

# WORKING PAPER

**The perspectives of Poland – China relations  
at a time of geopolitical tensions**

**Konrad Rajca**

Kiadó: Kína-KKE Intézet Nonprofit Kft.

Szerkesztésért felelős személy: Chen Xin

Kiadásért felelős személy: Feng Zhongping



# **The perspectives of Poland – China relations at a time of geopolitical tensions**

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## **Abstract**

The analysis deals with current and future Polish-Chinese relations in a post-pandemic world at a time of rising geopolitical tensions. The analysis covers a brief history of Polish-Chinese relations, in aspects affecting the present day, and describes the basic factors shaping Polish foreign policy, related to Poland's geopolitical location. Central to the analysis is the change in geopolitical conditions related to Russia's aggression against Ukraine, the consequences of which, from Poland's point of view, play a key role, primarily in the context of Poland's relations with the United States, which affects Poland's relations with China. In addition to geopolitical analysis, the work also contains the opinions of Polish analysts about perspectives of Polish-Chinese relations and recommendations related to the possible development of Polish-Chinese cooperation.

## **Sources of information, data and opinions**

The working paper includes an analysis of current Polish-Chinese economic and political relations, as well as the opinions and analyses of the author and significant Polish research institutions and analysts, representing a diverse view on Polish-Chinese relations, which are the mainstream of the Polish public debate. The information and data are based on publicly available research sources including the Polish Ministry of Foreign Affairs, the Central Statistical Office, Chinese Customs, Polish Institute of International Affairs, Warsaw Institute and recognized and specialized Polish economic media. It also includes the opinions of sinologists and recognized Asian researchers dealing with Chinese issues.

## **Introduction**

Analyzing the state and prospects of Polish-Chinese relations, it is impossible to talk about them in isolation from the location of Poland and China and the strategic interests of both countries. It is also impossible to escape the global geopolitical realities and the significant changes in the global balance of power in recent years, thanks to the increasing role of Asia, and China and India in particular, in the world, as well as the growing US-China global rivalry. These processes, which have been taking place for some time, have been accelerated by the time of the pandemic, which has affected, among other things, the progressive changes in supply chains and the intensification of the US-China rivalry in the world in the economic and ideological areas. Russia's aggression against Ukraine was another key factor affecting the global order, particularly the situation in the Central and Eastern European region, as well as exacerbating Sino-American relations and strengthening Polish-American ties. This situation and all the above factors should be treated comprehensively when analyzing the state and prospects of Polish-Chinese relations.

### **The world in post-pandemic time**

The two years of the Covid-19 pandemic, which the West, unlike China, had already considered over, brought huge economic constraints related to changes in supply chains and stunted economic activity. The pandemic initially strengthened China's role in the world relative to the Western world, which suffered more from it in terms of GDP growth, but also more deaths. China initially recovered faster from the pandemic, allowing it to rebuild its growth faster. However, 2022 in terms of the spread of the virus affected China economically first and foremost, as well as the rest of the world indirectly, as a result of the controversial "zero covid" policy in the West and the associated widespread lockdowns and restrictions on economic activity.

The timing of the pandemic also exacerbated Sino-US rivalry in the context of changes in global supply chains, accusations about the origin of the virus, and accelerated the process of China building, "modern self-sufficiency" consisting of building the strength of its own "Chinese world" combined with drawing development elements from the outside world,

without giving up the benefits of globalization and actively participating in it. An expression of this policy is China's Dual Circulation Strategy <sup>1</sup>.

The end of February, on the other hand, is something not seen in Europe for decades. The aggression of Russia - a state with imperial ambitions - against the sovereignty and inviolability of the borders of another state - Ukraine. This is something that reminds Poles of their worst memories of the outbreak of World War II and Adolf Hitler's aggression against Poland in September 1939 (this date in Europe is considered the beginning of World War II).

The aftermath of the pandemic and the outbreak of war in Ukraine highlighted the long-standing growing processes that have accelerated and have a huge impact on China's relations with the US and the rise of mutual rivalry and even confrontation. These events are also affecting China's relations with Europe, which has largely - in the context of respect for human rights - hardened its course towards China, which is affecting China's relations with the Central and Eastern European region and Poland. A large role is also played by China's own policies, which in the general Western perception, especially in recent years, can be considered as directed at building developmental self-sufficiency and limiting the Western economic presence in China, a manifestation (or perhaps a result) of which is limiting the activity of Western, mainly American, companies in China and implementing the "zero-covid" policy, which is controversial in the West. From the point of view of the Chinese authorities, building their own Chinosphere is arguably a move to preserve technological sovereignty in the face of American pressure on Chinese companies, and in the case of "zero-covid," a confirmation of consistency in power and, as judged by many analysts in the West, a demonstration of power's prowess, even at the expense of economic losses.

The change in sentiment toward China in the CEE region is also triggered by the strong anti-Western (anti-American) rhetoric of the Chinese authorities, especially in the context of the war in Ukraine. The Americans, in turn, are taking advantage of the situation to strengthen their position as leaders of the West and are building anti-Chinese alliances in an attempt to isolate China in the world. All this affects China's relations with our region including Polish-Chinese relations.

