



CAPS MONITORING

INTRODUCTORY WORDS BY THE DIRECTOR

Dear readers,

The previous month proved conclusively that the Indo-Pacific is no longer a theatre of gradual shifts, but rather of accelerating structural change with direct consequences for Europe and for Czechia as well.

Three interlocking dynamics dominate this edition of our CAPS Monitoring. First, the war between the United States and Iran, which has transformed from a Middle Eastern crisis into a genuinely global economic shock, with Asia being particularly affected.

Japan's unprecedented drawdown of strategic oil reserves or China's quiet advance of petro-yuan architecture illustrate how profoundly a chokepoint thousands of kilometres from Asia can reshape the strategic calculus of states across the entire region.

Second, the geopolitics of technology and supply chains is reshaping alliances at speed. The Trump-Takaichi summit in Washington signalled that the U.S.-Japan partnership is entering a qualitatively new phase, one built around semiconductors, AI, space, and defence co-production rather than simply forward military presence.

Taiwan's dramatic expansion of drone manufacturing, with Czech firms among the beneficiaries of its export drive, and South Korea's recalibration of its Africa policy around critical minerals further underline that economic security is becoming more important than ever.



Third, Central Asia is asserting itself as a strategic actor rather than a passive object of great-power competition. Kazakhstan's constitutional referendum, Mongolia's emerging trade partnerships, and the insights of our guest Dr. Elzbieta Pron all point to a region that is deliberately hedging between China, the EU, and the Middle East, and that expects to be taken seriously in return.

For CAPS, these are not abstract developments as we closely watch them from the perspective of our country. That is why you can also read about Czech firms exhibiting at Drone Show Korea in Busan, KHNP and ČEZ signing a hydrogen MoU, or Škoda leaving China and betting on India and Southeast Asia. The Asian century is arriving, and Czechia should not miss this opportunity! Understanding and explaining it clearly is, more than ever, the core mission of this monthly publication.

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CENTRAL ASIA

Growing Importance of the Middle Corridor

In March, new transport data highlighted the growing importance of the Trans-Caspian International Transport Route (TITR), also known as the Middle Corridor. Freight volumes transported through Kazakhstan have increased significantly in recent years, rising from around 0.8 million tons to approximately 4.5 million tons annually. The corridor connects China with European markets via Central Asia, the Caspian Sea and the South Caucasus, including Azerbaijan and Georgia.

Therefore, the corridor's expansion is bringing economic benefits to both Central Asia and Europe, as it strengthens trade links and reduces dependence on transport routes passing through Russia. This development of the Middle Corridor should strengthen Eurasian trade connectivity and increase the strategic importance of Central Asia as a transit region.

Kazakhstan's Constitutional Referendum Marks a Key Power Shift in Central Asia

Kazakhstan's March 2026 constitutional referendum was one of the most important political developments in Central Asia in the previous month. Voters approved the new constitution by 87.15 %, with turnout at 73.12 %, according to the election commission. President Kassym-Jomart Tokayev presented the reform as a step away from a "super-presidential" system and toward a clearer separation of powers. However, critics argued that the changes could in fact further strengthen the presidency rather than constrain it. The new framework streamlines parliament (a switch from a bicameral to a unicameral model) and restores the post of vice president, a role that would be appointed by the president. It also changes the status of the Russian language and mentions the people-centered approach of the constitution.

The referendum matters beyond Kazakhstan's domestic politics. As Central Asia's largest economy and a major energy and minerals producer, Kazakhstan plays a hedging role between Russia, China and the West (mainly the EU). The vote also took place against a difficult economic backdrop: inflation reached 11.7 % in February, interest rates stood at 18%, and tax increases had added to public uncertainty. The country is also undergoing a broader economic reform, focused on the AI revolution and a broader diversification of its national economic model. Taken together, the referendum suggests that Kazakhstan is entering a new phase of managed political and economic consolidation under growing geopolitical pressure coming from the international system.

Mongolia's Emerging Trade with Kazakhstan Tested by New Political Turmoil

Mongolia has emerged as a priority market in Central Asia's evolving trade landscape, with Kazakhstan's first trade mission to Ulaanbaatar in seven years underscoring growing interest in the country's expanding, livestock-driven economy and its role as a bridge between Russia, China and the Eurasian Economic Union. Recent deals worth more than 60 million dollars in nonresource goods, combined with a planned temporary trade agreement between Mongolia and the EAEU covering several hundred product categories, signal that partners increasingly view Mongolia not as a peripheral or "trial" destination but as a stable outlet for higher value-added exports and joint processing aimed at third-country markets.

At the same time, Ulaanbaatar's political turbulence – including the resignation of Prime Minister Gombojav Zandanshatar amid ruling party infighting, corruption allegations surrounding senior figures and an opposition boycott of parliament – has sharpened concerns among foreign investors about regulatory volatility and governance risks in a mining-dependent economy that is already navigating shifting rules and external pressure from major partners such as China.

The expected appointment of parliamentary speaker Nyam-Osoryn Uchral as prime minister will therefore be watched closely by regional and extraregional actors that are deepening trade and transit links with Mongolia. In this context, Kazakhstan's outreach illustrates a broader trend: neighbouring and Eurasian states are seeking to integrate more deeply with Mongolia's livestock and resource sectors, logistics corridors and emerging consumer market, but the long-term trajectory of such projects will ultimately depend on Ulaanbaatar's success in managing elite competition, addressing corruption concerns and providing predictable conditions for trade, investment and infrastructure cooperation.



SOUTHEAST ASIA

Military-Dominated Parliament Reconvenes in Myanmar

Myanmar convened its first parliamentary session in more than five years in March following elections that excluded major opposition parties, effectively ensuring that the military retains dominant political control. The legislature had not met since the 2021 coup, when the armed forces seized power and dissolved the previous parliament. The elections were characterised by low voter turnout and the absence of major opposition parties.

