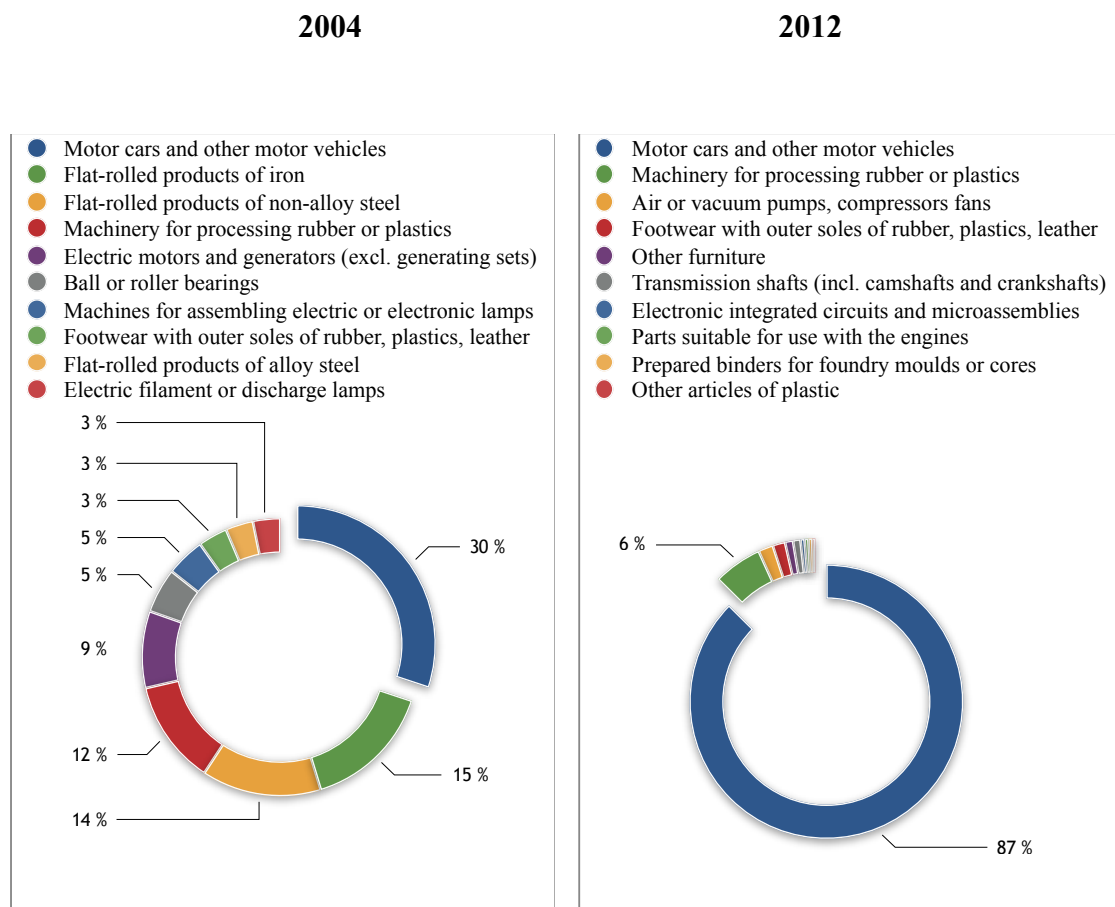
Commodity Structures Analysis

The last subchapters aim to analyze the qualitative data concerning the development of the structures of both the exported and imported commodities in the time period 2004-2016. The demonstrated figures, elaborated by the author of this thesis, are based on data available at the Statistical Office of the SR. The values in the

¹²⁵ Luo, 2000, p. 99–101

time period 2004-2009¹²⁶ are unitedly converted via XE Currency Converter, with the exchange rate 1 SKK = 0.0331939 EUR.¹²⁷ The values are, therefore, unitedly listed in the FOB EUR. Hence, the Statistical Office of the SR keeps the database since 2005, the data prior to 2005 are excluded. Thus, this thesis failed to provide a comparative analysis of the structures of the both exported and imported commodities *before* and *after* Slovakia's accession to the EU.

Figure no.3 Slovakia's Export Commodity Structure 2004 and 2012 (in EUR)



Source: Data for both years 2004 and 2012 are derived from the Statistical Office of the SR.

