

'Advancing Czech-Israeli relations: One of our greatest achievements'

An interview with Karel Havlicek, the Czech Republic's industry and trade minister

• TOMÁŠ JELÍNEK AND ALAN ROSENBAUM

The Israel+Czech Republic Countries for the Future project celebrates the 30th anniversary of the renewal of Jerusalem-Prague relations after the fall of Communism. As part of it, the *Magazine* sat down for an illuminating interview with Karel Havlicek, industry and trade minister for the Czech Republic, to learn about these ever-strengthening ties – which Havlicek calls “one of our greatest achievements in the three decades since the Velvet Revolution in 1989.”

The Czech Republic is going through the second wave of COVID-19. How has your economy been affected? When do you think your economic recovery will start?

The domestic economy, which decreased this year due to the coronavirus crisis, will recover in 2021. Although the economy improved somewhat after the easing of most epidemiological restrictions during the summer months, economic performance declined again in the autumn. The reason for the decline is the impact of the second wave of the pandemic and measures reintroduced against the spread of the disease.

The forecast assumes that the adverse economic effects of the second wave of the pandemic will subside during the first half of next year when the GDP will return to growth with conditions reflecting increasing foreign demand. The expected growth of the economy in 2021 (about +1.5% of GDP) will be driven mainly by household consumption, and net exports and investments will be added. However, the performance of the economy will not reach the pre-crisis level until the end of 2022 at the earliest.

To what extent does an economic recovery depend on the digitalization of your economy and new technologies?

According to the Digital Economy and Society Index (DESI), a composite index that summarizes relevant indicators on Europe's digital performance and tracks the evolution of EU member states in digital competitiveness, the Czech Republic is just below the EU average. The areas of digital public services and connectivity are significantly below average, while the integration of digital technologies is above average. Digitization will be one of the key criteria of the National Recovery Plan, and it is a significant driving force for increasing labor productivity.

Challenges and crises also generally include opportunities to accelerate development. What are such trends in the Czech Republic?

In response to the COVID-19 crisis, a new instrument has emerged in the EU – the Recovery and Resilience Facility (RRF), which helps EU member states address the economic and social impact of the pandemic while moving them forward, ensuring that their economies are green, on the path to digital transformation, and becoming more sustainable and resilient. Each EU member state is preparing national recovery and resilience plans, setting out its 2026 reform and investment plans, including targets, milestones and estimated costs.

Approximately 172 billion crowns have been set aside from the RRF for the Czech Republic. The National Recovery Plan of the Czech Republic, which is currently being prepared, contains the priorities of the Czech government. Its individual components are designed to help bring the Czech economy out of the crisis caused by the COVID-19 pandemic, accelerate the digital and green transition of the economy, contribute to meeting European reform and investment requirements, and provide a basis for the long-term economic development of the Czech Republic.

This year we commemorate the 30th anniversary of the renewal of Czech-Israeli relations. Cooperation between Israel and the Czech Republic has been thriving in science, business and technology. Where are the best opportunities for business?

The renewal and the subsequent advancement of Czech-Israeli relations has



INDUSTRY AND Trade Minister Karel Havlicek.
(Czech Ministry of Industry and Trade Archives)

been one of our greatest achievements in the three decades since the Velvet Revolution in 1989. The strength of our partnership is proven by the fact that today Israel is among the top five most important markets outside of Europe for Czech exports and also by the growing number of Israeli investments in the Czech Republic, especially in the pharmaceutical industry (Teva Pharmaceuticals CR), food industry (Osem) and the textile sector (Delta Galil). Czech companies have traditionally been successful in the Israeli market, particularly in the automotive (Škoda) and defense sectors (Meopta).

The best opportunities for business can be found in the development of transport infrastructure, the energy sector, cybersecurity, new construction materials, nanotechnologies, firefighting, luxury indoor decorations, medical equipment, pharmaceuticals and the food industry. Another prospective sector is the aviation industry. The Czech Republic has been supplying Israel with excellent aviation components used in Israel's world-renowned UAV's (unmanned aerial vehicles).

Moreover, in the area of applied research, I see potential in joint R&D projects between Czech and Israeli firms under the DELTA program framework. The DEL-

TA program is administered by the Czech Technology Agency and the Israeli Innovation Authority and serves as an outstanding platform for those who wish to develop and test new technologies. We expect that the next round of the DELTA program will take place in the summer of 2021. I would strongly encourage both Czech and Israeli companies to consider applying and to contact the Czech Embassy in Tel Aviv for further information.