The opening session took place in the capital, where Khin Yi, chairman of the military-backed Union Solidarity and Development Party, was elected speaker of the lower house. The USDP secured a large majority of seats, while the military retains additional influence through constitutionally reserved parliamentary seats.

The junta leader Min Aung Hlaing is widely expected to assume the presidency once a new government is formed. The parliament is therefore expected to remain firmly under military influence, particularly as the armed forces maintain strong representation and influence over the ruling party. Some observers argue that the new legislature primarily serves to institutionalise military authority rather than introduce meaningful democratic governance.



SOUTH ASIA

Escalation of Tensions between Pakistan and Afghanistan

Since late February 2026, Afghanistan and Pakistan have been engaged in open hostilities, although the conflict has received comparatively limited international attention. But despite its relatively low visibility, the fighting could have significant long-term consequences for regional stability.

Relations between the two countries have remained tense since the Taliban returned to power in Kabul in 2021. The trigger of the current escalation has been Pakistan's repeated accusations that Afghanistan is providing safe haven to militants from Tehrik-i-Taliban Pakistan (TTP), a group responsible for numerous attacks in Pakistan, including the 2014 Peshawar school massacre. Afghan authorities deny these accusations.

The confrontation is increasingly shaped by broader geopolitical dynamics. Pakistani officials have expressed concerns that Afghanistan may be moving closer to India, which Islamabad interprets as a potential strategy of strategic encirclement, with India to the east and a more India-friendly Afghanistan to the west.

India's direct influence in Taliban-led Afghanistan remains limited, renewed diplomatic contacts between Kabul and New Delhi have raised Pakistan's security concerns. Pakistan, at the same time, maintains a close strategic partnership with China, raising the possibility that the conflict could become entangled in the broader India-China rivalry.

The escalation also carries economic implications for the wider region. Ongoing fighting and instability along the border could undermine regional connectivity initiatives, particularly infrastructure projects linked to the China-Pakistan Economic Corridor, a key component of China's Belt and Road Initiative.

Plans to integrate Afghanistan into these trade and transport networks, including potential development of mineral resources such as lithium and copper, depend heavily on stable transport corridors through Pakistan. Continued insecurity may therefore delay infrastructure development and increase investment risks.

Iranian Warship Incident Near Sri Lanka

Sri Lanka became unexpectedly involved in the broader conflict involving Iran and the United States after an Iranian warship, the IRIS Dena, was sunk by a U.S. submarine torpedo attack in early March in international waters near the island. The explosion caused Sri Lankan naval and air units to launch a large-scale rescue operation. Survivors were transported to hospitals in the port city of Galle, while dozens of victims were later recovered at sea and then transferred to local medical facilities.

The incident quickly created diplomatic tensions. Iranian officials were reportedly frustrated that Sri Lanka had initially hesitated to allow the vessel to enter its territorial waters, as the government attempted to preserve neutrality in the wider conflict between the United States and its partners and Iran. Sri Lankan authorities state that they were balancing national security concerns with international maritime obligations to assist ships in distress.

But at the same time, Sri Lanka granted temporary shelter to another Iranian naval vessel IRIS Bushehr, whose crew was brought ashore on humanitarian grounds, while a third Iranian ship docked in India. The situation has placed Sri Lanka and other regional states in a delicate position, forcing them to manage humanitarian responsibilities while also avoiding deeper involvement in a wider geopolitical confrontation.

This incident proves how conflicts in the Middle East can spill over into the Indian Ocean, increasing security risks for maritime trade and placing diplomatic pressure on regional states such as Sri Lanka and India.



EAST ASIA

Japan Taps Record Oil Reserves as It Balances Energy Security and Iran Diplomacy

Japan has launched its largest ever release of strategic oil reserves, putting some 80 million barrels into the market – equivalent to roughly 15 days of domestic demand from mandatory private stockpiles and about one month from national reserves – as the effective closure of the Strait of Hormuz and the U.S.–Israeli war with Iran drive crude prices above 100 dollars per barrel and threaten Japanese supply lines.

With around 94 percent of its crude imports coming from the Middle East and 93 percent of that volume transiting Hormuz, Tokyo has lowered private stockpile requirements from 70 to 55 days and begun drawing down national reserves, while also reinstating fuel subsidies to cap gasoline at around 170 yen per litre in an effort to cushion households and industry from surging costs and currency weakness.

The government has underlined that securing overseas crude, including Russian supplies linked to the Sakhalin2 LNG project, remains crucial for Japan's energy security, with Washington providing a time-limited sanctions licence and extended exemptions so that Japanese firms can keep lifting specific Russian grades deemed vital to domestic LNG stability.

At the same time, Japan is trying to navigate a careful diplomatic line on Iran and Hormuz: Foreign Minister Toshimitsu Motegi has engaged directly with his Iranian counterpart, who signalled Tehran's readiness to allow Japanese-related ships safe passage through the strait, even as Iran maintains that it is blocking only vessels from "enemy" countries.

Prime Minister Sanae Takaichi has resisted U.S. pressure for Japan to send Maritime Self-Defense Force warships to help reopen Hormuz, citing domestic legal and political constraints, while instead joining European partners in a joint statement calling for an immediate moratorium on attacks on energy infrastructure and pledging "appropriate efforts" to ensure safe passage.

Tokyo's stance – combining record reserve releases, cautious use of Russian energy, and quiet shuttle diplomacy with Tehran – highlights both the structural vulnerability of a heavily import-dependent economy and its preference for deescalation and multilateral crisis management over direct military involvement.

U.S. – Japan Alliance Enters High-Tech “Golden Era”

The Trump–Takaichi summit in Washington showcased a major upgrade of the U.S.–Japan alliance, bundling defence, energy security, supplychain resilience and advanced technology cooperation under the banner of a “free and open IndoPacific.”