The presented pie charts demonstrate the development of the Slovak exported commodities to China from 2004 to 2012. Both years are significant for the Sino-Slovak

¹²⁶ Slovakia adopted the common European currency Euro in 2009, with exchange rate 1 SKK = 0.0331939 EUR

¹²⁷ XE: "Convert SKK/EUR. Slovakia Koruna To Euro Member States". 2018. *Xe.Com*. <https://www.xe.com/currencyconverter/convert/?Amount=106296536&From=SKK&To=EUR>.

economic relations, Slovakia gained the EU membership in 2004 and the Chinese Initiative 16+1 Cooperation was launched in 2012. The pie charts in this thesis demonstrate only values generating 3 percent and above of the total export.

The pie chart on the left, referring to the structure of Slovakia's export in 2004, demonstrates a considerably wide variety of the exported commodities. The main commodity, motor cars, composed 30 percent of the total export, whereby the both flat-rolled products of iron and non-alloy steel generated 29 percent of the total value. The fourth most exported commodity, machinery for processing rubber or plastics, composed 12 percent. It may be concluded that even though the total export to China reached mere 83 million EUR in 2004, the structure of the exported commodities was significantly diversified. Besides, it is vital to mention that the year 2004 represents the final year of the Shentou power plant execution by the Czech-Slovak consortium, which is reflected with the relatively large export of steel, non-alloy and alloy steel products.

The pie chart on the right, demonstrating the structure of the exported commodities from Slovakia to China in 2012, shows minor variety of the commodities. The main commodity remained unchanged, motor cars and other motor vehicles, composing overwhelming 87 percent of the total export. Despite the fact that the second commodity jumped from the original fourth place, it generated a half less of the total value in 2012. Among the top ten commodities, the majority was composed of the products from the automotive industry. It may be concluded that Slovak exports to China advanced by over 16 times to 1342 million EUR in the last eight years and underwent a significant transformation. Inducing that the export became predominantly composed of the commodities produced by the multinational companies based in Slovakia.

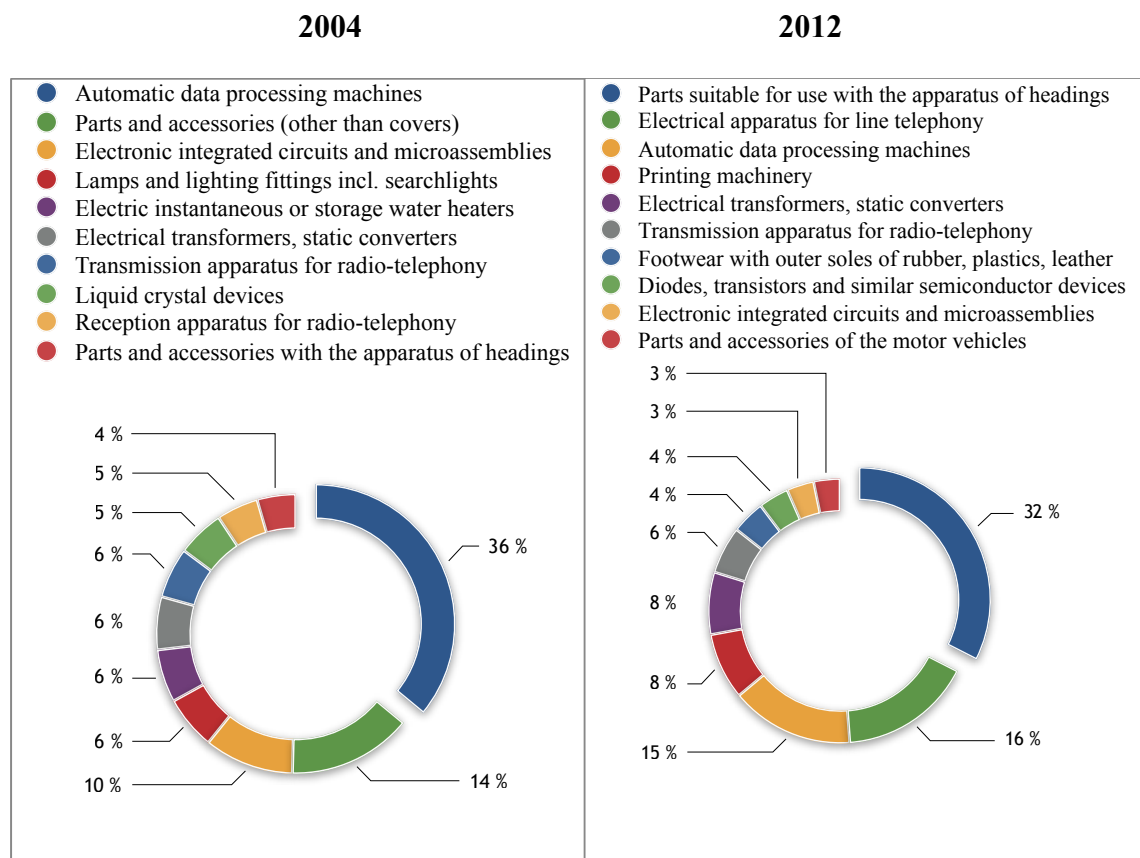
With regard to the top ten most exported commodities to China, the charts show a significant transformation of their overall structure. Only three commodities from 2004 remained listed among the top ten in 2012, namely, motor cars and other motor vehicles, machinery for processing rubber or plastic, and footwear with outer soles of rubber, plastics and leather. Not surprisingly, the most exported commodity remained