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1 The Reuters Agency, 'What we know about China's 'dual circulation' economic strategy', 15 Sep, 2020  
<https://www.reuters.com/article/china-economy-transformation-explainer-idUSKBN2600B5>

## **Poland's view and location**

How does Poland look against this background? It is the largest country in the region with by far the greatest economic and military potential. A country situated between two superpowers - Germany and Russia, which has always determined Polish politics, Polish power and strength in international politics. The simultaneous strong position and cooperation of Russia and Germany (despite the presence of Poland and Germany in the European Union and Poland's membership in NATO), is perceived in Poland as a weakening of its position and a threat to its independence. Hence the need for Poland, as a country that is politically and economically weaker than Germany and Russia, to seek a strong rapprochement with the United States, which is the only real guarantor of European security with real power and will. Poland's presence in NATO, and in particular Poland's relations with the United States, are the foundation of Polish security. Economic security is provided by Poland's presence in the European Union, and in particular its economic relations with Germany, which is Poland's main economic partner. A conservative approach to the real security actions of the European powers - France, or Germany, as shown by the war in Ukraine, is treated as uncertain in Poland. Therefore, these countries are not treated in Poland, as viable guarantors of Polish security in the face of the threat from the stronger neighbor from the East - Russia.

Historically and currently, Russia's increased power and influence in Europe has always meant a weakening of Poland's position. Since the 16th century, the First Republic (which also included today's western Ukraine, the Baltic states and western Belarus), and then Poland in more contemporary times during the interwar period (1918-1939), waged numerous wars with Russia over influence in the territory of today's Belarus and Ukraine. Therefore, today, after the Cold War era when Russia had a dominant role in Central and Eastern Europe, the foundation of Polish policy for security reasons is to limit Russia's influence on European affairs and to support the independence from Russia of the countries lying between Poland and Russia - Ukraine and Belarus, but also Georgia or Moldova, and to support their European ambitions to join the European Union and NATO.

The foundation of Poland's international policy is to increase the subjectivity of the Central and Eastern European region, which should not be solely a space between Russia and Germany. An expression of this policy is the Visegrad Group (comprising Poland, Hungary, the Czech Republic and Slovakia), or the Three Seas Initiative (comprising 12 countries located between the Baltic, Black and Adriatic Seas), a format supported by the United States. For the past 30 years, the biggest threat to Polish security has been considered the imperial ambitions of Russia, whose actions in Poland are considered intent on rebuilding the Soviet Union's sphere

of influence from the Cold War. The war in Ukraine has shown that this threat is real and still exists.

From the Polish perspective, fears of a large part of the Polish political class are also aroused by the desire to deepen the federal structure of the European Union presented by Germany and France. These actions are perceived in Poland as limiting Polish sovereignty in the European Union and strengthening the power in Europe of the stronger German-French tandem, and in particular Germany.

### **Poland - China - practice and geopolitics**

Polish-Chinese relations should be viewed on two main levels - the geopolitical plane and practical relations. Unfortunately, the former often increasingly dominates practical policy implementation. This is especially true of the intensifying geopolitical rivalry between the US and China (this process seems irreversible and is due to the nature of the geopolitical situation), as well as the war in Ukraine, which strongly affects Polish politics, economy and society.

China is currently perceived in Poland, in the context of the war in Ukraine, as a country "that has sat on a hill and watches the fighting tigers", but nevertheless favorable to Russia, which is the main direct threat to Polish security (although recent Chinese signals of "concern" about Putin's actions are received positively). The Middle Kingdom is also seen as having the power to influence an end to hostilities in Ukraine, thanks to good relations with Russia and having real means of economic pressure on Putin.

In Poland, the perception of politics in moral terms - good and evil - is very strong, from which the misunderstanding of China's ambiguous attitude in the context of the war in Ukraine may stem. Poland, however, assesses the war situation from both a moral and real point of view. It emphasizes who are the perpetrators and who are the victims, and, like China, that the Cold War is over, as are the former spheres of influence. In the post-Soviet area, we have states that have the right to choose their own path of development, and no one has the right to encroach on their territory and force them to do otherwise (they can decide this at their own will). States and nations such as Ukraine, Georgia, or Moldova are as sovereign as Germany, Poland, or China, which, as Poland points out, Russia should accept. It is in Poland's geopolitical interest to maintain an independent Ukraine in alliance with Poland and European Union. Ukraine, according to this vision, should join European structures as soon as possible, which is what the vast majority of Ukrainians want (the attitude toward joining NATO is less enthusiastic among

Ukrainians). It is in Poland's geopolitical interest to weaken Russia's influence in Europe in this way and to remove it from the possibility of influencing European politics.

### **Contemporary development of Polish-Chinese relations**

The turning point in contemporary Polish-Chinese relations was the end of the "Cold War" and the collapse of the communist system, which has operated in Central and Eastern Europe under the umbrella of the Soviet Union until 1989. The decisive influence on Polish-Chinese relations up to that time was the state of Polish-Chinese relations with the USSR and the internal situation in China, particularly related to the "Great Leap Forward" and "Cultural Revolution" policies. It was only the fundamental changes in Chinese domestic policy, and consequently in foreign policy, resulting from the introduction of the Reform and Opening Program in 1978, that enabled the gradual normalization of relations with countries such as Poland. It was the 1980s that saw a resurgence in Polish-Chinese contacts, particularly in the area of economic cooperation. Although within the camp of socialist countries the Polish People's Republic (PRL) and the PRC were at a distance from each other for much of the Cold War, bilateral relations nevertheless remained correct, and on some issues the interests of Poland and China appeared to converge.<sup>2</sup>

After the end of the Cold War, Poland, like the vast majority of post-communist European countries, chose the path of integration with Western institutions - NATO and the European Union, becoming a member of these organizations and establishing close relations with the United States, which is considered the guarantor of security in the region, possessing real military power, agility, and is a country that recognizes the threat posed by Russia to the sovereignty and independence of the countries of the Central and Eastern European region, in contrast to European powers such as Germany, France, and Italy - strongly involved in economic relations with Putin's Russia until Russia's invasion of Ukraine. Developed after 1989, Poland's new relations with China therefore have an economic face and concern cooperation in trade, economy and science. This cooperation is growing year by year, which is a result of the extremely rapid development of both the Chinese and Polish economies. The development of mutual trade relations was not even hindered by the pandemic, during which time Polish-Chinese trade turnover grew regularly.