The United States welcomed a second wave of large Japanese investment in its energy and industrial base, from small modular reactors to gas power plants, while both sides agreed on new frameworks on critical minerals, deepsea resources, AI, quantum, highperformance computing and space cooperation, alongside closer integration of U.S. missile systems and coproduction of key interceptors.

For Prime Minister Sanae Takaichi, this intensification of ties is both an opportunity and a test: she is pushing defence spending toward 2 percent of GDP, loosening armsexport rules and committing hundreds of billions of dollars to support U.S. reindustrialisation, yet must reassure a public wary of inflation, fiscal strain and deeper entanglement in conflicts such as the Iran war.

Behind this lies a broader shift in Japan’s strategic posture and network of partnerships. Domestically, Tokyo is translating its record defence budget into concrete capabilities, including longrange “counterstrike” missiles, hypersonic and standoff weapons, integrated air and missile defence and new spacebased ISR constellations, while consolidating powersemiconductor industries and expanding overseas tech cooperation to regain weight in critical supply chains.

In parallel, Takaichi and Canadian Prime Minister Mark Carney have upgraded Japan–Canada ties to a Comprehensive Strategic Partnership built around energy, critical minerals, cyber and maritime security, and joint work on AI and quantum, turning a previously underused likeminded relationship into a more structured IndoPacific and North Atlantic pillar.

Taken together, these moves signal that Japan no longer sees itself as a quiet junior partner, but as a technologically sophisticated security actor seeking a more visible regional and global role.

South Korea Seeks Strategic Balance and a Formal Path to Peace

South Korea is trying to recalibrate its strategic position in early 2026, easing tensions with China while reinforcing its alliance with the United States and navigating an increasingly unstable North Korea. A recent summit between President Lee Jaemyung and President Xi Jinping restored regular highlevel dialogue and produced memoranda on maritime economic zones, cultural exchanges and investment facilitation, arresting a period of deterioration marked by disputes over THAAD, economic coercion and diverging security concepts.

This cautious thaw is part of a broader multivector foreign policy in which Seoul deepens trilateral cooperation with Washington and Tokyo on missile defence and supplychain resilience, yet also seeks pragmatic cooperation with Beijing on trade and climate, aware that its exportdriven economy must retain access to both Western and Chinese markets as it pushes further into semiconductors, AI, batteries and digital services.

At the same time, the Lee administration is attempting to reopen a diplomatic track that has been largely frozen since the failed 2019 Hanoi summit between Kim Jong Un and thenPresident Donald Trump, unveiling a proposal for a multilateral “peace declaration” that would formally express the will of South Korea, North Korea, the United States and China to end the 1950–53 Korean War and to begin talks on a peace regime. The initiative is framed as a way for Seoul to act as a “pacemaker” between Washington and Pyongyang, but it unfolds in a tense environment: Kim has hinted that ties with the United States could improve if Washington changes its “hostile policy”, while continuing to dismiss South Korean confidencebuilding as a “deceptive farce”, and the upcoming Freedom Shield joint exercises are likely to draw condemnation and possible military demonstrations from the North.



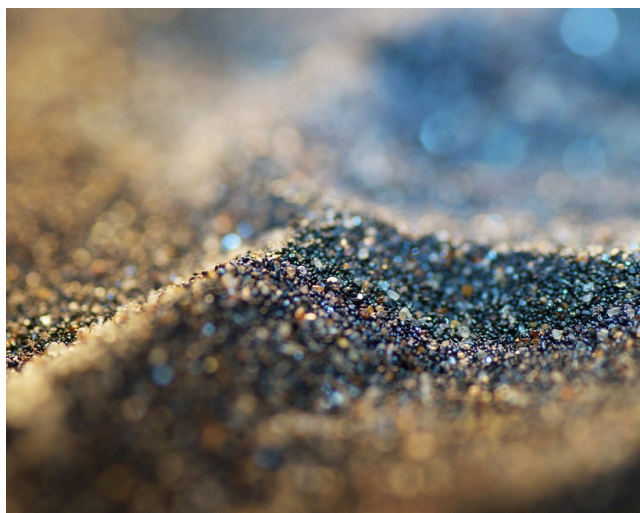
South Korea Recasts Africa Ties Around Critical Minerals and AI

South Korea's Africa policy has undergone a marked recalibration under President Lee Jaemyung, who has cut official development assistance by around a quarter while more than tripling AI spending to 10.1 trillion won in the 2026 budget, recasting Africa less as a space for valuesbased engagement and more as a source of the 17 designated critical minerals needed to support Seoul's AI and advanced manufacturing ambitions.

Humanitarian aid and traditional ODA instruments have borne the brunt of the reductions, even as South Korea presses ahead with frameworks such as the South Korea–Africa Critical Minerals Dialogue and dedicated funds linked to the African Continental Free Trade Area, positioning resource cooperation and economic security at the centre of a relationship that once leaned more heavily on normative rhetoric about “good international citizenship” and bridging North–South divides.

This mineralsfirst approach reflects genuine fiscal pressures, including elevated public debt, belowbenchmark foreign exchange reserves and costly commitments to U.S.-bound investment, but it also assumes that African partners will tolerate shrinking humanitarian support in exchange for expanded resource deals at a time when BRICS expansion, resource nationalism and growing Chinese and Western competition are steadily increasing their bargaining power.

As mineralrich African states diversify their own partnerships and push for more local processing and value capture, Seoul's ability to sustain influence will depend on whether it can translate its criticalminerals agenda into visibly mutual gains rather than a narrow, extractive bargain, a question that will be tested at the June 2026 South Korea–Africa foreign ministers' meeting and in the implementation of recent supplychain initiatives.



