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## **Bridging the Visegrad Group and East Asia Through Cooperation**

### **Abstract**

The re-emergence of East Asia brought more interactions of Asian capital and peoples with the countries of the Visegrad Group (V4). China, the Republic of Korea, Japan have a history of relations with Czechia, Hungary, Poland, and Slovakia. The moderate discovering of Asia by the V4 in the last decade is being substituted by growing Central European governmental initiatives to attract capital, products, tourists, and to cultivate cooperation with East Asia. The paper is devoted to a review of Visegrad–East Asia relations with a focus on trade cooperation. Its goals are to reflect on current trends and to popularize the Visegrad brand of the EU in Asia.

**Key words:** Visegrad Group (V4), cooperation, trade, East Asia.

### **Introduction**

The Visegrad Group (V4) is a Central European platform of quadrilateral cooperation among Czechia, Hungary, Poland, and Slovakia. Visegrad cooperation celebrated its 25 years in 2016 (Czech Presidency of the Visegrad Group 2016), having been for 12 years a dynamic region of European Union (EU). With the recent challenges that the EU is facing, any idea of bridging East Asian economic powers appears ever more natural in these fastly growing Central European economies. It appears meaningful to promote cooperation, awareness, trust, acknowledgment, and exchange among Visegrad/the EU and East Asian states, as it brings positive externalities.

According to classic theory, the international cooperation was influenced by realist, liberal, and socialist paradigms (Siitonen 1990). The

term 'cooperation' may also imply an apolitical representation, when the "solution to social problems tends to cover the mechanism of dominance and power struggle as operating through cooperative relations" (Siitonen 1990 p. 5). The theory argued that international cooperation works thanks to a smaller number of countries engaged and it can be sustained by the equilibrium of a non-cooperative game in strategies of reciprocity in which "only a small number of countries can sustain the full cooperative outcome" (Barret 1997). However modern patterns in business with Asia have been complex, often encompassing many countries into a tight network of global economy and security.

East Asia as a region in global economy has been home to successful transnational business networks such as the Chinese *qiyejituan*, Korean *chaebol*, and new entities after the former Japanese *keiretsu* (cf. Peng 2000; Aukia & Laš 2013). Corporate East Asian transnational economic actors contributed to a steady economic development in Asia and to the emergence of the discourse on the 'Asian Century' (e.g. ADB 2011). East Asian economies drive trade and development, and compete for resources across Asia and in the world. The EU has major business relations with Asia, of which the main business partners come from China and Japan.

Czechia, Hungary, Slovakia, and Poland developed bilateral relations and cooperation with China, South Korea, Japan, and Taiwan in often separate contexts. The V4 has an existing formalized cooperation with Japan, Taiwan, and the Republic of Korea. This cooperation will be reviewed in the paper, but particular attention will be paid to the dynamic cooperation with China. The aim of the paper is to contemplate on the cooperation and relations of V4 countries with East Asia mainly after 2000 and towards 2020. A partial goal is to promote a 'Visegrad brand' and consider a 'Visegrad-East Asia' platform.

The paper is built on literature regarding the V4 and East Asia, data, governmental, and other websites. V4 history was analysed by Afana 2006, V4 relations with China and East Asia by e.g. Gregušová (2005), Grabowski (2015), Turcsányi et al. (2015), Kopecký et al. (2016). Economic relations of V4-East Asia were analysed by Élterő & Szunomár (2015). This paper adds further views based on statistical data (International Trade Centre 2016). The paper is built on ideas of the theory of international cooperation (e.g. Siitonen 1990; Barret 1997), the French school of geo-economics (Lorot et al. 1998), and of networks in Asia (Peng 2002; Aukia & Laš 2013).

## Why Does the V4 Matter?

From a geographical view, the V4 is situated among the Baltic region and the Balkans, Germany, and Ukraine. This strategic location in Europe attracted business attention in East Asia. From a social-economic view, the total population of over 60 million includes a skilled and cheap labour force and market opportunities with EU standards, as well as unique historic experience from socialist models of politics and economics. The V4 constitutes a stable region with firm economic growth as a continuation of economic integration within the EU.