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<sup>2</sup> The Ministry of Foreign Affairs of Republic of Poland, „Poland - China, political cooperation”  
<https://www.gov.pl/web/chiny/wsp-polityczna>

Polish-Chinese relations entered a new level with the announcement in 2013 by President Xi Jinping of China's strategic Belt and Road Initiative, of which Poland is an important European component, and the establishment in Warsaw in 2012 of a new form of cooperation between China and Central and Eastern Europe in the form of the 16 plus 1 format. To highlight Polish-Chinese cooperation, the Poland-China Forum of Regions has been organized with the participation of the governments of both countries since 2013. With the development of land rail links connecting China with Europe, Polish interest in Western China, a rapidly developing region of the PRC where the main destination stations of the aforementioned links are located, has also increased. In order to support cooperation with this part of China, in 2015 the Polish Consulate General in Chengdu was established.<sup>3</sup> An expression of the deepening relations during this period were the visits of Chinese leader Xi Jinping to Poland in 2016 and Polish President Andrzej Duda to China in 2015. Poland was also one of the first European countries to express interest in cooperating with China in the New Silk Road Economic Belt and the 21st Century Maritime Silk Road. (the so-called "Belt and Road" initiative). It should be noted that in addition to signing a memorandum of understanding in 2015 to jointly support the initiative, Poland became a founding member of the Asian Infrastructure Investment Bank in the same year, and Polish Prime Minister Beata Szydło attended the 1st International "Belt and Road" Forum in Beijing in 2017.

### **Changing geopolitical situation**

The geopolitical situation in the world, which significantly affected Polish-Chinese relations, changed after President Donald Trump came to power in the United States in 2017, who recognized China as a major strategic competitor for the US in American politics. He also led to a tightening of relations with Germany, whose export policies he considered a threat to US interests. In his policy, however, he has raised the profile of US relations with the Central and Eastern European area, patronizing the Three Seas Initiative and participating in the 2017 Three Seas Initiative Summit<sup>4</sup> in Warsaw

During this period, Polish and US defense cooperation also strengthened strongly. Poland was considered, as one of President Trump's closest allies in the world. Relations between President Trump and the Polish power camp were also close due to a related national-

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3 The Ministry of Foreign Affairs of Republic of Poland, „Poland - China, political cooperation” <https://www.gov.pl/web/chiny/wsp-polityczna>

4 The Tree Seas Initiative official Website <https://3seas.eu/>



conservative worldview. This situation affected Poland's relations with China and influenced a halt in the development of closer cooperation (despite steadily increasing trade). The deterioration of mutual relations was influenced by the detention in 2019 of a Huawei employee on espionage charges, which caused concern among PRC authorities<sup>5</sup>. This action was in line with the U.S. policy of limiting the influence of Chinese companies in the world by the U.S. and other Western countries, according to which Chinese companies work closely with the Chinese authorities to implement the policies of the Chinese authorities. Also controversial in Poland is the issue of the tender for frequencies to enable the implementation of a 5G internet system in Poland. To date, there has been no amendment to the Polish law on the National Cyber Security System<sup>6</sup>, which is necessary to implement the 5G tender. The draft amendments to the law (work has been underway since 2020) provide opportunities to exclude companies supplying equipment that "threaten state security." The planned amendment does not point to a specific company, but it is common knowledge that it is Huawei.

Poland's geopolitical situation changed after President Joe Biden came to power in 2021, who essentially continued Donald Trump's policy of a "Chinese threat" to the US, but at the same time emphasized the importance of democratic values in cooperation with allies. This has led to differences with Poland's Law and Justice government, which is in conflict with European Union institutions over the independence of Poland's judiciary from the government and is accused by the US and EU institutions of restricting media freedom. This has caused Polish-American relations to cool.

However, they returned to a strategic level after Russia's invasion of Ukraine. Poland, like a frontline country, plays a key role in supporting Ukraine in the conflict by providing military support (it is the 3rd provider of arms to Ukraine after the US and the UK), the main transportation point for Ukrainian support and a haven for Ukrainian refugees. Since the outbreak of the war in Ukraine, Poland has been among the countries taking the strongest stance on Russia's international isolation. This change in the geopolitical situation has a dominant impact on Polish-Chinese relations.

