

MAY 2026

N°8



CAPS MONITORING

[WWW.CEYRO.CZ](http://WWW.CEYRO.CZ)

# INTRODUCTORY WORDS BY THE DIRECTOR

Dear readers,

The new edition of CAPS Monitoring underscores a trend that is increasingly relevant for the Czech Republic: the growing overlap between geopolitical shifts in Asia and concrete economic opportunities for Czech industry and diplomacy.

Central Asia and the Caucasus are emerging as key regions in this regard. Deepening engagement with partners such as Kazakhstan is no longer limited to political dialogue but is increasingly translating into tangible projects in energy, transport, and industrial cooperation.

The recent Czech business missions and new contracts (from rail infrastructure to technology transfer) demonstrate a clear shift from exploratory diplomacy toward long-term strategic presence that also fits into a broader strategic plan of the European Union as it strives to diversify its sources of critical materials.

At the same time, developments in East and Southeast Asia highlight sectors where Czech companies can position themselves within global value chains, particularly in nuclear energy, advanced manufacturing, and emerging technologies linked to AI and digital infrastructure. The strong Czech participation in South Korea's energy sector is a good example of how geopolitical alignment can be leveraged into high-value industrial cooperation.

In this context, we also recommend attention to our recent interview with George Yeo, the former Minister of Foreign Affairs of Singapore and the Member of CAPS Advisory Board, who offers a broader reflection on the emerging multipolar order and the implications of Asia's rise for Europe and smaller states navigating between major powers.



The overview of the debate with well-known Czech Africanist Dr. Linda Piknerová then demonstrates that a similar logic can be seen in Africa, where Asian and European powers compete over influence and resources.

For the Czech Republic, the key challenge is clear: to translate its industrial strengths and diplomatic flexibility into sustained engagement in Asia's most dynamic regions before the current window of opportunity narrows.

**Jan Železný, Ph.D.**

**Executive Director of the Center for Asia-Pacific Studies (CAPS), CEVRO University**



# CENTRAL ASIA

## **Kazakhstan at IPU Assembly in Istanbul**

A delegation from Kazakhstan, led by Mäjilis Chairman Yerlan Koshanov, participated in the 152nd Assembly of the Inter-Parliamentary Union, held in Istanbul and attended by parliamentarians from over 155 countries. The discussions reflected a broader context of global instability, including pressures on international law, ongoing conflicts, and economic challenges.

Kazakh representatives emphasized the importance of parliamentary diplomacy as a tool for strengthening dialogue, trust, and adherence to international agreements. Kazakhstan reaffirmed its commitment to the principles of the UN Charter and highlighted its engagement in peacekeeping activities, including its continued deployment in the Golan Heights. Central Asia was described as moving toward more pragmatic and diversified regional cooperation, particularly in infrastructure and coordination, while Kazakhstan highlighted ongoing domestic reforms and new legislation in digital governance and AI.

On the sidelines of the forum, Koshanov held a series of bilateral meetings, including with Tran Than Man, Chairman of Vietnam's National Assembly. The talks focused on strengthening inter-parliamentary cooperation and improving legal frameworks to facilitate economic ties.

Both sides underlined the growing importance of Kazakhstan-Vietnam relations, which were elevated to a strategic partnership in 2025 and agreed to expand cooperation in areas such as trade, education, science, and tourism. Kazakhstan's engagement at the assembly and in bilateral formats illustrates its broader foreign policy approach, combining active participation in multilateral institutions with efforts to diversify partnerships beyond its immediate region.

## **Kazakhstan Hosts Inaugural Regional Ecological Summit in Astana**

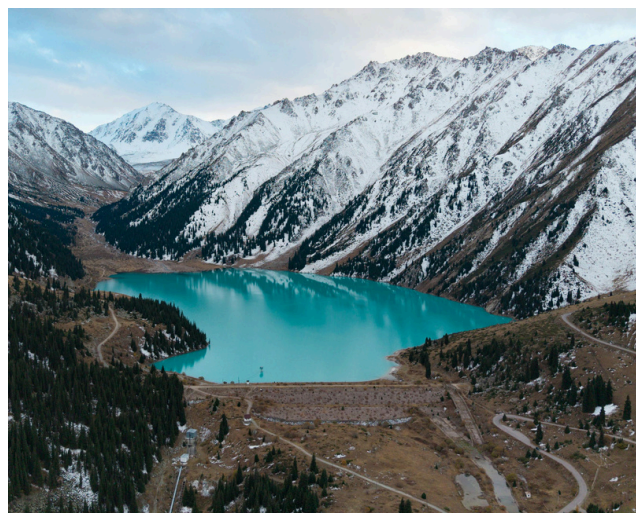
Astana hosted the first Regional Ecological Summit (RES 2026) from April 22 to 24, bringing together approximately 1,500 participants from governments, international organisations, financial institutions, and civil society. The summit was initiated by President Kassym-Jomart Tokayev and organised in strategic partnership with the United Nations, with eighteen UN agencies co-organising 27 sessions and five workshops.

The agenda was structured around eight priority areas, including climate transition, food security, sustainable resource management, and environmental innovation, while the opening plenary session was attended by President Tokayev alongside other regional heads of state. The Plenary Session also featured addresses by the Presidents of Central Asian countries, Armenia, Georgia, and Mongolia, as well as the Prime Minister of Azerbaijan.

Over the course of 58 events, participants engaged in strategic dialogue, including consultations on establishing an International Water Organization under the UN. A dedicated ministerial session co-hosted by the WHO focused on the health consequences of environmental degradation in the Aral Sea region, where the continued drying of the sea affects local populations.

