Jointly Building Belt and Road towards SDGs in the Czech Republic

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SDG and Belt & Road in the Czech Republic

• Active support of UN 2030 Agenda in 2015
  – National SDG strategic framework approved in April 2017

• BRI Memorandum of Understanding signed with China in November 2015
  – Specifying areas of eventual cooperation

• The BRI real “actions” very limited so far
Country specific context

• Highly industrialized country with dense infrastructure...

• ...operating near its potential, moderate GDP growth, almost full employment
  – Country production function dependent on relatively cheap labor force
  – Capital accumulation and productivity growth remain the only long-term source of growth

• BRI typically targets less developed countries
Limited space for BRI related activities

• Energy sector and telecommunications
  – Unlikely given the recent sentiment turnover towards China

• Completion of highway network, building high-speed railway
  – Sufficient local/EU financing, obstacles rather represented by bureaucratic burden

• Cargo rail transport and construction of a train port
  – Increased effort of the Czech administration to attract the investment would be needed
Real BRI activities remain mostly at rhetorical level

- FDI inflow from China counted for only around 5% of total FDI inflow at its peak in 2016... and the balance reverted afterwards

- More importantly, no project that would count as infrastructure related

- Most of the investments directed to existing companies and traditional manufacturing sector
Bilateral trade remains at before BRI Memorandum levels

Share of bilateral trade on total trade
(%, national concept)

- Signature of BRI Memorandum
- Exports to China
- Imports from China (rhs)
The trade deficit increases as the effect of tourism is negligible.

**Current account balance with China (mil CZK)**

- Yearly changes from 2004 to 2018 showing a decreasing trend.

**Chinese outbound tourism (thousands of persons)**

- Yearly shipments from 2012 to 2018 with a growing trend.

Legend:
- Secondary income
- Primary income
- Services
- Goods
- Current account
- Chinese outbound tourism
- Chinese arrivals to Czech Republic (rhs)
Conclusion

• Limited space for BRI activities in the Czech Republic

• Chinese investments remain subdued so far and can be hardly associated to BRI or SDG

• Bilateral trade deficit deepens despite tourist inflow

• Possible areas for bilateral cooperation compliant with both, SDG and BRI:
  – Technologies related to renewable energy
  – Transport infrastructure, reloading HUB for rail cargo followed high-speed rail in particular