

## **CHALLENGES IN ECONOMIC RELATIONS BETWEEN CHINA AND THE CENTRAL AND EASTERN EUROPEAN COUNTRIES - A POLISH PERSPECTIVE**

Dr Katarzyna Anna Nawrot<sup>1</sup>

*Abstract:* The economic relations between China and the Central and Eastern European countries have evolved significantly since the establishment of the People's Republic of China and the independence of the Central and Eastern European countries over the course of the 20th and 21st centuries. The milestone in both the bilateral and multilateral relations between China and the Central and Eastern European countries was marked during the China-Central Europe-Poland Economic Forum held in Warsaw in 2012 and further accelerated by the announcement of the New Silk Road by President Xi Jinping in 2013, followed by the establishment of the 16+1 cooperation framework. The evolution of the relationship in recent years clearly demonstrates the challenges China and the countries of the region have faced. The main issues in the economic dimension remain the trade imbalance and the investment asymmetry, and as shown in the aftermath of the COVID-19 pandemic, the shortages in the supply chains indicate the need for its diversification. Furthermore, there is disappointment in the Central and Eastern European countries regarding the lack of tangible results in multilateral cooperation and competition between the countries of the region rather than a holistic and harmonized approach. In this paper, those issues will be the subject of a discussion undertaken from the Polish perspective. The author used secondary data as a basis for qualitative and descriptive statistical research analysis. The scope of the research covers the flows of trade and capital, in particular in the form of foreign direct investment (FDI), and refers to bilateral relations between Poland and China. In numerous aspects, the analysis was

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<sup>1</sup> Assistant Professor, Polish Academy of Sciences, Committee of Future Studies,  
e-mail: nawrotini@gmail.com

extended to the Central and Eastern European countries (CEEC). The time series ranges from 1999 to 2019.

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## Introduction

In the last three decades since opening up, China has surpassed numerous developing countries and emerging markets in terms of development and modernization, noting faster economic growth and, moreover, social change. As a result, poverty has been eradicated, lifting up a historic number of people, in the hundreds of millions, living below the poverty line and achieving higher human development, as reflected in life expectancy, literacy, and income. According to the United Nations Development Programme (UNDP) and the World Bank, China is classified as a country of medium human development and upper middle income (UNDP, 2022; World Bank, 2022).

China thus stands as one of the world's most powerful economies next to the EU and the US. It has become the world's biggest exporter (WTO, 2016) and is on its way to becoming the world's biggest economy, according to international estimates based on the country's share of global GDP. The potential of the Chinese economy and its prospects for further growth and development is unprecedented, and the growing interdependence between economies, including the Central and Eastern European countries and China, underpins the importance of strengthening mutual ties and building a comprehensive and strategic partnership in bilateral and multilateral terms. However, the evolution of the relationship in recent years clearly demonstrates the challenges China and the countries of the region have faced. They can refer to economic and political dimensions. The undertaken approach in the paper refers to the economic dimension. The main issues in the economic dimension remain the trade imbalance and the investment asymmetry, and as shown in the aftermath of the COVID-19 pandemic, the shortages in the supply chains indicate the need for its diversification. Furthermore, there is disappointment among the Central and Eastern European countries regarding the lack of tangible results in multilateral cooperation and competition between the countries of the region rather than a holistic and harmonized approach.

Therefore, in this paper, those issues will be the subject of a discussion undertaken from the Polish perspective. The paper is structured as follows.

First and foremost, the historical context and current trends in China-Central and Eastern European relations will be presented from a broader regional perspective. The institutional mechanism of economic relations will be further discussed, in particular, the evolution and challenges of a trade pattern between Poland and China and the investment flow between the two countries in the broader context of the CEECs. Moreover, the role of Central and Eastern Europe in collaboration with China will be addressed in the subsequent part of the paper, which discusses the economic challenges for further cooperation between China and the Central and Eastern European countries. The paper concludes with a recommendation for enhancing mutual relations while proposing a framework identifying areas of common goods for interregional cooperation.

In the paper, qualitative methods and descriptive statistics were used based on secondary data. The scope of the research covers the flows of trade and capital, in particular in the form of foreign direct investment (FDI), and refers to bilateral relations between Poland and China. In numerous aspects, the analysis was extended to the Central and Eastern European countries (CEEC). The time series ranges from 1999 until 2019.

### **Historical background of the relationship between Central and Eastern Europe and China**

The economic and political relations between China and Central and Eastern Europe have evolved significantly since the establishment of the People's Republic of China and the independence of the Central and Eastern European countries from the Soviet Union over the course of the 20th and 21st centuries. The initiative to revitalize the ancient Silk Road, launched by Chinese President Xi Jinping in Astana in 2013, quickly captured international attention not only in Central and Eastern Europe, but also in the Pacific Islands of Fiji, through Australia, South East Asia, and Central Asia, to the Middle East, Europe, and Americas. The idea of a New Silk Road soon transformed into the "One Belt, One Road" (OBOR) concept and gradually into the institutional framework of the Belt and Road Initiative (BRI), with different mechanisms and platforms connecting not only countries and peoples along the ancient silk routes but the world economy at large.

The Belt and Road Initiative, as a transcontinental framework of cooperation, has been recognised in Central and Eastern Europe as a great opportunity for the countries of the region to strengthen economic ties with

the largest emerging market, China, and to boost economic growth and development, which has translated into the prosperity of societies.

Despite the long history of international relations between China and Central and Eastern Europe, as the countries from the region were among the first to recognize the establishment of the People's Republic of China, the economic and political relations of the CEECs with China were rather limited during the first decade of transformation compared to those of Western Europe, and did not attain the highest priority in the foreign policies of their countries. The relations were not unaffected by the collapse of communism, which was marked by the fall of the Berlin Wall in 1989, followed by the unification of East and West Germany, the economic transformation of the Central and Eastern European countries into market economies, and last but not least, the enlargement of the EU. The countries of the region mostly concentrated on restructuring their economies and adjusting to the new political system while resetting their position in a Europe under transformation. Therefore, the current economic relations still do not reflect the potential of Chinese markets and do not make the most of the possibilities offered by the Central and Eastern European economies.

