

13th PRAGUE SECURITY CONFERENCE

Conference notes

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13th



PRAGUE
security conference

Economy and Trade: Tools for a Safer World



Estonian Presidency of the Council of the European Union

Within the frame of the Estonian Republic presidency of the Council of the European Union

Friday, November 3, 2017

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Under the Auspices of

- **Tomáš Zima**, Rector of the Charles University
- **Jiří Rusnok**, Governor of the Czech National Bank
- **H.E. Sten Schwede**, Ambassador of the Estonian Republic to the Czech Republic
- **H.E. Seoung-Hyun Moon**, Ambassador of the Republic of Korea to the Czech Republic

Opening remarks

9:00 – 9:20

Opening remarks

- **Miloš Balabán**, Head of Center for Security Policy IPS FSS CU
- **H.E. Sten Schwede**, Ambassador of the Estonian Republic to the Czech Republic
- **Anne Seyfferth**, Director of the Friedrich-Ebert-Stiftung Representation in the Czech Republic and Slovakia
- **Dana Kovaříková**, Acting Head of the Representation of the European Commission in the Czech Republic

Miloš Balabán: *Head of Center of Security Policy IPS FSS CU*

This conference aims to portray and reflect the relevant economic trends associated with the political functioning of the European Union. There is a massive gravitational shift in the economic sphere, whereas Asia is gradually seeking to take the leading role, meaning that there will be an enormous impact among actors participating within this game; that includes the EU and its members, such as the Czech Republic. Everything is expected to have a closer economic gathering, a phenomenon that can also be observed among the relationship of the Czech Republic and S. Korea.

H.E. Sten Schwede: *Ambassador of the Estonian Republic to the Czech Republic*

The focus of this conference is economy and how it can contribute to a safer world. The Estonian presidency of the European Council is all mainly focused on the European economy, and the safety of the citizens. It is fundamental that we proceed with the EU's positive agenda. Observing the recent migration crisis, terror attacks and Brexit, we thought that we should focus on a more positive agenda, to make EU citizens' everyday life better; so they can feel it, see it and sense it. The four priorities that we are focusing on our ongoing, six-month EU chairmanship,

reflect the discussions on many levels on how to strengthen the EU economically, and make Europe a safer place.

Thus, the priorities are:

1. An open and innovative European Economy.
2. An inclusive and sustainable Europe.
3. A safe and secure Europe.
4. A digital Europe and the free movement of Data.

Now I would like to touch upon each of these prioritized topics.

1. We think that the single market is one of the greatest assets that the EU possesses, since the free movement and distribution of people and capital benefits us all. However, the single market is not complete; some of its potential is still untapped. The Estonian Presidency seeks to prioritize the creation of an innovative European social market economy, that is open to changes and opportunities, free and fair trade and original ideas. For companies to succeed, the business environment must be transparent, simple and excluded from complicated bureaucracy. We are focused on insuring a stable banking sector, taking forward the services package and we stand ready to reform EU company laws. Equally, a smarter, cleaner and more cost-effective energy system, with an enhanced role of the consumer is an important part of a competitive European economy; we will pursue that.
2. Of course, a strong economy must be based on the core European values of inclusivity and sustainability. We want to ensure that every European citizen can continue to enjoy a Europe that is beautiful, sustainable, free and safe. One of the biggest challenges for this generation of politicians is technological transformation. We are confident that we can shape it, and we should be proactive. Because of our changing society and the influence that technology has upon us, the very nature of work is changing. Remote working in a digital world means an employer and an employee may never actually meet in person. Along with robotization and artificial intelligence, it is the fourth industrial revolution. In response, we need to adapt our social security systems and act to the

analogous changes in the economic environment. Skills must meet the needs of future jobs. During the Estonian presidency, we want to focus on ways which the EU can offer equal opportunities and conditions for people working on the same states but also living on different ones. I mentioned the sustainable Europe; we think that we owe it to our future generations and we owe it to the planet. We will fulfil our Paris agreement and ensure that sustainability is a key feature of all European policies. Despite the United States withdrawing from the agreement, we will not change our commitment.

3. It is our outmost duty to keep Europe safe and secure, we cannot fail in that. The European Union must take responsibility for security not only within its borders but also the surrounding areas. No single country can stand up to the threats we face, or resolve these issues by itself. The EU's external border, needs better protection, tighter control over the movement of irregular migrants. Law enforcement needs a targeted toolbox for cooperation and information sharing. Sadly, the recent terror attacks, have proven that the threats we are facing are not purely based on shortcomings on the ground, but by the lack of information sharing. Therefore, we must continue creating modern IT solutions, for the rapid exchange of information. We must improve the capability of information systems and quality of data exchange. There cannot be known, unknowns, where people's lives are at stake. The ongoing migration crisis has been the greatest challenge we have faced for decades. Once again, no member state can resolve the crisis on its own; we can only keep Europe safe if we act together, in the spirit of solidarity and responsibility. The EU cannot look inwards, we must look outwards, actively assisting countries in our neighbourhood both in the South, as well as the East. We must reconfirm our political commitment in the Eastern partnership, to better respond to the ambition of all the partners. In summary, we must seek to improve the standards of our security and safety, and we must deliver it without hesitations.

4. The final priority connects all the previously mentioned ones. In Estonia we think of the free movement of data as the fifth freedom of the EU. Hence, during our presidency, we have started a political debate, in Europe, on this essential freedom. The digital

revolution is at the core of every challenge that the European Union faces today. Together with our two partners; Bulgaria and Austria, we are committed to deliver a digital single market in 2018. We have come a long way since July, when we assumed our chairmanship. By mid-September 2017 the European Commission had put forward 38 policy initiatives, 23 which are legislative proposals. In the end of September at the digital summit in Tallinn, which was by the way the first digital summit of the EU, only focusing on digital issues the leaders committed to move towards the digitalization process, by introducing a policy that would enable 5G network access to the citizens of the EU in the near future. We must also focus, on other spheres of life, which is why we have added a digital dimension to almost every asset of our presidency programme; from fisheries to space. Underpinning all these initiatives, the use of data, and the raw material of the digital society. The development of cross border services, and e-commerce has tangible benefits for EU commerce. A critical aspect of a functioning digital society is trust. Europe should be a safe place; where rules respecting privacy and data protection of our digital identity are vital. As seen from the recent global cyber-attacks we need to up our game to keep Europe safe. Data driven economy and the fourth industrial revolution will also need a digital government. Every person in Europe should be able to interact with the government with ease and without suspicion. Our presidency will encourage the use of IT solutions in daily life, including health, justice and financial systems.