The Czech Republic has much to learn from Israel in transferring technology from the academic world to the commercial one and developing start-up ecosystems. Israel was a huge inspiration for us during the process of preparing our own Innovation strategy, “Czech Republic: The Country for the Future.” Sharing best practices and lessons learned between Czech and Israeli institutions is definitely the way to go. In this regard, I am delighted that the Ministry of Industry and Trade of the Czech Republic has launched “V4 Innovators in Israel,” a joint program in cooperation with CzechInvest, our governmental agency, in which 24 selected start-ups and incubators from the Visegrad countries – Poland, Hungary, the Czech Republic, and Slovakia – will receive detailed guidance, training and B2B meetings in Tel Aviv and Haifa in collaboration with Israeli partners such as the Israeli Ministry of Foreign Affairs and MASHAV.

Has the coronavirus opened new areas of development between Israel and the Czech Republic?

The health ministries of both countries regularly share information about the most recent developments of the pandemic and various adopted measures. Sharing of information and consulting each other is very important in these challenging times. This era is marked by the growing interest in the Czech Republic and Israel – in modern technologies and services related to e-Health and digitalization. Czech and Israeli partners have begun to share their best practices. We are familiar with Sheba Medical Center's Telemedicine Unit and its impressive results. We are encouraging our medical centers, hospitals and universities to cooperate with Israeli partners in the telemedicine and e-health field. This is the future for our medical sectors and we need to move forward.

The Czech Republic is becoming a rising space power with a local ecosystem of 200 innovative companies. The European Union Agency for the Space Program is moving to Prague. Is there a possibility that Israeli companies will be involved in its projects?

Definitely, The European Union Agency for the Space Program will be a motivator for numerous areas of development, and not only for aerospace companies. The Czech Republic will play an important role in the European Space Agency (ESA) optional programs, to which we have increased our contribution over the years. At the last ESA Ministerial Council in 2019, we increased our contribution by more than 20% compared to the previous period.

I believe that there is a huge potential for cooperation at the industrial and scientific levels. Czech companies have begun to deliver space-qualified subsystems and are ready to work on complete instruments and complex systems needed for satellites. We are strong in optics and mechanics; our companies are also skilled in material engineering and electronics. I am convinced that the Czech and Israeli sides can cooperate, especially in commercial projects leading to highly competitive solutions. We will further develop our space capacities, especially via ESA and EU activities, and via so-called “ambitious projects” targeting small satellite development.

Among the key goals of the Czech National Space Plan for 2021 is the strengthening of international visibility and cooperation of Czech industry and academia. We are open for further close cooperation.

How will the Abraham Accords between Israel and Gulf states influence trade and business relations between Jerusalem and other countries?

The Czech Republic has welcomed the adoption of the Abraham Accords between the State of Israel, the United Arab Emirates and Bahrain and the recent establishment of direct flight connections. From the Czech perspective, we believe that this historic event will play a significant role in creating opportunities while building constructive economic and trade relations between Middle Eastern countries and finding synergies between markets. Last but not least, we consider the upcoming EXPO 2020, which will take place in Dubai from October 2021 to February 2022, as an excellent opportunity for governments, companies and visitors from all around the world to join together to present



their best products, services and technologies and to discuss possibilities for establishing tangible partnerships. The Czech Republic will surely be there, and in our pavilion, we will introduce, among other things, the S.A.W.E.R. system – the technology capable of producing water from the air.

How do you foresee developments in trade and business with Israel once the coronavirus has disappeared?

I strongly believe that Škoda Auto will continue to be one of the flagships of our mutual economic cooperation. Škoda Auto managed to sell 19,500 vehicles in Israel in 2019. The company is also strongly regarded in the area of innovation. Škoda Auto Digilab Israel, the company's innovation lab in Tel Aviv, is seeking new technologies that can be embraced and piloted by the mother company and installed in actual vehicles. It is an open door for the Israeli start-up ecosystem to be potentially one of the biggest contributors to the car manufacturing sector in Europe.

Once travel resumes, I am sure that Czech business delegations will remain very active in major Israeli sectoral exhibitions and conferences such as CYBERTECH, BIOMED, WATEC, AGRITECH, etc. Czech companies, as well as sectoral experts, frequently participate in these events. I do hope, however, that we will be able to welcome more Israeli business delegations at sectoral fairs in the Czech Republic, including MSV Brno. Additionally, the Czech government is keen on organizing the next Joint Meeting with the Israeli government in the near future.

You have visited Israel several times. Are you planning to visit Israel again? What will be your agenda?

The last time I had the pleasure of visiting Israel was in February 2019, together with Czech Prime Minister Andrej Babiš. During my stay in Israel, I was especially impressed by the Peres Center for Peace and Innovation and my meeting with Dr. Orna Berry. I would love to visit Israel again in the future. Although there are many topics upon which one could focus, I would like to pay specific attention to establishing joint projects between Czech and Israeli companies in the field of defense, aviation industry, energy and infrastructure development. Face-to-face contacts are the most important, and I do hope that soon we will be able to meet in person.

This interview was written as part of the Israel+Czech Republic Countries for the Future project.



S.A.W.E.R. is composed of two systems – one for extracting water out of the desert air and the other for cultivating the desert into fertile land.
(UCEEB Czech Technical University in Prague)