A key outcome of the summit was the adoption of a Joint Declaration by the Heads of State of Central Asia on regional environmental cooperation, alongside a Regional Action Programme for 2026–2030.

The summit is designed to serve as a permanent platform for dialogue, positioning Astana as a hub for coordinated responses to shared ecological challenges across the region.



# SOUTHEAST ASIA

## China and Cambodia Launch First 2+2 Strategic Dialogue

Cambodia and China held their first 2+2 Strategic Dialogue in Phnom Penh on 22 April 2026, bringing together the foreign and defense ministers of both countries to deepen security and political cooperation. The meeting was co-chaired by Wang Yi and Dong Jun with their Cambodian counterparts Prak Sokhonn and Tea Seiha, reflecting an initiative proposed by Xi Jinping.

Their talks focused on strengthening cooperation in defense, security, and regional issues, including transnational crime and cybersecurity, while also reinforcing political alignment between the two countries. China reiterated its support for Cambodia's development and regional role, while Cambodia reaffirmed its adherence to the One China policy.

China remains Cambodia's key economic partner, although growing security cooperation, particularly linked to the Ream Naval Base, continues to attract international attention.

## Defence Services Asia 2026 Draws Exhibitors to Kuala Lumpur

The 19th edition of Defence Services Asia (DSA), ranked among the world's top five defence exhibitions, returned to Kuala Lumpur from April 20 to 23, hosted by Malaysia's Ministry of Defence at the Malaysia International Trade and Exhibition Centre.

The event attracted 1,456 exhibitors from 63 countries, surpassing the 1,324 companies from 60 nations recorded at the previous edition in 2024, and was officially opened by Prime Minister Anwar Ibrahim. Major international defence companies in attendance included Lockheed Martin, L3Harris Technologies, Rosoboronexport, Leonardo, Fincantieri, Safran, and Naval Group, among others.

DSA 2026 introduced a new segment called Future Forces, focused on AI, data integration, net-centric warfare, and multi-domain operations. On the sidelines, Russia expanded its defence engagement with Malaysia, with Rosoboronexport presenting advanced fighter aircraft and unmanned strike systems, while Roscosmos indicated interest in using Malaysia as a potential launch base for space vehicles and satellites.

The growing participation reflects broader trends across Southeast Asia, where nations are actively boosting defence budgets to modernise capabilities across land, air, and sea.

# SOUTH ASIA

## Pakistan: Prime Minister's Diplomatic Tour Amid US–Iran Tensions

Pakistani Prime Minister Shehbaz Sharif has undertaken a four-day diplomatic tour to Saudi Arabia, Qatar, and Türkiye amid growing efforts to facilitate a second round of US–Iran peace talks. According to Pakistan's Ministry of Foreign Affairs, the visit includes bilateral meetings in Riyadh and Doha, while engagements in Türkiye are taking place on the sidelines of the Antalya Diplomacy Forum, including discussions with Turkish President Recep Tayyip Erdogan and other regional leaders.

The initiative comes as Islamabad intensifies its role as a mediator between Washington and Tehran, following earlier indirect contacts and unsuccessful negotiations in April. The diplomatic push is taking place during a fragile ceasefire period between the United States and Iran.

Sharif's efforts are being closely coordinated with regional partners, with Saudi Arabia and Qatar expressing support for continued dialogue, while Türkiye has hosted parallel diplomatic discussions involving foreign ministers from key regional states. International actors, including the UN, have also indicated cautious optimism regarding the continuation of the peace process, while emphasizing that the complexity of the conflict requires sustained negotiations rather than quick resolution.

Pakistan's increased diplomatic activity reflects its attempt to position itself as an active intermediary in high-stakes Middle Eastern diplomacy, leveraging its relations with both Western and regional actors.



## South Korean President's State Visit to India Focuses on Economic Cooperation

Indian Prime Minister Narendra Modi and South Korean President Lee Jae Myung agreed to deepen economic cooperation and reiterated their goal of increasing bilateral trade to \$50 billion by 2030 during Lee's state visit to India, the first visit in eight years. The two sides committed to expanding cooperation across key sectors, including energy, critical minerals, shipbuilding, semiconductors, and steel, while also agreeing to resume and accelerate negotiations to modernize their 2010 trade agreement. A new ministerial-level economic cooperation mechanism was established to support this process, alongside efforts to improve market access and address trade imbalances.

The discussions took place in the context of broader global uncertainty, including disruptions in energy markets, prompting both countries to emphasize cooperation in securing stable supplies of energy resources and raw materials. Business engagement also featured prominently, with participation from major South Korean firms such as Hyundai, Samsung, and LG, and new investment initiatives, including a planned joint steel project between POSCO and India's JSW Steel.

But despite these commitments, bilateral economic ties continue to face structural constraints. Trade volumes remain below long-term targets and are subject to persistent challenges. For example, regulatory complexity, delays in project implementation, and market access barriers have limited the pace of deeper integration. South Korea also maintains a significant trade surplus with India, which highlights underlying asymmetries in the relationship.



# EAST ASIA

## **Japanese bonds, stocks, and currency in decline amid Iranian war**

Japanese financial markets experienced significant volatility as spiking oil prices and prolonged Middle East tensions dampened economic growth prospects. The yen plummeted to levels not seen since July 2024, decisively breaking the ¥160-to-the-dollar "red line" to reach as high as ¥160.72. The primary catalyst for this market retreat was the surge in energy costs, with Brent crude oil futures breaking \$120 a barrel following reports that the U.S. is preparing for an extended blockade of Iran. These high prices exert intense pressure on the yen by deteriorating Japan's trade balance, while simultaneously driving investors toward the safety of the dollar. Market analysts noted that breaching the ¥160 threshold became nearly unavoidable once oil prices surged, shifting the focus to the 2024 high of ¥161.95 as the next critical level. In response to the economic strain, the Bank of Japan held interest rates steady but significantly raised its inflation forecasts due to the impact of surging crude oil.

