

# SUSTAINABLE DEVELOPMENT IN POLAND, THE CZECH REPUBLIC, AND THE V4 REGION: SEPARATELY OR TOGETHER?

## A “GATEWAY TO DEVELOPMENT” VIA BEING A CHINESE “GATEWAY TO EUROPE”?

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**1. Sustainable development in Poland, the Czech Republic, and the V4 region: separately or together?**

Poland and the Czech Republic compete in many areas, such as foreign investment, foreign trade or economic expansion abroad, however, there are some areas where the two countries could co-operate to their mutual benefit and for the sake of sustainable growth.

Tourism represents one of these fields where Poland and the Czech Republic, as well as other V4 countries, could join their forces and present a common offer for our region so as to attract tourists from other continents to explore the central part of Europe. The statistics show, for example, that tourists from China come to Europe for average trip of 9 days and go to several countries in the region, staying about 2 days in each of them. From the perspective of a tourist from Asia it is more interesting to see the whole region than a single country. Being highly attracted by Prague, they could easily visit Cracow and Warsaw, but also Bratislava and Budapest, which are geographically close to each other.

Similarly, a joint promotion of our region as a land of opportunities, as well as improving knowledge about this part of the world among foreign audiences during trade fairs, student and cultural exchanges, study visits and missions of our countries’ embassies, governments and state representations, and so on, is a better idea than doing it individually. Here a success story of the university program for Indonesian students featuring all the 4 Visegrad countries could be taken as a good example.

Another important area of co-operation is working to unleash entrepreneurship in our region. We have large resources of people, (64 million people within the V4) but they are drained out of both Poland, and the Czech Republic – we should create conditions for entrepreneurship here, make it easier for people to establish businesses in their own countries, rather than Germany or UK – where Poles and Czech most frequently emigrate. We need to facilitate the development of the existing structure of the businesses, start-ups, and learn to be competitive.

In this respect, Poland and the Czech Republic can do a lot together, however dif-

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ferent they are. The Czech Republic is Poland’s second trade partner after Germany (13 percent of Polish export) and is export-oriented. In the same time, Poland’s export is consequently growing (by 53 percent in the last decade) and it is a big market of 38 million consumers. This attracts many foreign companies which want to trade both in Poland and in Europe. Polish companies can co-operate with the partners from Czech republic and other countries of the CEE region in creating distribution and sales chains as well as producing synergies. Together we can also become a gateway to the Western part of Europe as being already services hubs in such sectors like BPO. Moreover, the EU single market is the main place of activity for both Polish and Czech companies - it takes circa 75 percent of the Polish export and 88 percent of Czech export. There is also a huge potential in cooperation of our small businesses and start-ups.

In the V4 region, we should try to see the relations between our countries similarly to relations between regions in one country, which also compete where investment would go, but at the same time – co-operate and have interest in a general well-being of the overall structure.

## 2. A “gateway to development” via being a Chinese “gateway to Europe”?

### Political context

Currently, companies in Poland and the Czech Republic, as well as the whole of the V4 region, strive for access to the Chinese market and lobby their respective governments to pave the way by political gestures. However, as for the exports, there is no correlation between the volume of export to China and the level of political relations (e.g. biggest export growth from the Czech Republic after Dalai Lama was received in 2009). Nevertheless, other European countries are changing their attitudes towards China and the V4 countries should take that change into regard. When it comes to investments, there is a clear political drive and we are not in position to influence political objectives of China. Also, in Chinese companies, there is often division and dispute between the business company managements and political leadership. In negotiations with Chinese partners, one has to earn their respect, and that cannot be done through subservient behavior.

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#### Different needs

Poland and the Czech Republic are in quite a different situation – the Czech Republic does not need so much infrastructural investment, it possesses a well-developed network of roads and highways, whereas Poland has still got serious needs: railways, roads, energy sector. For this reason, getting Chinese money for infrastructural investment might be actually seen as an option for development of the country.

#### Doing business

From the business point of view there are many challenges. There is overall skepticism about economic potential of Chinese presence as China is importing less and less from abroad. The Polish import from China is 10 times greater than the Polish export to China. EU legislation is often too sophisticated for Chinese entrepreneurs and many of them are not able to meet EU regulations. Furthermore, both sides lack understanding of the opposite environment in its complexity, and consequently there are many misjudgments, which obstruct business relationships.

One problem may be in perceiving China as a unity, but neither Poland nor the Czech Republic, nor any other V4 country are as big as China or even any of its provinces, therefore V4 countries should focus on cooperation with Chinese provinces. The smallest of them is bigger than the biggest country in Europe – Germany.

Moreover, “Go Asia!” does not have to necessarily mean “Go China!”. We should balance our business relations with other important countries of the region such as India, ASEAN member states, Korea or Japan. Poland should concentrate on developing relations with countries where we have special position such as Vietnam or Mongolia (many alumni of the Polish universities, good political climate because of the past, etc.).

Poland, the Czech Republic, and other V4 countries, should try to maintain good relations with China, attract Chinese investment, and export our goods to Chinese markets, but the role of China as an engine for growth in our region should not be overestimated. In the same time, one should understand that Chinese big business is connected with political environ-

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ment in China. It can influence the decisions as well as strategies. In this regards, the security aspect is crucial, especially in the highly sensitive sectors such as ICT and data mining or energy.

**3. Economic potential**

On the other hand, the potential of China may lay in new technologies. As Chinese students are returning to their home country with degrees from top universities all around the world, the country will get a human capital able to invent its own products, technologies and services. Chinese tourists likewise represent future potential for both Poland and the Czech Republic. Around 400 000 of Chinese visited Czech Republic in 2016 and the number is consequently growing. In comparison to other V4 countries, this number is indisputably the highest, however, Poles also expect an increase. Nowadays both Warsaw and Prague have direct flights to Beijing which has a major impact on business and tourism. In the same time, Prague has experienced immense flow of Chinese tourists due to a Chinese movie filmed in the city. As of now, Poland tries to use the same method only in case of Indian audience - by encouraging Bollywood producers to

shoot in Warsaw, Cracow or Zakopane (films „Kick“ „Fanna“).

In general, all the V4 countries need to invest at least as much as the Chinese in the language and cultural knowledge. Within the V4 we can find inspiration and learn from each other as we have similar experiences in the region. There is 1 Confucius Institute in Czech Republic, 3 in Poland, 5 in Hungary and 1 in Slovakia. Although knowledge of the language is an important aspect, and both Czechs and Poles certainly should invest into teaching Chinese language, one must bear in mind that to understand a language does not equal to understand a culture. In other words, the language is not the most important key to successful cooperation.

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