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Big Words, Little Results: the Chinese Investments in Poland from the Political Perspective

Abstract: In 2017 statistics showed that Chinese Foreign Direct Investments (FDI) in Poland for 2016 amounted for a more than half of all Chinese FDI in Poland for the 2000–2016. Yet the overall amount of Chinese FDI remains modest in comparison with Western Europe or even with Hungary. Despite much proclaimed Sino-Polish rapprochement in 2015–2016 and high hopes for OBOR/BRI initiative in Poland, cooperation with China has not been a breakthrough for Poland in terms of economic results. There have not been ground-breaking Sino-Polish projects and Polish government's desire to strengthen ties with China loosened in late 2016/early 2017 (though it may revive now). There are several reasons for that, from the perception of Poland as non-attractive for majority Chinese investments, via lack of overall Polish strategy of attracting these investors to discrepancies of economic interests between Poland and China.

Keywords: *Chinese FDI; Chinese FDI in Poland; the Politics of Chinese FDI; Sino-Polish relations*

Introduction

This article describes the current state of Chinese Foreign Direct Investments (FDI) in the context of Sino-Polish relations. It presents the ups and downs of Sino-Polish cooperation in 2000s and 2010s and the political reality surrounding the expansion of Chinese FDI into Poland in mid 2010s. The main thesis is that the results are still modest and there is still no breakthrough in Sino-Polish cooperation, despite Sino-Polish “strategic partnership” and the much proclaimed OBOR/BRI initiative.

As for methodology used here, I have used the economic data from GUS (Poland's Central Statistical Office; GUS), NBP (National Bank of Poland) and from other public institutions (such Poland's Embassy in Beijing) as well as chosen opinions about Chinese investments expressed in articles in academic journals, in books and in media. Although this article deals with economic sphere, it is written by a political scientists and focuses on political aspects of Chinese investments against the background of Sino-Polish relations. As for theoretical part, the most important terms should be clarified. FDI in this article will be understood in the most popular meaning, that is as "an investment in form of a controlling ownership in a business in one country by an entity based in another country; this distinguishes FDI from foreign portfolio investment" (FT, Lexicon). According to OECD definition, FDI is "a category of cross-border investment made by a resident in one economy (the direct investor) with the objective of establishing a lasting interest in an enterprise (the direct investment enterprise) that is resident in an economy other than that of the direct investor. The motivation of the direct investor is a strategic long-term relationship with the direct investment enterprise to ensure a significant degree of influence by the direct investor in the management of the direct investment enterprise. The "lasting interest" is evidenced when the direct investor owns at least 10% of the voting power of the direct investment enterprise. Direct investment may also allow the direct investor to gain access to the economy of the direct investment enterprise which it might otherwise be unable to do. The objectives of direct investment are different from those of portfolio investment whereby investors do not generally expect to influence the management of the enterprise" (OECD, 2008). In this definition what is emphasized is the will of foreign investor to manage company and his/her long term interest in activity in the chosen country and the minimum 10% of voting power (Rymarczyk, 2012). This differentiates FDI from foreign portfolio investment (Dziemianowicz, 2006)

As Poland, FDI appeared after the post-1989 systemic transformation, liberalization of capital flows and inclusion of Polish economy to global market and financial system. Poland's economy, as the rest of Central and Eastern Europe economies, since 1989 has been "in the process of catching up over the last decades, defined mainly by European powers", where "FDI has played a key role in their restructuring" (Szunomar, 2016). After 28 years of systemic transformation, Poland is attractive thanks to relatively cheap and skilful labour (that ensures low production costs), big market, central location in Europe and the economy in good shape that survived the global economic crisis (yet this rosy picture must be balanced by state administration's low speed of decision making and equally low flexibility, and by the far-from-perfect stability of adopted regulations, Dorożyński et al, 2015, pp. 147–168). Despite that the number of Chinese FDI Poland is far behind not only Western Europe but also

Hungary which is the main place for Chinese FDI in Central and Eastern Europe (CEE) thanks to Budapest's political support for cooperation with China (Ledniowska & Koszek, 2014).

The Economic Background. Sino-Polish Economic Cooperation in 2000s and 2010s

The Chinese FDI in Poland should be seen against the background of overall Sino-Polish economic cooperation. A brief introduction to the current situation of Sino-Polish trade will help to see the wider picture of overall growing economic asymmetry in favour of China, clearly seen in numbers.

Throughout 2000s Sino-Polish trade steadily increased. In 2001 Polish imports from China consisted of 1595 million USD, while Polish exports to China – 176 million USD. In 2005 exports increased to 591 million USD, while imports – to 5497 USD. In 2010 Polish exports were 1628 million USD while imports: 16 703 million USD; hence in 2001–2010 imports from China increased more than ten times while export more than nine times (Piotrowski et al., 2011). In recent years the value of Chinese export to Poland accounted for USD 19447 million (2013), 23 502 million (2014), 22 655 million (2015) and 23 945 million (2016), while Polish exports to China was much smaller: 2 119 million in 2013, 2250 million in 2014, 2017 million in 2015 and 1911 million in 2016; it meant that in comparison to 2015 “the volume of Chinese exports to Poland increased over 1,2 billion USD, or by 4,8%, while Polish exports to China decreased over 100 billion USD, or by 5.4 % (*Wymiana handlowa i aktywność inwestycyjna ...*, 2017). The exact statistics is presented in Table 1.

