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Czech-German-Slovak Trilateral Relations in 2021

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August 2021

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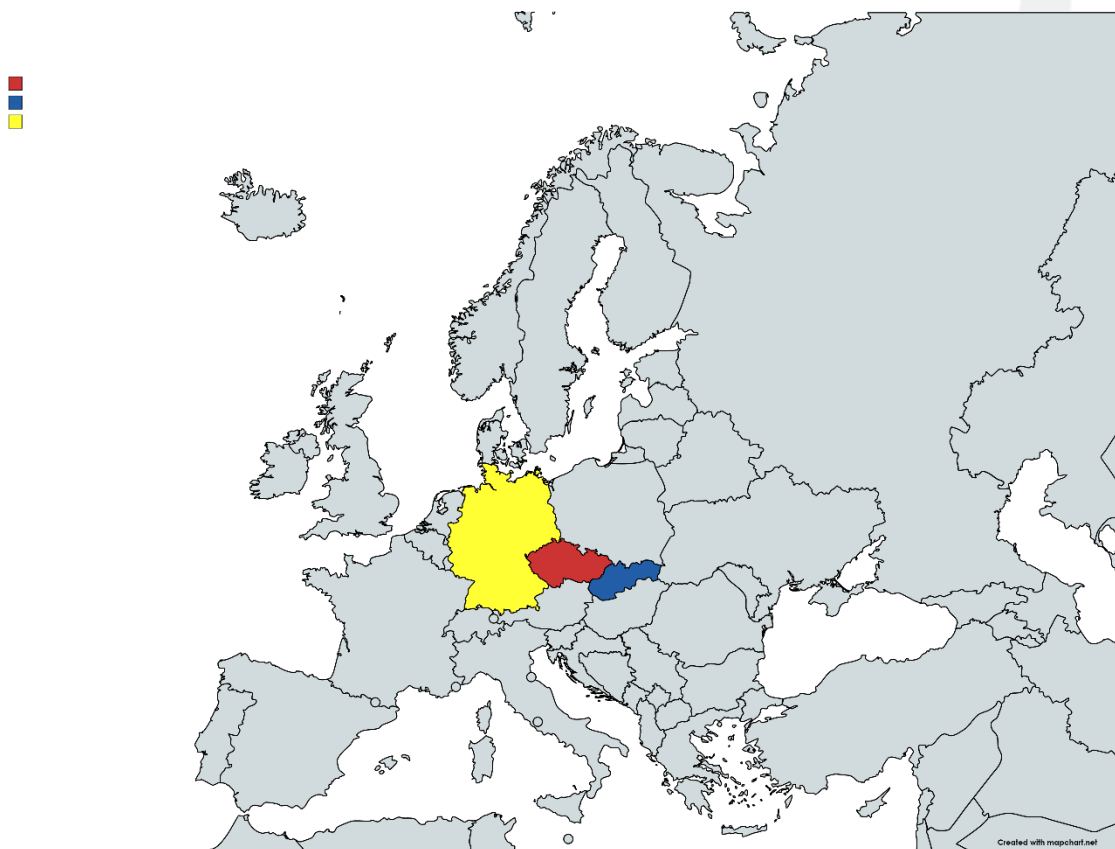
Abstract: *Immediately after the disintegration of Czechoslovakia in 1992, the two successor states took a politically different direction: while the Czech Republic oriented to the West, Slovakia was initially much more interested in moving toward the East. This, however, proved to be only a temporary difference in their attitudes, as both states are today members of the European Union, the Organization for Economic Cooperation and Development, and the North Atlantic Treaty Organization. The dissolution of Czechoslovakia happened smoothly, and the mutual Czech and Slovak hostility of the 1990s has also evaporated during recent years. Both Visegrád countries see each other as partners in all areas of life. Their main goal is the same: to maintain the existence, influence and prosperity of the nation-state, while continuously increasing the well-being of the population. Through her economic and political influence, Germany plays the key role in achieving the latter.*

Keywords: *political change, economic stability, brain drain, migration, investment*

The Czech Republic, Germany and Slovakia are partners in every field of international relations. The economic integrity of the two Central European countries depends largely on the performance of the German economy. In the past, the Beneš Decrees, and nowadays, illegal migration, constitute contentious points in their relationship. Regardless of the identity of the new German chancellor, the strong ties among these nations figure to continue.