A breakthrough in mutual relations between China and the Central and Eastern European countries was marked during the China-Central Europe-Poland Economic Forum held in Warsaw on April 26, 2012. During the Forum, twelve proposals were put forward by Chinese Prime Minister Wen Jiabao to promote cooperation with 16 countries from the region, namely Albania, Bosnia and Herzegovina, Bulgaria, Croatia, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Macedonia, Montenegro, Poland, Romania, Serbia, Slovakia, and Slovenia. The establishment of a common secretariat was a priority, as a platform serving to facilitate the implementation of the proposals. The official establishment of the Secretariat for Cooperation with Central and Eastern Europe in Beijing followed the same year, in September, when it was set up by the Chinese Ministry of Foreign Affairs.

What followed was the establishment of the 16+1 cooperation framework between the Central and Eastern European countries and China in 2013. The 16+1 mechanism, being a part of the New Silk Road initiative, became a platform for strengthening ties between Central and Eastern Europe and China, with a focus not only on the individual countries' interests and bilateral economic benefits for the stakeholders involved, but on a broader and more useful collaboration towards shared goals. Within this framework, the 16+1 summits – bringing together the heads of

governments of the Central and Eastern European countries and China – were set to be held once a year and were perceived as an important forum for discussion on economic cooperation within the framework of the dialogue. The Polish perspective within this structure was to create good conditions to attract mutual investments and enhance transportation routes serving as an intercontinental platform. All this was supposed to accelerate the flow of goods in both directions. For Poland, logistic connectivity and the enlargement of infrastructural fundamentals have become one of the most important initiatives of cooperation. Within the 16+1 Dialogue, Poland:

- chairs the Secretariat for the Central and Eastern European Countries in Beijing;
- runs the Secretariat for Contact Mechanism of Investment Agencies;
- runs the Secretariat of Business Councils, with the goal of gathering chambers of commerce and other business associations.

A Contact Mechanism for the Investment Promotion Agencies of China and the CEE Countries was further established to promote 16+1 cooperation, in particular in two-way investment between China and the CEECs. The task of the Contact Mechanism for the Investment Promotion Agencies of China and the CEE Countries was to:

- establish mechanisms,
- build a communication platform,
- organize activities,
- promote projects.

Meetings among the heads of the investment promotion agencies of 16 countries from the CEECs and China further led to the establishment of a Secretariat of the Contact Mechanism for the Investment Promotion Agencies of China and the CEE Countries.

The initiatives that were undertaken almost ten years ago (2012-2022) were perceived as a good sign of strengthening the cooperation between China and the Central and Eastern European countries, with Poland as the largest market in the region. The Chinese leaders stressed on several occasions that consolidating cooperation between China and the Central and Eastern European countries was an important component in enhancing China-Europe cooperation, which should help China and Europe make joint efforts to tackle challenges and promote their comprehensive and strategic partnership to a higher level.

A decade after the implementation of the 16+1 formula of cooperation and of rejuvenation of the Silk Road, numerous challenges have emerged. The 16+1 formula evolved first to the 17+1 cooperation framework after including Greece (see fig. 1 and 2), and recently went back to 16+1 after Lithuania withdrew from the framework.

Figure 1 - European countries involved in the 17+1 cooperation framework



Source: Author

Figure 2 - Cooperation framework 17+1



Source: Author

Despite the fact that hopes and expectations of strengthening ties with China were prevalent among the Central and Eastern European countries with the start of the New Silk Road initiative, they blurred with time. The initial optimism among the CEECs has significantly decreased and has been replaced with a rather sceptical and cautious stance as a result of the not so economically effective outcomes as expected over the last ten years of cooperation. The criticism was related to the fact that political declarations initiated by the Chinese leaders and the leaders of the CEECs are not necessarily translated into the real economy.

It must be stressed, however, that communications between China and the Central and Eastern European countries, as well as between the Central and Eastern European countries themselves, have increased significantly since the reestablishment of mutual ties. This was due to numerous political visits at the national, sub-regional, and EU-level; common cooperation mechanisms; people-to-people contact; the flow of tourists; the exchange of students and scholars; and last but not least, trade and cross-border investments. It contributed enormously to better understanding and building trust between the partners. This has been an achievement of great importance. However, it seems that the COVID-19 era put economic and

political relations on hold on both sides. In terms of the economy, there has been a clear disruption in supply chains. In the political and social dimensions, the perception of China has deteriorated due to the narrative related to the pandemic, its causes, and its cost to nations, societies, and ordinary people. China's position towards Russia's invasion of Ukraine is further worsening the image of China, especially in the Central and Eastern European countries.

Despite the existing challenges, the coherent and comprehensive cooperation of the Central and Eastern European countries is required, including their governmental resorts and institutions, inter-provincial, city-to-city cooperation, and people-to-people dialogue. Among the problems remains the lack of a clear European position towards China, and hence there is no developed strategy at the level of the European Union or the CEECs in that respect. Individual CEE countries, including Poland, take more individual actions aimed at spurring trade and attracting foreign investors from China on a bilateral level. In addition, that trend has been strengthened by the economic crisis, Brexit, and nationalistic tendencies in numerous European countries, revealing the change in the attitude of individual states towards China. As a result, rather than competing to attract Chinese investors to their individual markets, the countries of Central and Eastern Europe should elaborate on their common vision, strategies, and concrete infrastructure and investment projects. Furthermore, certain Central and Eastern European countries are part of the European Union market. As such, the policy towards China should not be inconsistent with the European Union's policy. Moreover, it should all fit into the broader landscape of Europe – spreading geographically from the Gibraltar Strait to the Ural Mountains. It means long-term vision and strategic cooperation not only with the CEECs but also with the UK, France, Germany, and other EU and non-EU member states. Last but not least, Russia should not be forgotten in the bigger picture, as the closest neighbour of China, declaring its support for integrating the BRI with the Russia-led Eurasian Economic Union and allying with China in terms of the Ukrainian war.