Table 1. Sino-Polish Trade in goods (in thousand USD) in 2013–2016

	2013	%	2014	%	2015	%	2016	%
Polish exports to China	2 119 659	21,3%	2 250 634	6,2%	2 017 344	-10,4%	1 911 143	-5,4%
Imports from China	19 446 875	10,4%	23 502 171	19,7%	22 655 330	-3,6%	23 945 058	4,9%
Value	21 566 534	11,3%	25 752 805	18,4%	24 672 674	-4,2%	25 856 201	4,8%
Trade Deficit	- 17 327 216	9,2%	- 21 251 537	21,4%	- 20 637 986	-2,9%	-22 033 915	6,8%

Source: GUS (Central Statistical Office) data; Embassy of Poland in Beijing, Economic Department, 2016.

What can be seen in these numbers is the visible asymmetry in China's favour. This lack of balance is due not only to Chinese goods' ability to compete in prices thanks to cheap and vast labour at home (Ledniowska & Koszek, 2014; though the latter is changing now as labour wages keep increasing in China and are only 25% less than those in CEE, Grzegorzcyk, 2017), but also due to the structure of trade. Poland exports mostly copper (it dominates the statistics, though its share in bilateral trade has fallen from 34% to 21% in last year), followed by machinery and equipment and furniture (contrary to stereotype, food is not significant in Polish exports to China), whereas China exports mostly semi processed and processed goods – such as chemicals, metallurgical products, machines, electric devices, airplanes, synthetic rubber, toys, textiles, furniture and commercial goods such as cloths, toys or footwear (*Wymiana handlowa i aktywność inwestycyjna ...*, 2017). Moreover, around 50% of Chinese exports to Poland consists of components and highly processed products imported often by Chinese, Japanese and Korean factories in Poland; Poland is eager to have these FDI but they generate the trade deficit of Polish-Chinese trade by importing these items (Gradziuk & Szczudlik, 2012). As for recent 2017 trends, Polish exports remain small and prone to changeability; the number of exported Polish copper dropped, while rubber, chemicals, wood materials and ceramics increased; exports of electrics drastically lowered which means that exports of Polish technologically advanced products is lowering (Sarek, 2017). The details of Sino-Polish bilateral trade can be seen in the following tables 1 and 2.

Table 1. The most important goods exported from Poland to China in 2015 and 2016

CN code	Goods	2016 [thousand. USD]	2015 [thousand. USD]	Change (%)
74	Copper and articles thereof	400 700	687 379	-41,7
85	electrical machinery and equipment and parts thereof; sound recorders and reproducers, television image and sound recorders and reproducers, and parts and accessories of such articles	294 180	218 753	+34,5
84	Nuclear reactors, boilers, machinery and mechanical appliances, parts thereof	289 657	287 167	+0,1
94	Furniture; bedding, mattresses, mattress supports, cushions and similar stuffed furnishings; lamps and lighting fittings, not elsewhere specified or included; illuminated signs, illuminated nameplates and the like; prefabricated buildings	146 446	129 449	+13,1
40	Rubber and articles thereof	102 881	81 649	+26,0
87	Vehicles other than railway or tramway rolling stock, and parts and accessories thereof	84 850	56 125	+51,2

CN code	Goods	2016 [thousand USD]	2015 [thousand USD]	Change (%)
39	Plastics and articles thereof	65 064	61 153	+6,4
90	Optical, photographic, cinematographic, measuring, checking, precision, medical or surgical instruments and apparatus; parts and accessories thereof	48 994	39 274	+24,7
26	Metal ores, slag and ash	41 521	20 308	+104,5
04	Milk products, eggs, natural honey and other eatable animal products	35 543	46 971	-24,3

Source: GUS (Central Statistical Office) data; Embassy of Poland in Beijing, Economic Department, 2016

Table 2. The most important goods exported from China to Poland in 2015 and 2016

CN Code	Goods	2016 [thousand USD]	2015 [thousand USD]	Change (%)
85	electrical machinery and equipment and parts thereof; sound recorders and reproducers, television image and sound recorders and reproducers, and parts and accessories of such articles	7 982 015	7 488 429	+6,6
84	Nuclear reactors, boilers, machinery and mechanical appliances, parts thereof	4 870 360	4 938 000	-2,4
62	Articles of apparel and clothing accessories, not knitted or crocheted	1 075 531	975 258	+10,3
95	Toys, games and sports requisites; parts and accessories thereof	995 403	873 759	+13,9
94	Furniture; bedding, mattresses, mattress supports, cushions and similar stuffed furnishings; lamps and lighting fittings, not elsewhere specified or included; illuminated signs, illuminated nameplates and the like; prefabricated buildings	924 011	840 550	+9,9
61	Articles of apparel and clothing accessories, knitted or crocheted	783 532	743 920	+5,3
90	Optical, photographic, cinematographic, measuring, checking, precision, medical or surgical instruments and apparatus; parts and accessories thereof	618 534	568 910	+8,7
64	Footwear, gaiters and the like; parts of such articles	601 616	550 594	+9,3
39	Plastics and articles thereof	532 568	471 722	+12,9
73	Articles of iron or steel	466 150	488 771	-4,6

Source: GUS (Central Statistical Office) data; Embassy of Poland in Beijing, Economic Department, 2016

From ‘Going Out’ to the One Belt One Road: the Background of China’s Enter to Poland

The increase of Chinese FDI has been one of the most impressive developments in global economy since 2001. In 2001 China introduced its “going out” (*zou chu qu*) policy which accelerated after 2008 economic crisis. Since 2013 China has been proclaiming its “new Silk Road” initiative (first as Silk Road Economic Corridor, then as One Belt One Road and recently as Belt and Road Initiative) which is an upgraded and enlarged scheme of the previous “going out” policy.

