

China excluded from a Czech nuclear tender

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On 27 January Prime Minister Andrej Babiš (ANO) held a meeting with the leaders of the parliamentary parties about the expansion of the Dukovany nuclear power plant, at which only the Communists failed to agree to exclude the Chinese proposal from the tender. The decision is not formally final, but on 29 January the ANO nominee responsible for the energy, the Industry and Trade Minister Karel Havlíček, said he considered it "more or less certain". State-owned China General Nuclear (CGN) was to take part in the Czech tender. In 2016, it signed an agreement with ČEZ on cooperation in nuclear technologies and began the European Utility Requirements (EUR) certification process of China's third-generation Hualong 1 reactor (completed last year). The Chinese embassy in Prague responded critically to the exclusion, pointing to the abuse of security arguments, violation of free competition principles and discrimination against Chinese entities. Chinese media commentaries link the Czech decision to pressure from NATO and the EU.

Commentary

- CGN's chances of being awarded the tender would be slim even if the company were admitted to it. Firstly, this is down to the threats to national security associated with Chinese investments in critical infrastructure (as in the case of Huawei), which are signalled by Czech politicians (mainly from the opposition) and the media. Further, CGN's ability to implement such a project is highly questionable. The first reactor to use Hualong 1 technology was launched in China only in January this year, and the corporation's foreign projects are limited to two power plants being constructed in Pakistan and a planned investment in the United Kingdom. Beijing's intention was that the implementation of nuclear projects in Central Europe (including the Czech Republic, Poland and Romania) would prove the high quality of Chinese technologies and pave the way for their further expansion on developed countries' markets.
- China's exclusion from the bidding process is yet another setback in relations between the two countries. Disappointment over the lack of large-scale Chinese investment in the Czech Republic announced in 2016 is accompanied by increasing concerns about Chinese activity. In late 2018, Czech officials were among the first to openly warn against the use of Huawei and ZTE technology in critical infrastructure. Additionally, in recent months the local government of Prague terminated its partnership agreement with Beijing, and the Senate President visited Taiwan. Responding to these events, China has, among other things, suspended direct flights to Prague and temporarily prevented some Czech companies from selling goods in its market. China's reaction to the exclusion indicates that it may take legal action using EU competition regulations, as it did against

Sweden in the Huawei case.

- The decision to exclude CGN from the tender coincides with the softer approach to Rosatom's controversial proposal (as the main contractor or a sub-supplier). The Russians are seen as one of the best bidders from the perspective of the technology, but entrusting the work to them would, according to e.g. the Czech secret service, threaten national security. Nevertheless, the government does not want to exclude them from the tender at this stage, in part justifying this by concerns that the price would rise as a result of decreased competition. President Miloš Zeman is lobbying for the Russians to participate in the tender. It is unlikely that Babiš will now decide to oppose him since, after the parliamentary elections in autumn, it will be the role of the president to appoint the head of government. However, the prime minister may postpone the tender in order for it to be decided by the new cabinet.