## **The evolution of trade and investment patterns - from a Polish perspective**

### **Trade pattern**

Trade has been the most important form of cooperation between China and the Central and Eastern European countries. China's most important trading partner among the countries of Central and Eastern Europe is Poland, followed by the Czech Republic, Hungary, and Romania (see Table 1). Asymmetry in relations with China – as shown in the data in Table 1 – is a characteristic feature of the trade turnover of all of the countries in the region. It is also one of the most pressing issues in terms of the economic dimension of relations. It was thought that greater collaboration between China and the nations of Central and Eastern Europe would have provided an opportunity to balance China's economic exchange. Chinese exports are far more dominant in all the countries of the region, with a constantly growing trade deficit in the majority of cases. In the example of Poland, the reasons for such a situation can be seen, *inter alia*, in the relatively low competitiveness of the Polish export offer to the Chinese market and insufficient promotional activities. Nevertheless, significant changes took place in the commodity structure of the Polish foreign trade turnover, and there was visible technological progress as well as an improvement in the competitiveness of the Polish economy. However, reducing the current asymmetry will require specific projects and effective actions, which will not be possible without active support from state institutions, consisting of the creation of a long-term and comprehensive strategy towards China. Among other activities, it is necessary to emphasize the legitimacy of promoting Polish products and enterprises, as well as the implementation of tools to stimulate the activities of Polish entrepreneurs.

Table 1 – Foreign trade between China and selected CEEC, 2019 (in euro)

Country	Exports	Imports	Total trade turnover	Trade balance
<b>Poland</b>	2 651 303 999	20 535 952 572	23 187 256 571	-17 884 648 573
<b>Czech Republic</b>	2 146 403 795	14 806 472 413	16 952 876 208	-12 660 068 618
<b>Hungary</b>	1 455 546 963	7 469 956 625	8 925 503 588	-6 014 409 662
<b>Romania</b>	612 004 641	4 536 683 748	5 148 688 389	-3 924 679 107
<b>Greece</b>	892 466 339	4 061 275 531	4 953 741 870	-3 168 809 192
<b>Slovakia</b>	1 689 827 117	2 903 834 555	4 593 661 672	-1 214 007 438
<b>Slovenia</b>	435 354 656	2 015 539 261	2 450 893 917	-1 580 184 605
<b>Bulgaria</b>	813 521 109	1 484 103 069	2 297 624 178	-670 581 960
<b>Lithuania</b>	277 027 365	928 730 167	1 205 757 532	-651 702 802
<b>Croatia</b>	108 264 232	725 862 252	834 126 484	-617 598 020
<b>Estonia</b>	172 587 986	650 806 369	823 394 355	-478 218 383
<b>Latvia</b>	159 092 142	510 663 322	669 755 464	-351 571 180

Explanation: The Eurostat data do not cover all the countries of Central and Eastern Europe which belong to the 16+1 cooperation framework.

Source: The author's own elaboration based on Eurostat data (2020).

Both exports and imports between Poland and China have been gradually growing over the last two decades. Between 2004 and 2014, exports from Poland to China more than tripled, and imports from China nearly increased fivefold (Nawrot, 2018, p. 264). According to European Union statistics, the foreign trade between Poland and China exceeded 23.1 billion euros in 2019. Exports were estimated at around 2.65 billion euros and imports were at around 20.5 billion euros (see Table 1). The trade dynamics were particularly high after 2004, and in 2007, accounted for around 40% compared to the previous year (Eurostat, 2020). As for 2018, the share of Chinese imports in total imports of Poland nearly reached 12% and the share of exports to China in total exports of Poland remained below 1%

(GUS, 2020). Accordingly, China's role among Polish trade partners has been gaining importance. China became the most important trading partner of Poland in East Asia (estimated by the value of the bilateral trade and the value of Polish imports) and took the second position among import partners (after Germany). It emphasizes the strategic importance of China in trade. Based on predictions of foreign trade between Poland and China in the years 2016-2030 (Nawrot, 2018, p. 265), both exports and imports are expected to grow, and the asymmetry in trade is expected to deepen.

The main Polish exports to China include base metals and articles thereof (mostly copper and copper products), machinery and mechanical appliances, and electrical and electro-technical equipment. In 2019, they constituted, respectively, 29.5% and 26.9% of total Polish exports to China. Plastics and rubber and articles thereof (8.3%) and miscellaneous manufactured articles (7.7%) are two other important Polish exports to China (see Table 3). The main products of Polish exports to China include: copper, furniture, chocolate products, vehicle parts and accessories, telephones, electrical switches, synthetic rubber, gas turbines, chemicals, and cables.

The imports from China are dominated by machinery, mechanical appliances, and electro-technical equipment, which constituted more than 50% of Chinese imports in 2019. The value of the machinery section reached 13.3 billion euros. Other imports from China include textiles and textile articles (11.0%), miscellaneous manufactured articles (10.1%), and base metals and articles thereof (6.6%) (see Table 2). The main products imported from China include telephones and televisions, computers and spare parts thereof, toys, transformers, lamps and lamp holders, shoes, printing machinery spare parts, suitcases and bags, and vehicles' spare parts.

The structure of exports has slightly improved, as the share of highly processed articles has increased. The changes in the structure of both exports and imports from 1999-2019 are presented in Tables 2 and 3.

A characteristic feature of relations with China, as presented above, is their asymmetric nature. For years, a negative trade balance has been recorded, and despite what is often emphasized, Polish exports to China are only one-tenth of the imports from China. This is one of the most crucial challenges to deal with in modern relations with China. Consequently, the main goal of Polish trade policy is to balance the trade flows between the two countries and thus enhance Polish exports to China. Changing the existing asymmetries has been the biggest challenge in bilateral and multilateral relations between China and the countries of Central and Eastern Europe.

