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Poland-China Strategic Partnership: Waiting for More Results

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Scheduled for 22–27 November, Polish President Andrzej Duda's visit to China will take place at a significant moment, just after a change of government in Poland, during the fourth "16+1" summit, and on eve of the fourth anniversary of the Poland—China strategic partnership. Reinvigorated in recent years, bilateral relations have resulted in intensive political dialogue but modest economic cooperation. The president should go to China with two main messages, one of reassurance that the PRC remains an important partner for Poland, and the other indicating a push for tangible economic cooperation.

In December, Poland and China will be celebrating the fourth anniversary of the strategic partnership declaration signed during the visit to the PRC by former Polish President Bronisław Komorowski in 2011. Duda's upcoming visit to China (22–27 November), as well as his presence at the fourth "16+1" summit in Suzhou, is the right time to confirm that Poland's new government perceives the PRC as an important political and economic partner, to evaluate achievements to date, to identify challenges and problems, and to define the work that must be done in order to fill out the strategic partnership with real content.

Robust Political Dialogue. In recent years Sino—Polish relations have been reinvigorated significantly. The most visible sign of this trend is an intensive and institutionalised political dialogue. Currently, relations are carried out on at least three levels: bilateral, sub-regional and the EU.

The bilateral level includes central and local platforms of cooperation. The central one embraces state visits and other meetings under the institutional framework, such as annual strategic dialogue, but also various new institutions such as the new Consulate General in Chengdu, the Centre for Polish—Chinese Economic Cooperation within the Polish Information and Investment Agency, the new post of Representative of the Ministry of Agriculture and Rural Development at the Polish Embassy in Beijing, and others. The local tier embraces cooperation between provinces, voivodeships, counties and cities, including institutions such as liaison offices, annual Poland—China regional forums, bilateral agreements, and more.

A rather new form of cooperation is at sub-regional level, within the "16+1" framework established in mid-2012. Within this format there are both high level meetings, such as annual summits of heads of governments, and lower level events, including meetings of local leaders, think tank summits, educational dialogue, and so on. Generally, this cooperation is conducted in line with the comprehensive guidelines adopted at annual summits. The EU level includes both EU—China summits and other meetings within the EU framework, such as sectorial dialogues and others.

The strategic partnership declaration is, alongside a multi-dimensional political dialogue, perceived as a political umbrella under which Chinese business and local governments can feel confident while cooperating with Poland. This political scheme serves as an indispensable instrument for the implementation of economic cooperation, which is Poland's main priority in relations with China.

Modest Economic Cooperation. The forthcoming decrease in EU funds for Poland, saturation of the European market (which accounts for about 80% of Polish trade), and the rising significance of Asia, with China at the core, mean that Warsaw needs to pay more attention to Asian markets. This region is a potential source of capital, a huge and receptive market, and an investment destination. In that sense Poland's economic goal regarding cooperation with

China is to expand exports and attract Chinese investments, mainly greenfield and brownfield, as they entail technology transfer and the creation of jobs. Poland is also interested in taking part in infrastructural projects in Asia, which is becoming the biggest construction site in the world, as a means of gaining knowledge about this market, launching cooperation with Asian companies, entering and then securing new outlet markets, and so on.

But, despite intensive political dialogue, economic cooperation is still modest and the huge negative trade deficit on the Polish side (€15 billion) has not been narrowed. In terms of imports, China is Poland's third biggest economic partner after Germany and Russia. What is more, the structure of trade is unfavourable, as about 40% of Polish exports include unprocessed goods such as raw materials (base metals, chemicals and plastics), which are susceptible to global price fluctuations. China's decreasing imports of raw materials such as copper, Poland's main export to China, recently increased worsened this situation. Moreover, China still upholds a 2014 ban on Polish pork (representing a significant part of Poland's exports to China), after two cases of ASF in eastern Poland. Further, Poland is still awaiting export certificates for agricultural products, which is especially important after Russia imposed sanctions on Polish fruit and vegetables and.