In accordance with this policy, Chinese central government is supporting Chinese companies that invest abroad in the following sectors: establishing production, resources extraction, engineering, increasing of exports of workers’ services and other. It does so by: governmental subsidies (that cover the investment costs as well as legal, technical costs, consulting, translation etc.), preferential credits (for project valuable at least 1 million USD and for research and development activity in new technologies for at least 500 thousand USD), political support (promotion of companies during official visits, inclusion of certain contracts during bilateral governmental commissions with foreign partners), banking support (China Development Bank China and Export-Import Bank of China; CDBC finances long term projects in infrastructure, energy extraction and transportation, strategic sectors of economy – mining, petrochemical, telecommunication, IT – and supports FDI of Sinopec, ChemChina, CITIC as well as taking over of the foreign companies; Exim Bank supports companies that export advanced technology, electromechanical industry, Chinese goods, such as machinery, construction materials, technology and provides loans and grants for infrastructure investments; Exim Bank is also interested in exploitation of resources, infrastructure projects, research and development centres, taking over; bank provides credits that value at least 1 million USD; Chinese companies may also receive credits from other four big Chinese banks: Industrial and Commercial Bank of China, Bank of China, China Construction Bank and Agriculture Bank of China) and insurance support (China Export & Credit Insurance Corporation, or Sinosure), (Gradziuk & Szczudlik, 2012).

Thanks to capital global expansion and increased investments abroad China wants to achieve several goals: to provide economic security for Chinese industry, to defuse the overproduction in many segments of Chinese economy (e.g. steel works, shipbuilding industries, mining industry, steelworks industry, construction and construction materials, textiles and clothing industries and others), to boost infrastructure exports, to acquire advanced technology and know-how by mergers and acquisitions of already functioning companies, to find business projects for the overcapacity of its

companies and for its abundant financial assets and to create infrastructure schemes (connectivity) to enhance trade and increase imports of natural resources, to find places for capital surpluses and to diversify assets (Sarek 2016, Ledniowska & Koszek, 2014, Góralczyk, 2016, p. 286–288, Xin Zhang 2016, Kalwasiński, 2017a, Idem 2017d, *Gwałtowny...* 2017).

Aside from that China wants to establish global “champions”: big, multinational companies with globally recognized brands that will be able to compete with transnational corporations (here China follows the example of other East Asian countries, such as Japan and Korea, Szunomar, 2016). China has already achieved that goal partially: thanks to Chinese state’s support such companies as Haier, Huawei or Lenovo have been able to become globally recognizable (Gradziuk & Szczudlik, 2012).

Although Chinese companies (usually controlled by state) such as China National Petroleum Corporation, CNPC, China National Offshore Oil Corporation, CNOOC, Sinopec, Nonferrous Metal Mining Group, CNMC, Sinosteel Corporation, China International Trust Investment Company, CITIC invest mostly in Southeast Asia, South Asia, Central Asia, Africa and Latin America – where they import resources and export commercial goods – they also invest in North America and Western Europe in search for advanced technologies, know-how, taking over strategic assets, trademarks and distribution channels, gaining new markets, creating research and development centres to increase its global progress (e.g. Haier, ZTE, Huawei) or bypassing EU trade barriers. Chinese economic engagement in the West is present in three forms: FDI, purchase of bonds and bidding for procurement (Szunomar, 2016, Gradziuk & Szczudlik, 2012).

The dynamic increase in Chinese FDI can be seen in numbers. In 2001 the amount of Chinese outbound FDI consisted of 6,9 billion USD; in 2011 it was already 65 billion USD, which means increase over 10 times in FDI (Ledniowska & Koszek, 2014); in Europe in 2014 alone the investments reached 18 billion USD (*Chinese Investment Into Europe...* ..., 2015); here Chinese FDI is dominated by leasing and business services, followed by banking sector, mining, trade (both wholesale and retail). The most spectacular Chinese FDI in the West are those by TCL, Lenovo, Shanghai Automotive Industry Corporation, BOE Technology, Holley Group, Geely companies (Ledniowska & Koszek, 2014). The most spectacular acquisitions and merges in Western Europe were: purchase of Volvo, gaining access to supervisory boards in Pirelli and Ansaldo Energia in Italy, Rhodia Silica and Alcatel in France, Sunseeker in the United Kingdom and Putzmeister in Germany (Góralczyk, 2016, p. 298)

