

# Cover story

## Trade: Bright prospects for entrepreneurs

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2007 and expects to produce more than 200,000 this year.

PPF, the largest financial and investment company in CEE and whose majority shareholder is Czech billionaire Petr Kellner, is making big inroads in the consumer finance market in China with its Home Credit brand and has already issued 1.3 million loans.

Ren Hongbin, vice-president of the Chinese Academy of International Trade and Economic Cooperation under the Ministry of Commerce, a keynote speaker at the forum, says it is easier for Chinese companies to do business in CEE countries than in the European Union, whose market is often more difficult to access.

"The European Union is very conservative and often a closed circle with much of its imports and exports being within its borders," he says.

Ren says the close relationship with CEE countries is long standing, beginning when many of them were among the first to recognize the People's Republic of China in 1949.

"Because this part of Europe established diplomatic relations with China 62 years ago, we have a very good background foundation."

Miranda Carr, head of research at London-based China Policy Research, an investment research company that also has offices in Beijing, says the Chinese often feel more comfortable dealing with companies from CEE countries.

She says they are often more collaborative in their approach and less likely to give lectures than their US and Western European counterparts on how to do business.

"Instead of Western companies going into China and saying we want to invest and this is how we want to do it, there is more an attitude of wanting to work together from central and eastern European companies.

"It is also more of two-way process. They are more likely to give access to their home markets in return for access to the China market. The problem with a lot of the US and western European dialogue is that they want to get into China but don't want China to access their markets."

Countries like Hungary have very close investment and trade ties with China. It was one of the only European countries to offer no-visa access to Chinese citizens in the early 1990s and as such there are now 50,000 Chinese citizens in Budapest alone.

Chinese foreign direct investment in Hungary was \$370.1 million in 2010, up from just \$400,000 in 2004, according to the Chinese Ministry of Commerce.

Some 15 percent of Hungary's own outbound investment is also in China, more than any other CEE country, according to the United Nations Conference on Trade and Development.

China's outbound investment in other CEE countries is still relatively low and in the Czech Republic amounted to just \$2.1 million in 2010.

Some believe there is a fear of Chinese investment in some CEE countries, whereas American and western European investment is



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Clockwise from above: Business and political figures from China and Central and Eastern European countries meet in Prague for the second China Investment Forum earlier this month; Ivan Hodac, secretary general of the European Automobile Manufacturers Association; and Peter Hyl, executive chairman of the forum.



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more warmly welcomed.

Michal Mejstrik, chairman of the International Chamber of Commerce in the Czech Republic, insists this is not the case.

"The reason why the Chinese FDI figures are low is that many of the Czech state-owned industries were privatized in the early 1990s when the Chinese had no money," he says.

"Let me talk of the assets I am now responsible for on behalf of the government. Czech Airlines is on the list. I can say that Chinese investors are welcome."

Kamil Blazek, chairman of the steering committee of the Association for Foreign Investment based in Prague, believes there is a certain complacency within the Czech Republic.

"I think there is a sense that China needs the Czech Republic as much as

the Czech Republic needs China. The reality, of course, is that China can live without the Czech Republic. It is a giant market," he says.

Even members of the Chinese delegation attending the Prague forum had difficulties with their visas and found themselves spending an afternoon at the police station for an extension.

Despite being from the Chinese Ministry of Commerce, Ren was one of those who was held up.

"The ease with which you can obtain a visa is the business card of a particular country. When I worked at the Chinese embassy in the Czech Republic there were several cases of businessmen from China getting similar treatment," he recalls.

"I remember one case where some very big bosses from China were not

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