Political Relationships

The German reunification of 1991 preceded the peaceful dissolution of Czechoslovakia. The chancellor of West Germany, Helmut Kohl, managed to persuade the biggest actors of the world that his nation deserved a chance for a new beginning, and that the united German superstate would be beneficial for the whole international community. Although not every capital was happy about this outcome, world governments, including Washington and Moscow, accepted it. The Berlin Wall and everything it symbolized suddenly became a dark memory of the past. While the Germans celebrated their new birth, the Czechoslovak state reached her end. The split of the two nations, however, did also mean a new beginning for bilateral relations for Prague and Bratislava. In this process, the most important partner for both countries proved to be Germany.



Source: Own editing at "mapchart.net"

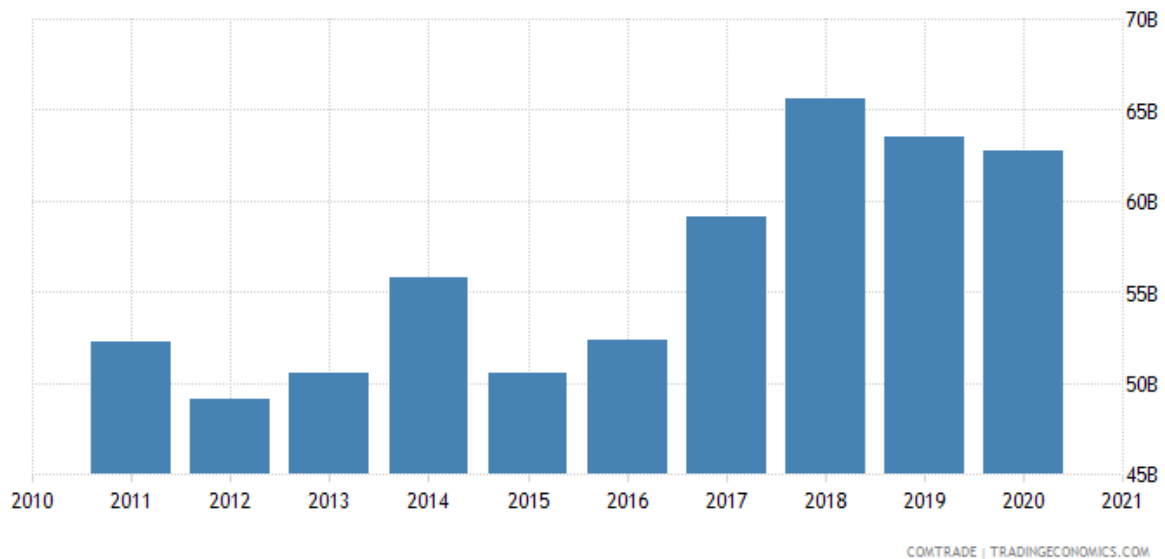
Early Investments

One peculiarity of modern democracies is that economic relations often develop faster than political ones. This was the case in the German-Czech and German-Slovak bilateral relations in the dawn of 1993. Immediately after the regime change and political transformation in 1989, successful German industrial firms penetrated Czechoslovakia and stayed after the disintegration of the country. Many of them are listed as the largest local employers to this day. Although the most popular retail companies in both countries (Kaufland and Lidl) are also Germany-based, the phenomenon is most spectacular in the automotive manufacturing industry. The largest and most famous company in the Czech Republic, Škoda Auto a.s., has been a member of the Volkswagen Group since 1991.

¹ Škoda, a company struggling with technological and financial difficulties and often the subject of jokes in the 1980s, is nowadays recognized worldwide as a symbol of smart and professional engineering. The Volkswagen Group was also the first world-renowned carmaker to install a car plant in Slovakia. Its factory in Bratislava is unique even on a worldwide scale, as five of the group's brands – Volkswagen, Škoda, Audi, Seat and Porsche – are manufactured there.² Critically, in recent years, the automotive industry has become the most important force of the economy of Slovakia. A country covering an area of only of 49,036 square kilometers has become the world's largest car producer per capita and the 20th largest manufacturer in the world.³ Including its plants in both Martin and Stupava, the Volkswagen Group employs thousands of people in the Slovak Republic directly; when one considers suppliers, this reaches a much higher number.