Table 2 - Foreign trade between Poland and China by product groups in 1999–2019: imports (in million euros)

SITC Code	Specification	1999	2000	2001	2002	2003	2004	2005	2006	2007
0	Food and live animals	39,3	64,3	79,4	71,6	78,2	55,6	68,2	81,5	115,8
1	Beverages and tobacco	2,4	0,93	2,7	2,5	1,1	0,5	0,76	2,9	3,5
2	Crude materials, inedible, except fuels	69,4	74,9	78,2	75,3	105,3	86,4	83,2	84,1	88,8
3	Mineral fuels, lubricants and related materials	1,4	1,1	1,4	6,4	9,4	1,4	3,3	4,7	4,0
4	Animal and vegetable oils, fats and waxes	0,1	0,05	0,05	0,05	0,05	0,08	0,1	0,5	0,2
5	Chemicals and related products, n.e.s.	63,0	75,8	72,3	80,7	98,7	95,9	113,7	138,5	199,4
6	Manufactured goods classified chiefly by material	122,6	169,9	225,9	316,7	361,0	384,5	472,7	720,3	1212,9
7	Machinery and transport equipment	425,4	615,4	782,6	961,8	1141,7	990,8	1046,0	1565,7	2140,3
8	Miscellaneous manufactured articles	419,2	498,1	562,4	682,2	764,7	715,9	818,6	972,3	1285,2
9	Commodities and transactions not classified elsewhere	0,01	0,005	0,001	0,02	0,005	0,000	0,005	0,02	0,03

2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
128,5	124,0	158,1	162,1	154,1	157,0	148,0	168,8	164,8	166,5	157,1	193,8
2,9	5,7	12,0	14,8	11,4	11,2	28,3	8,5	16,5	23,3	29,2	23,4
128,7	101,7	89,8	94,1	94,5	68,2	85,2	86,9	77,0	112,0	170,7	137,1
7,9	7,1	5,4	13,6	4,5	18,5	15,3	18,1	28,4	21,5	25,3	30,3
0,2	0,2	0,4	1,0	0,7	1,0	1,6	1,7	1,6	1,3	1,7	1,6
240,4	193,8	254,5	330,7	362,1	391,4	485,7	558,3	583,3	721,7	878,7	1080,6
1231,9	787,4	993,9	1218,4	1268,6	1246,5	1711,3	1958,1	2153,7	2429,0	2766,3	3159,9
3015,7	3039,3	3915,1	3891,9	4241,2	4653,7	5605,9	7242,9	7637,1	8546,9	9351,9	10832,8
1520,0	1298,1	1504,5	1700,7	1830,9	1920,8	2476,0	3040,2	3413,1	4293,1	4595,0	5076,0
0,07	0,04	0,1	0,4	0,4	0,4	0,5	0,3	0,3	0,3	0,4	0,5

Source: The author's own elaboration based on Eurostat data (2020).

Table 3 – Foreign trade between Poland and China by product groups  
in 1999-2019: exports (in million euros)

SITC Code	Specification	1999	2000	2001	2002	2003	2004	2005	2006	2007
0	Food and live animals	3,8	4,7	4,9	6,4	4,6	4,0	6,9	11,2	9,2
1	Beverages and tobacco	0,000	0,02	0,000	0,000	0,01	0,000	0,1	0,5	1,4
2	Crude materials, inedible, except fuels	37,3	3,7	28,1	15,3	4,7	12,1	26,4	54,6	59,6
3	Mineral fuels, lubricants and related materials	0,07	0,007	0,09	0,1	0,09	0,06	1,8	3,8	3,8
4	Animal and vegetable oils, fats and waxes	-	-	-	-	-	-	0,001	0,01	0,003
5	Chemicals and related products, n.e.s.	10,5	23,7	27,8	34,9	55,8	98,3	140,3	132,6	158,3
6	Manufactured goods classified chiefly by material	51,8	51,3	73,2	98,3	101,9	153,9	158,8	279,2	252,2
7	Machinery and transport equipment	18,2	20,2	62,8	57,7	51,5	171,5	127,5	106,1	199,0
8	Miscellaneous manufactured articles	1,8	3,7	4,2	6,9	6,9	13,1	13,9	20,0	41,2
9	Commodities and transactions not classified elsewhere	0,000	0,000	0,000	0,000	0,003	0,000	0,05	0,4	0,4

2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
5,9	8,4	14,7	24,9	55,3	148,4	153,5	122,8	92,9	88,7	106,2	188,3
0,8	0,4	0,5	0,2	0,8	1,2	0,8	1,9	4,0	3,4	3,5	5,3
61,2	78,8	64,7	64,9	101,1	115,1	129,7	94,3	128,6	139,4	155,8	244,6
26,6	6,9	8,4	6,9	0,4	12,4	0,5	3,9	8,3	4,6	3,0	2,0
0,04	0,01	0,04	0,02	0,02	0,3	0,05	0,03	0,15	0,24	0,17	0,23
106,1	163,1	183,4	181,9	134,5	103,0	83,1	126,1	125,9	130,2	116,6	146,4
363,5	414,6	521,1	661,4	592,8	641,1	669,1	752,3	517,7	728,0	686,5	842,0
227,2	305,5	340,9	282,6	368,3	424,0	466,8	518,3	600,0	645,6	701,1	896,0
75,7	71,9	99,0	110,2	112,8	142,9	179,0	199,1	243,5	320,3	338,5	325,8
0,1	0,04	0,002	0,03	0,2	0,003	0,2	0,3	0,1	0,2	0,3	0,7

Explanations: "-" not recorded.

Source: The author's own elaboration based on Eurostat data (2020).

