



Weekly Briefing

Slovakia external relations briefing:
Slovakia at the 2nd China International Import Expo
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Slovakia at the 2nd China International Import Expo

The second China International Import Expo, or CIIE, which took place in Shanghai on November 5th–10th was seen by many countries, and Slovakia as well, as a great opportunity to present their businesses and allow them to find partners and contacts to help them access the vast and ever-opening Chinese market. However, Slovakia's presence at the Expo was quite modest – the country did not even have its own pavilion, and of the more than a thousand exhibitors present at the Expo, Slovakia was represented by only two businesses. One was sport aircraft manufacturer Klein Vision, and its founder Štefan Klein, who came to present his prototype of a flying car named “aeromobil” (also marketed as AirCar or Aircar), i.e. an automobile which can transform into a light aircraft. The other was the company Neodual, which produces and sells dietary supplements, among other their product “Zeen kolagen”, which it presented at the Expo.

Such a small presence could indicate a lack of confidence on the part of Slovak businesses, as well as the government, in their ability to enter the Chinese market successfully. There are opinions that with Slovakia being such a small country compared to China, its companies would not be able to rely on the necessary economies of scale to produce enough goods and services, or to produce them cheaply enough, to be competitive on the entire Chinese market. To get around this potential obstacle, there have been ideas about focusing on building relations with a few individual provinces, which would provide a much more manageable market, rather than focus on the market of China as a whole, but these suggestions do not seem to have taken off. These concerns will probably only be alleviated when several Slovak enterprise prove that penetrating the market in China and staying competitive is possible.

Another reason which might be putting off Slovak companies from considering doing business in China could be fears about the state of the business environment in China, such as the risk of intellectual property theft, mandatory partnerships with Chinese companies, or a lack of their own competitiveness due to state favoritism shown to state-owned enterprises. If this were the case, the solution would be to increase awareness among the Slovak business community about the progress made by China in these areas in the past few years.

Of the two Slovak businesses attending, attention in the media was focused solely on the Klein and his flying car. Klein, who was invited to the Expo by potential business partners from China, arrived with an aeromobil prototype which had already undergone flight tests. He was scheduled to meet later in the week with Chinese investors who have already expressed

interest in his concept. Mass production of the aeromobil is envisaged to start in three years. Klein admitted he foresaw that it will be difficult to penetrate the Chinese market and compared it to a long-distance run, but he claimed that he did not doubt its potential. In a statement for Slovak media, he declared that *“It's like the automotive industry ten years ago. At first, the car makers scorned the Chinese market and looked down on it with disrespect, but today they would be in the red numbers without it. The same will be true in the aviation industry”*. The flying car aroused interest not only in Slovak media, but also in Chinese and other foreign outlets, such as Bloomberg.

The official delegation of the Slovak Republic was led by the Vice-premier for Investments and Informatisation, Richard Raši, due to his portfolio's focus on innovation (which was the theme of the Slovak delegation) and investment cooperation. The delegation also included the Minister for Transport Arpád Érsek as well as the state secretary (i.e. vice-minister) Dana Meager, who is responsible for coordinating transportation projects within the Belt and Road Initiative. Slovak diplomacy was represented by the state secretary of the Ministry of Foreign and European Affairs, Lukáš Parížek and economic diplomacy was represented by the state secretary of the Ministry of the Economy Vojtech Ferencz. On Slovakia's participation in the Expo, Ferencz said to the Slovak media that *“The experiences I have with the Chinese are that you sometimes have to come home to them and present yourself, for them to express interest”*. And as explained by Raši, *“the possibilities of the Chinese market are infinite, therefore any trade or contract which is concluded can lead to a local Slovak enterprise becoming a global player”* – this message was presented in the Slovak media as encapsulating the Slovak government's approach to the Expo. As for the aeromobil, Slovakia's star attraction at the Expo, Raši praised it as one of many examples of “unique solutions” offered by Slovakia and its entrepreneurs. Accompanying these government officials were around twenty representatives of innovative Slovak businesses from the spheres of agriculture, IT, security, cybernetics, climate technology, paper manufacturing, the machinery industry, healthcare defense, robotics, aviation and transportation. Raši said that at next year's CIIE, the number of companies actually represented at the Expo could also rise to twenty, from the current two companies. He also expected that Slovakia would have its own pavilion.

However, the Expo was only the first stop in the itinerary of this delegation. During the first day of the Expo, the Slovak delegation had a bilateral meeting with Chinese Vice-Minister for Industry and IT Wang Zhijun. They also attended an economic forum on the topic of “Artificial Intelligence and Innovative Development: Ideas, Technologies and Markets”. Another part of the itinerary was a visit to the Chinese company DHS Sport of Shanghai, to sign a contract on future cooperation according to which the company will sponsor the

paralympic team of Slovakia. Raši then met with China's Minister of Science and Technology, Wang Zhigang, to present Slovakia as an innovative country. Among the discussed topics were an exchange of know-how on approaches and methods in the digital economy, artificial intelligence, blockchain technology and the use of supercomputers in industry and the public sector. After further cultural and academic events in Shanghai, the delegation moved on to Beijing, the second leg of their tour of China.