Central and Eastern Europe (CEE, here understood in the Chinese way as 1+16 region that is: 11 EU member states: Estonia, Latvia, Lithuania, Poland, the Czech Republic, Slovakia, Hungary, Romania, Bulgaria, Slovenia, Croatia and 5 non-EU

members from Balkans: Albania, Bosnia and Herzegovina, Macedonia, Montenegro, Serbia) had long been absent in this global Chinese scheme, despite receiving FDI from other East Asian countries (CEE remains one of the least affected by Chinese investments regions in the world and consequently one of the least known, Bruner, 2010, Scissor, 2010, Babones, 2015, Kublik, 2015). It was due to less attractiveness of this region to the Chinese investors in comparison to Western Europe. Hence, Chinese investments in CEE constitute only around 10% of total FDI in Europe— yet since late 2000s and particularly early 2010s there appeared signs of change. China's search for new markets made Beijing more involved in the region seen in Beijing as a good transit hub and a place for further expansion in Europe. From Chinese perspective the relative attractiveness of CEE was possible thanks to macroeconomic factors, such as labour costs (cheap, skilled workforce), market size, corporate taxes, EU membership (which allows Chinese investors to avoid trade barriers), or, in cases of non-EU members on the contrary: the lack of the EU membership (as it helps Chinese infrastructure projects to materialize easier, without having to meet EU rules and regulations) with time, however, “strategic asset-seeking motives have become more important for Chinese companies in recent years”; Chinese investments are also motivated by the search for brands, new technologies, or market niches that they can fill in European markets and institutional factors (such as investment climate, privatization and public procurement opportunities, political relations between the host country and China and even the size of the ethnic Chinese diaspora, Szunomar, 2016).

In Poland, Chinese investors are interested in big project, mostly in energetics, metallurgical industries, environmental protection and renewable energy (as both owners and as subcontractors, Kalwasiński, 2017a, *Gwattowny...*, 2017). Poland is attractive thanks to its membership in EU (which, among other features of EU membership's attractiveness of a country both for trade and investments projects, means lack of EU as well as Poland's tariffs and stable state institutions), low costs and central location, so it offers the Chinese value for money: “for relatively small money a foreign investor gets access to assets with good development prospects” (Kalwasiński, 2017d). From Poland's perspective, however, the important problem with Chinese FDI is that China's strategy focuses on choosing the best existing companies and taking them over as well as creating the necessary infrastructure for Chinese commercial purposes, it is much less interested in large greenfield investments, so needed in Poland.

In early 2010s Beijing decided to enter the CEE region and did so by upgrading political relations (economy follows politics in China as elsewhere in East Asia). In 2012 China established 1+16 formula (China and CEE countries) in Warsaw to increase its presence in CEE and influence within EU (Johnston, 2016; Turcsányi et al., 2014). Although this politically clumsy formula has been having difficulties to

start working out (Lubina, 2016; for example even the flagship project, Budapest-Belgrade high speed railway did not materialize, Góralczyk, 2016, p. 297); China has nevertheless developed bilateral relations with single CEE countries such as Hungary, Serbia, Latvia, the Czech Republic (Turcsányi et al., 2014) and – to lesser extend – Poland. Beijing has done this under the banner of OBOR/BRI initiative (see e.g. Suzhou Guidelines, 2015) which has become “a political superstructure that provided grounds for measures already undertaken by China which had previously been treated as autonomous moves of a bilateral or multilateral nature” (Kaczmarek, 2015). OBOR/BRI initiative has won hearts and minds of many in CEE region (cooperation with China has been seen as “a promising way of recovering from the recession”, Szunomar, 2016), including in Poland, because the image of China in CEE has undergone a significant transformation since late 1980s.

The impressive economic development of China for long remained socially unnoticed in Poland: only a few people were interested in Chinese affairs. Thus, such issues as violating of human rights in China or Tibet constituted the mass media image of China and dominated in the social consciousness of the Middle Country in Poland. This “Promethean” approach to China has started to change gradually in early 2010s thanks to intensified Chinese investments under going out policy banner and changing attitudes to China among Polish elites. Intensification of contacts was confirmed by signing of the Sino-Polish strategic partnership in 2011 and establishing of China-CEE (1+16) format in Warsaw in 2012. Unfortunately, after this fruitful beginning, Sino-Polish economic relations underwent a serious reality check: the Covec affair.

The ‘Offside’: Covec and Mutual Misunderstandings

In 2009 China Overseas Engineering Group (Covec, a consortium of 37 companies) was the first Chinese company to win a public works in Poland – to construct 91 km of A2 Highway between Warsaw and Łódź (crucial highway linking Euro 2012 football championship). Covec’s investment in Poland was first public works contract in a member state of the European Union and Covec’s first construction investment in Europe. Unfortunately, after disagreeing with Polish partners, Covec abandoned the A2 highway which cast a shadow over Chinese investments in Poland in early 2010s.

After the abandon of A2 Highway both Covec and Polish partners blamed each other for the dispute which was rather a misunderstanding than a purposely hostile action. As Paulina Kanarek (2017) has shown in her research based on interviews with top Polish policy makers and businessmen involved in the “Covec issue”, Covec’s

investment in Poland was “a classic example of project management failure, which was influenced by the communication gap between Polish and Chinese actors, who demonstrated mutual lack of understanding of legal, business and cultural norms and by failure as a result of different targets and expected outcome of collaboration”. Covec has tried to use the model used in the African construction market (offering of the lowest bid and then renegotiating the contract), but unfortunately for Covec, this model couldn’t work due to the European Union’s legal framework and Polish domestic laws. Hence, “Covec was unprepared for entering the EU markets and did not understand the rules of operation in Poland”; its attitude towards investment projects demonstrated was not unlike other Chinese companies’ approach towards law but differed significantly from European Union approach (Kanarek, 2017).