### **Investment pattern**

The flow of capital between Central and Eastern Europe and China, as well as cooperation in investment, science, and technology, has been limited, not reflecting the existing potential on both sides. The flow and the stock of Chinese foreign direct investment in Poland and Polish FDI in China are negligible. The value of Chinese FDI in Poland in 2017 amounted to 56.9 million USD, constituting 0.62% of total foreign direct investment inflows to Poland. The outflow of Polish FDI to China in the same year was even smaller, reaching 4.3 million USD. This means that Polish companies invest very little in China.

However, the influx of capital from China and Hong Kong has been significantly increasing over the last decade, putting those markets at the forefront of East and South Asian partners. Besides China, cooperation in investment has been established with the countries of the ASEAN-5, namely the Philippines, Indonesia, Malaysia, Thailand, and Singapore, as well as Japan, South Korea, and India. A particularly important place among foreign investors from East Asia has been taken by South Korea, with major investments by Daewoo, LG Electronics, and Samsung Electronics. In addition, since the beginning of the 21st century, interest among investors from Japan has increased, bringing Japan into a high ranking among the investors in the region (Nawrot, 2012). The main investors in Poland remain developed countries – the US and EU countries, mainly Germany, Luxembourg, Italy, and the United Kingdom. The relatively small flow of capital between Poland and China can be associated with insufficient promotional activities and, consequently, poor knowledge of Chinese investors about the Polish market and also of Polish investors about the Chinese market. With respect to Polish traders, the lack of sufficient investment capital is another issue to be mentioned.

Chinese investors in Central and Eastern Europe, including in Poland, are mainly involved in manufacturing – electronics, machinery, plastics, the ICT industry, and the distribution of commodities (wholesale and retail trade). Although industry remains the main sector of foreign investment in Central and Eastern Europe, we should expect increased interest in the service sector. An example of that is that since 2012, Chinese banks have started to open their branches in the region, including the Bank of China and the Commercial Bank of China. As declared by Chinese officials, joint projects not only in infrastructure but also in new technologies and renewable energy will be supported. This demonstrates the attitude and the possibilities of cooperation in high-technology sectors. We can further expect

joint scientific research projects, cultural intensification, and interpersonal dialogue, which should further strengthen cooperation, especially in business and commerce.

The list of main Chinese investors in Poland in 2007-2019 and the sectors of their activities are presented in Table 4, showing a gradual rise in the number of investors and the diversification of the sectors of their activity.

The Polish companies which have invested in China include Selena, Bioton, Rafako, Kopex, and Fasing. Coal-mining machinery, medicines, construction chemical materials, the textile industry, and food production and sales are among the most interesting sectors (see Table 4).

Table 4 – Main Chinese investors in Poland in 2006-2019 and their sector of activity

Year	No	Main investor	Activities
2006	1	Min Hoong Development Co.	Hotels and restaurants
	2	Sino Frontier Properties Ltd.	Construction
2007	1	Digital View	Manufacture of electrical machinery and apparatus
	2	Dong Yun	Manufacture of metals and metal products
	3	Min Hoong Development Co.	Hotels and restaurants
	4	Sino Frontier Properties Ltd.	Construction
	5	Suzhou Victory Precision Manufacture Co.	Manufacturing
	6	TPV Technology Ltd	Manufacturing
2008	1	Digital View	Manufacture of electrical machinery and apparatus
	2	Dong Yun	Manufacture of metals and metal products
	3	Min Hoong Development Co.	Hotels and restaurants
	4	Sino Frontier Properties Ltd.	Construction
	5	Suzhou Victory Precision Manufacture Co	Manufacturing
	6	TPV Technology Ltd	Manufacturing

Year	No	Main investor	Activities
2009	1	China Shan Xi Yun Cheng Group Plant Making ltd	Manufacture of pulp and paper, publishing and printing
	2	Dong Yun	Manufacture of metals and metal products
	3	Min Hoong Development Co.	Hotels and restaurants
	4	Sino Frontier Properties Ltd.	Construction
	5	Suzhou Victory Precision Manufacture Co	Manufacturing
	6	TPV Technology Ltd	Manufacturing
2011	1	China Shan Xi Yun Cheng Group Plant Making ltd	Manufacture of pulp and paper, publishing and printing
	2	Dong Yun	Manufacture of metals and metal products
	3	Min Hoong Development Co.	Services
	4	Sino Frontier Properties Ltd.	Construction
	5	Suzhou Victory Precision Manufacture Co	Manufacturing
	6	TPV Technology Ltd	Manufacturing
2012	1	Haoneng Packaging	Manufacturing
	2	LiuGong Machinery	Wholesale and retail trade; repair of motor vehicles and motorcycles
	3	Shanxi Yuncheng Plate-making Group	Information and communication
	4	Sino Frontier Properties Ltd.	Construction
	5	Suzhou Victory Precision Manufacture Co	Manufacturing
	6	TPV Technology Ltd	Manufacturing

Year	No	Main investor	Activities
2013	1	Haoneng Packaging	Manufacturing
	2	LiuGong Machinery	Wholesale and retail trade; repair of motor vehicles and motorcycles
	3	Shanxi Yuncheng Plate-making Group	Information and communication
	4	Sino Frontier Properties Ltd.	Construction
	5	Suzhou Victory Precision Manufacture Co	Manufacturing
	6	TPV Technology Ltd	Manufacturing
2014	1	Compal Electronics	Manufacturing
	2	Haoneng Packaging	Manufacturing
	3	Huawei Technologies Co. Ltd.	Wholesale and retail trade; repair of motor vehicles and motorcycles
	4	LiuGong Machinery	Wholesale and retail trade; repair of motor vehicles and motorcycles
	5	NUCTECH Company Limited	Manufacturing
	6	Shanxi Yuncheng Plate-making Group	Information and communication
	7	Sino Frontier Properties Ltd.	Construction
	8	Suzhou Victory Precision Manufacture Co	Manufacturing
	9	TPV Technology Ltd	Manufacturing
	10	Tri-Ring Group Co.	Manufacturing
	11	Wanhua BorsodChem	Manufacturing
	12	WH Group Limited	Manufacturing
	13	Zhing Xing Telecommunication Equipments Company Limited	Information and communication