Origins of Visegrad cooperation among Czechoslovakia, Hungary, and Poland dates back to the period of Soviet influence. With breakdown of the Iron Curtain, a common cultural heritage led to convergence in a 'geopolitical endeavour' for collective return to Europe, embracing Euro-Atlantic values (Czech V4 Presidency 2016). Experience from the Central European Free Trade Agreement (CEFTA) whose members were the V4 states until 2004, reflected these efforts. The entrance of the V4 states into the EU brought stability, prosperity, and capital. After admission to the EU, V4 initiatives seemed to have lost their main purpose at first glance.

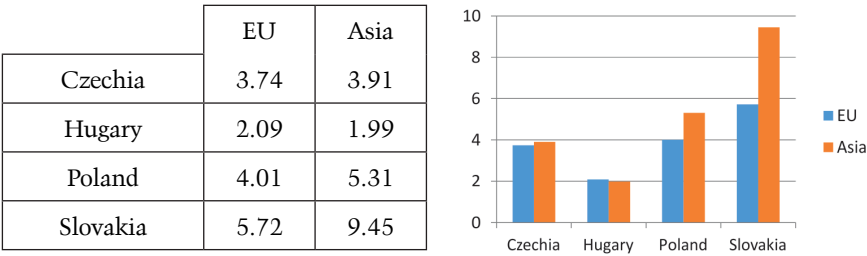
Today, the V4 has become "the most efficient and visible format for political dialogue and sectoral cooperation in Central Europe" (Czech V4 Presidency 2016, p. 7). The V4 economies constitute an entity being an equivalent of the 15<sup>th</sup> largest economy in the world, with a gradually value-added-oriented economic growth based on engineering background. The V4 is valued for its support of democratic values in the EU. Optimism follows positive multiplications, cultural integration, and a sense of responsibility for EU stability, social cohesion, and prosperity. However, critics see the as V4 'stuck' in a "temporary period of reform politics in transition from post-soviet to democratic capitalist societies" (Najman & Zanko 2016). The latest criticism of the V4 was aimed at some divisive view within the group on EU policies (such as the EU security and migration crisis or refugee quota allocation refusal).

Economic crisis from the 'Lehman Shock' in 2008 shifted the business attention of V4 countries to opportunities in East Asia (cf. Éltető & Szunomár 2015). A peripheral economic position of Central European countries within the EU next to Germany makes the V4 an attractive gateway for Asian production to Western markets. East Asian investments enlarge industrial capacities, and helped the V4 to integrate into the regional and global economy. Cultural exchanges encouraged

tourism and mobilities, food and beverage culture, but also education and shopping. But what prospects of V4–East Asian relations are on the horizon? Are there any gaps to be bridged? How do China, Korea, Japan, and Taiwan approach individual V4 countries?

On Trade of the V4 and East Asia

A particular role of international transborder behaviour is represented by economic entities formed into networks of inter-business relations within the global economy. A segment of these relations constitutes the transborder production chains that economically integrate Asia with Europe. Trade between the V4 and East Asia is influenced by value chains that vary in intensity and forms in Visegrad economies (Éltető & Szunomár 2015; 2016). Visegrad trade with East Asia has been growing, possibly at the expense of V4 intra-European trade, displayed in Chart 1.



**Chart 1.** Dynamics of EU and Asian exports to V4 states in a decade (2004–2014) processed from data reviewed by Éltető & Szunomár (2016). Secondary data based on Eurostat. The graph and table of Chart 1 show rising trade indexes of Czechia, Poland and Slovakia with Asia, and relative trade balancing approach of Hungary within the decade 2004–2014

Integration of the V4 in global value chains transformed national production structures of V4 countries in the late 1990s. East Asian investments emerged in the V4 region mainly after 2000. The V4 increased high-tech imports from East Asia in contrast with general EU trade, possibly due to various degrees of integration of V4 economies in production chains (Éltető & Szunomár 2015). Hungary, Czechia, and Slovakia are linked in chains, while the Polish economy is less integrated with its export structure more dispersed. There is geographic and product concentration with changing product specialization towards East Asia among V4 countries.