In other words, Covec was ill-prepared to function in European Union’s conditions due to the lack of knowledge and different business culture (it was a clash of two different business mentalities, Góralczyk, 2017). Its failure solidified the negative image of Chinese companies in Poland and created the pejorative image of Poland in China as a difficult market for Chinese companies; it enhanced the reservation businessmen from both countries had towards investing in one another’s countries (Polish entrepreneurs were afraid of Chinese market while Chinese entrepreneurs were ill-prepared to start investment in Poland, (Gradziuk & Szczudlik, 2012). It has also strengthened Polish authorities’ caution approach towards Chinese FDI (Góralczyk, 2017). That is why “Covec’s investment has evaluated as an exemplification of policy failure in Sino-Polish cooperation, which was a result of different targets and expected outcome of collaboration” (Kanarek, 2017).

To make matters worse, Covec’s action has ingrained itself in Polish social psyche and strengthened the anti-Chinese resentments, already present due to ideological reasons. The story of Covec was frequently presented in Polish media in dark colors in relation to Euro 2012 and as such this failed attempt can be described by using a football metaphor as the “offside” of Chinese investments in Poland.

A Quiet, Steady Improvement: Chinese FDI to Poland in 2000s and Early 2010s

Despite the unfortunate story with Covec, however, Sino-Polish trade had been steadily improving throughout 2000s and early 2010s and other Chinese FDI in Poland in early 2010s achieved better results. However, this has largely been overlooked by general public and overshadowed by the Covec affair. Consequently, what happened later: the post-2015 increased cooperation with China, must rather be seen as a continuation of a trend than as a breakthrough.

In 2000s and 2010s, the Chinese companies invested in the following sectors of Polish economy: electronics (production of TV sets and monitors), electromechanical industry, distribution of goods and IT. The biggest investors in Poland in 2000s and early 2010s were the following: 1) electronics: TCL Operations (production of LCD television sets and monitors in Żyrardów); Digital View (production of liquid crystal TV and DVD recorders in Koszalin; this investment ended up in local scandal as Digital View fled Poland after two years without paying the debts and wages), 2) electromechanical industry: Nuctech Compacy Ltd., established its subsidiary Poland in 2005, production of scanners with nuclear technology to scan trains and cars, this company in 2010s invested 20 million euro to produce first outside China factory to build ultra-new scanners in Kobyłka; sometimes Taiwanese TVP Technology (opened its factory in Gorzów Wielkopolski in 2008) is also estimated in the Chinese FDI statistics; 3) distribution of goods: GD Poland in Wólka Kosowska; 4) IT: Huawei Technologies Co. Ltd., in 2004 has established central branch for CEE and Scandinavia in Warsaw, 5) other: Athletic Group, in Słupsk SEE, production of bicycles (company employs 300 people); Min Hoong Development Co. company in Sopot; Minmetals Construction in Warsaw; Yuncheng and Dong Yun factories in Łódź, Dalian Talent Poland (candle production) in Żabno and CNR Cargo Wagon in Warsaw (it terminated its operation soon after opening in 2010, Ledniowska & Koszek, 2014; *Finiał chińskiej...*, 2009; *TPV zapowiada...*, 2008; Grzegorzczuk, 2017, Kalinowska 2011, p. 25–26; Zawisza, 2011)

Beside that there is cooperation between Polish companies and China. KGHM (metals, mining and metallurgy company) has been cooperating with China since 1997 (exports of Polish copper), followed by Kopex (cooperation with Shandong Taishan Jianneng Machinery Group Co. Ltd., which resulted in establishing Tagao Mining Machinery Equipment Manufacturing Co. Ltd. partnership in Taian, Shandong, China). Finally there are popular wholesale and retail Chinese shopping centres in Wólka Kosowska (suburban Warsaw), Jaworzno, Łomża and Radom (Ledniowska, Koszek, 2014). The single biggest Chinese FDI in Poland in 2000s and early 2010s was the purchase of Huta Stalowa Wola's construction machinery section by LiuGong (Gradziuk & Szczudlik, 2012); in 2016 it was overpassed by purchase of Novago.

Nevertheless, despite these FDI, the overall amount of Chinese FDI in Poland (cumulated investment) was rather low: in 2010 it was only 0,4 million USD and even lower in 2011, 2012 and 2013 (NBP, FDI in Poland reports, 2010–2013). This was bound to change in mid-2010s, with the following signs of intensification of economic contracts. LOT Polish Airlines opened its first direct connection with China (with Beijing) and soon Air China followed. China's two biggest banks opened

their branches in Poland: Bank of China and ICBC (Ledniowska & Koszek, 2014; in 2017 third Chinese bank, China Construction Bank opened its Poland branch, too, Kalwasiński, 2017c), for now out of China's "big four" banks only Agricultural Bank of China has not yet opened its branch in Poland (Sarek, 2017). Bank branches were followed by law offices (Yingke Law Firm and Dacheng Law Offices) and greenfield or quasi-greenfield investments (Huawei, ZTE, Lenovo), as well as acquisitions (Wanhua) and joint ventures (Orient Solar, BBKA, Szunomar, 2016). In Łódź Hatrans company in a move that anticipated the OBOR idea opened cargo train from Chengdu to Lodz. In Stalowa Wola Liu Gong company has acquired construction equipment division in 2012 for 300 mln PLN (and its distribution subsidiary, Dressta), while in Kraśnik near Lublin, China's Tri Ring Group Corporation in the same 2013 year acquired Polish Fabryka Łożysk Tocznych (FŁT, one of the biggest Chinese investment in Poland and the most successful one so far), a producer of bearings for the automotive sector (also for 300 mln PLN, Szunomar, 2016, *Polskie Łożyska...*, 2017). Finally, three Chinese companies are on Warsaw's Stock Exchange: Peixin International Group N.V. (production and sale of hygienic articles), JJ Auto CG (production of parts for TIRs and other long vehicles) and Fenghua SoleTech (production of soles for footwear, *Wymiana...*, 2017). All these economic activities predated the political intensification of Sino-Polish relations that happened in late 2015/early 2016.