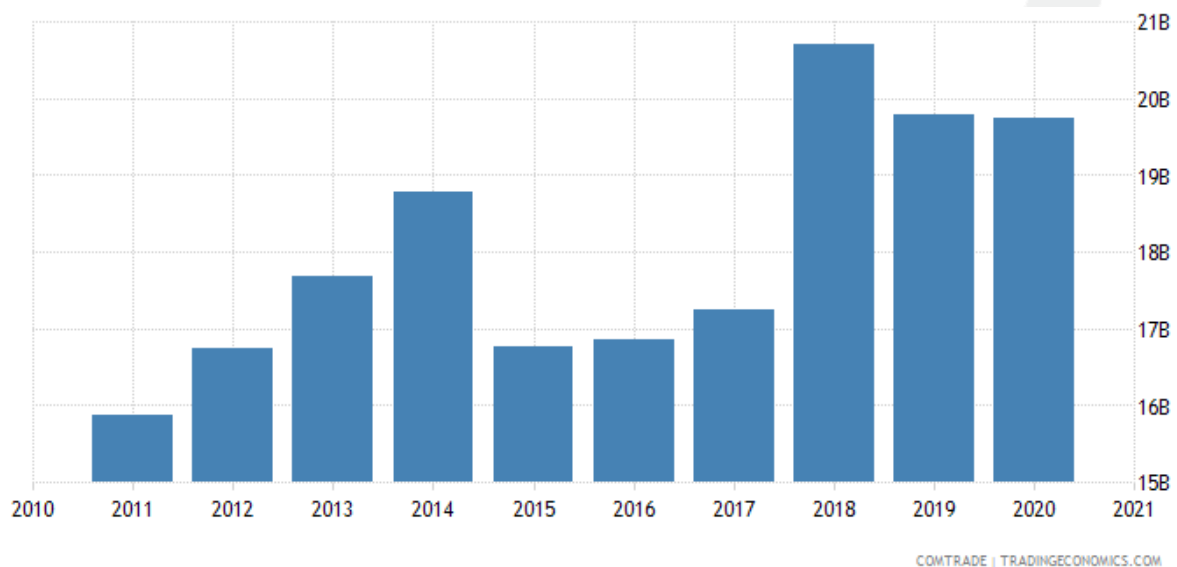
Economic Ties

For both the Czech Republic⁴ and Slovakia⁵, Germany has been the main global trading partner for many years, both in terms of exports and imports (each former Czechoslovakian partner country is second).



Czech Republic exports to Germany. Source: Tradingeconomics.com⁶

The enormous weight of Germany in the economic life of the Czech Republic and Slovakia is highly visible: in 2019, 31.8 percent of Czech exports⁷ and 22 percent of Slovak exports⁸ headed there. In the case of imports, these two ratios are 24.6 and 16.6 percent, respectively.⁹



Slovakia exports to Germany. Source: Tradingeconomics.com¹⁰

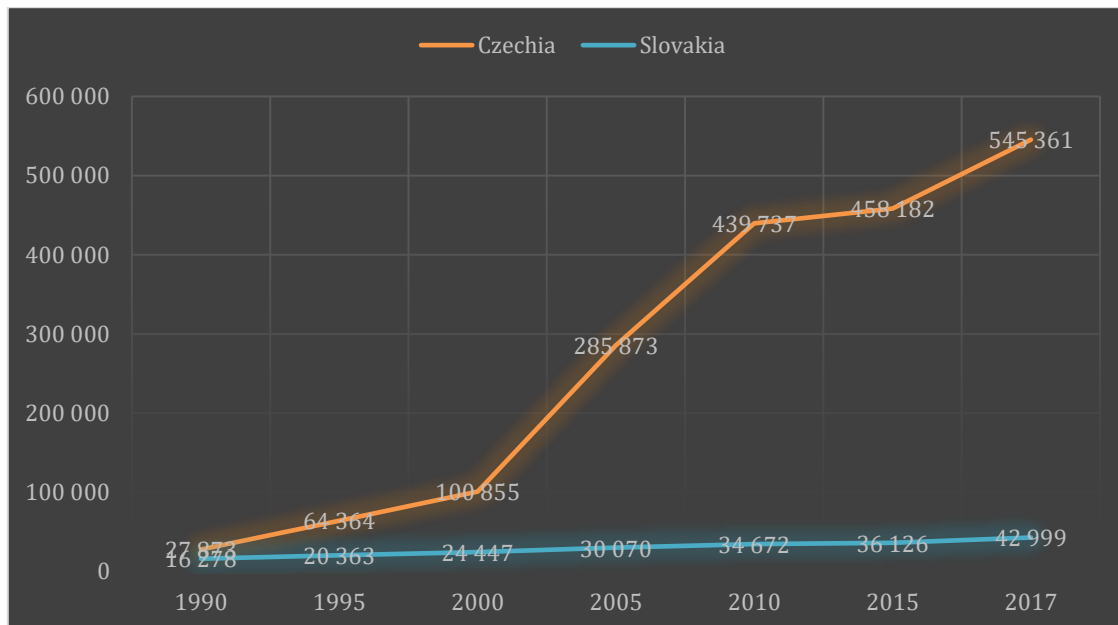
These figures clearly show that the German market is irreplaceable to the successor countries of Czechoslovakia in the short term. However, this is not the complete picture. Large Germany-based international companies entered both countries