Anne Seyfferth: *Director of the Friedrich-Ebert-Stiftung Representation in the Czech Republic and Slovakia*

'Unity through balance' is the motto of the EU Estonian presidency and it was the worldwide fiscal crisis that portrayed how vulnerable and independent the world's economy really is. Nearly a decade later, the world economy remains unstable in the long-term outlook. Global confidence in a strong future growth, has long yet to find a solid foundation. In the meanwhile, global economy has been facing rapid changes in technology resorting in fast digitalization of the overall production, the working environment and the society. It brings along a rarity of

challenges and possible risks for the future of Europe and its member states. Rather than leaving it completely to the market, national politics as well as European politics should create the frame conditions on how to deal with those changes and the various consequences for the citizens. Estonia is one of the most developed digital societies in the world. And as we have just learned, one of the four priorities in the EU presidency is to contribute to a digital Europe and the free movement of data. This issue belongs to the topics of our conference today.

Another topic today, will be the recent development of the world-wide trade activities. The tremendous growth of international trade over the past several decades has been both a primary cause and effect of globalization. The EU is the world's biggest trader, accounting for nearly a fifth of the world's imports and exports. More than 30,000,000 jobs in the EU depend on exports outside the EU. Free trade among its members was one of the EU's founding principles. Although, increased international trade has spread tremendous economic growth across the globe, raising incomes and creating jobs, it can also bring economic, political and social disruption. It is the fear of an uncertain economic future that has reinforced populist movements and parties across Europe. Economic security at the same time, becomes for all of us, more important as many political conflicts remain unresolved and climate change begins to affect labour movements, while the financial gap among the countries increases. One of the strategies of populist movements or parties, is to provide simple answers to complex challenges. And many of those political answers result into the strengthening of the national interests rather than the common interests of the European Union. But in the globalized world, where 90% of the future global growth will happen outside of Europe, we will need a united response to ensure that the EU remains one of the global players - In the field of economics as well as defense.

As it has been mentioned before, the world economy has been radically changing towards contemporary trends; both in the technological and geopolitical field. Chinas Communist Party Congress has confirmed president's Xi Jinping complete hold on power for the following five years, and the question is; how will he use it in pursuing China's goal to catch up with the US as a world's leading super-power. The challenges, opportunities and risks of the shift of geopolitical power to Asia will be one of the main topics regarding this conference as well. Last

year, China's president travelled to Central and Eastern Europe, including the Czech Republic, while the Chinese government has announced a new fund that promises to inject a huge amount of fresh capital into the region. Which I think is another indication of China's strategic interests.

'Unity through balance', the motto of the current EU presidency does outline the importance of a stronger Europe. In the presence of the recent Brexit negotiations and the increase of political populism in other European member states, demanding to exit the EU, this motto shows us an important direction. I hope that our conference today will contribute to find strategies for unity which is highly needed in this time of uncomfortable political phenomena that we all face in Europe.

Dana Kovaříková: *Acting Head of the Representation of the European Commission in the Czech Republic*

Global trade in the European Union is one of the major priorities on the agenda of the European Commission. In fact, when there is a debate regarding the future of the EU, global trade is always part of it. Globalization should be perceived as an undisputed aid to the economy, and yet; many perceive it via fear. For that particular reason, the European Commission released a discussion document in the hope to analyze and support the claim that globalization does indeed help the economic development of the EU.

The advantages of openness in the international arena are numerous, and it is crucial for the European Union to promote this stance. That would not only support the economic functions but also the political and security status of the organization. Finally, the committee has made a series of proposals, and is fully prepared to actively reform its trade rules in the hope of advancing a more flexible and competitive agenda within the field of global trading.

Session 1		European Economy and Politics in the Era of Global Power and Influence Transformation
	Topics	<ul style="list-style-type: none"> → The shift of geopolitical and geo-economic centroid to East and Southeast Asia: challenges, opportunities and risks for Europe → The state and prospects of European economy: Is it possible to withstand the political, economic and security turbulences? → Unitary European currency prospects: possibilities of survival without the “European state” → Will the 4th industrial revolution change the global position of Europe?
9:20 – 10:00	Keynote speech	<ul style="list-style-type: none"> ▪ Miloš Balabán, Head of Center for Security Policy IPS FSS CU ▪ Jiří Rusnok, Governor of the Czech National Bank
10:00 – 11:00	Discussion (in alphabetic order) Moderator	<ul style="list-style-type: none"> ▪ Sebastian Dullien, HTW Berlin – University of Applied Sciences ▪ Dávid Hajmán, Director of Strategy, ČEZ ▪ Pavel Kysilka, Chairman of the Administrative Board of 6D Academy, former Vice-Governor of the CNB and General Manager of Česká spořitelna ▪ Michal Mejstřík, Institute of economic studies, FSS CU ▪ Libor Stejskal, Center for Security Policy IPS FSS CU

Keynote Speech

Miloš Balabán: *Head of Center of Security Policy IPS FSS CU*

The main axis for global transformation is via the economy. If we compare the Cold War and today, the balance of the economies exercising their influence in the global GDP, has completely changed. More specifically, the western countries still presume the largest percentages of global GDP, though, there is a big shift towards Asia. This phenomenon is associated with a plethora of factors, but what really triggered it was the 2008 economic crisis. The U.S. temporarily remains in the leading position, while there are no massive economic differences among states, compared to a few decades before. That also levels to a certain extent the various political issues among them as well. However, future predictions project that China will surpass the U.S., while India will follow on the third place. We should perceive the ascension of China, as the most influential economic phenomenon of the future, since it will not only impact the western economic growth, but also the Asian one. We must observe China and its economic growth,

since it is unprecedented. No such power has done it so fast and precisely. Finally, co-operating with 120 countries, and being the largest net exporter of capital, China is the main motor of the Asian economic growth.