unchanged in both 2004 and 2012, (motor cars and other motor vehicles) however, the generated volume almost tripled to 87 percent.

Despite the alternations of the exported commodities, according to the SITC Rev. 4, in 2012, the export of the Machinery and Equipment generated overwhelming 93 percent of the total export value. In a sharp contrast, the Miscellaneous manufactures, the Chemicals and the Manufactures by material jointly generated mere 6 percent of the total export.¹²⁸ Clearly, the commodity structure became significantly monopolized by the exports from the automotive industry.

Furthermore, in order to provide a broader perspective of the overall bilateral trade exchange, the below presented pie charts demonstrate the development of the China's exported commodities to Slovakia in 2004 and 2012.

Figure no.4 China's Export Commodity Structure 2004 and 2012 (in EUR)



¹²⁸ Yearbook Development Of Foreign Trade In The Slovak Republic 2012-2016 p. 193

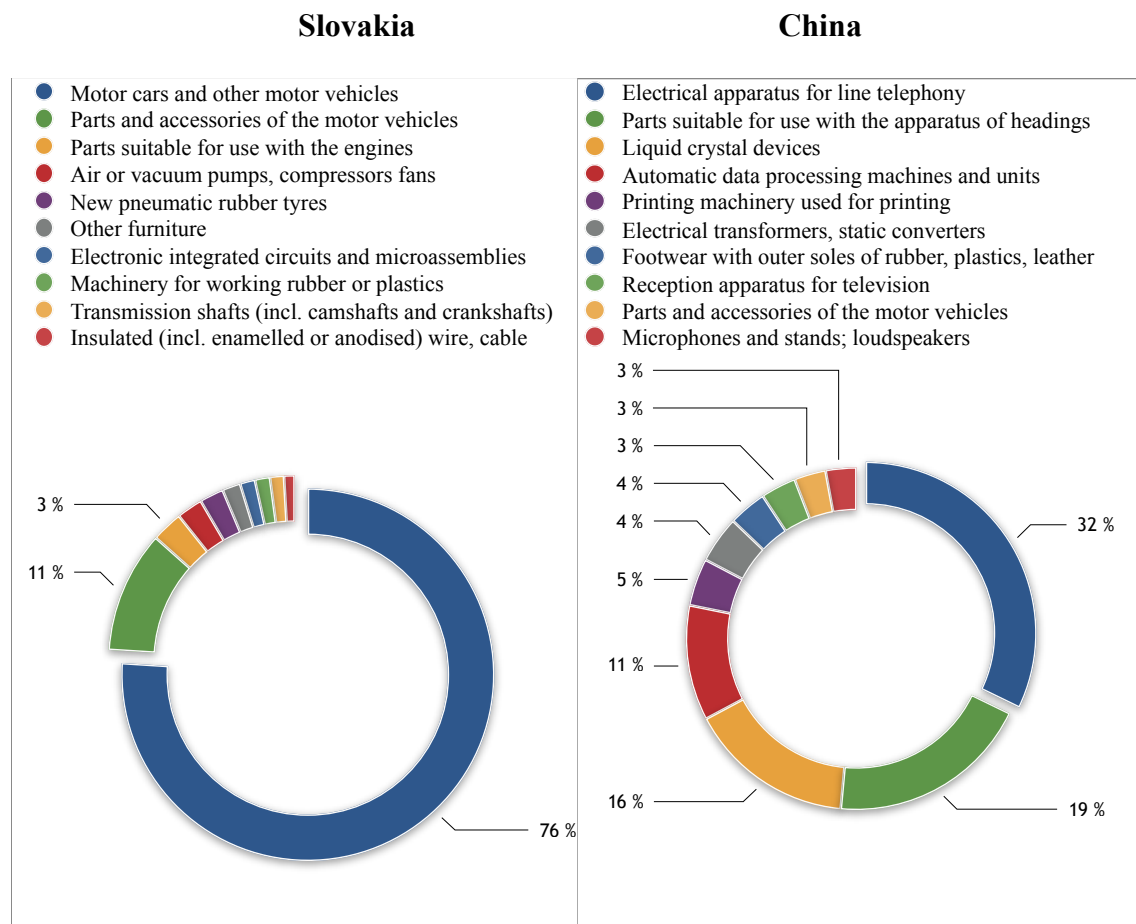
Source: Data for both years 2004 and 2012 are derived from the Statistical Office of the SR.