## **Japan Authorizes Lethal Weaponry Exports to Global Markets**

In a landmark departure from its long-standing pacifist stance, Japan has officially authorized the export of lethal weaponry to international markets. This historic policy shift, approved by Prime Minister Sanae Takaichi's government, allows domestic defense contractors to export nearly any military equipment, provided the purchasing nation is not involved in an active conflict and passes rigorous screening. The transition from the 2014 regime, which restricted exports to non-lethal categories like search and rescue, aims to transform Japan into a global manufacturing powerhouse. Major industrial players such as Mitsubishi Heavy Industries and Kawasaki Heavy Industries are now positioned to become primary suppliers of missiles, aircraft, and ships to the US, UK, and allies across Southeast Asia.

The overhaul of Japan's export system is a strategic response to a security environment, driven by the rising influence of China and threats from North Korea. By streamlining the approval process and bypassing the need for lengthy parliamentary debates, the government has already provided the legal foundation for major international agreements, including the multibillion-dollar contract for Mogami-class frigates with Australia. While some domestic business leaders emphasize the need to balance exports with Japan's own defensive needs, many contractors believe the move will accelerate international cooperation and open significant market opportunities in the Indo-Pacific and beyond, particularly as global arms supplies face strain from ongoing conflicts in other regions.

## **Japanese \$7 Billion Warship Partnership with Australia**

Australia and Japan have officially finalized contracts for a landmark \$7 billion defense deal to deliver 11 Mogami-class warships to the Australian Navy. Under the "Mogami Memorandum" signed in Melbourne by Defense Ministers Richard Marles and Koizumi Shinjiro, Japan's Mitsubishi Heavy Industries will construct the first three stealth frigates in Nagasaki, while Australia's Austal will build the remaining eight in Western Australia.

The first Japanese-built vessel is slated for delivery in 2029 and is expected to enter service by 2030, marking a significant step in boosting Australia's naval lethality to protect northern maritime approaches and global trade routes. The deal is part of Australia's broader \$305 billion defense overhaul, which seeks to revitalize its naval strength to post-WWII highs and increase defense spending to 3% of GDP by 2033.

## **South Korea Surpasses UK as World's 8th Largest Stock Market**

South Korea has officially leapfrogged the United Kingdom to become the world's eighth-largest stock market, fueled by a massive rally in artificial intelligence-linked technology companies. In 2026, the total market capitalization of South Korean-listed companies surged by more than 45% to reach \$4.04 trillion, edging past the UK's \$3.99 trillion valuation, a stark contrast to the end of 2024 when the UK market was twice the size of South Korea's.

This rapid ascent underscores a global pivot toward AI, heavily benefiting South Korea's two memory-chip behemoths, Samsung Electronics and SK Hynix, which now account for over 40% of the benchmark Kospi index. This tech-driven momentum has been further supported by President Lee Jae Myung's ongoing push to bolster equity prices through pro-market policies and corporate governance reforms.

This shift reflects a broader structural rebalancing in global equity markets, where dominance in the AI hardware supply chain is attracting sustained capital inflows. South Korea's trajectory closely mirrors that of Taiwan, which overtook the UK in April to become the seventh-largest market at \$4.48 trillion, powered similarly by its own foundry giant, Taiwan Semiconductor Manufacturing Company.

Meanwhile, despite remaining Europe's largest equity market, the UK has seen comparatively modest growth this year. Its benchmark FTSE 100 index remains heavily reliant on traditional sectors such as financials, consumer staples, and energy, causing it to lag behind the supercharged, AI-driven gains of its Asian counterparts.

## Korea and India Forge 20 Strategic Business Partnerships

Business leaders from Korea and India signed 20 memorandums of understanding (MOUs) across sectors such as steel, shipbuilding, and digital services during President Lee Jae Myung's state visit to New Delhi. Highlighting the immense synergy between India's software capabilities and Korea's advanced manufacturing, President Lee urged stakeholders to seize India's economic dynamism to double their current trade volume. A centerpiece of this collaborative push is a monumental \$7.3 billion investment deal between Korea's POSCO Group and India's JSW Steel.

The two manufacturing giants will establish a joint venture to build and manage an integrated steel mill in Odisha, aiming for an annual capacity of 6 million tons, powered by a mix of renewable and fossil fuels, upon its completion in 2031.

The diplomatic mission also catalyzed significant advancements in mobility, technology, and clean energy. HD Korea Shipbuilding & Offshore Engineering signed agreements to explore building a new shipyard in India, aligning with the country's long-term vision for global maritime leadership.

Concurrently, Hyundai Motor partnered with TVS Motor to develop eco-friendly electric three-wheelers, while IT giant Naver teamed up with Tata Consultancy Services to merge their expertise in AI, cloud computing, and digital mapping. Supported by over 600 top executives and government officials, these comprehensive agreements are designed to accelerate Korea's expansion into fast-growing international markets, serving as a strategic hedge against geopolitical uncertainties and rising global protectionism.



## Taiwanese Opposition Leader's Beijing Visit Prompts New Chinese Trade and Travel Proposals

China has announced a 10-point plan to promote cross-strait flights, permit the import of Taiwanese television dramas, and facilitate the sale of agricultural and fishery goods. This development follows a rare meeting in Beijing between Chinese President Xi Jinping and Cheng Li-wun, head of Taiwan's largest opposition party, the Kuomintang (KMT). During this visit, the first by a KMT leader in a decade, Cheng described the mission as a "historic journey for peace," while President Xi reiterated that unification remains a "historical inevitability."