SLOVAKIA	JAPAN			CHINA			REPUBLIC OF KOREA				TAIWAN		
	2013	2014	2015	2013	2014	2015	2013	2014	2015		2013	2014	2015
Export	135,441	104,506	71,226	1,596,454	1,373,789	1,018,382	83,502	108,660	109,309		22,244	31,461	39,023
Import	838,557	788,233	661,801	4,571,602	5,022,405	5,795,459	5,264,042	4,453,719	4,349,166		456,631	474,836	584,594
Difference	-703,116	-683,727	-590,575	-2,975,148	-3,648,616	-4,777,077	-5,180,540	-4,345,059	-4,239,857		-434,387	-443,375	-545,571
CZECHIA													
Export	655,339	768,266	769,652	1,442,995	1,533,394	1,666,233	434,238	453,060	454,649		113,502	134,330	185,243
Import	1,999,236	1,917,551	2,057,468	11,659,060	13,109,885	17,115,640	2,261,345	2,340,412	3,027,267		837,684	807,241	821,362
Difference	-1,343,897	-1,149,285	-1,287,816	-10,216,065	-11,576,491	-15,449,407	-1,827,107	-1,887,352	-2,572,618		-724,182	-672,911	-636,119
HUNGARY													
Export	447,088	527,921	744,435	1,502,477	1,619,941	1,618,715	224,891	254,700	434,681		104,189	110,770	148,171
Import	923,511	925,776	1,129,338	3,999,920	3,839,154	4,687,026	852,966	1,071,558	1,288,479		729,024	600,318	593,469
Difference	-476,423	-397,855	-384,903	-2,497,443	-2,219,213	-3,068,311	-628,075	-816,858	-853,798		-624,835	-489,548	-445,298
POLAND													
Export	508,397	497,248	515,067	1,595,822	1,693,440	1,817,436	544,672	381,004	382,667		118,593	127,991	128,238
Import	2,139,838	2,350,197	2,354,078	14,530,730	17,297,440	20,162,594	3,150,393	3,252,045	2,959,891		903,707	1,140,561	1,140,676
Difference	-1,631,441	-1,852,949	-1,839,011	-12,934,908	-15,604,000	-18,345,158	-2,605,721	-2,871,041	-2,577,224		-785,114	-1,012,570	-1,012,438

**Chart 2.** Overall trade in thousands of EUR in Slovakia, Czechia, Hungary, and Poland with Japan, China, Republic of Korea, and Taiwan in 2013, 2014, and 2015 (data from International Trade Centre 2016)

Tight production links between the regions are implemented to serve the Western segment of the EU market in first place. EU businesses import electronic parts and components from Asia and implement them in their production in the V4 region, mainly in the automotive industry. There are Asian firms and societies that invested in V4 countries and have intensified sourcing from Asia which increased mutual trade with V4 states (Éltető & Szunomár 2015).

The core of the trade structure among countries of the V4 and East Asia was developed before 2007. In Visegrad's trade with Asia, a major increase has been with East Asia (China) for all V4 countries. China has become the most important trade partner of East Asia (Éltető & Szunomár 2016, p. 6). Japan and Taiwan play smaller roles in bilateral trade flows, while the share of South Korean trade is significant for the V4 in imports. V4 trade with East Asia is more high-tech intensive than the V4 trade with the EU. For Slovakia, over 73% of exports to East Asia flow thanks to China's demand for car products. In investments, South Korea dominates in all V4 countries except Poland, where Japan is number one. Japan is the second largest investor in Czechia, Hungary, and Slovakia (Éltető & Szunomár 2016, p. 7). The V4 has a growing trade deficit with East Asia as displayed in Chart 2. With the exception of Hungary, there is a lack of a trade strategy for the V4 to trade with East Asia.

Éltető and Szunomár described 3 models in V4 trade patterns with East Asia. For Slovakia an export model concentrated on automotive industry, for Poland an export model on copper (e.g. Grabowski 2015), and for Czechia and Hungary more diversified export patterns that aim to integrate into global value chains are in place (cf. Éltető & Szunomár 2016). The commercialization of high-tech helps V4 countries to gather experience and technological know-how, builds production capacities and communications, and brands this experience as exporting states.