The pie chart on the left refers to the structure of the China's export to Slovakia in 2004. The total value of the export reached 851 million EUR, whereby the figure demonstrates a wide variety of the exported commodities. The main commodity, automatic data processing machines, composed 36 percent of the total export, whereas the both second and the third most exported commodities; parts and accessories (other than covers) and electronic integrated circuits and micro-assemblies generated 24 percent jointly. Overall, the values of each of the commodities separately composed 3 percent above. To sum up with, the China's and Slovakia's exported commodities structures in 2004 show major similarities, wide variety of the commodities and evenly generated values.

The pie chart on the right hand side, demonstrating the structure of the exported commodities in 2012, shows minor alternations. The variety of the commodities remained unaltered. The main exported commodity changed, parts suitable for use with the apparatus of headings, composed 32 percent of the total export. The second and the third exported commodities, electrical apparatus for line telephony and automatic data processing machines, jointly generated 31 percent. Similarly, the values of each of the commodities separately composed 3 percent above. It may be concluded that the total export to Slovakia advanced by approximately 4 times to 3671 million EUR within the time period of eight years, while the structure of the exported commodities showed no significant alternations.

Regarding the top ten exported commodities from China, the overall structure underwent a considerable transformation. Within the time period of eight years, the most exported commodity was replaced by the originally tenth commodity, parts and accessories with the apparatus of heading, while its volume increased 8 times reaching 32 percent in 2012. Among the five commodities, which remained listed among the top ten commodities in 2012 belong automatic data processing machines, electronic integrated circuits and micro-assemblies, electric transformers and static converters, and lastly, transmission apparatus.

Figure no.5 Export Commodity Structure of Slovakia and China 2016 (in EUR)



Source: Data for the year 2016 are derived from the Statistical Office of the SR.

As demonstrated on the left pie chart, the structure of Slovakia’s exported commodities in 2016 shows overall minor alternations. In comparison to the pie chart from 2012, the main commodity, motor cars and other motor vehicles, narrowed to 76 percent, decreasing the value by significant 11 percent. The second most exported commodity, parts and accessories of the motor vehicles, generated 11 percent, advancing its volume by 5 percent since 2012. Three commodities from the top ten in 2012 were excluded in 2016, namely, other articles of plastics, prepared binders for foundry moulds or cores, and the footwear with outer soles of rubber, plastics and leather.

The pie chart on the right demonstrates the structure of China’s exported commodities in 2016. The chart similarly shows minor alternations, the variety of the commodities remains unaltered. Three commodities from 2012 were not included

among the top ten exported commodities in 2016, namely, the transmission apparatus for radio-telephony, diodes, transistors and similar semiconductor devices, and the electronic integrated circuits and micro-assemblies. Besides, the most exported commodity was replaced by the electrical apparatus for line telephony, composing 32 percent of the total export. No major alternations have been observed, the values of each commodity separately remained to generate 3 percent above. It may be, therefore, concluded that the exported volume advanced to 5616 million EUR since 2012 while the structure of the exported commodities remained with no significant alternations.