The proposed measures aim to restore normalized direct air passenger flights, which have been limited since the Covid-19 pandemic, and encourage youth exchanges between the CCP and the KMT. Analysts suggest that Beijing is utilizing these economic and cultural concessions to project an image of potential cross-strait stability. However, the initiatives have been met with domestic pushback; the Taiwanese government's Mainland Affairs Council dismissed the plan as "political transactions" designed to exacerbate internal divisions, asserting that any official cross-strait affairs must be negotiated between governments on an equal basis.

This diplomatic outreach occurs against a backdrop of heightened tensions between Beijing and the administration of Taiwanese President Lai Ching-te, whose Democratic Progressive Party (DPP) staunchly opposes surrendering sovereignty. Furthermore, the timing of the proposal is strategically significant as it precedes a planned summit between President Xi and U.S. President Donald Trump in mid-May. Beijing reportedly hopes to influence American policy regarding arms sales to Taiwan, while the U.S. continues to prepare further military support for the island despite China's private concerns.



# CHINA

## Proposed EU Industrial Protections Spark Warnings of Retaliation from Beijing

China has officially cautioned the European Union (EU) that it will implement "countermeasures" if its companies are negatively affected by a proposed law designed to protect European industry from cheaper imports.

The Chinese commerce ministry stated that the proposed Industrial Accelerator Act causes Chinese investors to face discrimination, which contradicts market principles such as commercial voluntariness and fair competition. While Beijing expressed a willingness to engage in dialogue to handle these frictions, it warned that it would be forced to take retaliatory action if the EU ignores its suggestions.

The legislation represents a significant move by the EU to raise manufacturing's share of the bloc's GDP to 20% by 2035, a notable increase from 14.3% last year. This policy shift comes as European rivals complain they can no longer compete with Chinese goods, which benefit from massive state support.

According to OECD calculations, manufacturers in China receive subsidies between three and nine times higher than those available to their counterparts in the developed world. Consequently, trading partners have accused Beijing of over-subsidizing production to generate record trade surpluses, leading to a flood of goods that threatens to deindustrialize local European manufacturing.

The specific provisions of the new law would place strict requirements on foreign investments exceeding €100 million from countries that control more than 40% of global production in strategic sectors like batteries, solar panels, and nuclear power.

To be approved, these projects must ensure that at least 50% of the workforce is from the EU and involve the mandatory transfer of technological know-how to European partners.

China's commerce ministry argues that these requirements violate several WTO principles and international agreements on intellectual property. Beijing further warned that such restrictive policies would ultimately damage fair competition and slow down the EU's own transition to green energy.

## Strategic Advancements in the China-UAE Comprehensive Strategic Partnership

President Xi Jinping met with Abu Dhabi Crown Prince Sheikh Khaled bin Mohamed bin Zayed Al Nahyan in Beijing on April 14 to reinforce the China-UAE comprehensive strategic partnership. During the meeting, President Xi highlighted the importance of deepening mutual political trust and enhancing the synergy between the development strategies of both nations, particularly in high-priority sectors such as energy, investment, trade, and science and technology. Both leaders also emphasized the value of vibrant people-to-people exchanges in education, civil aviation, and tourism, while committing to stronger coordination on multilateral platforms, including the UN and BRICS, to address international uncertainties.

## China's Scientific Ascension and the U.S. Research Crisis

China has reached a definitive milestone by surpassing the United States in research and development investment when measured by purchasing power, with both nations now spending over \$1 trillion annually. This financial parity follows a systematic rise in output; China led the world in highly cited "Nobel class" research in 2019 and officially overtook the U.S. in total scientific publications by 2024. In that same year, China secured a significant advantage in the Nature Index and filed approximately 1.8 million patent applications, nearly triple the volume of U.S. filings, marking a structural shift in the global scientific frontier.

While China's rise expands the global pool of knowledge, the U.S. is facing a period of significant divestment, with federal R&D spending dropping from 1.86% of GDP in 1964 to roughly 0.66% in 2021. The private sector now performs 78% of U.S. research but has largely pivoted away from open scientific publication toward internal development, shrinking the pool of shared knowledge.



## Laos Becomes First International Participant in China's Electricity Market

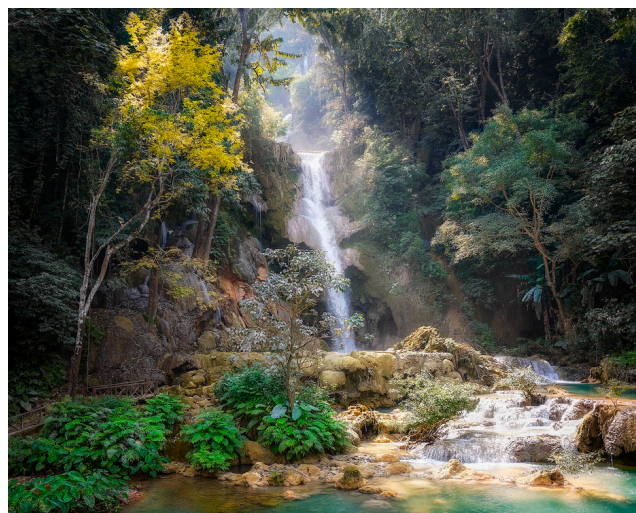
On April 20, 2026, the China-Laos cross-border transmission line officially began operations, marking a historic shift as Laos became the first foreign nation to trade renewable energy directly within China's domestic market.