immediately after the fall of the Iron Curtain, and many of them are still listed among these nations' largest employers. This results in a win-win situation for Germany's GNI and her partners' GDP. In addition to the growth, this type of outsourcing also plays a decisive role in reducing the unemployment rate, which was critical in the CEE region during the nineties. It is also important to understand that multinational companies with manufacturing focus have provided know-how and installed modern technologies in the target countries. These benefits were previously lacking. Although many critiques point out that these ventures take profits out of the local country, one must note that their presence has also contributed to the emergence of micro-engineering, the birth of shared service centers, and the development of the modern IT sector.

Emigration and “Brain Drain”

Since the time of accession to the European Union, some of the biggest difficulties in Central and Eastern European countries have been large-scale emigration and a “brain drain”, the exodus of highly trained and educated people to the West. In the first decade of the new millennium, the lag of this region's standard of living compared to those of Western Europe was dramatic. Thanks to EU accession and the ratification of the Schengen Agreement, from 2008 the abolishment of the land, sea, and air control even in the CEE region became a reality.¹¹ This was a great opportunity to all those individuals who intended to leave their homeland and live abroad. This phenomenon was primarily focused among both the most- and least-educated social strata. Like the highly qualified medical doctors and engineers, manual workers set out for the West in large numbers, which resulted in labor shortages and the increase of both consumer prices and wages in the homeland.

The Czech Republic and Slovakia became members of the European Union in 2004. However, Germany did not automatically open her labor market to the inhabitants of the new EU states for a seven-year period. Despite that, large numbers of Czech and Slovak nationals set out in hope of a better life in Germany. According to the data of the Department of Economic and Social Affairs of the United Nations, from 1990 until 2017, more than a half-million people from the Czech Republic and 40 thousand people from Slovakia migrated, moved, worked, or studied in Germany.¹²



Total migrant stock at mid-year by origin and by major area, region, country or area of destination, 1990-2017 Source: own editing by the data of the United Nations

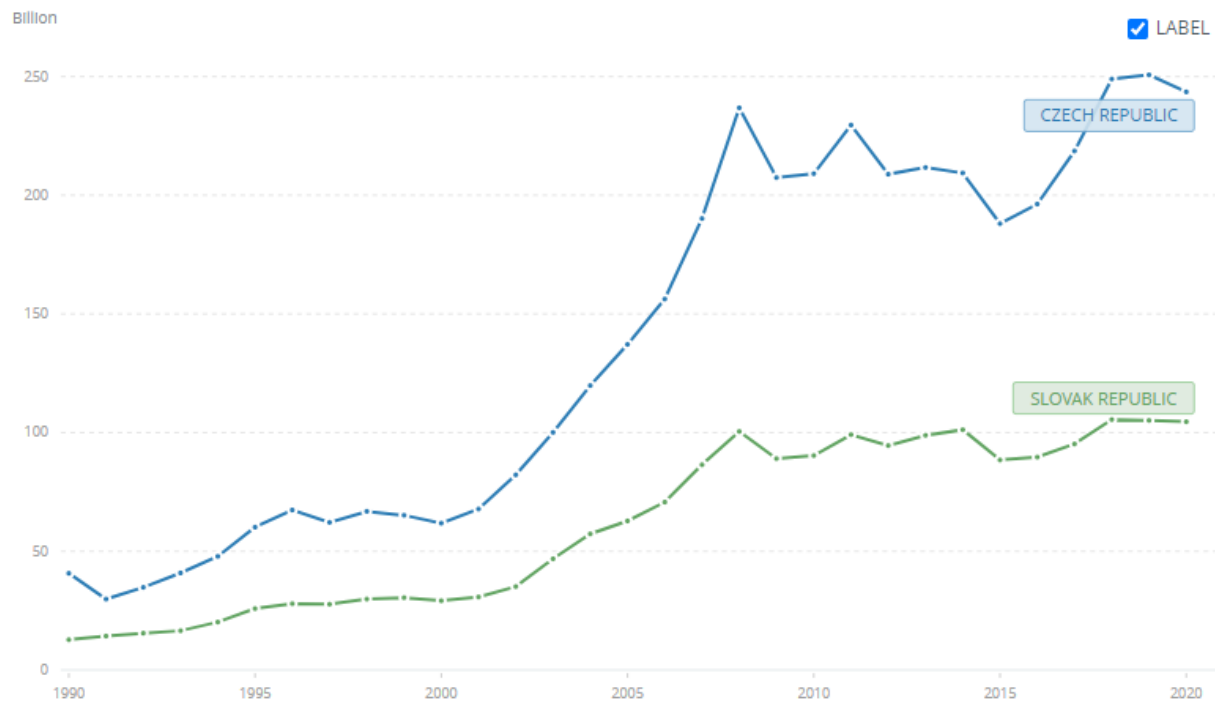
Although the economic growth in the CEE region and Europe's widespread lockdown in response to the devastating Covid-19 pandemic have encouraged many to repatriate, there are still "Czechoslovak" masses in the West, especially in Germany and in the UK. Thanks to the rapid economic development in the CEE region, these people are much-needed in their homelands.