## Japan and the V4

Japan has a history of bilateral relations with each V4 country. The V4 and Japan celebrated 10 years of cooperation in 2014, enjoying a successful partnership. Japan has been a partner and donor of Official Development Aid (ODA). Foreign Minister Taro Aso, during Abe's first term in 2006, presented a vision of democratic and market development along Euroasia's coast up to the Central Europe, the 'Arc of Freedom' (Ministry of Foreign

Affairs of Japan 2006) that is based on democratization and promotion of market principles. These principles are supported also in Eastern Europe and the Western Balkans in the interest of both Japan and the EU.

Next to economic cooperation, trade is defined by a deficit for all V4 states with Japan. The perspective cooperation fields include science, academia, culture, peace, and security. V4 Eastern Partnership by the International Visegrad Fund (IVF) is welcomed by Tokyo as it helps “to facilitate systematic transformation and democratization” of the Eastern Partnership countries (Ministry of Foreign Affairs of Japan 2013). Japan expressed appreciation of the V4’s role in the Community of Democracies, the International Center for Democratic Transition, and European Endowment for Democracy.

In the security field, there is the NATO-Japan cooperation, or the Common Security and Defence Policy that V4–Japan refer to. Japan and the V4 reflected on the North Korean nuclear programme and raised mutual concerns. Both sides expressed also concerns over the humanitarian situation in Sahel, North Africa, and the Middle East (Ministry of Foreign Affairs of Japan 2013). Parties highlighted maintenance of order on the seas and oceans based on international law.

For the V4 private professional organizations and corporations, Japanese partners are often seen as highly innovative and somewhat conservative. The support of embassies is very useful. Japanese partners are seen as loyal and their decision making takes time. There exists an exchange of goodwill ambassadors. The ‘Cool Japan’ or the Japanese ‘soft power’ diplomatic initiative is praised by the V4. The IVF for professional mobilities and projects has successful cooperation with the Yosai University Education Corporation (Ministry of Foreign Affairs of Japan 2016). Travel agencies and the Internet promote tourism thanks to available flights for citizens of the V4 to Asia.

## **Republic of Korea and the V4**

The meeting of the V4 prime ministers and President Park of the Republic of Korea (RoK) was held in Prague in 2015. Both sides appreciated support for freedom, liberty, market economy, and democracy in the world. These values are compatible with Japanese and Taiwanese, as well as European, values. However, the RoK is the only country from East Asia that signed three fundamental bilateral agreements with the EU. As in



the case of Japan with the V4, there is a convergence in political and security agendas present in talks with the V4. The RoK invested in the IVF while positive EU–Korea Free Trade effects happen. A framework for a EU–Korea free trade area is being implemented (Ministry of Foreign Affairs of the Czech Republic 2015).

South Korea is interested in cooperation in transport and infrastructure (e.g. Intelligent Transport System), and similarly to Japan, the RoK supported small and middle enterprises (SME) in sub-supply production chains. The V4–RoK decided to make efforts in exploration for cooperation in national defense and the defense industry. There is a cultural exchange and professional mobility in place. Cooperation implies partnerships among the RoK and Visegrad regions and cities. Additionally, there is also the professional mobility of students, holiday programme agreements, as well as the V4–Korean language education (cf. Ministry of Foreign Affairs of the Czech Republic 2015).

The V4 and RoK reflected on global and regional issues including security, as in the case of V4–Japan, the RoK and V4 see the Democratic People's Republic of Korea as a security risk and urged for the denuclearization of the Korean peninsula and for peaceful reunification. The RoK recognized the experience of the V4's successful transition in the 1990s. The V4 supported the RoK's Northeast Asia Peace and Cooperation Initiative (NAPCI).

The V4–RoK proceeded to cooperate in inter-modal transportation and logistics, ICT and knowledge sharing. The pro-reform course of Ukrainian development was a topic which makes South Korea another partner in political discourse with neighbouring countries of the V4. Security issues and cooperation in the United Nations, Asia Europe Meeting, and NATO are areas of common interest (Ministry of Foreign Affairs of the Czech Republic 2015). The V4 welcomed the RoK's Eurasian Initiative to enhance connectivity in region through innovation, peace and stability in Eurasia.