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5 The Reuters Agency "Poland arrests Huawei employee, Polish man on spying allegations", 11 Jan, 2019 <https://www.reuters.com/article/us-poland-security-idUSKCN1P50RN>

6 The Portal of the Daily Gazeta Prawna, Elżbieta Rutkowska, „The seventh incarnation of Huawei's lex. What about servicing the equipment?”, 23 Mar, 2022 <https://serwisy.gazetaprawna.pl/telekomunikacja/artykuly/8385862,lex-huawei-serwisowanie-sprzetu-operatorzy-telekomunikacyjni-cyberbezpieczenstwo.html>

## **Poland towards China**

Poland recognizes China's huge and growing role in the world. In the rhetoric and actions of the Polish authorities, in contrast to many Western countries, China is not treated as a threat to Polish security, nor as an adversary. This was emphasized, for example, by the former head of the Presidential Bureau of International Affairs, Krzysztof Szczerski, who said in a debate of the "Dziennik Gazeta Prawna" in April 2021 that China is not a security threat to Poland and we have no burden to build relations with the country. - We are in no way competitors (...) Therefore, we have no burden here. China also does not have conflicting interests with Poland in different parts of the world - we do not compete, there is no existential conflict between us leading to tensions.<sup>7</sup> Possible caution, he believes, could come from challenges such as information security or economic security. - I believe that Poland does not need to conduct policy towards China only within the framework of the European Union - especially since there is no consensus here. (...) That's why we should, and have the potential to, create our own type of relationship, based on the development of trade and infrastructure connections," he stressed.

<sup>8</sup> The President Andrzej Duda's advisor Jakub Kumoch (now head of the presidential Office of International Affairs) said as recently as February 2022 in an interview with Reuters that although Poland is an ally of the US, it also has very friendly relations with the PRC. The Associated Press agency, in turn, cites Kumoch's statement that Poland wants the best possible relations with China, and that the desire to maintain the best possible relations is also reciprocated on the Chinese side. <sup>9</sup>

An expression of this attitude is President Andrzej Duda's activism in relations with China and his good relations with Chairman Xi Jinping. The Polish president was one of the highest-ranking representatives of countries in the region to attend the 2021 17 plus 1 summit meeting. He also discussed with Chairman Xi the purchase of Chinese vaccines. Polish Foreign Minister Zbigniew Rau visited China in 2021. In turn, in 2022, the Polish president attended, as the highest-ranking representative of Western countries, the opening ceremony of the Winter Olympics in Beijing, where he met with Chairman Xi, with whom he also spoke by phone in September.

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<sup>7</sup> Portal of the (Daily) Dziennik Gazeta Prawna, „Poland-China: Let's build a mutual relationship based on trade and infrastructure development [DGP DEBATE], 22 Apr 2021 <https://biznes.gazetaprawna.pl/artykuly/8147193,relacje-polska-chiny-debata-dgp-pelne-otwarcie-czy-ostrozna-wspolpraca.html>

<sup>8</sup> Ibidem

<sup>9</sup> The Warsaw Institute, Patryk Szczotka, „President Andrzej Duda met in Beijing with Chinese leader Xi Jinping” 17 Feb, 2022, <https://warsawinstitute.org/pl/prezydent-andrzej-duda-spotkal-sie-w-pekiniu-z-chińskim-przywódcą-xi-jinpingiem/>

This year saw the 3rd Polish-Chinese meeting of the Poland-China Intergovernmental Committee with the participation of Foreign Ministers Zbigniew Rau and Wang Yi, who also met on the sidelines of the United Nations General Assembly. The Polish-Chinese dialogue on current affairs is taking place, so at a good level and in a friendly atmosphere. The main topics of the Polish-Chinese talks are issues of reducing the huge trade deficit on the Polish side, cooperation in the area of increasing trade in food products (wider opening of the Chinese market), as well as cooperation in the area of Chinese greenfield investments in the food and infrastructure areas. This year's talks also include an exchange of views on the war in Ukraine. The ministers discussed the need for improvements and greater transparency in the process of allowing Polish goods into the Chinese market, especially agri-food products, but also furniture or cosmetics. The head of the Polish Ministry of Foreign Affairs spoke of the need to involve more Polish companies in handling rail transportation from China to Europe, carried out through Polish territory. A significant challenge from Poland's point of view remains the problems around the realization of air links with China and the possibility for Polish citizens to travel to China. Openness was expressed to holding the next meeting of the Joint Commission for Economic Cooperation, initiating its working groups on trade and investment, and intensifying talks on agricultural issues.<sup>10</sup>

### **Polish-Chinese economic relations**

Polish-Chinese economic relations are multidimensional in nature and, due to China's growing role in the global economy, are also subject to dynamic changes. In addition to trade relations and investment exchange, Poland and China are also developing contacts in a number of other fields, including finance, new technologies, maritime economy, climate policy or environmental protection. In recent years (especially before the pandemic), with Poland's increasing share of cargo and passenger flows between China and Europe, cooperation in the field of transport and logistics has been gaining importance, but has been hampered by the outbreak of war in Ukraine.