The volume of Chinese investments in Poland is unsatisfactory too. In 2013 the total amount of Chinese investments reached about \$266 million, which represents only 0.14% of the total foreign capital in Poland. The latest big Chinese investments were the acquisition of the civilian part of Huta Stalowa Wola in early 2012, and in Kraśnik, the biggest bearing factory in Poland, in 2013. Since then there have been only a few examples of Chinese investments on the Warsaw Stock Exchange.

Upcoming New Opportunities. Regular and intensive political dialogue are the tangible results of four years of strategic partnership. In the past 20 years, Beijing perceived Europe through the prism of the "old" EU Member States, but Poland is no longer insignificant within China's foreign policy agenda. Another example of Poland's increased status in relations with China is the "16+1" format, launched in Warsaw during prime minister Wen Jiabao's visit to Poland in April 2012. Poland is the largest country among the "16," and is seen in Beijing as an informal leader. As a result, Poland has an impact on the "16+1" agenda and advocates the significance of this framework on the EU level. In that sense, cooperation with China should be viewed in the long-term perspective. So far, bilateral relations between Poland and China and the "16+1" formula have been used by China as a means to gain knowledge about the region's markets, investment conditions, and so on.

It seems that the China's ongoing learning process is aimed at preparation for implementation of its flagship "One Belt, One Road" initiative. Despite the vagueness of that project, it seems that it will result in a global pivot to China, and will be a toolkit for maintaining high economic growth though dispatching overcapacities, investments of China's huge exchange reserves, and infrastructural projects implemented by Chinese companies requiring internationalisation. In that sense, this concept creates a huge opportunity to fill the strategic partnership with real economic content.

From the very beginning (late 2013), Europe and Poland were included in the Silk Road. This approach was confirmed at the second "16+1" summit in Bucharest, and China embraced the existing cargo train connections between Łódź and Chengdu as part of the Silk Road project. The extension of this connection to Xiamen (Fujian province), located in the newly established experimental Free Trade Zone, in which customs and other procedures are quicker and simpler, as well as an application to include the Łódź terminal in the Łódź Special Economic Zone are hard examples of the few tangible results of cooperation under the Silk Road initiative. There are also plans for building multi-modal logistic hubs in Łódź and Małaszewicze. The latter, on the border between Poland and Belarus, is on the Zhengzhou-Hamburg cargo line operated by Poland's PKP Cargo.

Apart from new instruments for expanding bilateral trade, China is opening a new opportunity for Polish investments in Asia, and directing Chinese and Asian investments to Poland, using newly established financial institutions such as the Asia Infrastructure Investment Bank (AIIB) and the Silk Road Fund. As Poland is a founding member of the AIIB and is now beginning to cooperate with the Silk Road Fund, Polish entrepreneurs have an additional tool for gaining knowledge about Asian and Chinese markets, accessing the financial means to participate in new infrastructural projects, and building institutional connections with Asian financial bodies. Such opportunities have so far been absent in relations between Poland and China/Asia.

Conclusions. Duda's visit to China is taking place at a special time, just after the change of government in Poland, during the fourth "16+1" meeting (to be held, for the first time, in China), and on the eve of the fourth anniversary of the Poland—China strategic partnership. The new Polish government begin its relations with China on a well prepared political and institutional foundation. In that sense, the president's visit may be used to give China two main messages. The first one is to reassure Beijing that, under the new Polish government, China will remain Warsaw's most important partner in Asia. The second message should focus on economic cooperation, with a special stress on Polish interests such as mainly increasing exports and also attracting investments. After years of mutual probing, the signing of the strategic partnership declaration, new formats of cooperation, and new institutions, it is high time that such efforts bore economic fruit for Poland. The president, as well as the huge business delegation that will accompany him to China, could concentrate on unsolved problems in bilateral relations, such as the ban on Polish pork, obtaining certificates for Polish agricultural products, and the AIIB. The latter issue seems to be an important topic as Polish entrepreneurs are not aware of the existence of this instrument and its tasks. The president could also assure China that, by the end of this year, Poland will have ratified the AIIB documents to become a fully-fledged founding member of the bank.