Additionally, the Chinese government has portrayed a tendency to invest in innovative technologies. To provide an example, one of the official governmental reports produced from the ministry of finance in 2016, claimed that China aimed to be the future leader in artificial economy. Therefore, it is a primary goal for the European Union to support such an endeavor and align its interests on the scientific domain. Naturally, this shift mentioned beforehand, has a significant impact on western powers, while much is at stake. China is rapidly proceeding to establish its own multilateral institutions, such as their own investing bank. On the other side, there are certain elements of regression, reflected especially from the current American administration. President Donald Trump has stagnated many things that empower the position of China in the global arena. Isolationism from the side of the U.S. has led the country to gradually lose its hegemonic status. A situation that is greatly concerning the European partners, as it was expressed from the German Chancellor a few months ago; the EU -apparently- cannot rely anymore on the U.S. and will have to seek new alternatives. That was further emphasized by French President Emmanuel Macron, claiming that there is a trend of progressive loss of interest from the U.S. in the European Union.

Therefore, at this point you can guess that China is the actor that wants to fulfil this role. We could call this phase as the G-Zero era: an unstable and unpredictable period. The EU must take that under account. We face many challenges. The fiscal crisis might have triggered the problem of the EU integration. Also, the problem of inequality might be a problem connected with the growth of extremism. The Czech Republic could be perceived as a laboratory in that context.

Conclusively, the lack of trust is threatening the stability of the EU: A condition that is constantly observed in the current epoch, including the cases of a potential Grexit, the Brexit and the Catalonian crisis in Spain. Thus, to conclude, there are two major steps that must be mentioned:

Firstly, the necessity to Unite: it is not possible to maintain the EU as a global power without the element of co-operation and co-ordination.

Secondly, the digital revolution must be integrated within the solid functioning of the system.

Jiří Rusnok: *Governor of the Czech National Bank*

The Czech Republic is dependent on the European Union, especially on the development of the export markets. Abandoning the EU is not a viable option. One of the prerequisites is a strong EU currency. Nonetheless, some things are anchored in the genetics of the currency itself. During the crisis, the creation of the Eurozone does not automatically mean that it could sustain it. Additionally, the Maastricht Criteria would work, if the member states managed to maintain and follow them.

The EU is a complex of diverged economies. That though, means that heterogeneous economies are linked and interrelate to heterogeneous political phenomena. For instance, the inflation in Cyprus is almost close to zero, but not in Lithuania. Therefore, we must include better absorption mechanisms. That entails the viewpoint that public debts should not be more than 60% of the GDP: something that the Czech Republic has proved to be feasible, via its discipline to adhere to the rules and economic regulations of the EU. The Czech Republic has managed via this process to create relative stability for a future crisis.

The Eurozone has changed after the 2008 economic crisis. It has been broadened, and transformed into a union of resolutions and rescuing measures. However, more tools on the field of resolutions and stability mechanisms is needed to successfully claim that the Eurozone has managed to increase its security levels against a future economic crisis. The compatibility of the European Union and the Czech Republic is coming closer, there will be more effective mechanisms by the time we become a member of the Eurozone.

The analysts suggest that if you become a member of the Eurozone, there will be certain benefits. And we have been in line with the Maastricht Criteria, a factor that definitely helped us overcome the 2008 crisis, which indeed hit us hard.

Naturally, the key issues that our economy is facing now are the dramatically low-price levels in salaries and products. If we end up to the Eurozone, we will have great problems regarding this irregularity. The readiness has been improved; however, there are problems that persist.

Joining the Eurozone will not necessarily protect us, or provide prosperity for good, but it is just a part of our economic policy to improve our status. The rest of the members must stick to these rules. Germany claims that only six countries fully comply with the Maastricht criteria. Only then, we can talk about economic mechanisms. It is a crisis of confidence. Exceptions were granted. The key is the deployment of sound economic policy.

Discussion

Libor Stejskal: *Center for Security Policy IPS FSS CU*

QUESTION: There is a relative sense of fear and lack of confidence towards the non-western actors. Are these fears justified? What are the positive aspects of the global development?

Pavel Kysilka: *Chairman of the Administrative Board of 6D Academy, former Vice-Governor of the CNB and General Manager of Česká spořitelna*

Your question could be answered in two parts:

A] All the technological advancement is going to turn the entire world upside down. That essentially means that yes, it is rational to be afraid of such change.

B] However, analysis clearly offers the viewpoint, that via this process new jobs arrive, which replace the old ones; a phenomenon that is not necessarily bad. That is also, not a new thing. In fact, it is a matter of education, training and the actual methodology governments will use to bridge this gap. In that field, there are people that adopt to new skills in the industrial aspects. That does sound too optimistic, and that also entails great implications regarding the deployment of security policies.

Jiří Rusnok: *Governor of the Czech National Bank*

I would also like to add and support the viewpoint that even though the Czech Republic has a very low unemployment rate, the quality of education remains a fundamental and complex priority for us.

Michal Mejstřík: *Institute of economic studies, FSS CU*

The European Union and the Czech Republic are constantly planning on the short term. Short term interests took over. To give an example, Italy paid for the migration issue that it is currently facing, and it got negative results from such a policy. People are interested to democracy: they are not only vested into production but also in the change of demand. One of the main reasons that the United Kingdom exited, was mainly attributed to the slow pace of the EU's exporting policies. That was a failure attributed to the governments and not the companies. If governments are not prepared to proceed to digitalization, and that is something the Czech Republic has not done -I assure you-, then we haven't even managed to move an inch.