According to the SITC Rev. 4, the structure of the exported commodities from Slovakia to China remained unchanged in 2016. The export of the Machinery and Equipment generated overwhelming 93 percent, whereas the Miscellaneous manufactures, the Chemicals and the Manufactures by material jointly generated 6 percent of the total export.¹²⁹

This leads to the conclusion that the commodity structure remained to be significantly monopolized by the exports from the automotive industry. With regard to the structure of Slovakia's exports to China, it is crucial to note that after the food sector was identified as the potential sector for the bilateral cooperation in 2012, Slovakia persistently attempted to acquire import protocols for Food and live animals. Specifically, the import protocols for meat, milk, live bovine animals and embryos. Despite the fact that Slovakia has fulfilled all the factual and procedural prerequisites for issuing these import protocols, until 2018, no major progress from the Chinese side has been proceeded.¹³⁰

4.3 Perspectives for the Future Development

To briefly analyze the perspectives for the future development of the bilateral economic relations, Slovakia strives to further cooperate with China in the field of

¹²⁹ Yearbook Development Of Foreign Trade In The Slovak Republic 2012-2016 p. 193

¹³⁰ "Hospodárska spolupráca medzi SR a ČLR [‘the Economic cooperation between the SR and the PRC’]. 2018. *Ministry Of Foreign Affairs*. Accessed April 9.” https://www.mzv.sk/documents/10182/1677593/Hospodárska+spolupráca+medzi+SR+a+Č%ADnou_pr%C3%ADloha_1.pdf/b840bf10-e297-4853-a09d-d004c670e853. p. 11-12

business, investment, infrastructure and technology.¹³¹ Slovakia is widely regarded as a pilot test ground for Chinese FDI in order to localize their production, reduce operating costs and gain the market access to Western Europe. Besides, Slovakia represents an easy access to knowhow and technology.¹³² Speaking from this perspective, the intentions of Chinese state-owned company He Steel, the world's second largest steel producer, to purchase U.S. Steel Košice, only supports the above stated argument. Rumor has it that the He Steel should have announced the deal in April 2018.¹³³ However, up to date, no information regarding this subject has been announced officially. If completed, the purchase worth 1.4 billion EUR¹³⁴ would make Slovakia emerge as the leading recipient of Chinese investment in the CEE region.¹³⁵

Regarding the One Road One Belt Initiative, the first trial freight train from the northeastern Chinese city of Dalian arrived at the cargo port in Bratislava in late 2017. This supports the argument that Slovakia might become an important logistic centre in near future.¹³⁶

Besides the Chinese interest in the automotive industry, there have been several negotiations between Chinese companies and Slovak wine producers, for instance Zheshang Sugar & Wine Group Co. held talks with Slovak wine producers in 2014.¹³⁷ In the following year, a Chinese delegation from Shandong province visited Matyšák

¹³¹ "Slovakia, Slovenia Seek Growth, Cooperation Global Times". 2018. *Globaltimes.Cn*. <http://www.globaltimes.cn/content/1095331.shtml>.

¹³² Pleschová, 2017, p. 137

¹³³ "Chinese are closer to taking over Košice steelworks", *The Spectator*, September 26, 2017, <https://spectator.sme.sk/c/20658123/chinese-are-closer-to-taking-over-kosice-steelworks.html>

¹³⁴ Marián Kizek, "Predaj košických železiarní ide do finále. Dajú Číňania 1,5 miliardy?" ['Sale of Steel Mill in Košice goes to Final. Will the Chinese pay 1.5 billion?'], *Sme*, 24 January 2017, <https://kosice.korzar.sme.sk>.

¹³⁵ Pleschová, 2017, p. 139

¹³⁶ a.s., Petit. 2017. "First Trial Freight Train From China Arrives In Bratislava". *Spectator.Sme.Sk*. <https://spectator.sme.sk/c/20695576/first-trial-freight-train-from-china-arrives-in-bratislava.html>.

¹³⁷ "The Investment Seminar For Chinese Delegation From Zhejiang Province | SARIO, Slovak Investment And Trade Development Agency". 2014. *Sario.Sk*. <http://www.sario.sk/en/news/investment-seminar-chinese-delegation-zhejiang-province>.

Winery, whereby the representatives supposedly agreed on a bilateral cooperation.¹³⁸ Furthermore, a new initiative of the Slovak-Asian Chamber of Commerce with its partner Chateau Modra was launched. The “Wine Wandering around Slovakia” 斯洛伐克葡萄酒之旅 *Sīluòfákè pútáojiǔ zhī lǚ* was introduced to potential Chinese business partners under the umbrella of the Central European Travel Office.¹³⁹ It remains questionable if Slovak wines can compete in the oversupplied Chinese market. However, with regard to Slovakia possibly becoming a logistic centre in the near future, it has potential to seize more attention of Chinese investors. Besides, the structure of the exported commodities shows significantly limited variety, being composed predominantly of the products from the automotive industry. This trend resembles a potential danger in the long run, in case China decides to use the gained know-how and technologies in its local automotive industry. Slovakia needs to acknowledge this scenario and pay closer attention to promote its local products penetrating the Chinese market, such as wine or mineral waters.