This 177.5 km project connects Yunnan province with northern Lao regions, allowing renewable generators to bypass traditional intergovernmental price negotiations in favor of direct participation in the Southern Regional Power Market.

The transition to market-based trading was immediate; on opening day, a solar project in northern Laos transmitted 4.81 million kWh of electricity to the Yunnan grid, proving that the market can move much faster than a diplomatic handshake.

This infrastructure also establishes a reciprocal energy loop, with Yunnan scheduled to supply electricity back to Laos during the dry season to support local demand when hydropower levels, the country's primary energy source, inevitably drop.

The operation is managed by Electricité du Laos Transmission Company (EDL-T), a joint venture between China Southern Power Grid and EDL that currently holds a 25-year concession for the nation's transmission assets. This partnership not only streamlines the consumption of green energy through market mechanisms but also significantly extends Chinese influence over the management and infrastructure of the Lao national grid.



# AUSTRALIA AND OCEANIA

## **A\$25 Billion Partnership: Microsoft and Australia Advance AI Infrastructure, National Security, and Workforce Skills**

Microsoft, alongside the Australian government, has launched its most significant investment in the country's history, committing A\$25 billion (approximately USD 18 billion) through the end of 2029. This massive capital and operational expenditure is designed to expand Microsoft's Azure AI supercomputing and cloud footprint by more than 140 percent. The initiative aligns with the national goal of becoming a world leader in AI-driven innovation while adhering to sustainable practices, such as achieving 100 percent renewable energy usage to match consumption and maintaining water-positive operations by 2030. This infrastructure growth is expected to support a new generation of data applications and advanced processors, building on a prior economic contribution that sustained over 186,000 local jobs.

The investment also focuses on fortifying Australia's national defense through the expansion of the Microsoft-Australian Signals Directorate Cyber Shield (MACS). By deepening collaborations with the Australian Signals Directorate (ASD), the Department of Home Affairs, and the Digital Transformation Agency, Microsoft aims to protect critical government systems and infrastructure from evolving digital threats. This partnership will extend threat visibility and security configuration across additional federal agencies, building on a program that has already identified dozens of vulnerabilities and secured over 38,000 government accounts. Furthermore, a shared approach to national resilience will prioritize the stability of connectivity and hyperscale cloud environments.

## **Australian Diplomacy Targets Energy Security in Northeast Asian Tour**

Foreign Minister Penny Wong's strategic mission to Japan, South Korea, and China was driven by an urgent need to secure Australia's fuel supply following the effective closure of the Strait of Hormuz. Australia faces a significant structural vulnerability due to its extreme reliance on Asian refining hubs and meager domestic reserves, making energy security a central geopolitical imperative. By utilizing Australia's leverage as a dominant LNG exporter, alongside its status as a major supplier of coal and agriculture, Wong employed "economic statecraft" to manage strategic risks. While discussions in Japan focused on long-term supply chain resilience, the mission successfully secured a critical agreement with South Korea to maintain the flow of diesel and liquid fuels, even as Seoul had been contemplating domestic export restrictions.

The China leg of the tour necessitated a delicate diplomatic approach, resulting in a pragmatic breakthrough where Beijing permitted state-owned companies to negotiate jet fuel supplies directly with Australian airlines. This balancing act highlights a broader evolution in Australian foreign policy, aligning with the National Defense Strategy to protect vital sea lines of communication and industrial supply chains. By navigating between capitals that are simultaneously partners and strategic competitors, Canberra is attempting to stabilize its core economic relationships and counter the enormous disruptions caused by the conflict in the Middle East.

### **Australia's Quantum Strategic Roadmap: Enhancing the \$235 Billion Resources Sector**

Australia is elevating quantum technology to a core national economic priority, aiming to secure a significant portion of a global market projected to reach \$2 trillion by 2035. A central pillar of this strategy involves the development of "silicon spin qubits" through local leaders such as Diraq and Silicon Quantum Computing. This specific hardware approach is highly advantageous because it utilizes the standard CMOS manufacturing processes already established in the semiconductor industry, potentially allowing for the production of full-scale quantum computers at a fraction of the cost of traditional methods. By leveraging decades of global investment in chipmaking, Australia intends to move beyond pure scientific research into a phase of strategic industrial capability that supports economic resilience and national security.

To accelerate the transition from laboratory discovery to real-world industrial impact, Australia's national science agency, CSIRO, has established a strategic partnership with Finland's VTT Technical Research Centre through the "Quantum Leap" project. This collaboration focuses on the practical implementation of quantum solutions, specifically targeting quantum software, error correction, and hardware scalability to improve energy efficiency and reliability.

The most immediate benefits of these advancements are being realized in Australia's \$235 billion mining sector, which is currently examining how quantum sensing could strengthen exploration capability and improve efficiency.

As industry, research, and government leaders gathered at the Quantum Australia Conference in Sydney, the consensus emerged that mining is fundamentally a "measurement problem" that quantum sensors are uniquely equipped to solve. By providing high-quality subsurface imaging and reducing exploration risks, quantum technology is becoming an essential component in the discovery of critical minerals, ensuring Australia remains a global leader in the efficient and sustainable extraction of resources.

# ASIA IN CZECHIA

## Record-Size Czech Presence at INEX 2026

One of the largest national pavilions ever organized by the Czech Embassy in South Korea drew major attention at the INEX 2026 energy trade fair in Busan. Themed "Nuclear Energy for an AI-Powered World," the event featured a record-breaking fourteen Czech companies presenting cutting-edge solutions across conventional construction and advanced nuclear technologies. This robust Czech presence was strategically underscored by the ongoing construction of two new units at the Dukovany Nuclear Power Plant, a project spearheaded by the South Korean company KHNP. The primary goal for the Czech Republic is to secure up to a 60% localization rate, ensuring maximum involvement of domestic companies in contracts with high added value.