## China and the V4

China has been the most quoted topic in relation to East Asia today. The People's Republic of China (PRC) has been diplomatically present in states neighbouring Central Europe. This brought more contacts with China in regional and global affairs. China shares 10% of the global trade



in goods. In trade, China is the EU's 2<sup>nd</sup> partner after the United States (US). For China, the EU is the first trade partner and the main importer. The EU has a large trade deficit with China, so do the V4 countries, mainly due to unbalanced market access opportunities limited for EU businesses in China. Mutual trade of the EU and China is over €1 billion per day, but services only make one-tenth of total trade. EU–China 2020 Strategic Agenda for Cooperation plans to strengthen cooperation that will lead to a free trade area in the long term (European Commission 2016).

China became quickly the third largest investor in the world after the US and Japan. While foreign direct investment (FDI) from developed states dropped after the financial crises, Chinese outward investments have increased there. In weak or unstable states, China tends to invest in the mining industry or natural resources, in bigger economies with low labour costs close to large markets China invests in manufacturing sectors. The Chinese networks seek brands, technologies, distribution channels, and strategic assets. However, the Chinese approach to Central Europe differs from China's investment approaches in developed countries (cf. Élteső & Szunomár 2016).

Geo-economics play a role in Chinese projects (Grabowski 2015; cf. Turcsányi et al. 2015), mainly in strategic infrastructural projects such as railway communications from China to Europe. Chinese projects bring opportunities to redefine Europe–China relations. Some see it optimistically, others with suspicion. For instance, when it comes to Eurasian transport communications involving Asia and Africa, the main corridors may bypass Europe in the future (van der Putten & Meijnders 2015). For the EU, the Russian project of the Eurasian Union is seen to be less attractive as the new Chinese Silk Road projects (Kopecký et al. 2016).

The V4 observes opportunities in China's huge market, capital, and expanding global economic role. For the V4, Chinese investments flow into Hungary, Poland, Czechia, and Slovakia. Chinese FDI is a result of governmental policy by the state. Initiatives are operated by the Chinese firms – State Owned Enterprises (SOE) in close links to the Communist Party of China (cf. van der Putten & Meijnders 2015, p. 6). These firms are crucial factors in Chinese FDI in the world with advantages among global corporations from Chinese government facilitation of their internationalization and expansion abroad (cf. Élteső & Szunomár 2015; 2016), as the theory of geo-economics suggests (cf. Lorot 1998).

China supports the free transfer of economic sources, market integration, coordination of economic politics and regional cooperation.

The One Belt One Road (OBOR) project has become China's branding tool in accordance with the 'march West' doctrine (Tiezzi 2013). It is committed to the development of communications in Eurasia. The two main projects are the Initiative Silk Road Economic Belt (ISREB) and the Maritime Silk Belt (MSB). OBOR wants to support the export of competitive Chinese infrastructure-related projects overseas (Yanfei 2016), as a competitor to Japan, South Korea, or France. Roads and railways bring market access for Chinese products. Due to increasing costs in China there is a removal of production capacities to abroad states to seek low-cost and proximity to markets (Kopecký et al. 2016).

The MSB is an ambitious long-term programme for economic integration of a vast zone including Europe, Africa, and most of Asia by infrastructural development (van der Putten & Meijnders 2015; Poláček 2015). For the V4 what matters are Chinese investments in the Greek port of Piraeus that may serve as a logistical crossroads in Europe for adjacent regions by railways and sea. It would redefine the importance of maritime logistic hubs in Europe (Shepard 2016). It will help the V4 to develop logistical roles. Positive externalities may give the V4 a new hub function to be expanded to the Baltic Sea region (e.g. Baltic Container Terminal in Gdynia, Poland).

ISREB provides a framework to connect China across Central Asia with Eastern Europe over land. It includes communication infrastructure and pipelines. Kazakhstan and Belarus have cooperated with China and Russia for transporting goods from China to Europe. There are currently around 40 train connections between Chinese and European cities, including cities in Poland. Yet the Russian Federation is engaged in Chinese railways in a small part. China tends to build new connections across Eurasia. To be engaged in ISREB appears to be of attractive economic interest for the V4 as well as for the EU.

The OBOR initiative fits in the 'concept' of 'connectivity' that is present at regional forums, including the ASEM (a biannual summit between the EU and most Asian countries), and China-16+1 (16 Central and Eastern European Countries (CEEC) and China). It is believed that interconnectivity generates trade, economic progress, and reduces security risks. The V4 region may see an opportunity to take part in connecting Eurasian regions in frame with economic and trade interests of the EU and China.