Taiwan's Emergence as a "NonRed" Drone and Rocket Power

Taiwan is rapidly shifting from a nearexclusive arms importer to a niche supplier of "nonred" drones and longrange fires, deliberately avoiding Chinese components to appeal to Western militaries seeking secure alternatives.

In response to lessons from Ukraine, annual Taiwanese UAV production has jumped from around 10,000 in 2024 to over 120,000 in 2025, with exports—largely to Europe via countries such as Czechia and Poland—rising more than thirtyfivefold as firms like Kunway Technology field loitering and reconnaissance systems priced between Chinese and Japanese/South Korean offerings.

At home, Taipei plans to build a fully "nonred" drone ecosystem by end2026, ramp output to 180,000 UAVs a year by 2028, and procure more than 200,000 drones for its own forces by 2033, while investing heavily in closing gaps in flightcontrol electronics, communications and rareearth magnets despite legislative resistance to higher defence spending.

In parallel, Taiwan is deepening its partnership with the United States through large foreignmilitarysales packages, including 82 HIMARS launchers, associated munitions and C5ISR systems in an 11.1billiondollar deal, to combine swarming indigenous UAVs and loitering munitions with highend U.S. rocket artillery in a mobile, distributed deterrent posture.

This twin track serves a dual purpose: enhancing Taiwan's own warfighting resilience while binding its security tightly into Western supply chains so that future U.S. administrations find it harder to downgrade support without wider consequences.

By offering allies a scalable alternative to Chinese drones, exploring coproduction in markets such as India and potentially Europe, and positioning itself as a key node in Western precisionstrike and ISR networks, Taiwan is trying to make both its defence industry and its security "too integrated to ignore", creating openings for partners like the EU and Czechia to source secure UAVs, host production and plug into an IndoPacific deterrence architecture built increasingly around unmanned systems and longrange fires.

CHINA

China's Hormuz Gambit: PetroYuan Ambitions in a Dollar Crisis

Iran's tightening grip on the Strait of Hormuz is not only choking a fifth of global oil flows and driving Brent prices back toward 100 dollars per barrel, but also offering Beijing a rare opportunity to advance yuan internationalisation by linking physical control of a chokepoint to monetary experimentation. Reports that Tehran is already levying transit "tolls" in yuan – and considering conditioning passage for some tankers on yuandenominated oil trade – point to a deliberate effort to fuse military geography with currency strategy, accelerating the erosion of the petrodollar system at a moment when U.S. credibility is strained by an openended war, surging energydriven inflation and unprecedented tariff and sanctions volatility.

In practice, the move gives Chinese buyers discounted access to sanctioned Iranian crude while pushing a growing share of Gulfsourced barrels into yuan invoicing, helping entrench what analysts describe as an emerging "petroyuan" architecture that sits alongside, rather than replaces, still dominant dollar pricing.

For Beijing, the Hormuz crisis is uncomfortable but also potentially useful. Higher oil prices and shipping risks hurt a stillfragile, importdependent economy, yet they also showcase the systemic costs of U.S. foreign military operations and make China's pitch as a "harbour of stability" and defender of open trade routes more attractive to Gulf producers, Asian importers and global investors unsettled by Washington's policy swings. The People's Bank of China has quietly built the infrastructure to capitalise on such moments: yuan is now by some estimates used to settle around 30 percent of China's goods trade and over half of its total crossborder payments, while offshore clearing hubs, swap lines and digital payment systems give energy exporters practical ways to hold and recycle yuan balances. Iran's decision to privilege yuan payments through Hormuz therefore amplifies an alreadyunderway structural shift, signalling to other sanctioned or hedging states that alternative invoicing channels exist.

Even if deep capital controls, financial opacity and a weak property market still cap the yuan's reservecurrency appeal, the combination of U.S. selfinflicted shocks and tactical moves by partners such as Iran could make 2026 an inflection point in the slow diversification away from the "exorbitant privilege" of the dollar – with China, rather than any formal BRICS mechanism, emerging as the main longterm beneficiary.

China Pivots from High-Speed to Tech-Centred Growth

China's new 2026 growth target of 4.5–5 percent – the lowest since the early 1990s – signals that Beijing is no longer trying to force high headline growth at any cost, but is instead accepting slower expansion while it restructures the economy around technology and productivity.

Rather than leaning on property and heavy infrastructure to hit a single number, the leadership is channelling longterm funding into strategic sectors such as semiconductors, artificial intelligence, advanced manufacturing and green technologies, and framing this as a move toward “highquality development” that is more resilient to demographic headwinds, debt problems and external shocks.

At the same time, the authorities are accelerating efforts to reduce dependence on foreign technology in response to tighter U.S. and allied export controls. Policy documents and the forthcoming 15th FiveYear Plan emphasise building domestic capacity along the semiconductor value chain, supporting national champions in areas like smart grids, autonomous mobility, and industrial AI, and scaling up applied use of AI across industry, including cheaper, efficient models from labs such as DeepSeek, MiniMax and others.



AUSTRALIA AND OCEANIA

EU–Australia Trade Deal Links Market Access, Critical Minerals and Security

The European Union and Australia have concluded a comprehensive freetrade agreement and a parallel security and defence partnership after eight years of negotiations, removing over 99 percent of tariffs on EU goods exports to Australia and eliminating duties on almost all Australian critical minerals, including rare earths, lithium and manganese.

The European Commission estimates the deal will cut about 1 billion euros in annual duties and increase EU exports to Australia by up to onethird over the next decade, while Canberra projects a boost of roughly A\$10 billion per year, reflecting a shared ambition to diversify away from excessive reliance on the United States and China and to anchor more resilient, rulesbased supply chains for cleanenergy and defencerelated inputs.

Agriculture and geographical indications were the most sensitive areas, with the EU agreeing to phased tariff rate quotas of 30,600 tonnes for Australian beef and 25,000 tonnes for sheep and goat meat, alongside additional quotas for products such as sugar and dairy, in return for Canberra accepting broad protection for almost 400 EU geographical indications and limits on the use of names such as Prosecco for export markets.