South Korea's energy sector is undergoing massive expansion, driven largely by the country's commitment to artificial intelligence and the heavy power requirements of large-scale data centers. With annual electricity consumption projected to jump by up to 30% by 2040, the country is investing heavily in a nationwide "energy highway" utilizing HVDC (high-voltage direct current) technology to reduce transmission losses. Nuclear power remains a vital pillar of this strategy, with South Korea shifting focus toward small modular reactors (SMRs), fast reactors, and nuclear fuel recycling to meet these surging infrastructural demands. Since transitioning into a global nuclear technology exporter, South Korea's partnership with the Czech Republic, bolstered by the new KHNP Localization Support Center in Prague, opens doors beyond domestic borders. Through this tight-knit cooperation, the participating Czech firms are well-positioned to leverage their expertise not only within local projects like Dukovany but also in emerging third-country markets worldwide.

## PM Babiš Leads 50-Company Mission to the Caucasus and Central Asia

Prime Minister Andrej Babiš and Industry Minister Karel Havlíček led a government and business mission to Azerbaijan, Kazakhstan, and Uzbekistan, accompanied by more than 50 Czech companies. The deliberate strategy was not simply to explore new markets, but to help firms that already had negotiations underway to finalize concrete contracts and launch real business projects. Energy and transport infrastructure took center stage during the visits, with Azerbaijan remaining a critical partner that supplies approximately 42% of the crude oil coming to the Czech Republic. The delegation targeted large-scale, strategic contracts, such as supplying metro carriages in Azerbaijan and trains in Uzbekistan, aiming for long-term cooperation and follow-up business rather than small, incremental export growth.

## EU and ASEAN Countries Should Strive for an Equal Partnership

At the EU-ASEAN foreign ministers' meeting, Czech Foreign Minister Petr Macinka stated that the European Union and ASEAN should strive to create a true, equal partnership that reflects the unprecedented growth of ASEAN nations and the shift of global economic development toward Asia.

Macinka emphasized the priority of strengthening connectivity across physical, transport, and digital domains, referencing the European Global Gateway program. Noting that recent crises necessitate a shift in globalization, he added that the EU and ASEAN can collaborate on securing diversified supply chains, with Czechia fully prepared to contribute its expertise in advanced manufacturing and industrial modernization.



# CAPS INTERVIEW



## What Is the Future of China–Taiwan Relations?

### Former Singaporean Foreign Minister George Yeo on the Meeting Between Kuomintang Leader Cheng and Chinese President Xi

A new leader of the Kuomintang (KMT) party in Taiwan, Ms. Cheng Li-wun, conducted a visit to mainland China from April 7–12. There, she paid homage to the legacy of her party founder, Sun Yat-sen, in Nanjing and had a meeting with Xi Jinping, the General Secretary of the Chinese Communist Party (CCP) and the President of the People's Republic of China. That encounter raised many questions about the future of China-Taiwan relations. We provide you with a commentary by George Yeo, the former Minister of Foreign Affairs of Singapore and a newly appointed member of our CAPS Advisory Board. The interview was led by Jan Zahradil, the Chairman of the Advisory Board.

**In a breakthrough event, somehow overshadowed by the Iranian crisis, KMT leader Cheng visited mainland China and met with President Xi. Is this a signal of a shift in internal Taiwanese debate on how to manage relations with China?**

KMT Chairwoman Cheng Li-wun has been very clear in her position of One China. Her historical perspective leads without ambiguity to the eventual peaceful reunification of China. Many people thought her unwise to be so definitive, saying that she would lose votes in Taiwan. I am not sure. It is better for the people of Taiwan to address this question head-on and ask themselves how they see Cross-Strait relations, say, in 10–20 years.

The international situation is sobering. Taiwanese who thought that, with American support, they could continue nursing hopes of independence must now know that the US will calculate in its own self-interest.

Taiwan also does not have the position of Israel in US domestic politics. Ultimately, it comes down to whether Taiwanese people are prepared to fight and die for an independent Taiwan. I doubt more than a small minority would. The wealthy have already made their own arrangements.

**The timing of the visit was very accurate, as we expect a high-level meeting between Trump and Xi in May. Seems that KMT is better positioned to take advantage by appropriate action (following also changing US position on the issue), while DPP is still lagging behind, driven by already outdated strategic ideas on Indo-Pacific. What might be the consequences of this rift?**

The timing of Cheng's visit was not tied to the Trump-Xi visit. It was on the cards. Previous KMT leaders have met Xi before on the basis of the 1992 Consensus.

To maintain its own base of support, the DPP has to become lighter green, meaning to mark out more room for negotiations with the Mainland. Taking a hardline position on Cross Straits relations will not win the DPP widespread support among the people of Taiwan, not even among the young.

The US under Trump is anxious to have better relations with China. Without stable relations, the US economy will be negatively affected and the chances of the Republicans retaining control of both houses at the mid-term elections in November will be reduced.

Bringing peace to Europe and the Middle East will also be more difficult without China's support.

China has also played the rare earths card to which the US has no good response. This card also limits the quality of weaponry the US can supply to Taiwan because the companies supplying weapons to Taiwan are under Chinese sanctions.

The US can't win a war over Taiwan. If the US can't subdue Iran, how can it subdue China? Furthermore, the US is entirely dependent on Taiwan for the supply of AI chips, which is a greater chokehold than the Straits of Hormuz. Therefore, it is unthinkable for the US to provoke a war on Taiwan.