Year	No	Main investor	Activities
2015	1	Compal Electronics	Manufacturing
	2	Haoneng Packaging	Manufacturing
	3	Huawei Technologies Co. Ltd.	Wholesale and retail trade; repair of motor vehicles and motorcycles
	4	LiuGong Machinery	Wholesale and retail trade; repair of motor vehicles and motorcycles
	5	NUCTECH Company Limited	Manufacturing
	6	Shanxi Yuncheng Plate-making Group	Information and communication
	7	Sino Frontier Properties Ltd.	Construction
	8	Suzhou Victory Precision Manufacture Co	Manufacturing
	9	TPV Technology Ltd	Manufacturing
	10	Tri-Ring Group Co.	Manufacturing
	11	Wanhua BorsodChem	Manufacturing
	12	WH Group Limited	Manufacturing
	13	Zhing Xing Telecommunication Equipments Company Limited	Information and communication
2019	1	Compal Electronics	Manufacturing
	2	Haoneng Packaging	Manufacturing
	3	Huawei Technologies Co. Ltd.	Wholesale and retail trade; repair of motor vehicles and motorcycles
	4	LiuGong Machinery	Wholesale and retail trade; repair of motor vehicles and motorcycles
	5	NUCTECH Company Limited	Manufacturing
	6	Shaanxi Ligeance Mineral Resources	Manufacturing
	7	Shanxi Yuncheng Plate-making Group	Information and communication

Year	No	Main investor	Activities
2019	8	Sino Frontier Properties Ltd.	Construction
	9	Suzhou Victory Precision Manufacture Co	Manufacturing
	10	TPV Technology Ltd	Manufacturing
	11	Tri-Ring Group Co.	Manufacturing
	12	Wanhua BorsodChem	Manufacturing
	13	WH Group Limited	Manufacturing
	14	ZTE Corporation	Information and communication

Source: The author's own compilation based on PAIiZ (2016), PAiH (2020).

The small share of Chinese foreign investment in the CEEC can be related to criticism and scepticism towards Chinese investors, resulting more from existing antagonisms or insufficient knowledge of their actual size and character. Thus, reliable monitoring with the support of government agencies and consistently providing the public with accurate information is extremely important.

Chinese investment provides a source of capital to stimulate growth in the markets and should therefore be accepted in Europe. Collaboration creates investment opportunities in addition to access to the Chinese market, which has great potential and growth prospects. Thus, foreign investment should be perceived as a crucial channel for the intensification of bilateral trade. At the same time, cooperation with Europe provides Chinese entrepreneurs with access to the market, new technologies, and a skilled labour force - and it is relatively cheaper in the CEE countries than in Western Europe. As a consequence, it might create great learning opportunities - adopting good practices and acquiring leadership skills and organizational knowledge of modern management systems and technologies that can be adapted to the national market, contributing to its further development.

Cooperation with European partners also allows Chinese investors to get to know the European market, its characteristics, business culture, behaviour, and organizational structure necessary for success in foreign markets. The importance of European companies, which are important suppliers of new technologies, business practices, and good managerial

skills, is significant. Cooperation between European and Chinese investors in new technologies and research and development should thus be encouraged, particularly in relation to the private sector, which has proven to be more effective in the implementation of new technologies, acting as a driver of innovative change. It is further crucial to attract investments with more opportunities in the research and development sectors.

Not without significance for Chinese investors, difficulties remain due to the complexity and wide variety of the European countries in terms of the nature of business, including regulations or cultural barriers. Despite the initial interest in the European market, the potential barriers may discourage potential investors. If predictions about the expansion of Chinese foreign investments prove successful, they need assistance and specialized consulting in the European market. It is essential to do so that the institution's activities to promote investment at the national level and measures to stimulate trade and investment are complementary. Competent business environment market institutions will guide potential investors and have the potential to reduce the cost of doing business, including transaction costs, market research costs, and information acquisition costs.

### **Challenges to interregional cooperation through the prism of common goods**

Intensification of globalization and regionalization processes in the global economy and, as a result, a significant increase in the functional and institutional interdependence of countries, and thus their sensitivity to turbulence in regional and global markets, have highlighted the need for joint actions to deal with development challenges and global threats. This understanding is currently prevalent among numerous countries worldwide, including those in Europe and Asia. This part of the paper aims to indicate the grounds for intensifying the CEECs, including Poland's cooperation with China, through the prism of providing common goods. This perspective seems timely in contemporary international relations and crucial in the wake of the economic crisis of 2007/2008, the global pandemic of COVID-19, and the recent war in Ukraine. All of them, and in particular the latest, exemplified and revealed the interconnectedness of economies at the global level and pointed to the responsibilities of countries to take joint actions in terms of developmental challenges, global threats, and the need to adapt and modify the existing architecture of global order. That refers to all kinds of global issues, including the environment, climate change,

inequality, security, resolving existing conflicts and preventing potential ones. An attempt will be made to formulate recommendations helpful in strengthening mutual economic relations in that context while identifying areas of common goods for interregional cooperation, with the intention that they will become the ground for further discussions and critical assessment. Interregional cooperation between China and the Central and Eastern European countries in the global framework requires cooperation for shared goals and common goods.

The attempts to identify public goods and their dimensions in the interregional context of cooperation between the Central and Eastern European countries and China are shown in Figure 3. They can be qualified to the rectangular of Kleer's concept of global public goods (2006, p. 215), i.e., politics, economy, and social and cultural sphere, or the category of public goods by Stiglitz (2004, p. 887), i.e., global environment, international security, knowledge, and international economic stabilization. In the identified dimensions of interregional public goods (Fig. 3), attention should be paid to at least several interrelated aspects causing challenges in the identified dimensions.