While Australian farm lobbies have criticised the beef and lamb quotas as “subpar” and many European farmers argue the concessions go too far, Brussels underscores that the new quotas represent only a small share of EU consumption and are accompanied by safeguard mechanisms, while European carmakers and agrifood exporters gain immediate or rapid tariff elimination for key products, including wine, sparkling wine, chocolate, fruit and vegetables, and most processed foods.

The parallel Security and Defence Partnership provides a political framework for closer cooperation on defence industry, cyber, maritime security and economic security, giving Australian companies access to EU joint procurement schemes such as the SAFE instrument and reinforcing both sides’ efforts to reduce strategic vulnerabilities in an increasingly contested IndoPacific environment. Together, the trade and security accords signal that Brussels and Canberra view each other as likeminded middlepower partners in managing greatpower rivalry and supplychain weaponisation, with direct implications for European and Czech debates on criticalminerals diversification, defence industrial cooperation, and engagement with IndoPacific democracies.

ASIA IN CZECHIA

Czechia Deepens Korean Investment Ties and Energy Cooperation

Czechia is moving to both improve conditions for existing Korean investors and deepen its strategic energy cooperation with South Korean partners, underlining how important Seoul's companies have become for the Czech industrial base and green transition.

At a recent meeting in Prague, Industry and Trade Minister Karel Havlíček, CzechInvest, KOTRA and leading Korean firms such as Hyundai, Nexen Tire, Doosan Škoda Power and Korea Hydro & Nuclear Power (KHNP) discussed how to support the next wave of investment, as Korean projects in Czechia typically involve around CZK 1.9 billion and hundreds of jobs each.

Korean companies pointed to slow permitting, grid constraints, energy price and supply concerns, transport bottlenecks (notably the missing direct motorway connection to Hyundai's Nošovice plant) and shortages of skilled workers and visas as key barriers to further expansion. Prague pledged to streamline approvals, strengthen energy and transport infrastructure and roll out targeted programmes to attract and train highly qualified staff, including for potential new nuclear capacity at Dukovany.

At the same time, (KHNP), which is the main contractor for Dukovany's new reactors, has signed a memorandum of understanding with ČEZ to cooperate on green hydrogen, linking nuclear power to low-carbon industrial use.

The MoU covers the full hydrogen value chain – from R&D on production, storage, transport and applications to exchanges on regulation and technology – with a focus on hydrogen produced from nuclear electricity and pilot projects in Czechia.

ČEZ sees hydrogen as a key tool for decarbonising sectors that are hard to electrify directly, while KHNP frames the partnership as a significant step in building a nuclear-based clean hydrogen ecosystem for the European market. For Prague, the combination of high-value Korean manufacturing investment, deeper integration of Czech suppliers and R&D, and joint projects with KHNP and ČEZ in nuclear and hydrogen supports its ambition to move up the value chain and position the country as a Central European hub for advanced, low-carbon industry.

Czech Drone Makers Showcase at Busan's Drone Show Korea 2026

At the end of February, five Czech drone companies travelled to Busan to take part in Drone Show Korea 2026, one of Asia's largest unmanned systems exhibitions, which this year brought together 318 companies and organisations from 23 countries across 1,200 booths. The Czech firms (Mejzlik, Workswell, Dronetag, 3L Robotics and MGM Compro, all members of the UAV Alliance) presented high-end solutions in areas such as propulsion, sensors, U-space/UTM integration, and advanced UAV platforms, under a national pavilion organised by CzechInvest and CzechTrade with support from Ambassador Ivan Jančárek.

South Korea's drone market, estimated at around 376 million USD and strongly backed by government programmes, is growing quickly across applications from agriculture and aerial imaging to surveying and education, while exports (mainly of complete UAVs and services) reached roughly 25 million USD in 2025 with key markets in the UAE, USA, Uzbekistan, Germany, and Singapore.

Against this backdrop, Czech companies see concrete openings in low-altitude traffic management software, cyber-secure UTM integration, testing tools, and smart-logistics and infrastructure projects, at a time when major Korean players such as KAI, Doosan Mobility, Korean Air, LIG Nex1 and Pablo Air are pushing into hydrogen-powered drones, swarming technologies and long-endurance systems and the ecosystem is looking for specialised partners and niche technologies from abroad.



Škoda Exits China as It Pivots to India and Southeast Asia

Volkswagen has decided to pull Škoda out of China by mid-2026 after a dramatic collapse in demand turned what was once the brand's largest market into a marginal one. Škoda's deliveries in China peaked at around 341,000 units in 2018 but fell to only about 15,000 cars in 2025, a 96 percent drop in seven years, as domestic manufacturers surged ahead in electric vehicles and undercut traditional combustion models on price and technology.

The retreat coincides with the closure of the SAIC-Volkswagen plant in Nanjing, which previously produced models such as the Octavia, Superb and China-specific SUV derivatives but is no longer viable to convert to EV production, and reflects VW Group's decision to concentrate its China strategy and factory upgrades on the core VW and Audi brands rather than Škoda.

Even as it winds down sales and production in China, Škoda is offsetting those losses with robust growth elsewhere, particularly in India and the wider ASEAN region. In 2025, the carmaker delivered roughly 1.04 million vehicles worldwide, its best result in six years and up about 12-13 percent year-on-year, with Europe making Škoda the continent's third-best-selling brand and India recording record sales of more than 72,000 units and over 100 percent growth compared with 2024.

The company is now positioning India and Southeast Asia, including Vietnam where it assembles Indian-built models, as key pillars of its international strategy while preparing a new wave of electric vehicles such as the small Epiq and seven-seat Peaq to sustain global momentum in markets where it still sees room to grow.