Libor Stejskal: *Center for Security Policy IPS FSS CU*

QUESTION: I must insist though, what does this change mean for the people in the small industrial places mean? What can be done for these jobs? Be more specific.

Michal Mejstřík: *Institute of economic studies, FSS CU*

I am the biggest enthusiast regarding the Silicon Valley. Over connecting the various fields with new technological capacities, such as artificial intelligence, we will gradually force the rules to adapt equally and to catch up with this digitalization process. We will educate people into this type of technology. Adapting is not difficult. What is difficult is training people on how to adapt. We must adhere to continuity, but also adapt to the digitalization process. The example of Sweden is a useful case; the private sector did that. Finally, if there is a last comment to add, is that the private sector cannot wait the government to act, not anymore.

Libor Stejskal: *Center for Security Policy IPS FSS CU*

QUESTION: How to adopt the labour in the European Union to make it count? Can it remain the same?

Sebastian Dullien: *HTW Berlin – University of Applied Sciences*

I would like to add a historical perspective on this discussion. What we have seen here might appear new due to digitalization, but it's part of a broader trend which is not that new. In fact, it is a shift from manufacturing industries to service based industries. And the Czech Republic has a very large share of employment in the manufacturing sector compared to some other countries that in the pressure of globalization have moved away from this field of manufacturing. Additionally, there are some countries that can provide some valuable lessons. If you look at Nordic countries as the UK, there is a particularly small manufacturing compared to the one that the Czech Republic has. Naturally though, these transitions usually go along with a certain element of resistance, because you lose certain jobs and the people who lose them are not always capable to find new ones. You shift the power of bargaining away from the workers, but if you look at the Nordic countries, there are certain things you can do.

One thing is that you can provide good, solid, activating social security networks, so that you ensure unemployment; you provide training for those who aren't employed, while you establish activating labour market policies. I know that it might be a bit unpopular in the Czech Republic, but maybe you need to expand the public sector. Because the shift from manufacturing to services, doesn't mean that there are no things left to do in our societies. We grow older, so you must look after people, you have child care, which is often not very well organized, and of course all the education and health issues belong to a certain extent to the public sector, or at least they should. Directing these fields towards the public sector you can create job positions both in the provinces and the capital. Of course, this is linked to the question; how do you pay for this?

At this point it is necessary that you possess the governmental capacity to tax the digital economy, something that has not been mentioned in this discussion yet. This phenomenon is a very complex challenge: taxing for instance the big American companies that have massive revenues in Europe, is particularly difficult because they shift that to the United States. To provide an example, Google's revenue within the EU is almost double the one it possesses within the US. And yet, we are not able to tax them. This effort however, would require the multilateral approach of the European Union, simply because the Czech Republic could never

apply such measures by its own. That of course refers to all the other members as well. Therefore, the only way for the European Union to move forwards on this field, is that all member states co-ordinate their efforts. Finally, I would like to comment on the Governor Rusnok's on the Eurozone if that is possible, because there were a few things that I believe needs to be discussed as well.

Jiří Rusnok: *Governor of the Czech National Bank*

The share of public services already grows in the market, and that is inevitable. That does not mean though, that you cannot have a peaceful coexistence of the private and public sector. However, taxes will have to increase on an analogous scale. There is no fear of globalisation from the Czech Republic, since at the current epoch we have a different mentality from countries such as the United States or the United Kingdom.

Michal Mejstřík: *Institute of economic studies, FSS CU*

Based on what has already been mentioned, it is important to add that we have discovered that it is the pre-school education that impacts the gradual economic development, thereof it must be supported. Nonetheless, we did not want people to be unnecessarily employed. The public services maintain useless positions of zero effect and zero need. Bureaucracy has enabled this hurdle which we created, and we must equally seek to diminish.

Dávid Hajmán: *Director of Strategy, ČEZ*

I believe that at this point it is important to ask, what digitalisation really means? I agree that people will have to act and think in diverse ways in the near future, or even at this very moment. However, the interest in technical knowledge within most European countries is not prioritized from the younger generations. This condition is starting to become a problem, because the new generations are not catching up.

Libor Stejskal: *Center for Security Policy IPS FSS CU*

QUESTION: Deriving from the topics mentioned beforehand, do you believe that entering the Eurozone is a political decision? And why?

Sebastian Dullien: *HTW Berlin – University of Applied Sciences 2*

In the very end, whether a state chooses to be part of the Eurozone or not, is in fact a political question. Let me elaborate a bit on that; I think the Czech Republic is ready to adopt the euro, we have heard about that – and I think the governor is right (Rusnok). Well, the market and the wages are reasonably flexible, you have flexible economy overall – I don't think the wage and price level is a problem because I do not see the necessity that it has to converge. But, there is another problem, and therefore, I understand a bit the reluctance to join the euro. And that is, that even if the Czech Republic might be ready, the Eurozone might not be ready to take on new members, because frankly the Eurozone is still pretty much in disarray. There is a plethora of structural problems, especially in the Eurozone's governance architecture. At this point, I must contradict you a little bit, governor Rusnok, because I perceive the origins in a slightly separate way than you do. I do not think that the Maastricht criteria were not fulfilled. If you look at the Euro-crisis, it has not been a crisis caused by irresponsible fiscal policy. Maybe in Greece it was, but in the other countries it was not. Let me just remind you, we had two countries; Spain and Ireland, who had very stable public finances prior to the crisis. They had budget surpluses and they possessed very low debts to GDP ratios: A situation like the Czech Republic's status. And there, we had the global fiscal crisis, the real estate crisis, and the banking crisis; phenomena that actually pushed these countries into problems. And these problems were linked to the insufficient structure within the Eurozone. Frankly, I am a firm believer on the position, that in order to make that work, we need more integration in the Eurozone. We have moved ahead with the banking union, which is very important, because now national supervisors cannot turn away when the banks do something wrong, but you have someone from the outside to consider the banks and their practices, and that is something that must be applied. We need the fiscal capacity along the lines of what the French president Emmanuel Macron has promised, and we might need the harmonization of many other things, including bankruptcy laws. For example, nowadays, the laws are very different; in Italy, if a bank goes bankrupt, you must first pay the wages and in Germany you do not. You see, it is a particularly problematic situation -not having