**In the EU, we've often had ambivalent positions on China-Taiwan relations, with some member states more "hawkish", some others more pragmatic. How should the EU and its institutions reflect this new development?**

European countries that are hawkish on Taiwan have absolutely no influence on the outcome of Cross-Strait relations. Among those who express such views whom I've met, their knowledge of Taiwan society and Cross Straits relations is not deep.

Some may do so to please the U.S., but the US itself needs stable Cross Straits relations. For these countries, there is also an economic cost to having bad relations with China. I believe these countries will sooner or later shift their stance.



# CAPS INTERVIEW



## **Interview with Dr. Roman Kodet: Japan at a Crossroads**

In March, we hosted a lecture on Japan's geopolitical challenges by Dr. Roman Kodet, a historian and Senior Fellow at the CAPS.

Below is an interview offering a deeper insight into the geopolitical dynamics in the region and the implications on Japanese politics and society. Dr. Kodet spoke to our analyst Jan Vavřík.

**Doctor, in your lecture you spoke about how Japan is, to some extent, abandoning its decades-long pacifism. Is it truly the end of an era, or rather a pragmatic reaction to the dynamic events in the region?**

It is a combination of both; Japan currently finds itself in a very specific situation. We are talking about a country with a pacifist constitution, which was created after the Second World War with a significant contribution from the United States.

Today, however, especially from the USA – and this is very noticeable primarily with the arrival of Donald Trump – there are strong appeals for Tokyo to participate more significantly in its own defense spending. Prime Minister Kishida's government had already announced in 2022 its intention to double defense spending by 2030, which, from my perspective, is not only a reaction to external pressure but a deeper shift in strategic thinking.

Japan is beginning to perceive the global security architecture much more comprehensively and is connecting Indo-Pacific issues with events in other regions, including the Atlantic.

**In the context of Asian geopolitics, China mainly comes to mind, but you also mentioned tense relations with Russia. Why are the islands in the north so crucial for both countries?**

It is a dispute that has deep historical and strategic roots. Besides the issue of national prestige, local resources also play a fundamental role. The Kuril Islands region possesses considerable mineral wealth and offers excellent conditions for fishing and the production of valuable commodities, such as caviar. For Russia, this area represents an important access point to the Pacific, while for Japan, it is a very sensitive historical matter and simultaneously a significant economic interest. Mutual relations are currently quite cold, which to some extent amplifies Japanese concerns about regional security and forces Tokyo to seek new strategic partners, though it remains dependent on Russia for imports like oil, for instance.

**While we are still on the topic of neighbors, how would you characterize the current ties between Japan and South Korea?**

It is a relationship with a very complex history. From a purely geopolitical and pragmatic perspective, South Korea is a natural partner today, as both states share similar security and economic challenges. On a societal level, however, the historical memory of the period of Japanese administration between 1910 and 1945 remains very vivid and sensitive. A fragile topic of bilateral dialogue to this day is, for example, the issue of the so-called "comfort women". These unhealed historical traumas represent a major challenge for both sides in their effort to build deeper and more permanent mutual trust, although the effort towards rapprochement at the government level has been evident lately.

**Let's return to domestic politics; the name Sanae Takaichi is frequently mentioned in Japan. How do you perceive her position and the economic challenges that Japan is facing?**

The personality of Sanae Takaichi evokes a diverse range of reactions across the political spectrum, and the debate about her stances is very lively. The broader context, however, is primarily the structural economic challenges of today's Japan. On one hand, the economy must reflect external factors, such as a potential adjustment to American tariff policy, which would have a noticeable impact on an export-oriented Japan.

On the other hand stands the internal legislative and macroeconomic environment; the Japanese legal and tax system has long been built on a high degree of societal trust and customs. Currently, however, state institutions there must find ways to react more effectively to modern, more sophisticated forms of tax optimization.

This necessity to adapt to the new economic reality is further amplified by the long-term policy of the Japanese central bank, which has permanently kept interest rates at a very low level, posing additional structural challenges to the entire economy.

**For many people, Japan is synonymous with a dream, albeit expensive, destination. Therefore, in your opinion, is it suitable to travel there at present?**

Definitely yes, I can highly recommend traveling there to everyone at present. This is primarily due to the fact that the Japanese yen remains at very low levels. Thanks to this exceptionally favorable exchange rate, Japan is now much more accessible to the European visitor, and therefore, it is also experiencing an unprecedented tourism boom. This, by the way, creates a very interesting contrast to the complex internal economic and security issues of the country.

**But how do the Japanese themselves perceive this rapid increase in tourism, and how are they dealing with it?**

For Japanese society, this influx of visitors is undoubtedly a great challenge. Japan is characterized by a high degree of homogeneity and deeply rooted social rules. Increased interaction with different cultural habits thus naturally requires a certain level of adaptation from the local residents. As part of the search for balance, efforts are emerging, for example, to introduce dual pricing structures for certain services – for residents and for foreign visitors. I would like to emphasize, however, that the personal experience of tourists continues to be very positive; Japanese hospitality and consideration remain at an exceptionally high level.

**Do these specifics, such as the mentioned consideration, also reflect in Japanese business?**

In the business environment, this effort for harmony also works; however, for foreign partners, it represents a major and incredibly interesting challenge. Building business agreements with Japanese counterparts requires considerable patience and an understanding of the context. Even though negotiations take place in a very accommodating and smiling atmosphere, an experienced negotiator must know how to read between the lines. In Japan, phrases like "we will certainly consider it" or "we will get back to you" often represent a polite way to maintain social harmony and provide space for longer internal considerations, rather than an immediate promise of cooperation. A detailed understanding of this business etiquette is absolutely essential for long-term success in the Japanese market.