As anticipated over a decade ago, the EU membership confirmed a great improvement of performance of the V4 in building relationships

with China (Gregušová 2005). Today China is catching up with South Korea, Taiwan and Japan in engagement with the V4 in all spheres. From European countries engaged in the Chinese 16+1 platform, the V4 countries constitute over four-fifths of the trade volume (Turcsányi et al. 2015). Yet the strategy of V4 for China has not been introduced. Only individual agreements and memoranda with China exist in the V4.

Export from V4 countries to China has been increasing since 2003, but it stagnated in Hungary and Slovakia in 2014. At present there is a deficit with China in each V4 country as seen in Chart 2. Poland as the largest V4 country has the highest trade figures from the V4. Important trade share with China is with Czechia, Hungary, and Poland. An exception is Slovakia where China has a smaller role than South Korea (cf. Élterő & Szunomár 2016).

Liu, a Chinese scholar, referred to Central Europe and its role in China's international politics as a 'window of opportunity' for a certain period of time. Given to asymmetric nature between China-CEEC cooperation, the V4 has not been seen of strategic importance (Liu 2013). Developing relations between China and the CEEC is seen 'suspicious' for possible undermining the EU by some EU member states (Liu 2013). In East Asia, FDI and trade are interconnected. Chinese firms gained shares of companies in Central Europe that propelled trade and mobility. There is experience with some firms from China that seek to obtain 5% shares in EU companies just to drain a firm's strategy and market know-how, which is not a win-win in a long term (cf. Staněk 2014). Such cases may result in protectionist measures. What is necessary is coordination and transparent discourse.

The 'European perspective' and 'regional approach' are embedded in Chinese pragmatism (Liu 2013). A Chinese market oriented 'win-win' approach is seeking a practical relationship, not an alliance. The Chinese Ministry of Foreign Affairs established a secretariat for cooperation with the CEEC (Grabowski 2015). As in the case of Japan, China wins with a soft power approach present in the 16+1, such as initiatives by Asian Infrastructure and Investment Bank to which over 15 European states co-funded, including Poland from the V4. An idea of a Eurasia Land Bridge (e.g. Davydenko, Landa Maxta, Martens, Nesterova, Wark et. al. 2012) made the V4 an aspiring target of consideration for logistical crossroads.

The 16+1 format's beginnings emerged after 2011. The Belgrade Guidelines followed by the Suzhou Guidelines presented a new vision for cooperation and OBOR started to be quoted in the memoranda signed,

as with Hungary or Czechia. Areas of modernization, environmental protection and economy revival were on the agenda of the Warsaw 16+1 meeting in 2015 (Ministry of Foreign Affairs of Poland 2016). Chinese President Xi said on “Our cooperation on the ‘Belt and Road’ [...] will create even greater impetus and potential for ‘16+1’ cooperation” (Engel 2016, p. 9). Chinese investors have already shown interest in the Odra–Labe–Donau canal project (Shepard 2016). Yet such projects are hypothetical.

Qualified CEEC financial institutions are welcomed to apply for participation in the Renminbi Cross-border Inter-bank Payment System, and maybe in future also in the Asian Infrastructure Investment Bank (Ministry of Foreign Affairs of the People’s Republic of China 2015), thus another item for a mutual approach of the V4 and EU. There are measures in place for cooperation on crisis management, but it takes time. China seeks market economy status, which is a frozen point in memoranda with the V4 in line with EU policy (cf. Elliot & Yan 2013).

To sum up, interaction and trade with China have been on the increase and show new opportunities. The current 16+1 format intensifies interactions with China on its ambitious projects of railroad communications. It will take efforts among the V4 and Balkan states to coordinate realization of the initiative, thus a dialogue will be useful in groups, such as the V4 group in the 16+1 initiative. The trade deficit draws a question of a strategy to a V4 approach to China within the EU.

## Taiwan and the V4

Taiwan or the Republic of China (RoC) was among the first from Asian partners in Central Europe that discovered Czechia, Hungary, Slovakia, and Poland after the fall of the Iron Curtain. In the 1990s, Taipei enjoyed closer links with Warsaw and Prague, and weaker links with Bratislava and Budapest. Taiwan provided investments to secure economic objectives, but later there was a shift to a political concessions strategy (Tubilewicz 2007), when Taiwanese interests were rewarded with larger political gains at small costs. On the other hand, Taipei was a facilitator that established offices while investments and trade came quite easy for Taipei.