a common policy on such issues- thus you need to have more harmonization. Now if you are a country that does not like that, you probably should not sign up for the euro in the first place. That, is simple as that. But you need to be aware, that the Eurozone will move forward with integration, if you don't join, they will form other alliances and if you are not part of the Eurozone your concerns will be of secondary nature. For Germany and France, the Eurozone is an existential thing. So, if it is threatened, they will seek to prioritize their efforts to maintain it. As you observe in the case of Brexit however, the concern for the UK not being an EU state is much less prioritized in the agenda. So, if you remain outside of the Eurozone you cannot expect that the other members will put your problems as high in the agenda as they would for other countries. Therefore, in the end it is a political decision to be made.

Michal Mejstřík: *Institute of economic studies, FSS CU*

The rule of law must comply to every member state. The agreements that all sides have reached upon, must be kept in order to synchronize the European economic model.

Jiří Rusnok: *Governor of the Czech National Bank*

Not only the irresponsible behaviour caused the issues that were raised before in this discussion, but it is also the lack of supervision. It is a political matter that is clearly associated with the political participation of the member states in a unilateral approach.

Pavel Kysilka: *Chairman of the Administrative Board of 6D Academy, former Vice-Governor of the CNB and General Manager of Česká spořitelna*

We cannot predict it, but in a few years, there might be one attractive deal. If we take it, we must take the consequences. Fiscal policies are in place. We must create surpluses. We have to turn the stirring wheels against the regulations of insanity. We must create a truly liberal and flexible market environment.

Sebastian Dullien: *HTW Berlin – University of Applied Sciences 3*

I would like to add one short comment on the question of the capitalization of the Italian Banks. One needs to firstly look how these rules were put in place; the Italians were against the rules from the very beginning. The idea was to recapitalize the banks, while you should solve the non-performing loan problems, before you go into the banking union. The Italians when it was negotiated could not do this at the time, because that would scrutinize their financial market. However, the German government pushed them to sign anyways.

The second thing is that the wording of the bankers' resolution directive is not clear. There is an ambiguity, and that was done consciously by Germany and France; the term on the precautionary rehabilitation has been interpreted very differently from the French and the German government. The German finance ministry claimed that this is the end; you will never be able to do recapitalization of commerce banks. And the French claimed the opposite based on the provided wording. That is the problem here; the two parties, or in fact most parties, did not resolve their fundamental differences before signing together.

Finally, I would like to comment on something that has been mentioned beforehand; if you have rules, you must stick to the rules. That is something that the Germans also like to state very often. However, that is very problematic in many cases, because if you put a rule in place, that is economically dysfunctional, you should not expect that to be kept.

Session 2		New Dimensions of Global Economic Cooperation	
	Topics	→ Global free trade: Harnessing globalisation, new opportunities	
		→ TTIP: What next?	
		→ CETA: An instrument for strengthening economic cooperation of EU and Canada	
		→ Belt and Road Initiative: A new axis of Eurasian integration?	
11:15 – 11:35	Opening speech	▪ Ivan Hodač , President, Aspen Institute Central Europe	
11:35 – 13:00	Discussion (in alphabetic order)	▪ Vladimír Bártl , Deputy Minister of Industry and Trade of the Czech Republic	
		▪ Ignacio Garcia Bercero , Director at Directorate General for Trade of the European Commission	
		▪ Dita Charanzová , Member of the European Parliament	
		▪ Irina Kobrinskaya , Primakov National Research Institute of World Economy and International Relations, Russian Academy of Sciences	
		▪ H.E. Ma Keqing , Ambassador of the People’s Republic of China to the Czech Republic	
		▪ H.E. Barbara Richardson , Ambassador of Canada to the Czech Republic	
	Moderator	▪ Peter Stračár , CEO for General Electric in Central and Eastern Europe	
		▪ Ivan Hodač , President, Aspen Institute Central Europe	
13:00 – 13:45	Lunch		

Keynote Speech

IVAN HODAČ: *President, Aspen Institute Central Europe*

In his opening remark, Ivan Hodač stated, that the world is at the crossroad regarding the trade and globalization. In his view, situation changed drastically in few years. If it weren’t for change, we would talk about TTIP and other trade deals, not so today. Especially position of the current United States administration put those things into question.

He followed with raising number of questions raised by current situation. How the role of China changed, as space for it was opened by cancelling TPP and advancement of One Belt One Road initiative? What will be significance of CETA and what impact will it have for EU-Canada relations and future trade agreements of EU? What will be outcome of Brexit negotiations and its consequences for global trade? Is TTIP dead or just frozen and will it reappear on the agenda, if there will be changes in US Administration or in Europe? Will the business community learn the lesson from its failure to explain to the public importance of TTIP (or Brexit for that matter)? Does the future of trade deals lie in managing only tariffs or will they go in a direction of CETA as comprehensive agreements? What will be role of

WTO, which returns to discussions in both political and business circles? And finally, will general problems in communicating benefits of free trade to public be rectified in future?

Discussion

Vladimír Bártl, *Deputy Minister of Industry and Trade of the Czech Republic*

Responding to question rose by moderator regarding the importance of free trade for the Czech economy, Vladimír Bártl asserted, that as Czech economy is export driven, every single trade agreement is bringing positive impact. At the same time, he acknowledged that they maybe not so much failed to explain positive impact of trade to public but rather failed to realise that explaining it is necessary. But he also admitted that some of politicians were not able to resist the temptation of riding the wave of populism.