First, further liberalization of flows should not only concern trade but also increase capital flows. In the basic dimension of trade, it will be necessary to increase the efficiency and effectiveness of the network of connections between existing bilateral and multilateral agreements. There should be consideration of the EU-China FTA as well. The issue of the scope and subject of liberalization is also important, including intra-regional trade in agricultural products and deepening the liberalization of trade in services.

With regard to the financing of regional development, it will be important to support the development of infrastructure and transport, including the development of an effective financial infrastructure system. The example of the East Asia Infrastructure Bond Fund initiative is evidence of actions taken in this area and will be necessary for the effective use of existing savings and their conversion into investments.

In the dimension of social development, it is worth paying attention to joint interregional activities for the unrestricted exchange of knowledge, harmonization of education standards at the higher level, and principles of intellectual property protection, as well as cooperation of research units, institutes, think tanks, and universities. In terms of viability, it seems important to prevent infectious diseases such as malaria and elaborate on solutions for an ageing society. In the context of the latter, Europe and East Asia should actively work together for effective results. It is also necessary

to continue the fight against poverty, in particular to ensure food security and to eliminate existing developmental differences in the regional dimension and within individual countries.

Natural resources, energy, environmental protection, and disaster risk management are also key areas of cooperation at the interregional level.

The ability to maintain peace and stability as a *sine qua non* for further growth and development will be a major challenge, not only for the entire East Asian region but also for Europe. It is about actions to ensure the non-proliferation of weapons of mass destruction, the fight against organized crime, and potential escalation of armed regional conflicts.

Last but not least, the issue of multiculturalism is extremely important in today's world, and there is a need to work together for better understanding across cultures.

Another important aspect, and perhaps the most important fact for everything around us, is that we are living at a civilizational turning points, transitioning from an industrial to a knowledge-based civilisation. Being at a turning points adds to the complexity of the challenges that human civilization is facing, regardless of the country's geographical location or even the context of its economic development. Thus, with all those changes, and to some extent because of them, we can expect a reshaping of the world order and a redefinition of existing economic systems. And no matter what shape it ends up being, we need to be aware of the future of humanity. And, as such, we need to find ways and fields of cooperation for global issues and problems that our civilization faces.

The Belt and Road Initiative, as the transcontinental framework of cooperation, seems to be a suitable platform for collaboration for shared goals. The 16+1 mechanism being a part of that framework should thus extend the focus from the interests of individual sites and the two-sided economic benefits of stakeholders involved to broader and more useful collaboration.

Possible fields might include international security, environmental issues, and urbanisation challenges including energy and transportation, communication, sanitation, and water supply. Growing urban inequality, poverty, and exclusion in fast-growing agglomerations need to be addressed. A better understanding of different cultures, cultural systems, and multiculturalism seems crucial. The future of work and AI are other areas for deep discussion and solutions – just to point out a few.

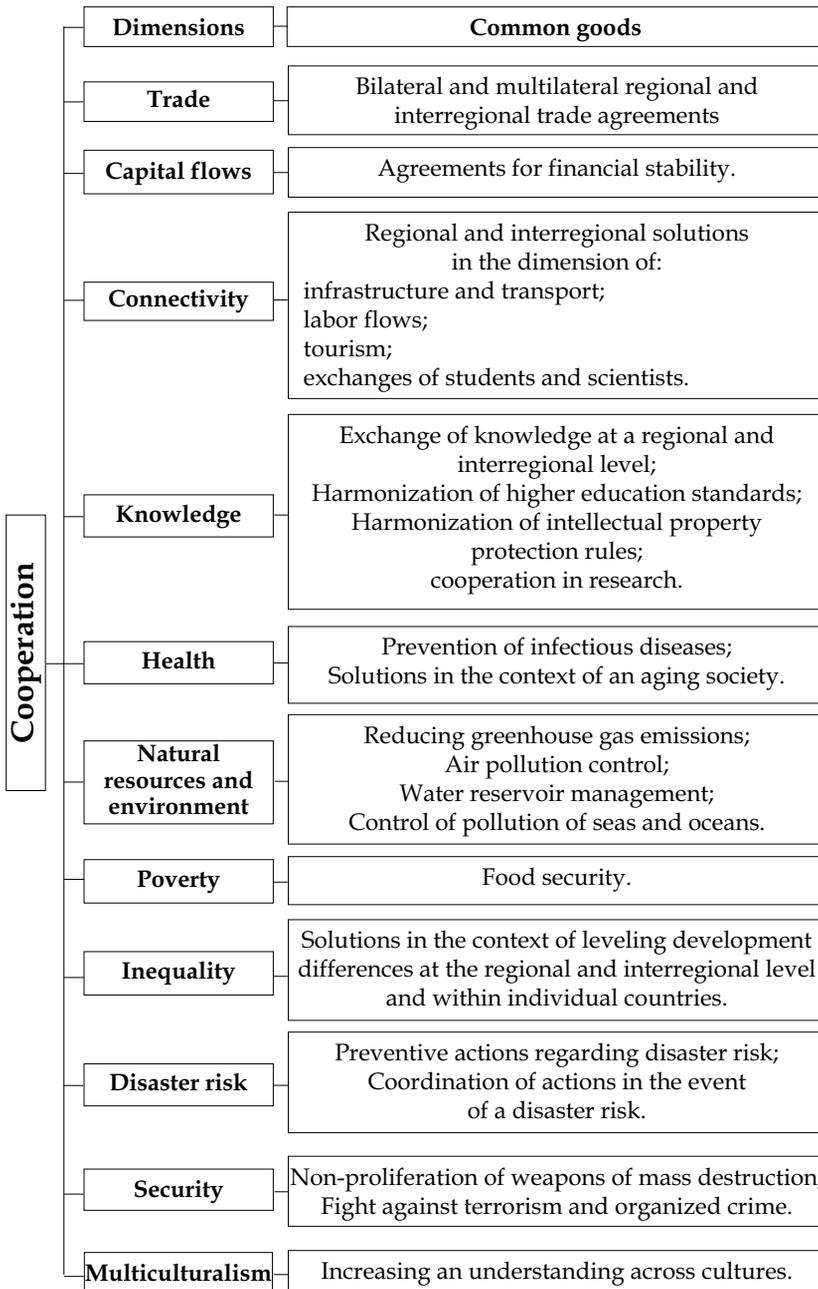
It is worth mentioning that initiatives of transcontinental and transcultural character between China and the Central and Eastern European countries are already established in research and academic networks. One that should be mentioned is the “16+1 High-level Academic Platform” – the first research network of scientific institutions from Central and Eastern Europe and China, established in Warsaw in 2016 and designed to foster cooperation between academic institutions in the framework of regional cooperation in the formula “16+1” (PAP, 2016; UEP, 2016; Polish Science, 2016).