CAPS INTERVIEW



"Central Asia is No Longer Just an Object of Superpower Rivalry." An Interview with Dr. Elzbieta Pron.

Last month, CAPS welcomed Dr. Elzbieta Pron, assistant professor at the University of Silesia in Katowice (Poland), to the premises of the CEVRO University, where she delivered a lecture on the relations between the EU and Central Asia. As part of it, our analysts Kateřina Kovács and Daniela Finkousová conducted an interview with her.

What personally led you to study Central Asia and Chinese foreign policy? Was it a specific moment or event, or rather a gradual professional development?

I was always interested in Asia. It has been my passion since my teenage years. Initially, I chose Sinology studies to study the Chinese language and later focused on its culture. But I just found out that language studies were not quite “my cup of tea”. I did get my Master's in Sinology, but then I moved more towards political issues. And that's how it all started. I was very privileged and lucky to get a scholarship at National Taiwan University and get my Master's from there.

Then I also got accepted into a Ph.D. program in the UK. And even when I was starting my PhD in the UK, the idea was that I would study China-Taiwan relations, which seemed obvious because of my background and degree from Taiwan. However, after giving me the scholarship, my supervisors encouraged me to look up some other issue areas, something more under-researched.

It took me a year to figure out what I wanted to do. If not Taiwan, then what? I got into studying China's relations with Central Asia, and that's how the story began. I expanded my focus significantly, and I learned a lot about the region. I learned a lot about the dynamics of those relationships.

How would you describe the current state of relations between the European Union and the countries of Central Asia? Are we in a phase of symbolic partnership or genuine strategic rapprochement?

That's a very difficult question. I think it is more strategic. The way the EU has learned to approach Central Asia is definitely more strategic. It's not what the EU likes the most because it prefers to put a lot of political and social agenda into developing its relationships with other partners. If we track the EU's relationship with Central Asia, we can see that the EU had to drop some of those points in order to secure a stable relationship with the region. I don't think that the EU perceives Central Asia as a good partner, but definitely a strategic one.

It is increasingly and smartly investing in developing this relationship, specifically investing in those realms of cooperation which are still neglected by other major powers in the region. "Strategic" would be a good term, and definitely, for Central Asia, it is more a strategic relationship than a friendly one. They, Central Asian states, used the momentum created by the outbreak of the Russian full-scale war on Ukraine to politically and economically break away from Russia as much as possible, but they are doing it very slowly and with the perception that they can't be too radical. China has stepped in full scale, but the idea of Central Asia is not to be dependent on China; it is to be as autonomous and independent as possible and to have as many partnerships as possible. Probably save from Russia; they don't want Russia any longer.

They want the Middle East, the European Union, Turkey, China, and probably Japan and Korea as well. The EU would be one of those strategic partnerships they develop. However, if you look at Central Asian politics, the autocratic governments, and the condition of the rule of law, it's pretty clear that they are not going to conform to any EU expectations about politics. It is very much strategic from both sides.

Is Global Gateway really a geopolitical response to China's Belt and Road Initiative, or is it a different type of project?

I think it pretty much is a response to the Belt and Road Initiative. It's just a bit of a challenge in Central Asia, not because Central Asia is any different, but because the Russian full-scale war severely limited certain opportunities for both China and the EU when it comes to the development of infrastructure. The routes were physically either disturbed or shut down, the borders were closed, there are sanctions, or the territories are war-torn.

Both the Belt and Road Initiative and Global Gateway came up with new ideas on how to develop this connectivity and make it more digitalized and modern. It is actually interesting because those two initiatives are running in very parallel pathways. You can see that the ideas of this development, particularly the technology-based development and advanced projects, are very similar. Also, the transport routes and infrastructure routes they are developing now all run through the Caspian Sea.

They use the same sort of pathways. There is definitely this idea of coming up with something parallel to what China did. The reach of Global Gateway is also similar to what China did. The thing is that when China does something, it tries to make it as smooth and self-explanatory as possible, which is very much to the liking of many global governments, especially those which are not democratic.

There is more room for maybe some kind of corruption or not quite clear conditions or partnerships. Whereas the European Union needs to keep it a bit more transparent and up to the standard of the European Union. That's why its quest for the same markets is a bit more challenging, more difficult, and in that case, less successful than what China is doing.

In your opinion, how do the European and Chinese approaches to connectivity in Central Asia differ fundamentally?

I wouldn't say they differ that much now; the only difference that you can actually observe is connected with proximity. China could actually invest a lot into, for instance, green energy, and it could even think about the transport of that green energy to China, because China is closer and has direct borders.

With the EU, it's more complicated because there is no effective way to transport green energy from Central Asia. However, I would say that the overall approaches are very similar; there's not that much difference.

On the other hand, it is hard to come up with political approaches that are radically different and innovative; there's always a limited amount of innovation we can put into something. The only difference is how those two actors are approaching Central Asia, and also how Central Asia is responding to them.

Luckily for us as Europeans, because we like to have a European perspective on things, they are responding very positively. They maintain this perception even though it's a bit trickier to deal with Europeans than to deal with the Chinese. So, there are many factors involved.

Does the EU have real structural advantages over China in the region? If so, in which sectors?

There is one sector, and it is rare earth materials. As we developed our technology globally and we have a lot of electric vehicles and advanced technologies, we need more and more of those rare earth materials. The EU decided to focus on this sector a lot. It doesn't have much competition in this sector, and the materials are relatively easy to transport, so this is definitely the one that the EU is focused on. It's not that the EU found something that other actors didn't know about, but China is still focused on something else. So we will probably have less competition doing this.

Is Global Gateway primarily an economic tool or part of a broader strategy of European strategic autonomy?

I wouldn't say it's only an economic tool because the EU is not an actor that would be only after the economy. It's not the same for China; for China, as long as money counts, they don't really care who they deal with. The economy is the only thing that matters.