The current trade policy of the United States is in his opinion unpredictable and while EU member states have different perspectives, negotiations were handled well by the EU, especially in case of CETA. He asserted, that TTIP is in a freezer rather than dead and that it can be revived or reshaped. Belief that new US establishment must be given more time to settle in and that parts of it will realize benefits of free trade was also expressed.

Rule based free trade international systems will be in his view unfortunately partially paralysed by the current US policy, but at the same time, things seem more optimistic now than a year before, as CETA is moving onward and negotiation with Japan continues.

Ignacio Garcia Bercero, *Director at Directorate General for Trade of the European Commission*

In response to the question of the moderator on prerequisites or TTIP revival, Ignacio Garcia Bercero opened his speech by reflecting on how difficult year was 2017 for EU trade policy. In that respect, he iterated the importance of ratification and unanimous support of CETA. He also outlined important framework of progressive trade deals, including binding commitments on labour environments and firm stance on defence of regulation rights of EU and its member states.

He expects ratification of agreements with Japan, Singapore and Vietnam before the end of Juncker's commission and he is also hopeful about Mercosur and opening negotiations with Australia and New Zealand. Returning to TTIP, he claimed, that vibrant trade and investment relationship between EU and USA still exists and that TTIP is not dead as the rational for it persists.

It was reminded, that differences between EU and USA with regard to trade policy surfaced already during Obama administration, but became larger since Trump administration took office. Three issues in particular were raised in this respect, which is crucial role of functioning WTO dispute settlement system, mercantilist trade policy focusing on trade deficits and laws in the United States used in contradiction to WTO commitments. Therefore, he was not very optimistic about reviving large trade agreements with US at least in short term. He ended with note regarding the role of China, which in his opinion should with its significant role take more responsibility as well, and make larger commitments to opening its market.

Dita Charanzová, *Member of the European Parliament*

Tasked by the moderator to clarify position of EU parliament, Dita Charanzová recognized the change of situation and policies during the time she is Member of Parliament. She reflected on the fact, that the United States are no longer natural ally of EU in WTO and is no longer pushing trade openness agenda. She also recalled that the United Kingdom was an important ally of the Czech Republic within the EU in maintaining question of open trade on its agenda.

At the same time, she iterated that the trade policy remains very high on the agenda within the EU. But she expressed distress regarding the fact, that 'free and fair' trade is according to her perception turning into 'fair and free' in ministerial discussions. Other source of concern for her is risk of trade policy becoming like a Christmas tree, having too many things attached to it.

She concluded with suggestion of more pronounced role of digital trade agenda and voicing her hopes that lessons of TTIP regarding explaining trade benefits to general public will be learned and that the EU trade policy will be still free and fair, still seeking rule based system but also opening new markets for European companies.

Irina Kobrinskaja, *Primakov National Research Institute of World Economy and International Relations, Russian Academy of Sciences*

Irina Kobrinskaja, being asked to clarify current position of Russian Federation on trade, started by stating that Russia has been on crossroads for more than 25 years. Reportedly, it is now in the position of observer on global economic scene as it is evaluating what will be profitable for it in short term and long term.

She reminded the audience, that Russia, being a centralised state, values membership of rule based organisations. Putin's administration in her opinion used WTO membership to constrain role of business but at the same time, it remains important for pushing Russia to have strategy on trade.

It was also mentioned in her speech, that Russia is growing, but too slowly to finance necessary modernization. The issues raised by her as important was the fact, that Russia is a member Eurasian Economic Union, which is comprised of five member countries, which are very different from perspectives from GDP per capita to political ones. She followed explaining, that while the dream of elite of each country was sovereignty, they needed partners and while Russia forced itself as a partner upon them, other countries don't like it very much. She concluded her remarks on EEU by mentioning existing hope in Moscow for relationships to be redefined while keeping their postmodern format.

On Russian relationship with China, she started by recalling that ideas were articulated, that full partnership with China would substitute for relationship with EU, but that proved to be elusive. Now, Russia hopes to combine EEU with partnership with China to be profitable for all actors. She concluded by reminding the audience of Putin's words uttered in Beijing at summit of OBOR: "Russia doesn't want greater Russia but large Eurasia partnership."

H.E. Ma Keping, *Ambassador of the People's Republic of China to the Czech Republic*

Responding to an inquiry made by the moderator regarding the readiness of China to assume role and open its economy, H.E. Ma Keqing started her speech by expressing her understanding for fear or scepticism with which current or future role of China meets. She declared, that China would like to pursue major power diplomacy with Chinese characteristics. She maintained that Chinese trade policy is still based on status it holds, still being developing country, but she at the same time iterated, that their development won't be based on costs to other countries as they would like to develop together with other countries.

Expressing Chinese wish to have extensive consultations on issues on which there are differences, she addressed the audience with reassurance, that China will not become expansionist or hegemonic and that it is not going to be the next superpower. In her words, they "want to build new community with the mankind". She strived to provide further evidence to this by explaining, how Chinese tools and means of realizing the targets and ambitions differ from great power ones – Chinese ones are to be peaceful, they would like to establish partnerships instead of alliances, they strive to be inclusive instead of being exclusive, as only openness will bring profits and self-seclusion would only leave one behind.

Responding to raised issues of opening Chinese market, she reminded the audience of numerous statements made by president Xi that China will only become more and more opened and it will expand foreign trade and develop new models of trade. To provide the example, she touted the fact that China will host first import Expo in Shanghai, it will significantly open market access and it will do away with regulations and practices impeding free competitions.

H.E. Barbara Richardson, *Ambassador of Canada to the Czech Republic*

Being asked to speak about Canadian perspective on issues of potential renegotiation of NAFTA and on TPP, H.E. Barbara Richardson in the beginning of her speech spoke more generally linking trade to security. She explained connection of recent and current conflicts to exclusion of segments of populations, which is often economic. Reassuring the audience that Canada sees its security as tied to European, she continued stating that Canada today sees the EU as a friend in need.