**Doctor, thank you very much for your time and for so comprehensively explaining the current events in Japan and the entire Indo-Pacific to us, from high geopolitics and complex historical contexts to the practical aspects of traveling and business.**

It was my great pleasure.

# UPCOMING EVENTS

## The Czech Republic and Central Asia – A Partnership for the 21st Century?

CAPS would like to invite you to a panel discussion titled “The Czech Republic and Central Asia – A Partnership for the 21st Century?”, organized by CEVRO University.

In recent years, Central Asia has increasingly emerged as a key region connecting Europe and Asia. It represents an important source of strategic raw materials as well as a vital corridor for trade and transportation. In a time of shifting global dynamics, cooperation with this region is therefore gaining importance for the Czech Republic as well. The discussion will offer insights into current geopolitical and economic contexts and will focus on both the opportunities and challenges arising from this partnership.

The panel will feature Radek Vondráček, Chair of the Foreign Affairs Committee of the Chamber of Deputies of the Parliament of the Czech Republic; Štefan Füle, former member of the European Commission; and Milan Sedláček, Ambassador of the Czech Republic to Azerbaijan. The discussion will be moderated by Jan Zahradil, Chairman of the CAPS Advisory Board.

The program will also include a Q&A session and an open discussion.

**Date:** May 14, 2026, 17:00 – 18:30

**Venue:** Atrium, CEVRO University, Jungmannova 17, Prague 1

## Česká republika a střední Asie: Partnerství pro 21. století?



**Radek Vondráček**  
Předseda zahraničního  
výboru PS PČR



**Štefan Füle**  
Člen EK v letech  
2010–2014



**Milan Sedláček**  
Velvyslanec ČR  
v Azerbajdžánu



Registrace:  
caps@cevro.cz

Moderuje Jan Zahradil  
předseda poradního sboru  
Centra asijsko-pacifických studií (CAPS)

**14. 5. 2026, 17:00–18:30**  
Jungmannova 28/17, Praha 1 (Atrium CEVRO Univerzity)



# PREVIOUS EVENTS

## **How do Asian Powers Operate in Africa? It's About More Than Just Raw Materials! CAPS Welcomed Africanist Dr. Linda Piknerová to Its Premises**

The Center for Asia-Pacific Studies (CAPS) held another instalment of its expert debate series on Monday, April 13, this time focusing on the role of Asian powers in Africa. The keynote speaker was Africa specialist Dr. Linda Piknerová.

The lecture offered a pragmatic assessment of the current environment across the African continent, examining the vast scope of Chinese integration, the historical footprint of North Korean architecture, and the strategic opportunities available to both international and Czech investors.

Dr. Piknerová emphasized that, to succeed in Africa, Czech exporters must abandon one-size-fits-all approaches and instead target stable countries such as South Africa, Benin, and Morocco.

While China is pursuing large-scale, long-term integration on the continent, encompassing the relocation of entire families and extensive infrastructure development, the Czech Republic, she argued, holds a unique strategic advantage in its “clean slate,” unburdened by a colonial past.

Rather than competing with billion-dollar foreign capital, Czech firms should therefore focus on highly specialized technologies, for example, in water management, while leveraging the strong historical reputation of Czechoslovak industry.

A critical precondition for success in these markets, where the influence of Middle Eastern states is set to grow, and Russian destabilization will persist, is sustained on-the-ground presence, the cultivation of informal personal networks, and robust support from economic diplomacy.

The event concluded with a Q&A session, where the discussion turned to the day-to-day operational challenges faced by Czech exporters, the pivotal role of state-backed economic diplomacy, and the tangible socioeconomic impact on local communities.



# CAPS IN THE MEDIA

Dr. Jan Železný's Talk at the One World Movie Festival in Pilsen

What is the current state of lithium and other critical raw materials extraction worldwide? And how dependent are the United States and Europe on supplies from countries of the Global South? These were among the topics discussed by Jan Železný, Ph.D., Director of the Center for Asia-Pacific Studies (CAPS), during a debate accompanying the screening of *Elon Musk and the Race for Lithium* at the One World Festival in Pilsen.

In his remarks, he highlighted that the ongoing green economic transformation and the transition to a low-carbon economy produce both winners and losers on a global scale. While new technological sectors associated with the Fourth Industrial Revolution generate fresh opportunities, they also create new patterns of dependency and exert pressure to adapt to rapidly changing conditions.

Dr. Jan Železný on China's role in the conflict in the Middle East for Český Rozhlas Plus radio:

<https://plus.rozhlas.cz/zelezny-cina-chce-byt-stabilizacni-velmoci-na-blizkem-vychode-trump-jeji-vliv-na-9606919>

Dr. Jan Železný on China's influence in the Middle East for Info.cz:


<https://www.info.cz/zpravodajstvi-a-komentare/iluze-cinskeho-triumfu-valka-blizky-vychod-usa-cina>



# CAPS ON SOCIAL MEDIA


Follow us on LinkedIn:




 <https://lurl.cz/LJZFP>

Follow us on our website:



 <https://lurl.cz/yJZFA>

Contact:

 [jan.zelezny@cevro.cz](mailto:jan.zelezny@cevro.cz)

# CAPS MONTHLY MONITORING

## Editors:



Zdeněk Rod, Ph.D.



Jan Železný, Ph.D.

## Analysts:



Daniela Finkousová



Jan Vavřík



Kateřina Kovács