Chinese FDI in Poland in Mid 2010s: Hopes, Ambiguity, and Modest Results

In mid 2010s new energy in Sino-Polish relations was inserted thanks to OBOR/BRI initiative and Polish reaction to it. Conservative PiS Government in late 2015/2016 made a turn towards China which resulted in intensification on Sino-Polish relations, best illustrated by visits of Polish President Andrzej Duda in China in November 2015, Poland's accession to Asian Infrastructure Investment Bank in April 2016, and China's Chairman Xi Jinping's visit to Poland in June 2016. Since then China, and particularly its OBOR/BRI project, became the part of the mainstream political and media discourse in Poland (for details, see: Lubina, 2017). With time, however, Warsaw's approach towards China and Chinese investments became ambiguous, if not contradictory, with signs of both willingness to cooperate and caution over the outcomes.

On its part, China in 2015 has "noticed the changing of the guard (in Polish politics) that took place through Poland's presidential and general elections"; initially Beijing was concerned by PiS victory as Zhongnanhai was uncertain and afraid of the new government in Warsaw's China policy; however, "these concerns were assuaged

by the new Polish government's first year in office, which saw intensive political dialogue" (Szcudlik, 2016). This resulted in the above mentioned visits and meetings, followed by Polish Prime Minister Beata Szydło's visit to Silk Road Forum in Beijing in May 2017 (where many Western European leaders were absent) Chairman of the Standing Committee of the National People's Congress Zhang Dejiang visit to Poland in July 2017. Nevertheless, Warsaw's approach towards China has been ambiguous: PiS government has been sending contradictory signals. On the one hand there was intensification of top-level relations and a clear eagerness to bandwagon to OBOR/BRI project. On the other hand there was no follow-up on the central level after Xi Jinping's visit and – to make matters worse – in late 2016 Poland's Defence Ministry in a well-publicized move has nullified the public bid for allotment in the center of Łódź that was intended to become the reload centre for the Łódź-Chengdu train (Hatrans, a Polish-Chinese joint venture, with dominant Chinese capital planned to increase the capacity of Łódź-Chengdu trains, Frąk, 2017). The decision on allotment caused a considerable debate in Poland over Chinese investments (for details, see: Lubina, 2017) and most probably reflected an internal split within PiS government between the supporters of rapprochement with China who represent the economic and higher education resorts (President Andrzej Duda, Prime Minister Beata Szydło, Deputy PMs Mateusz Morawiecki and Jarosław Gowin) and the their opponents, with Defence Minister Antoni Macierewicz at the helm, who advocate stronger Polish-American ties and see Chinese influences as a threat more than a challenge (*Polska nie wykorzystuje...*, 2017, Kalwasiński, 2017d). This all has caused doubts over Poland's commitment to closer cooperation with China and Warsaw's stance on Chinese projects; doubts that are absent in neighbouring countries, particularly in Hungary (Góralczyk, 2016, p. 297). As for the regional authorities (self-governments, or local governments units, LGUs: communes, sub-regional – counties, town/cities/municipalities) who are often active in attracting and keeping FDI (Świerkocki eds., 2011), there is considerably more enthusiasm for attracting Chinese FDI and less anxiety. Traditionally the most "China-enthusiastic" and "China-oriented" region has been Pomerania followed by such cities as Łódź, Kielce and Częstochowa: they all started cooperation in 2000s and early 2010s (Gradziuk & Szcudlik, 2012). In mid 2010s, however, new regional cities and towns started hoping to bandwagon to the "Chinese wind"; thus "the lack of agreements on central level is compensated by many agreements on regional level" (Góralczyk, 2016, p. 298) Nevertheless, the overall results are mixed so far.

According to National Bank of Poland (NBP) data, in 2014 Chinese investments in Poland amounted to 83 million USD, while in 2015 Chinese FDI amounted to only 3,9 million USD (NBP, FDI in Poland reports 2014 and 2015). According to

Rhodium Group between 2000 and 2016 Chinese FDI to Poland amounted to 936 million euro, while in 2016 alone it was around 563 million USD (462/474 million euro), (Hanemann & Huotari 2017, *Rising Influence...*, 2017, Kalwasiński, 2017a). Moreover, as PAIIZ (Polish Agency of Information and Foreign Investments) claims, in 2017/2018 Chinese companies may invest in Poland another 409 million euro in six big investments (Kalwasiński, 2017b).