For the EU, even if the EU is relaxed about some things or it has to be a bit more silent about certain issues, it won't trade its values for the economy only. Especially now, I would say that it's a broader strategic autonomy approach, especially given the problems that the EU has with the partnership with the US. T

here are voices that the EU should be more independent in terms of strategic positioning, defense, and its global standing. I think that it's a part of a broader agenda. Even though its cooperation within Global Gateway is very much an economic one, it doesn't mean that there is no political agenda with it. There is a political agenda, there is additional funding, and there is this whole idea of raising up new pro-democratic elites of the partner states. There is still this component; it is just a bit less prominent than it used to be before.

Are Central Asian states often reduced to objects of rivalry between superpowers? How do they themselves maneuver strategically between the EU, China, and Russia?

This is actually one of the points that I'm going to raise in my lecture at CEVRO University. My first argument would be that we can no longer speak about this new great game or great power competition simply because the U.S. is no longer interested in being a part of this great power rivalry. It's now focused on "America First", and it has no real interest in Central Asia. Russia would love to be there, but it's not any longer; Russia doesn't have to be formally excluded to be physically excluded in many ways. Basically, the three main actors in Central Asia are China, the European Union, and the Middle East.

Although Central Asia is very often seen as an object of those rivalries, it's not an object any longer. It has proved several times, especially after 2021, how it strives for autonomy and recognition of its subjectivity in international relations. Those individual Central Asian states have shown how committed they finally are to form some sort of regional cooperation and regional mechanism for Central Asian countries. There are several policy shifts that show us how much they want to have a say in what is going on. One example would definitely be Kazakhstan breaking away from the Nazarbayev legacy and developing the new idea of an independent and assertive Kazakhstan.

Another one would definitely be Uzbekistan, where they used to have a very isolationist policy until 2016; then the new president came and opened the country. Uzbekistan has grown immensely since then, because it's not only about opening up its policy, international relations, and opening up the country to every kind of investment, but it's also the geopolitical shift that has taken place with the Russian war. All those routes that were strategic for Kazakhstan were basically shut down. Any kind of transport from China or to China has to move southward, which means through Uzbekistan. Uzbekistan benefited immensely from this.

We also have another very strategic partner which is Turkmenistan, which is very slowly leaving this idea of a positively neutral foreign policy. Turkmenistan used to be an extremely closed country, but now is not any longer, because the leadership figured out that the country was losing; losing more than winning. You can see that each of those countries strives for more subjectivity; they get it because they sit on oil, gas, and rare earth materials. You can't ignore them; you have to deal with them to get access to those resources. They are also coming up with a kind of regional identity, regional aspirations, and regional cooperation. Definitely, we can't treat them as objects of international relations. They are too strategically located and too important for the global economy to just be an object of the great game.

How has the negotiating position of countries such as Kazakhstan and Uzbekistan changed after 2022?

As I said, it changed immensely. For Kazakhstan, it was especially difficult because Kazakhstan used to be this perfect transit territory between China and the European Union, and it lost this position. Now Kazakhstan has its 2050 strategy, where it strives for technological development and digital connectivity. This includes everything that is related more to their technological capabilities rather than physical presence or physical location.

That's how it shifted. But I would say that it's more relevant for the south of Central Asia. Especially Uzbekistan and Kyrgyzstan. Kyrgyzstan is in a very difficult position because on one hand, if you want to go to Uzbekistan you have to cross one more country, and it is usually Kyrgyzstan, which is very uncrossable and very difficult; but it is unomittable, so eventually one has to do something with this country.

On the other hand, Kyrgyzstan scored very highly in the 90s. It was really believed to be the hope for Central Asia, as the most pro-democratic country of the region. As we came towards the end of the 2010s and 2020s, we realized that it was probably wishful thinking. They are not as democratic as we believed them to be.

No matter how much money Europe invested in Kyrgyzstan, it still has a corrupt government; it's stable now, with no longer any revolutions, but the way they keep this peace and stability is done with very high corruption and a very high standard of a police country, with security forces controlling society. So, the whole region has shifted.

What would the EU have to change to become a truly relevant long-term partner for the region? Or where do you see the greatest geopolitical risk for European ambitions in the region?

In the long run, the EU would have to be more committed and more transparent. The problem is that there are certain rules about the EU investments in Central Asia which are not very clear either for local governments or especially for European partners. We very often have a situation where on the European side we have private enterprises or state enterprises but owned by our individual states.

On the other hand, we have Central Asian state enterprises. There are a lot of problems dealing between private enterprises from the EU and state-owned enterprises in Central Asia. This is something that China does not have a problem with because from the Chinese side it's usually state-owned versus state-owned.

We have many private entities, so this is a big problem. It's not that we should have only state enterprises that deal with those state enterprises, but it would probably be easier if we had clearer rules of engagement. Something a bit more transparent.

This is probably the biggest drawback. But I have to say that the EU strategy towards Central Asia has improved. It's a massive change; when we see how it has developed since 2010, it's been a big revolution in the understanding of the region, understanding of what we need from them, what we want from them, and what they could give us. And how to make it work rather than antagonizing either them or China; there's been a huge change about it.

How will we know in five years' time that Global Gateway has been successful in Central Asia?

I don't think that we will ever be able to actually beat the Belt and Road, okay. The Belt and Road is always a few years ahead of us. It doesn't mean that they won't fail, but they have much more money and much more state control over the Belt and Road than we have over Global Gateway. We have elections, with elections new people come, and they have new ideas. If we manage to actually secure our access and our cooperation with Central Asia about those rare earth materials, it would be successful enough. I don't think that as the EU we really have the capacity to overcome China as the only big partner in Central Asia. Although I must admit that we are definitely more competitive, and we will most likely be more competitive than the Middle East or Turkey for instance. The EU offers the quality of life and quality of work that most of Central Asians would strive for. If they have a choice between the Middle East and the EU, they would go to the EU; that's how they feel about it. We have a very high standing, but I don't think that we would beat China. We are the second best.