	2011	2012	2013	2014	2015	2016	2017	2018	2019
EU - 27	14 674	14 937	14 977	15 114	15 445	15 880	16 314	16 856	17 366
Czechia	7 451	7 791	7 694	7 622	7 423	7 838	8 282	9 088	9 995
Germany	19 043	19 592	19 545	19 712	20 644	21 263	21 906	22 647	23 504
Slovakia	6 306	6 927	6 737	6 809	6 930	6 951	7 183	7 462	8 119

Mean and median income by household type - EU-SILC and ECHP surveys. Source: Eurostat¹³

Statistics clearly show that both the Czech Republic and Slovakia are uncompetitive vis-à-vis Germany in terms of wages, and this will not change in the foreseeable future. At the same time, the steady growth of these countries' GDP also gives cause for confidence. On the other hand, residents of the CEE region strongly oppose the idea to replace the emigrated population with migrants from the Middle East and Asia, and

this very well could lead to social and political conflicts with Germany. Angela Merkel's "willkommenskultur" is not welcome in the CEE region.



GDP (current USD) – Czech Republic, Slovak Republic. Source: World Bank¹⁴

Local wages, which are continuously increasing, represent just one of the many factors in an individual's decision about place of residence, but this positive trend is increasing the retention power of the CEE region. However, both in the Czech Republic and Slovakia, strong government action will be necessary to address the ongoing demographic challenge. In this context, the policies of the Hungarian government are striking.

Political Relations

The Czech Republic and Slovakia both belong to the Visegrád Group (V4). However, unlike their peers Hungary and Poland, they generally do not engage in visible international disputes. As a result, both countries enjoy a generally positive view in international mainstream politics and media, but their ability to assert international political interests remains stagnant. This attitude, however, occasionally also hinders the ability of the Visegrád Group to assert its interests on the international level and

harms the political cohesion of the V4. The most striking example of this occurred when the Czech Republic and Slovakia did not support the position of Hungary and Poland in settling the dispute over the adoption of the EU's seven-year budget. From a bilateral point of view, both German-Czech and German-Slovak relations are excellent today. This was not always the case. After World War II, more than 2.5 million Sudeten Germans and tens of thousands of Hungarians were deported from Czechoslovakia as a consequence of the Beneš Decrees, which declared Germans and Hungarians living in Czechoslovakia collective war criminals on the basis of simple national attachment. The disagreements resulting from these events have not been settled satisfactorily to this day. Although the Czech Republic apologized to Germany for the deportations in 2005 (which was later clarified to be valid for Hungarian and Polish nationals as well)¹⁵, Slovakia has so far failed to do so. In addition, in disregard of international law, she is currently pursuing expropriation lawsuits against the descendants of Hungarians in Czechoslovakia, citing the Beneš Decrees.¹⁶ More than anything, though, the economy determines German-Slovak relations. In this field, Slovakia is a subordinate to powerful Germany. Until this situation changes, one should not expect major political confrontation between the two sides. Both sides benefit from the current relationship, as the Slovak market and industry are crucial to the health of the German economy; this applies to the Czechs as well.

Conclusion

While Germany was working on her unification, Czechoslovakia was preparing for her own secession. Since those years, Germany has become the economic engine of Europe, and the two Czechoslovak successor states have integrated into the European bloodstream. Their mutual interdependence is obvious; however, it is not equivalent. German companies have created excellent opportunities in Central and Eastern Europe, which benefits all parties. It is not a coincidence that the CEE region has been trying for years to gain political independence without compromising its economic relations and Western ties. Although Germany is facing elections, its outcome has no real weight for the region. Whoever the new chancellor is, direction will presumably remain the same.

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