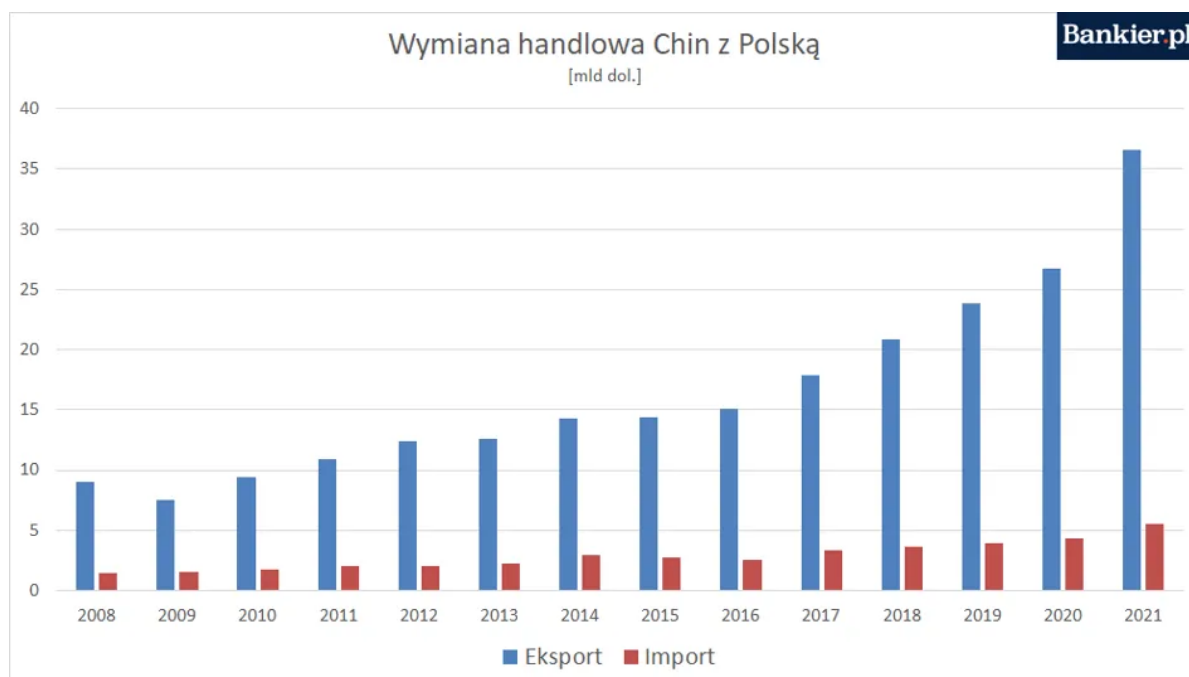
**In 2021. Poland and China recorded record trade turnover. This includes both exports and imports. China Customs reported that the value of trade between Poland and China amounted to more than \$42 billion in 2021.<sup>11</sup> This is an increase of as much as**

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10 The Ministry of Foreign Affairs of Republic of Poland, „Minister Rau talked with the head of Chinese diplomacy” 13 Jun, 2022, <https://www.gov.pl/web/chiny/minister-rau-rozmawial-z-szefem-chinskiej-dyplomacji>

11 The economic portal Bankier.pl, Maciej Kalwasiński „Record-breaking trade between Poland and China”, 24 Jan, 2022 <https://www.bankier.pl/wiadomosc/Handel-Polska-Chiny-Nowe-dane-8264701.html>

**35.7 percent relative to 2020.** There is no indication that this trend of trade growth, despite geopolitical tensions, is about to stop. Exports of Polish products to China are growing, and at the same time imports of goods from China are growing. Exports from Poland to China amounted to 2021. 5.5 billion dollars, up 28.3 percent compared to 2020. At the same time, imports from China to Poland reached \$36.6 billion. This is an even greater increase of almost 37 percent. This was not hindered by the SARS-Cov-2 epidemic, although it disrupted the supply cycle. The latest data from Poland's Central Statistical Office show that the export-import relationship between Poland and China from January to November 2021 was as high as 1 to 14 <sup>12</sup>. Thus, the exchange is record asymmetrical. This is not gratifying, because this disparity is growing year by year. The challenge for both governments is to change this situation.

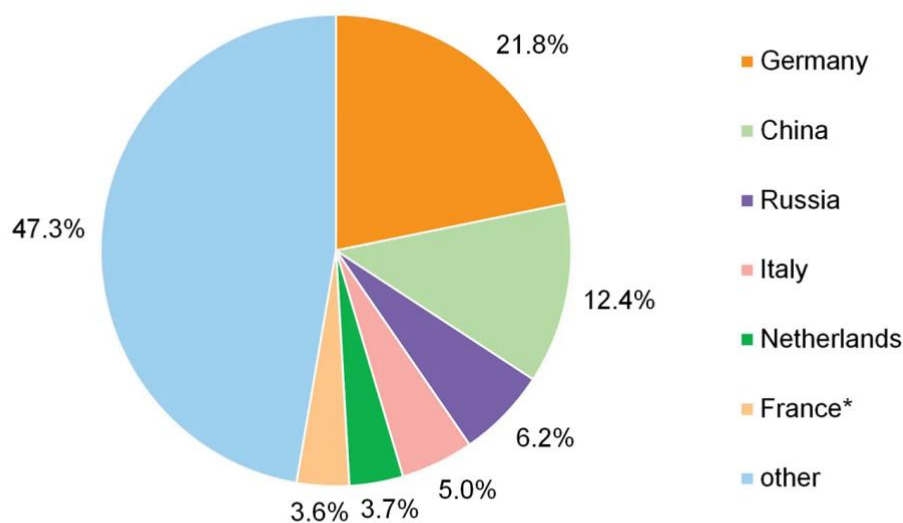


Polish trade with China, Economic Portal Bankier.pl based on the Chinese customs office <sup>13</sup>

12. The Daily Rzeczpospolita, Artur Osiecki, „Record turnover in Poland's trade with China”, 27 Jan, 2022  
<https://firma.rp.pl/chiny/art19330951-rekordowe-obroty-w-handlu-polski-z-chinami-eksport-deficyt-handlowy-Polska-Chiny>

13 The economic portal Bankier.pl, Maciej Kalwasiński „Record-breaking trade between Poland and China”, 24 Jan, 2022  
<https://www.bankier.pl/wiadomosc/Handel-Polska-Chiny-Nowe-dane-8264701.html>

## Poland major import sources (2019)



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\*Includes Monaco and overseas departments.