She spoke about need to stand together given the fact that priorities of Canada and EU coincide as a result of shared values in areas like combating climate change, security or gender equality. CETA is in her view unique opportunity to show that there is no need to choose between trade and progress. In her words, CETA is an example of progressive trade agenda and will serve as a gold standard for future trade agreements. Reflecting on theme of failure to communicate the benefits of free trade to publics, she explained that people in Canada have been discussing trade agreements for decades (being neighbour of superpower).

Explaining the situation with NAFTA, she described current situation as very interesting as it is not clear whether 6AM tweets are policy or just immediate thoughts. She voiced her confidence, that future of NAFTA will be decided by the diplomacy and mentioned that Canadian diplomats are talking directly to constituencies in the US, as there is many constituencies in the US which don't want to lose benefits of NAFTA.

Peter Stračár, *CEO for General Electric in Central and Eastern Europe*

Asked by moderator to clarify position of business on trade deals, Peter Stračár reiterated the need to base policy on facts and first fact he added was, that while free and fair trade wasn't absolutely free and absolutely fair, as there always were barriers, it was free and fair enough for states to reap benefits. Another of his facts was, that never before we had so much of free exchange of information and technology. While he summarised that all the facts are saying that free trade is good, he asked what is going on, that globalisation is swear word and free trade is attacked like never before.

His answer was, that free trade means competition, which places pressure on some areas or constituencies. He also added that technological development being faster than before, volatility increases and some industries are becoming obsolete. He expressed his understanding for workers who are now afraid what will future bring and for the fact that they demand solutions, but at the same time, he warned that simple solutions won't work. As an example, he explained why despite widespread belief, job creation is not a zero sum game.

He concluded with iterating our need to understand complexity, understand how trade and economy works and finally we need to find good solutions, not fast ones.

Session 3		Economic Diplomacy: An Instrument for the National Prosperity and Security
	Topics	<ul style="list-style-type: none"> → The support of export and investment in the Czech Republic: the significance level of the state and the Czech diplomacy → Current and prospective priorities of the Czech economic diplomacy → Can Czech Republic continue to discover new markets and investment opportunities? → The example of economic diplomacy success: strategic partnership with the Republic of Korea and Korean companies investments in the Czech Republic
13:45 – 14:05	Opening speeches	<ul style="list-style-type: none"> ▪ Martin Tlapa, Deputy Minister of Foreign Affairs of the Czech Republic ▪ H.E. Seoung-Hyun Moon, Ambassador of the Republic of Korea to the Czech Republic
14:05 – 15:30	Discussion (in alphabetic order) Moderator	<ul style="list-style-type: none"> ▪ Pavel Chovanec, Director of Investment Projects Management, CzechInvest ▪ Pavel Juříček, Chairman of the Board Brano Group a.s. and Brano a.s., Member of Chamber of Deputies, Parliament of the Czech Republic ▪ Petr Vaněk, Director, Public Relations Department, Hyundai Motor Manufacturing Czech ▪ Jan Ludvík, Center for Security Policy IPS FSS CU
15:30 – 15:40	Closing remarks	<ul style="list-style-type: none"> ▪ Miloš Balabán, Head of Center for Security Policy IPS FSS CU

Opening Speeches

Martin Tlapa: *Deputy Minister of Foreign Affairs of the Czech Republic*

The effort to open the markets is closely tied to the diplomatic tradition of the Czech Republic. The trade policy in general must be associated with global trade. The Czech Republic tries to remain proactive on the dynamic of this shift (towards Asia). The economic diplomacy has shifted from a confrontational level to a co-operational one. We seek to establish homogeneous approaches on trading. The challenge for the future is the efficiency improvement in trading. We have to debate about what type of political diplomacy we must seek to deploy and use. It is important how the exports operate:

A] How the institutions will synchronize in Europe. Moving from a project to an actual financial instrument - institutions. We need to be more effective on how we finance our institutions.

B] We should unite efforts, not divide. Economic diplomacy should work as a tool that will find and add missing elements to the Czech Republic. The innovative technologies should be inspiring. Education should incorporate that.

H. E. Seung-Hyun Moon: *Ambassador of the Republic of Korea to the Czech Republic*

Korea is the third largest investing party in the Czech Republic and the trade volumes have been steadily increasing among the two countries. What I have learned though, is that the Czech Republic has a much greater integrity on the field of economic investment, compared to S. Korea. By doing so, the country has managed to contain many favourable conditions for both outward trade and investors. I would like to briefly bring to your attention a few general points regarding our relationship from the Korean perspective, since, as you might already know, the economic and diplomatic bonds that the two countries share with each other are highly valued from both governments. According to the statistic reports from CzechInvest, Korea is the third largest investor in car manufacturing after Germany and Japan. Therefore, a reasonable question would derive from all these facts: Why does S. Korea portray such an enormous interest to invest within the Czech Republic in such a brief period (since 1990)?

The answer could be broken down into four major reasons:

1. There are better investment incentives provided by the Czech Republic than most other European Countries.
2. The geographical positioning of the country makes it an ideal location for reducing logistical transportation costs.
3. There is a particularly elevated level of expertise in the Labour.
4. The labour costs might be higher compared to other competing countries, but there is a great industrial foundation.

These variables combined, constitute a very tempting terrain for investing members such as S. Korea. Additionally, the change of government policy regarding the increase of focus on FDI's has equally increased our interest to co-operate with the Czech Republic. However, the recent shortages of skilled workers do indeed raise concerns.

If the countries were to integrate their efforts and broaden their relationships beyond trading it would be a particularly successful diplomatic scheme. The fields of interest could include environmental, cyber and energy security. The strategic partnership has been a very useful framework for building up the relationships even further.

Discussion

Pavel Juříček: *Chairman of the Board Brano Group a.s. and Brano a.s., Member of Chamber of Deputies, Parliament of the Czech Republic*

Education and Scientific Research has advanced rapidly in S. Korea. The same could be said for China and many other Asian countries within the current period. And yet, that is not the case for the European Union. We must increase the technological awareness among the individuals. That would also help the economic development of the Czech Republic: A country that has not managed to advance on this field yet.