In Kutno the Chinese are going to build container terminal. In Opole Hongbo company has bought 8-hectar's area (cost: 78 million USD) to build LED lamp factory. In Lublin Coal Basin China Coal (with Australian Prairie Mining as the major investor) has signed an agreement to create and finance Jan Karski coal mine (investment share is more than 630 million USD, the exploitation should start in 2023). . Another important take over was that of Shuanghui, which acquired Delphi car parts factory (part of Animex) near Warsaw. Near Gdańsk Pinggao company (part of the State Grid Corporation of China) won a bid to modernize and construct electric grid (400/110 kV) on Żarnowiec-Gdańsk Błonia line, while Sinohydro company has signed a deal worth 155 mln PLN to construct 67-kilometer part of the electric grid between Chełm and Lublin (yet those two investments should not be counted as Chinese FDI because they are financed by Polish PSE-Operator and constructed by Polish subcontractors). Finally, three most famous Chinese merges/acquisitions in Poland in 2016: ACE Poland company (belongs to China Three Gorges, CTG) bought Portuguese EDP Renováveis S.A. assets (renewable energy: wind farms) in Poland and in Italy; in August 2016, China Everbright International bought Mława-based waste processing company Novago, alternative energy resources leader, for around 123 million euro (approx. 116 million USD); while the only big greenfield investment was new warehousing facility in Gdańsk build by Suzhou Chunxing, worth 42 million USD. Air China opened second direct flight from Warsaw to Beijing (with plans to open third, to Shenzhen and Poczta Polska (Polish Post) signed cooperation agreement with China Post in September 2017, under which Polish Post will dispatch Chinese goods to thirty European countries (Kalwasiński, 2017a, *EDPR to ...*, 2017, *EDPR...*, 2017, VoW, 2017, HKTD, 2017, *Wymiana handlowa i aktywność inwestycyjna ...*, 2017; Góralczyk, 2017; Lentowicz, 2017; *Chińczycy w Kutnie...*, 2017; *Chińskie firmy...*, 2017; *Coraz bliżej...*, 2017; Woźniak & Walewska, 2017; *Nowy Jedwabny Szlak staje się faktem...* 2017)

In terms of the structure of these investments, some are mergers/acquisitions (Novago), other are greenfield (Hongbo, Chunxing), though the former still constitute the majority (Kalwasiński, 2017a, *Gwałtowny...*, 2017). The list of most important Chinese FDI is presented in Table 3.

Table 3. The list of most important Chinese FDI in Poland in 2000s and 2010s

Name of the company	Type of investment	Name of the acquired company	Place of existing company/ green-field investment	Sector	Estimated cost	Year
Nuctech Ltd.	Greenfield	X	Kobyłka	Scanners	Euro 20 mln	2005
TCL Corp.	Acquisition	Thomson	Żyrardów	LCD production	Euro 65 mln	2007
Yuncheng	Greenfield	X	Łódź	Labels, polygraph article	Euro 10 mln	2009
Haoneng Packaging	Greenfield	X	Skawina	Labels	X	2011
Tri-Ring Group Co.	Acquisition	FET	Kraśnik	Bearings		2013
Hongbo	Greenfield	X	Opole	Lamp factory	USD 78 mln	2016
China Three Gorges Corporation	Acquisition	EDP	Margonin, Korsze, Pawłowo, Jędrzychowice, Zgorzelec, Iłża, Radziejów	Renewable Energy		2016
China Everbright Intl.	Acquisition	Novago	Mława	waste processing	Euro 123 mln	2016
Suzhou Chunxing	Greenfield	X	Gdańsk	warehousing facility	USD 42 mln	2016

Source: calculation based on: GUS (Central Statistical Office) and Polish Embassy in Beijing data.

On the other hand, these results are still unimpressive. The record 563 million USD investment in 2016 was scored mostly thanks to three investments (acquisitions of Novago and EDP and Chuxing factory) and this result must be compared with all Chinese FDI in Europe: seen against this background, Poland's result pales into comparison with Germany (11 billion euro) and even Hungary (approx. 2 billion euro); both the Czech Republic and Hungary overpass Poland in exports to China (and Slovakia is catching up, *Polska ma...*, 2017). That is why despite opinions about "Chinese wave" coming to Poland (*Pyffel: Chińska fala...*, 2017) are so far "official optimism" only. In real number Chinese FDI constitute only a "small wave" (Kalwasiński 2017d). To make matters worse, first half of 2017 saw the positive trend of increased Chinese FDI in Poland being reversed. First, the decline of Chinese FDI

in Poland must be mentioned: except for opening China Construction Bank branch in Poland, there has not been any new investment in Poland, neither in the form of takeover or greenfield, and regional LGUs were unable to attract any new important Chinese FDI (Sarek, 2017). Second, plans for big Chinese investments in 2017/2018 announced by PAIIZ (now PAIH, Polish Investment and Trade Agency) so far have not materialize. PAIH does not provide any details about these investments and was unable to conclude them before mid-2017 (Sarek, 2017); the Agency admits that “the Chinese are difficult partner. When we talk with one Chinese partner at the same time we are able to service two-three investors from Japan or Korea” (quoted in: Woźniak & Wolewska, 2017). Third, in July 2017, China Security & Fire (CS&F) that initially declared to acquire “Konsalnet”, the vice leader of the security market in Poland (and a subcontractor for Polish Defence Ministry) for 110 million euro, surprising declared its resignation from transaction in July 2017. Security concerns were cited among reasons, but the most probable ones were financial problems of CS&F that made it impossible to finish the process of purchasing Konsalnet. Fourth, in March 2017 China Coal Energy’ portfolio investments in 5,54 shares of Bumech turned out to be a stock exchange manipulation attempt and is now under criminal proceedings (Sarek, 2017). Fifth and final, great plans for Sino-Polish cooperation on central level (such as cooperation in building Central Airport, Chinese share in Polish energy plants, coal industry, atom energy or railway infrastructure) remained on paper or even worse (Majmurek, 2017). Sławomir Majman, former director of PAIIZ (Polish Agency of Information and Foreign Investments) and a staunch supporter of closer cooperation with China, leaves no illusions: “none of the projects (Sino-Polish logistics park in Łódź, Chinese presence in reconstruction of Polish container terminals or in the Central Airport) presented by Polish side (during Duda-Xi summit in June 2016) moved an inch forward” (quoted in: Woźniak, Walewska, 2017).