Poland major import sources <sup>14</sup>

China is now Poland's largest trading partner in Asia, while Poland is China's largest trading partner in the Central and Eastern European region. Although China is the second largest source of Polish imports (after Germany), it ranks far behind among export markets for Polish goods, which translates into a high trade deficit. In the commodity structure of Polish exports to China, the most important position is occupied by copper and copper products (it is about 20 percent of Polish exports) <sup>15</sup>. Other goods exported by Poland include machinery and mechanical equipment and their parts, as well as furniture. As for the commodity structure of Chinese imports to Poland, half of the goods imported from China to Poland belong to the group of highly processed goods (including cell phones, computers, video game consoles), an important position is also occupied by clothing and textiles, as well as toys, games and sporting goods. <sup>16</sup> Polish companies import raw materials, components and sub-assemblies from China,

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14 Economy of Poland <https://www.britannica.com/place/Poland/Finance>

15 The Financial portal Obserwator Finansowy, Jan Baran, Expert of National Bank of Poland, „Polish exports to China - potential not fully exploited”, 25 Feb, 2022 <https://www.obserwatorfinansowy.pl/bez-kategorii/rotator/polski-eksport-do-chin-nie-w-pelni-wykorzystany-potencjal/>

16 The Ministry of Foreign Affairs of Republic of Poland, „Poland-China – economic cooperation”, <https://www.gov.pl/web/chiny/wsp-ekonomiczna>

which are used to produce final products, which then go to European markets, especially Germany.

As for the Polish food industry, a significant increase in exports to China is recorded by the Polish dairy industry, which last year, after 8 years, won the opening of China for dairy products for feed purposes, in which Polish companies are very strong. Sales of Polish cosmetics in China are also on the rise.<sup>17</sup> In 2021, more than 30 Polish companies, mainly in the food, cosmetics and technology sectors, participated in the China International Import Expo.

The port of Gdansk is connected with the largest Chinese ports by regular container links. Since 2013, rail freight connections between Poland and China have also been developing dynamically. The connection from Lodz to Chengdu, was the second of its kind linking China with Europe, and the first to have a regular service. Until the outbreak of the pandemic, about 90% of containers entering the EU by rail passed through Małaszewicze, located on the Polish-Belarusian border<sup>18</sup>, whose border crossing the Polish authorities plan to expand. Until the outbreak of the pandemic, national carriers from both countries maintained air links between Warsaw and Beijing. It is important for relations between the two sides to restore this connection.

**According to the National Bank of Poland, in 2020, the value of Chinese foreign direct investment in Poland amounted to \$15.6 million, while the balance of Chinese direct investment liabilities in Poland amounted to \$286.3 million at the end of 2020.** Many Chinese investments in Poland are made by Chinese entities registered outside China, which are not included in official statistics as investments from China. **Estimates by the Economic Department of the Polish Embassy in Beijing put the possible value of total Chinese investments and assets in Poland at the end of 2020 at about \$2.2 billion.**<sup>19</sup> Available data shows that Poland is one of the leading EU countries in terms of Chinese investment. According to the Polish Economic Institute (PIE), the total value of Chinese investment projects in Poland in 2020 can be estimated at around \$1 billion. Being the EU's third most popular destination (after Germany and France) for Chinese investments provides adequate space for intensified dialogue between governments and the business sector on further Chinese investments,

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17 The Financial portal Obserwator Finansowy, Jan Baran, Expert of National Bank of Poland, „Polish exports to China - potential not fully exploited”, 25 Feb, 2022 <https://www.obserwatorfinansowy.pl/bez-kategorii/rotator/polski-eksport-do-chin-nie-w-pelni-wykorzystany-potencjal/>

18 The Ministry of Foreign Affairs of Republic of Poland, „Poland-China – economic cooperation”, <https://www.gov.pl/web/chiny/wsp-ekonomiczna>

19 Ibidem

especially in renewable energy, notes Wojciech Adamczyk, an expert at the Warsaw Institute.

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Chinese companies are present and active in Poland and do not face any direct or legal restrictions on their activities and bidding for investments (controversy only surrounds possible restrictions on companies supplying equipment for 5G technology, as I mentioned earlier). Many of China's investments especially in the rail, road and energy areas are being made by Chinese companies. In August 2019, the Chinese company Stecol won a tender for the construction of a section of the Lodz bypass (S14) worth more than €150 million. In June 2020, on the other hand, a Polish-Chinese consortium won a tender for the construction of the Rail Baltica Czyzew-Bialystok section worth more than €830 million. In December 2020, it was announced that Stecol, with a bid of more than €110 million, had been selected to build the Minsk Mazowiecki-Siedlce section of the A2 highway. The examples cited prove that Chinese companies are becoming increasingly effective in competing for infrastructure tenders in Poland.<sup>21</sup> However, these are not strategic investments, or those that could be a symbol of Polish-Chinese cooperation. As far as the presence of Chinese companies in Poland is concerned, great opportunities are opening up for the white goods market in Poland, which is the European leader in its production<sup>22</sup> and e-commerce market, because Poland is largest market in CEE region.