The double taxation avoidance played a role in the establishment of Taiwanese business networks in the V4. There was a limited political clout to influence policy *vis-à-vis* Taipei. Taiwan provided soft loans, its exports included computers, bikes, machinery, and electronic components.

Establishing business networks in the region, Taiwanese corporations benefited more from emerging markets in Central Europe than contributed to their development.

In Czechia, President Václav Havel supported Taiwanese initiatives, and this brought Czech firms to Taiwan (e.g. the Škoda Group). Prague supported the RoC in their World Trade Organization accession and promoted trade, but later disappointment came due to Taiwanese preference for the US, Japan, and RoK. Poland enjoyed a trade surplus, Hungary and Czechia overcame Poland in trade volume after 1999. The first Slovak government of the 1990s prioritized the PRC over RoC. The Slovak Economic and Cultural Office in Taiwan and the Taiwanese Representative Office in Slovakia contributed to the exchange of students, or quasi-consulates and governmental staffers. With accession to the EU, V4 countries became a more attractive subject of interest for Taiwanese capital.

The RoC opened channels to Taiwanese markets (Tubilewicz 2007). Enhanced cultural cooperation and mobility contributed to mutual promotion. The Visegrad–Taiwan Fund has become a model of cooperation, exchange of ideas, and is an example of good practice. However, today Taiwanese investments are under competition from Mainland China. In relation to the current Chinese OBOR initiative, it seems unlikely that Taiwan will profit from these opportunities (cf. Kopecký et al. 2016). China is more active in that V4 than Taiwan. The V4 may consider a balanced approach for cooperation of both Chinese economies in V4 projects.

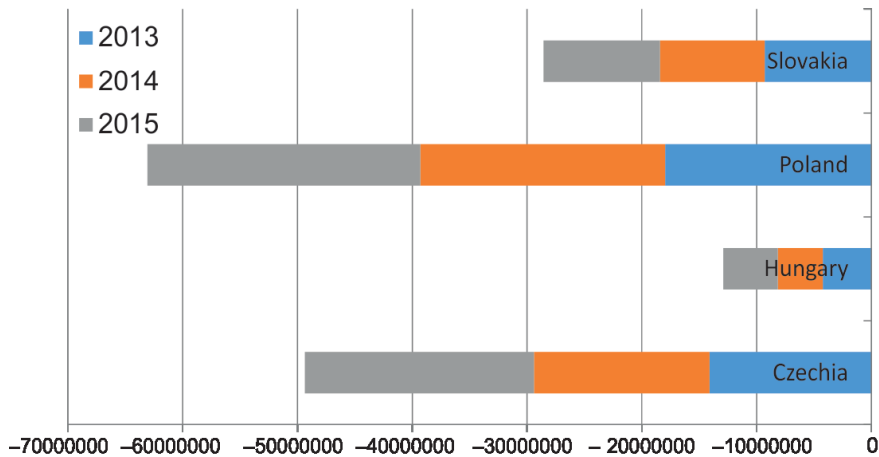
## Identifying Gaps, Identifying Bridges

Countries of the V4 and East Asia enjoy convergent relations with a growing space for deeper cooperation. The V4 has signed memoranda of understanding and strategic documents with Japan and the RoK, covering various areas of cooperation, supporting mutual values (freedom, democracy, market-oriented), security issues, and academic and cultural exchange (as in case of Taiwan). A decade ago Japan presented its diplomatic initiative, the Arc of Freedom. China on the other hand came out with OBOR that focused on communication and trade. It is in the interest of the V4 to keep cultivating relations, trade, and exchange with East Asia.

Speakers from the Asia Innovation Forum in Prauge in 2016 revealed experience with East Asia as a business location. In their eyes, Korean partners are perceived as flexible, open for new ideas and good in languages. Japanese partners often have language barriers, and there is a demand for interpreters. The Japanese are not seen as flexible as the Chinese that push for sales, market, and demand. Partners from Japan, Taiwan, and South Korea communicate more concrete ideas than Chinese partners. V4 professionals enjoy living in Japan, South Korea, Taiwan, and China. Conferences like the Asia Innovation Forum are great venues for the dissemination of empirical experience to the V4 audiences. It needs to be supported by the V4.