¹³⁸ “Čínska Delegácia Zo Shandongu Navštívila Vinárske Závody Matyšák [‘Chinese delegation from Shandong visited Matyšák Winery’] | SACC Slovak-Asian Chamber Of Commerce”. 2015. *Sacc-Eu.Eu*. <http://sacc-eu.eu/cinska-delegacia-zo-shandongu-navstivila-vinarske-zavody-matysak/>.

¹³⁹ “Vínne Potulky Po Slovensku Pre Ázijských Partnerov 斯洛伐克葡萄酒之旅 [‘Wine Wanderings Around Slovakia for Asian Partners’] | SACC Slovak-Asian Chamber Of Commerce”. 2015. *Sacc-Eu.Eu*. <http://sacc-eu.eu/vinne-potulky-po-slovensku-pre-azijskych-partnerov-斯洛伐克葡萄酒之旅/>.

CONCLUSION

The political establishment in Slovakia appears to be aware of the importance of fostering the further economic relations with China. Measured by indicators such as economic power and political clout, Slovakia is a minor player in the international political arena, hence, acknowledged early on China's economic significance. This thesis demonstrates that throughout the overall examined period 1993-2016, the incentives for Slovakia to foster relations with China at both policy and economic level remained unchanged.

Although the empirical findings of this thesis cannot be regarded as conclusive, they support the argument that the accession of the Slovak republic to the EU has had principal influence on its economic relations with China. Thus, the thesis succeeded to provide the answer to the research question.

Economically, the findings demonstrate that the period *before* Slovakia's accession to the EU shows no perspective signs of the economic matters strengthening. On the contrary, the time period 1993-2004 is characterized by the significant underdevelopment of the economic relations, stagnation of Slovak exports, growing trade deficit and no Chinese FDI present in the country. The state of the contemporary trade exchange was clarified with regard to the economic transformation, which Slovakia underwent in the late 1990s. Moreover, the insufficient competitiveness of Slovak products in the oversupplied Chinese market induced the export stagnation. In a sharp contrast to China, which instantly emerged as a new economic power, boosting its exports dramatically after it gained the WTO membership in 2001.

With regard to the provided analysis, the accession of Slovakia to the EU proved to be a major achievement. Gaining the EU membership has had significant influence on the later development of the bilateral economic relations. The trade exchange accelerated after 2004 and Slovak exports to China increased by approximately 17 times. Besides, after 2006, minor volume of Chinese FDI have been materialized. Despite the fact that the volume of the realized investments remains marginal until nowadays, Slovakia seemed to seize more attention, especially after year 2014. Another

equally significant turning point regarding the economic cooperation resembles the launch of the 16+1 Cooperation, when Slovakia gained recognition within the more region-oriented initiative.

At policy level, two significant shifts of Slovakia's attention have been observed. To be specific, after 2012, the focus has been set on Slovakia's potential *within* the 16+1 Cooperation and thus the bilateral relations became of secondary importance. This conclusion supports the argument that the launch of the 16+1 Cooperation has also significantly affected the later economic relations. Secondly, the necessity of Chinese FDI inflow has been emphasized over the bilateral trade exchange fostering. The fluctuating even declining pattern of Slovakia's exports to China after 2012 may support the aforementioned argument.

Speaking of Slovakia's exports to China, the results of the commodity structure analysis show a significant transformation. After 2012, the majority of Slovak exports have been predominantly composed of the commodities produced by the multinational companies based in Slovakia, due to their higher competitiveness. This trend, however, resembles a potential danger in the long run.

The limitations of this thesis need to be acknowledged. The lack of access to trustworthy data regarding Chinese FDI, in addition to the subject of the bilateral economic relations being considerably under-researched, resulted into limited empirical findings of this thesis. The analysis of the obstacles Chinese companies face penetrating Slovak market was beyond the scope of this thesis, however, await future research. By paying closer attention to these factors, one can gain greater insight into the Chinese perspective of Slovakia and thus contribute to the enhancement of the future economic cooperation.

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