UPCOMING EVENTS

Lecture with Dr. Linda Piknerová: Africa for Sale? How Asian Powers Are Shaping the Development of the “Youngest Continent”

We cordially invite you to an expert lecture titled Africa for Sale? How Asian Powers Are Shaping the Development of the “Youngest Continent. The event will offer an inside look at major investments, infrastructure projects, and less visible political influences that are currently reshaping the African continent. You will hear, for example, about China’s railway projects in Kenya, Japanese investments in Benin, or North Korean architecture across Africa.

The program will also include time for questions and open discussion. The event will be held in Czech.



13. dubna
od 17:00

CEVRO Univerzita
Jungmannova 17
Praha 1

Afrika na prodej?
Jak asijské mocnosti ovlivňují
vývoj „nejmladšího kontinentu“

Odborná přednáška s Dr. Lindou Piknerovou

Kdy: Pondělí 13. dubna od 17:00
Kde: Třída J203 (Jungmannova 17, Praha 1)
Přednáška proběhne v češtině

 CAPS

PREVIOUS EVENTS

Between Pacifism and Deterrence: Roman Kodet on Japan's Security Dilemmas at CEVRO University

On 11 March, CEVRO University in Prague hosted a lecture by historian and CAPS Senior Fellow Dr. Roman Kodet on "The Problems of Japanese Geopolitics in Historical Context." He traced how Japan's current security dilemmas in the IndoPacific grow out of older patterns shaped by a Sinocentric order and Confucian hierarchies, focusing on the often fraught triangle between Japan, China and South Korea. A central theme was Japan's gradual shift away from decades of strategic restraint towards a more assertive defence posture as the regional environment hardens.

Dr Kodet underlined that the US alliance and nuclear umbrella remain the cornerstone of Japan's security, but that this partnership is being stressed under Donald Trump's second administration, which demands higher defence spending from a military that is still constrained by a postwar constitution written by Washington. He highlighted how Tokyo has committed to doubling defence outlays by 2030 and increasingly thinks in terms of a "threeoceans" security space that links the IndoPacific with the Atlantic, thereby drawing in European partners. The discussion that followed examined the future of Japan's defence industry, prospects for arms exports, and the implications of revising Article 9 for regional stability, while also touching on deepseated historical tensions with South Korea that continue to complicate closer alignment despite shared concerns about China.





Dr. Jan Železný Attended an Expert Lecture on AI Delivered by Prof. Yoo Youngjin of the London School of Economics (LSE)

The lecture titled *The Economic Development and International Relations in the Age of Generative AI* was held at the residence of H.E. Hong Youngki, Ambassador of the Republic of Korea in Prague. It focused on the role of AI as a multiplier of power in the current global system and on the increasing importance of technologically advanced middle powers such as South Korea.

The subsequent debate also addressed how European Union countries can integrate AI into their economies more efficiently. The event brought together Czech and South Korean experts in the field, along with foreign diplomats and other stakeholders, and laid the ground for further cooperation between Korean and Czech scholars and academic institutions, which CAPS and CEVRO University plan to be an essential part of.



CAPS'S NEW PUBLICATIONS

Dr. Zdeněk Rod has recently published a new chapter on the role of the European Union in Oceania

In the chapter “The European Union and Oceania: Navigating Geopolitical Challenges and Strategic Partnerships in the Region”, he reflects on how the role of the European Union in Oceania is evolving in the context of climate change and intensifying geopolitical rivalry, particularly in connection with China’s growing influence in the Indo-Pacific.

He shows that the EU no longer perceives the region merely as peripheral, but increasingly as an important area for promoting sustainable development, economic resilience, and regional connectivity. Special attention is given to France, which, thanks to its historical ties and overseas territories, represents a key European actor in the Pacific. At the same time, he notes that deeper EU engagement is constrained by geographical distance, Chinese influence, and internal European crises.

The chapter is part of the book “Shores of Security: Exploring Geopolitics in the Oceania Region”, edited by Shaista Shameem and Monojit Das and published by the University of Fiji Press. The volume includes contributions from more than 15 authors from Asia and Europe, who reflect on the contemporary nature of Oceania in a changing international order.

Find out more about it in the following link:

https://www.researchgate.net/publication/402647341_Chapter_6_The_European_Union_and_Oceania_Navigating_Geopolitical_Challenges_and_Strategic_Partnerships_in_the_Region



SHORES OF SECURITY

EXPLORING GEOPOLITICS IN
THE OCEANIA REGION

SHAISTA SHAMEEM AND MONOJIT DAS



CAPS IN THE MEDIA

Dr. Jan Železný on the China-Iran relations for the CNN Prima News

<https://cnn.iprima.cz/porady/zpravy/zpravy-13-3-v-10-00-1>

Dr. Jan Železný and Dr. Roman Kodet on Japan's geopolitical stance for Info.cz

<https://www.info.cz/podcasty/infotalks/japonsko-konec-pacifismu-zbrojeni-cina-zelezny-kodet-rozhovor>

Dr. Jan Železný on the EU-Kazakh Cooperation for KazInform (Kazakhstan)

<https://www.inform.kz/ru/konstitutsionnaya-reforma-kazahstana-glazami-cheshskogo-eksperta>

Dr. Jan Železný on Asia's reaction to the war in Iran for Joj24 (Slovakia)

<https://joj24.noviny.sk/studio-joj-24/1180372-studio-24-co-znamena-blizky-vychod-pre-aziu>

Dr. Jan Železný on the relations between China, Iran, and Russia for Info.cz

<https://www.info.cz/zpravodajstvi-a-komentare/usa-iran-geopolitika-hormuzsky-pruliv-analyza-cevro>

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