Among the gaps to be bridged and addressed by the V4 is a growing trade deficit with the countries of East Asia as displayed in the Chart 2. All V4 states show a growing trade deficit with East Asia. This trend has been steep in the case of Poland and Czechia in 2015. Only the case of Hungary does it show a moderate development of trade deficit, as seen in Chart 3. A rising gap in trade leads to an outflow of wealth from the V4 to East Asia. Here the V4 has space to fill.

A growing trade deficit is visible in all V4 countries, particularly for Czechia, as displayed in Chart 4. The V4 will recognise a need for a strategy for more balanced trade opportunities with Asia. Investments are welcome in V4 countries. Japanese, South Korean, and Taiwanese investments help to create industrial capacities, integrate V4 economies to European and



**Chart 3.** Development of year-on-year trade deficit of Slovakia, Poland, Hungary and Czechia with East Asia in thousands of EUR in the period of 2013, 2014, and 2015 (Statistics of International Trade Centre 2016)

global production chains with positive externalities such as stimulation of consumption, rise of savings, or increase of employment rate. The geographic location of the export-oriented V4 economies reduces risk from fluctuation of the global demand for products which brings a certain degree of stability. However, large profits from Asian investments and production in the Visegrad region go back to Asia. China kept up with other East Asian states in engagement with the V4. Its initiatives such as OBOR, and mainly ISREB, provides the V4 with fresh cooperation prospects.

State/Year/%	2013	2014	2015
Czechia	28.60	30.98	40.42
Hungary	32.76	30.41	36.83
Poland	28.47	33.84	37.69
Slovakia	32.53	31.93	35.54

**Chart 4.** Development of year-on-year trade deficit of V4 states with East Asia in percentage points (%) in 2013, 2014, 2015  
(Statistics of International Trade Centre 2016), cf. chart 3

Cooperation with East Asia contributes to the creation of positive economic externalities. The V4 border regions of Ostrava–Katowice–Žilina, or Brno–Bratislava–Vienna–Budapest are EU transregional growth zones that will provide new capacities to attract East Asian capital. The V4 may consider to invite these business in specific communication projects in which the ‘Visegrad Development Fund’ can play a role. Prospects of V4–East Asia toward 2020 look promising in investments, trade and exchange within EU cooperation with Asia. The trade deficit of the V4 countries should be addressed to stabilize the trend of growing trade deficit.

Information access about East Asian and Central European countries spreads mutual awareness and understanding. Here the V4 Think-Tank Platform may mediate the latest findings. It appears useful to promote the V4 platform within European Studies, and build capacities for education offered to Asian students in Central European studies under a common brand within the EU in Asia. On the other hand, there is a demand for Chinese, Korean, and Japanese language skills in the V4 and EU. Promoting language education and student mobility will strengthen the exchange of ideas at universities, and intensity of business interactions.

Building a particular ‘Visegrad Brand’ in Asia will be helpful for V4 actors, regions, and cities. Visegrad branding in the economic diplomacy of V4 countries would make it easier for individual actors to implement



their business plans in East Asia. Signing a memorandum of understanding between China and the V4 will open channels for exchange. The V4 should identify East Asia among priority regions of cooperation, such as it does with Benelux countries, the Eastern Partnership, or Western Balkans. The V4 has much to learn from East Asia for the sake of the EU. Enabling such a cooperation platform will make the V4 more recognised in Asia and the world.

It appears useful to popularize the Visegrad 'brand' in East Asia, as V4 states are relatively small and 'hidden' in the EU. Branding in the sense of a 'soft power' push can be created along a designed strategy. The V4 can brand its Central European culture, EU membership, geography, nature, market, skilled labour, growing middle class (that is able to discover East Asia), and offer original high-quality products. With the upcoming Korean Winter Olympic Games in 2018, Summer Olympic games in Tokyo 2020, and Winter Olympic Games in Beijing 2022, the V4 could promote cooperation in sport and tourism with China, Korea, and Japan. These events will be opportunities for the V4 countries to learn about East Asia.

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