Coverage of the Expo by official government institutions and the mass media was sparse. Most outlets did not forget to mention that the CIIE was the largest import expo in China, with a thousand participants from over sixty countries. Beyond the numbers, a few, especially the economically focused government institutions and media, emphasized that China, as the largest trading nation and second largest importer, is continuing the opening up of its internal market to the world, with an expected dramatic increase in imports by China in the coming years. The Expo was therefore acknowledged as a unique opportunity for potential exporters to make themselves visible to the Chinese and gain a foothold in this market.

By far the most attention to the Expo was devoted by the office of Vice-premier Raši, which put out six detailed reports on the itinerary of the official delegation as a whole, of which two reports focused solely on the Expo and the others mentioned the Expo to a greater or lesser degree. The Ministry of Foreign Affairs alone of all the ministries did put out a single brief report at the start of the Expo, and another one concerning the follow-up program of the official Slovak delegation. As for other governmental institutions, the Expo was advertized by the Slovak Investment and Trade Development Agency (*Slovenská agentúra pre rozvoj investícií a obchodu*, SARIO), which is a state-funded institution subordinated to the Ministry of the Economy. The role of SARIO is to attract foreign investment and facilitate cooperation between Slovak and foreign businesses and markets, and in this case to administrate the presentation of the Slovak companies at the Expo, with an emphasis on innovative enterprises. As an aside, the Slovak Chinese Joint Business Council (SCJBC) also advertised the Expo. One issue could have been that the advertisements by SARIO and the SCJBC were separate and did not reference one another. This means that any possible complementary or synergic effects, such as administrative support from SARIO or networking support from the SCJBC, could have been lost. A more cooperative approach between the two organizations might have increased the chances of participation by more Slovak enterprises, and should be an issue to be looked into for future Expos. Also somewhat surprisingly, the Ministry of the Economy itself, which is responsible for foreign trade and investment, had no mention of the Expo on its website.

The same lack of information is true for the Ministry of Agriculture and Rural Development, in spite of the fact that promoting Slovak agricultural products, especially

traditional high-quality foodstuffs, is seen as a promising avenue for expanding and increasing Slovakia's exports to China. The export of these agricultural and alimentary products is seen as a way to decrease the high trade deficit that Slovakia has with China. A major step in this direction was the signing of an agreement between the two countries enabling the export of Slovak dairy products to China which took place during the 8th summit of the 16+1 Platform of Cooperation between China and then 16 (now 17) countries in Central and Eastern Europe (CEE) in Dubrovnik, Croatia, on April 12th of this year. Seven Slovak milk and dairy companies present at the signing ceremony had expressed their desire to attend the CIIE, and the Minister of Agriculture and Rural Development Gabriela Matečná herself stressed the importance of the Expo in this regard, as the necessary next step of advertising Slovak food products after the technical barriers have been eliminated. A similar approach is being discussed for Slovak meat products and their export into China (at least until an outbreak of African swine fever in CEE over the summer led to the halting of pork exports from Slovakia to China). Yet, as mentioned above, only one company from the alimentary sector attended in the end. It would seem that progress on this front is slowing down and has not managed to live up to the ambitious rhetoric about the great potential opportunities opening up to the Slovak food sector in China expressed at the signing of the agreement in April. The CIIE would have been an ideal venue for these companies to present their products to a wide audience in China, so their absence is something of a missed opportunity for the agricultural and alimentary sector in particular, but also for Slovak export ambitions concerning the Chinese market in general.

Media coverage was similarly limited, covering only the start of the Expo. Most text-based media adapted the text of the press release of the country's official press agency, the Press Agency of the Slovak Republic (*Tlačová agentúra Slovenskej republiky*, TASR). As indicated above, media attention concerning the Expo itself focused almost exclusively on Klein's flying car, sometimes coming across as a rather sensationalist form of coverage. The second Slovak company present, Neodual, barely received a mention in the media, with no outlet focusing on what the company was presenting. Coverage of the Expo in Slovakia was also provided by foreign multinational or transnational companies which have a presence in Slovakia. Notably the South Korean car manufacturer Kia Motors Corporation, which is one of the flagship investors in the Slovak car making industry and a major contributor to Slovakia's position as the number one automobile manufacturing country per capita, advertised a new futuristic car model which was being presented at the Expo, in a top online car magazine. The company also put a release presenting the car on its Slovak-language Facebook page. This avenue of coverage was also utilized by smaller companies, such as the Slovenian light aircraft manufacturer Pipistrel which is also active on the Slovak market, on its Slovak website. This

development of companies highlighting their presence at the Expo in their foreign advertising can be seen as a sign that participation at the CIIE is seen by them as a sign of prestige, which can help them in furthering their business opportunities not only in China, but also in their other markets. This would suggest that the CIIE has become a factor in China's soft power in the CEE region.