### **Poland about China**

China's perception in Poland, despite isolated failed investments, the most notorious of which was Covec's 2011 road investment.<sup>23</sup> is better than in Western countries. However, amid geopolitical tensions in recent years, the Middle Kingdom is perceived worse in Poland than in previous years, surveys indicate. In a poll conducted in November 2021 for a report on European opinions about China during the COVID-19 pandemic, more than 40% of Poles expressed a negative opinion of it (positive - less than 30%). In the 2019 Pew Research Center

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20 The Warsaw Institute, Wojciech Adamczyk, "Risks and benefits of Chinese energy investments in Poland"

<https://warsawinstitute.org/pl/rzyzka-korzysci-z-chinskih-inwestycji-energetycznych-w-polsce/>

21 The Warsaw Institute, Paweł Paszak, „Poland-China relations in 2021: status and prospects” 29 Jan, 2021

<https://warsawinstitute.org/pl/stosunki-polska-chiny-w-2021-roku-stan-perspektywy/>

22 The Daily Rzeczpospolita, Piotr Mazurkiewicz, 6 Jun, 2022, „The Chinese are investing in the Polish household appliances sector. Game for hundreds of millions”, <https://www.rp.pl/handel/art36463831-chinczy-inwestuja-w-polski-sektor-agd-gra-o-setki-milionow>

23 The Daily Rzeczpospolita, Agnieszka Stefańska, „Covec wants to withdraw from the construction of the A2 motorway”, 3 Jun 2011, <https://www.rp.pl/biznes/art14476921-covec-chce-sie-wycofac-z-budowy-autostrady-a2>

survey, it was 34% negative and 47% positive opinions, respectively. Poles have a good opinion of Chinese investment, as well as, for example, cooperation with the PRC under the Belt and Road Initiative (BRI). However, more than half of Polish respondents believe that the SARS-CoV-2 virus was created in a Chinese laboratory.<sup>24</sup> In the same center's 2022 survey (after the outbreak of the war in Ukraine), the proportion of Poles' assessment of China is already at 55 percent negative to 28 percent positive.<sup>25</sup> which, however, especially in the case of negative ratings, is a lower level than in Western countries.

China, however, is still perceived by Polish entrepreneurs as a very promising market, but a distant, difficult one, with many years of return and still quite unknown. The Middle Kingdom is seen in Poland as a country of rapid growth and gaining increasing influence in the world, especially in the technological area<sup>26</sup>. This opens up many possible fields of Polish-Chinese cooperation. However, China's image and credibility in Poland is being weighed down by the country's perception that it may support Russia in its actions against Ukraine and considering the US - Poland's strategic geopolitical ally in the security area - as a strategic adversary.

Concern about business prospects in China among Polish entrepreneurs is also caused by China's "zero-covid" policy, which increases economic restrictions and business uncertainty. Also of concern is the economic slowdown and the risk of "China's isolation."<sup>27</sup> 2022 year for Polish companies operating in the Chinese market or working with companies there is no less difficult than it was more than two years ago, when the outbreak of the Covid-19 pandemic led to the closure of many workplaces, reduced consumption and transportation difficulties. Challenges continue with locally occurring lockdowns and the ongoing fight against

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24 The Polish Institute of International Affairs, Marcin Przychodniak, "China's strategic partner or USA shareholder? Poland in the rhetoric of the Chinese authorities and expert circles", 13 Jan 2021 based on R.Q. Turcsányi i in. (red.), "European public opinion on China in the age of COVID-19. Differences and common ground across the continent", 20 Nov 2020 r., <https://ceias.eu/survey-europeans-views-of-china-in-the-age-of-covid-19/>  
[https://www.pism.pl/publikacje/Strategiczny\\_partner\\_Chin\\_\\_czy\\_wspolnik\\_USA\\_Polska\\_w\\_retoryce\\_\\_wladz\\_i\\_srodowisk\\_eksperckich\\_ChRL\\_](https://www.pism.pl/publikacje/Strategiczny_partner_Chin__czy_wspolnik_USA_Polska_w_retoryce__wladz_i_srodowisk_eksperckich_ChRL_)

25 The Paw Research Centre, „How Global Public Opinion of China Has Shifted in the Xi Era”, Laura Silver, Christine Huang, Laura Clency, 28 Sep, 2022, <https://www.pewresearch.org/global/2022/09/28/how-global-public-opinion-of-china-has-shifted-in-the-xi-era/>

26 The Financial portal Obserwator Finansowy, Jan Baran, Expert of National Bank of Poland, „Polish exports to China - potential not fully exploited”, 25 Feb, 2022, <https://www.obserwatorfinansowy.pl/bez-kategorii/rotator/polski-eksport-do-chin-nie-w-pelni-wykorzystany-potencjal/>

27 The Daily Rzeczpospolita, Tomasz Furman, „Polish companies face many barriers in China. How are they doing?” 1 Oct, 2022, <https://www.rp.pl/biznes/art37161941-polskie-spolki-napotykaia-w-chinach-wiele-barier-jak-sobie-radza?fbclid=IwAR3r2RTzxHHVztI9DvkYOQapiA4JXqxLEgLiGFRbtBwEVPk9snuABmk5HFQ>



coronavirus, slowing economic growth, and internal and external tensions. The Polish copper export giant KGHM, which has traded extensively with the Middle Kingdom for many years, counts among its biggest threats: geopolitical tensions, the maintenance of a zero-tolerance policy for Covid and consequent further economic slowdown, and China's further isolation and focus on so-called "internal circulation".<sup>28</sup>

### **A perspective on Polish-Chinese relations: Opinions of Polish experts**

The Polish experts stress the crucial importance of the geopolitical situation for the development of Polish-Chinese cooperation. They point out the limitations related to political cooperation, but also the opportunities for the development of trade and economic contacts.