We need the academia, and in general; people that think in the long term, people that are willing to invest in the future, while they make sure that the process remains transparent. The car manufacturing industry for example, provides several such ideas. It is more than just an assembly line. However, that should be protected and advanced via the market.

Even though, electric cars have appeared for instance in the contemporary western markets, including the Czech Republic, the technological aspects of this products are still not reflecting efficiency. We could argue that the Lithium batteries for instance, have drastically increased their energy capacity over the last decade, though they are still quite limited.

The industry must tap into the process of digitalization, even if there are risks on the way. On such risk might be the digitalization of knowledge and information within the working environment. Meaning that checking the performance of the employees might not be the same as it has been in this period.

Petr Vaněk: *Director, Public Relations Department, Hyundai Motor Manufacturing Czech*

We introduced electric mobiles a year ago in the market; there are technologies that are still missing. The Czech Republic is a good platform and attractor of investors. The trust we have earned with the investors is fragile. We must always keep these deals. While investors are prepared to come, there are risks, and we should keep our part of the bargain. The geographical position of the Czech Republic did provide a big motive regarding Hyundai's investment due to the presence of KIA in Slovakia and Northern Moravia.

Very briefly, our car manufacturing has been closing to 3,000,000 in production. Massive numbers in employees and invested capital are the contributing factors to the advancement of this part of the economy. Hyundai though, has not only been bringing car manufacturing in the industrial profile of the country, but also Steel Mills, resorts, etc.

Jan Ludvíg: *Center for Security Policy IPS FSS CU*

QUESTION: Investment incentive cripples the market but is the result good?

Pavel Chovanec: *Director of Investment Projects Management, CzechInvest*

The Czech Republic still has potential for additional investment. But changes must be made to facilitate them.

Petr Vaněk: *Director, Public Relations Department, Hyundai Motor Manufacturing Czech*

While in the European Union the greatest percentage of manufacture occurs in other countries, investment cannot be repeated due to the fact that you cannot keep finding expertise in such numbers as it was before.

Pavel Juříček: *Chairman of the Board Brano Group a.s. and Brano a.s., Member of Chamber of Deputies, Parliament of the Czech Republic*

I support Mr. Vaněk. The people in the Czech Republic lost their working habits; therefore, they are not employable. Apparently, they got really used to their unemployment benefits. Finally, an additional factor that is contributing to this situation is the fact that the educational system is not training them anymore into the technical fields.

Pavel Chovanec: *Director of Investment Projects Management, CzechInvest*

We support research and development; not these traditional aspects. We have to modernize if we expect to become more compatible within the economic European context. Diplomacy has to be expanded not only to traditional issues, but in other fields as well.

Pavel Juříček: *Chairman of the Board Brano Group a.s. and Brano a.s., Member of Chamber of Deputies, Parliament of the Czech Republic*

We must open the borders if we expect our GDP to grow. If our country cannot provide the experienced workforce, then we should acquire it from neighboring countries such as Ukraine. Therefore, the bureaucratic elements must be limited, and the private sector has to be provided with the tools to enact based on its demanding necessities.

Martin Tlapa: *Deputy Minister of Foreign Affairs of the Czech Republic*

The national interest has to be prioritized. If I was part of the parties I would be biased. Even if you made the social system stricter, people will still fail to find work, because it is also a question of qualifications.

Pavel Juříček: *Chairman of the Board Brano Group a.s. and Brano a.s., Member of Chamber of Deputies, Parliament of the Czech Republic*

I am not campaigning here, I am just an entrepreneur. The Czech Republic made a great step towards S. Korea. Economic diplomacy is what keeps things moving, especially as a bridge among the private and public sector. I blame the foreign ministry because they hired and brought only doctors in the case of Ukraine. Whereas they should have considered to an equal extent, the prospect of hiring and bringing qualified Ukrainians, that did possess a scientific background.

Pavel Chovanec: *Director of Investment Projects Management, CzechInvest*

We are part of the Schengen, even though we are very happy to help the companies and the private sector in general; there is a lot of paperwork to be done. Therefore, providing working visas for everyone is quite difficult.

Pavel Juříček: *Chairman of the Board Brano Group a.s. and Brano a.s., Member of Chamber of Deputies, Parliament of the Czech Republic*

In the past years there has been a total devastation of the technical aspects in this country. That is something we could change, if we drastically altered the current governmental position on the issues mentioned beforehand in this discussion.

H. E. Seoung-Hyun Moon: *Ambassador of the Republic of Korea to the Czech Republic*

I would just like to add a comment regarding the bilateral relationships of S. Korea and the Czech Republic, and the field of investment. Since I came to Prague, I said to myself that I will do my best in order to bring more investors from S. Korea. But when I talked to the people from the business environment in my country, they responded stating that this very successful trend occurring within the Czech Republic might not be continuing in the near future. They also added that this might be due to the phenomenal decrease of experienced labor on the industrial field, but also to the lack of technical education in the current generations. Especially during this period, that you have focused more on the process of bringing more investors in the country, you should seek to become more competitive in that regard.

Final Remarks

Miloš Balabán: *Head of Center of Security Policy IPS FSS CU*

I would like to follow up on Mr Juříček, saying that our Prague conference is an island of deviance in the field of security policy. My second remark is that this discussion was particularly interesting especially for the context of the Czech Republic which is currently faulting in dangerous waters. What is positive for me is that I heard positive ideas from people that actually offer solutions on how to navigate on these waters of the European Union and the World. The Czech Republic is on the edge of change, and the question is how do we grip these changes, and mainly the last panel convinced me about the fact that it is possible to be successful in these changes. And I cannot make a comment regarding the social sciences, because I think that the Center for Security Policy is a prime example of connecting hard sciences to social sciences.