The established research network of scientific institutions from Central and Eastern Europe and China is a result of long-term efforts and the work of researchers from the partner institutions, providing opportunities for scientific and research cooperation, interdisciplinary projects, and the exchange of scientists and students. In addition, and perhaps more importantly, it is a platform for dialogue and collaboration on global issues and joint research projects in various fields such as economics, management, medicine, commodity science, construction, geology, electro-mechanics, telecommunication, biology, chemistry, meteorology, and many others. This is the first step to establishing broader cooperation among universities and academic institutions from China and the Central and Eastern European countries.

Another cooperation between China and the CEECs in academia that should be mentioned is the China-CEE Think Tanks Network and the China-CEE Institute, as discussed by Oehler-Sincai (2017).

Academic cooperation is a crucial pillar of the relations between China and the Central and Eastern European countries in the context of the One Belt, One Road Initiative. There is no better way to build trust and understanding than through people-to-people contact. Closer cooperation at the academic level should enable a flow of ideas, values, innovations and innovative thoughts to benefit from synergies, build mutual understanding between nations and bring regions closer together, concentrating on similarities rather than obstacles and impediments, contributing to the wealth of nations, civilizational progress and a harmonious global community.

Figure 3. Common goods for interregional cooperation



Source: Author's own elaboration

## **Conclusion**

Evidence of the existing political and economic dialogue confirms the willingness and the declaration to strengthen mutual cooperation between China and the Central and Eastern European countries. One of the significant achievements of recent years in the relations between the CEEs and China is undoubtedly an increase in mutual understanding resulting largely from the dynamics of foreign trade, investment, and people-to-people dialogue. The rising interdependence of the markets and the huge potential of the Chinese economy underline the importance of ensuring and deepening the existing openness and steps towards further liberalization. Acting jointly for peace, security, and the economic vitality of the global economy is crucial for China and the CEEs.

The existing chances are enormous through trade: to be a part of growing production chains, especially with rising costs in China and expanding production within the Asian division of labour; for enterprises to seek partnerships for planned infrastructure projects; high-speed trains, air transport, and ships; attracting tourists to the region; exchanging students and academia; creating innovation hubs and technology parks; etc. There are still the same concerns related to the significant asymmetry in bilateral trade for all the CEE countries, such as the lack of a significant number of cross-border investments and the unclear role of the AIIB in furthering the process.

It should be pointed out that regional awareness has emerged among the Central and Eastern European countries, as well as throughout Europe, regarding the need for joint institutional solutions in the regional dimension. However, there is still no sufficient recognition for interregional cooperation in that respect. The most important aspect of the joint actions and cooperation of countries might be the field of public or common goods at regional, interregional, and global levels. Solutions in the context of emerging challenges can be provided through common goods in numerous dimensions, including environmental and ecological problems; security; disaster risk, including financial crises, infectious diseases and natural disasters; organized crime; social development, including knowledge, health, poverty, inequality, and multiculturalism. Joint actions of countries at the interregional level for common goods can be an important complement to national and global efforts. There is an urgent need for cooperation and coordination of common goals and the development of mechanisms and appropriate instruments in the political, economic, environmental, and social dimensions.

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## ИЗАЗОВИ У ЕКОНОМСКИМ ОДНОСИМА КИНЕ И ЗЕМАЉА ЦЕНТРАЛНЕ И ИСТОЧНЕ ЕВРОПЕ - ПОЉСКА ПЕРСПЕКТИВА

*Апстракт:* Економски односи између Кине и земаља Централне и Источне Европе значајно су еволуирали од оснивања Народне Републике Кине и стицања независности земаља Централне и Источне Европе током XX и XXI века. Прекретница у билатералним и мултилатералним односима између Кине и земаља Централне и Источне Европе обележена је током Економског форума Кина-Централна Европа-Пољска одржаног у Варшави 2012. године и додатно убрзана најавом Новог пута свиле од стране председника Си Ђинпинга 2013. године, након чега је уследило успостављање оквира сарадње 16+1. Развој односа последњих година јасно показује изазове са којима се суочавају, са једне стране Кина, а са друге стране земље из региона. Главни изазови у економској сарадњи остају трговинска неравнотежа и инвестициона асиметрија, што је посебно дошло до изражаја током пандемије ковид-19, јер су недостаци у ланцима снабдевања указали на потребу њихове диверсификације. Такође, постоји разочарање земаља Централне и Источне Европе у мултилатералну сарадњу због недостатака опипљивих резултата, те након тога пре надметања него холистичког и усаглашеног приступа међу земљама региона. У овом раду та питања ће бити предмет анализе која се ради из угла пољске перспективе. Аутор је користећи секундарне податаке применио квалитативну и дескриптивну статистичку истраживачку анализу. Истраживање обухвата анализу токова трговине и капитала, а посебно прати директне стране инвестиције (СДИ) и односи се на билатералне односе Пољске и Кине. У бројним аспектима, анализа је проширена и на земље Централне и Источне Европе (ЦИЕ). Временске серије се крећу од 1999. до 2019. године.

*Кључне речи:* економски изазови, међународни односи, Кина, Централна и Источна Европа, Пољска.