Hence, the results of Chinese FDI in Poland in recent years in mixed. There are various reasons for this situation. To start with, results are not impressive and certainly do not match the grandiose public declarations and plans announced during political rapprochement between Warsaw and Beijing (*Wspólne oświadczenie...*, 2016). In reality, intergovernmental documents sign during Sino-Polish summits are few and slow in implementation. Polish government still lack an overall strategy of attracting Chinese FDI, particularly private ones. It concentrates its efforts in contacts with the Chinese side on (so far unsuccessful) attempts to promote Polish food in China (Chinese market remains closed for Polish poultry, pork and beef, apples so far failed to achieve success and only exports of milk products remain stable), on attracting Chinese infrastructure investments (encouraging Chinese companies to bid for public tender offers which is questionably attractive for Poland given the fact that payment would

be done by Polish public money or by Chinese credits that would need to be repaid), or planning to create transport hubs that would only enhance import of Chinese goods (Sarek, 2017). Furthermore, as one well-informed Polish political scientist and former diplomat summarized, “on the central level we (Poles) accept Chinese initiative in a wary way, we are usually reactive, not initiative-oriented, and we react with delays to what is happening”; according to him, there is much more enthusiasm to Chinese FDI on the local level (Góralczyk, 2017). On the other hand, however, there is “more words than action” in LGUs: enthusiasm for attracting Chinese FDI is balanced by the lack of knowledge of how to attract them and lack of proper coordination of action between central government and LGUs. The outcome is “hollow preaching” about “great opportunities” in cooperation with China repeated by local civil servants on many economic forums and conferences – and little results. Other reasons lie on the Chinese side. The lack of Chinese investors’ perception of Poland as an attractive country must be blamed as the first reason. Except for production and services sectors and real estate in Warsaw (but only in Warsaw, other big Polish cities such as Kraków, Poznań or Gdańsk are beyond Chinese interest) “Chinese investors do not consider Poland as an attractive destination” (Sarek, 2017). Second, some of Chinese investors’ predatory style of taking over new technologies/know-how from acquired companies make many people to have second thoughts about Chinese FDI (discrepancy over control over investments between Chinese investors and Polish state led to withholding of BGK-ISBC plans to establish a technological start-up support fund). Finally, contrary to all Chinese rhetoric about “win-win cooperation”, in many areas economic interests of Poland and China are diverged. Overall, “the lack of tangible results in bilateral economic cooperation with China results not only from the lack of coordinated and energetic actions of the Polish authorities but also from discrepancies or at least lack of common interest between Poland and China in many areas” (Sarek, 2017).

Concluding Remarks

Despite much proclaimed Sino-Polish cooperation under OBOR/BRI banner, the economic results of Sino-Polish political rapprochement are modest which is best seen in the situation Chinese FDI in Poland. China has a huge and growing asymmetry in bilateral trade, while Chinese FDI in Poland in last year (2016) increased, to decrease in 2017 and still remain small in comparison with Western Europe or even Hungary.

There are several reasons for modest Chinese FDI in Poland. Politically, Poland still lack an overall strategy of attracting Chinese FDI, while the coordination between

central government and LGUs is weak. Polish authorities put much more effort on promoting Polish food in China (so far with little results) than in establishing a systematic strategy of attracting Chinese FDI. Finally, they are torn between hopes for economic benefits and anxieties over security concerns. On regional governments (LGUs) level there is much more enthusiasm over cooperation with China, yet, judging by mid-2017, this still does not translate into concrete, ground-breaking results. Even on the regional level there is still much more talk than real action. Equally important for the unimpressive result of Chinese investments to Poland is the attitude of the Chinese side. Chinese investors are not rushing to Poland: with the exceptions of some niches, they do not consider Poland as an attractive country. Hence, they choose other destinations and do not even bother to attend Sino-Polish political summits (and Polish politicians, diplomats and economists are unable to convince them to change their mind). As for Chinese politicians, they care mostly to increase Chinese export to Poland, enhance already existent in Poland Chinese companies' expansion (Huawei) or promote infrastructure projects on Chinese terms. Hence, the overall picture that emerges from this situation is that Chinese FDI in Poland do not make an economic game changer for Poland and unlikely will in the future.

The political implications for this situation are clear: although economic cooperation does not follow the political rapprochement between China and Poland, both governments do not mind as they can still use Sino-Polish relations in their respective "soft powers" (both domestically, in case of Poland, and internationally, in case of China).

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