Dr Marcin Przychodniak, China analyst at the Polish Institute of International Affairs (PISM), believes that relations with Poland are not an important topic of political debate in the PRC. They become part of the rhetoric only in the broader context of China's relations with the US or the EU. In his view, participants in the debate on relations between the two countries, including representatives of the Chinese government, declare their will to develop relations with Poland, but believe that the obstacle is primarily its close relations with the United States. They believe, he says, that this state of affairs will continue under the presidency of Joe Biden, and thus there will be no opportunity to improve relations with China. According to the Polish expert, however, the deterioration of relations with Poland is not a big problem for the PRC, according to Chinese authorities and experts.<sup>29</sup> According to Dr. Przychodniak, the development of the current situation in the EU, including the tightening of its policy towards the PRC, as well as President Joe Biden's maintenance of rivalry with China will make a return to the Polish-Chinese relations from before the Donald Trump administration largely impossible.

According to Warsaw Institute expert Pawel Paszak, from the perspective of Poland's interests and for Polish-Chinese relations, the situation of close relations between China and Russia is unfavorable, as it leads to tacit acceptance or support of the revisionist actions of the Russian Federation in the post-Soviet area and Eastern Europe. In his view, the vision of the international order promoted by Beijing and Moscow implies a weakening of the U.S. presence

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28 Ibidem

29 The Polish Institute of International Affairs, Marcin Przychodniak, "China's strategic partner or USA shareholder? Poland in the rhetoric of the Chinese authorities and expert circles", 13 Jan 2021  
[https://www.pism.pl/publikacje/Strategiczny\\_partner\\_Chin\\_czy\\_wspolnik\\_USA\\_Polska\\_w\\_retoryce\\_wladz\\_i\\_srodowisk\\_eksperckich\\_ChRL\\_](https://www.pism.pl/publikacje/Strategiczny_partner_Chin_czy_wspolnik_USA_Polska_w_retoryce_wladz_i_srodowisk_eksperckich_ChRL_)

in Europe, thereby eroding the basis for the functioning of NATO, the cornerstone of Poland's security policy.<sup>30</sup> Despite these differences, in opinion of expert, trade and freight flows along the Rail Silk Road are expected to grow. Infrastructure tenders are also an area to watch, with Chinese companies becoming increasingly active and successful.<sup>31</sup>

The Polish-Chinese relationship is the result of the calculus the two countries are making to advance their interests. The economic plane is the most obvious area where cooperation can develop. Poland's favorable geographic location and potential become an asset in forming relations with China. There is also an opportunity for Chinese capital to finance investments in Poland. However, this is a very difficult task and may face pressure from the United States to limit this form of cooperation, as loans and investments are seen in Washington as one of the main ways for Beijing to gain influence, according to Defence24.pl columnist Krzysztof Winkler.<sup>32</sup> By optimizing the risks and rewards of Chinese investment, Poland can be the beneficiary of a reinvigorated business dialogue with China. Attracting Chinese investment can help Poland diversify its foreign ownership risks and reduce the country's dependence on other business partners, such as Germany and France, in the renewable energy sectors. Poland's perception of China as a partner, rather than a rival or competitor, could bring more positive changes for Poland on the road to a truly green economy, according to Warsaw Institute expert Wojciech Adamczyk<sup>33</sup>

Despite the extremely difficult circumstances, Bartosz Komasa, who works for the Bank of China in Poland, sees mainly growth and improvement in bilateral Polish-Chinese relations over the past two years. - Traditionally, of course, our clients export to China mainly food products, the furniture industry has come to China, imports are mainly electronics. In all these industries, our economic partners have become not only more professional, but also more confident and at the same time more demanding. Today, the interest of Chinese partners in investing in Poland is very high. Almost all major Chinese e-commerce companies are looking

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30 The Warsaw Institute, Paweł Paszak, „Poland-China relations in 2021: status and prospects” 29 Jan, 2021  
<https://warsawinstitute.org/pl/stosunki-polska-chiny-w-2021-roku-stan-perspektywy/>

31 Ibidem

32 The Defence24 Portal, Krzysztof Winkler, „Difficult relations between Poland and China”, 2 Feb, 2022  
<https://defence24.pl/geopolityka/trudne-relacje-polski-z-chinami>

33 The Warsaw Institute, Wojciech Adamczyk, "Risks and benefits of Chinese energy investments in Poland"  
<https://warsawinstitute.org/pl/ryzyka-korzystci-z-chinskih-inwestycji-energetycznych-w-polsce/>

for partners and warehouses in Poland, here we can see very high potential. Bilateral trade is experiencing growth, imports are constantly increasing," he stresses.<sup>34</sup>

On the other hand, according to Dr Bartosz Kowalski, an analyst at the Center for Asian Affairs at the University of Lodz, a 16 plus 1 format crisis is taking place as a result of various internal and external factors: the reshuffling of the political scenes of the various countries in the region, the US-China trade and technology war, the trade war with Lithuania, China's strengthening authoritarian governments, the Covid-19 pandemic, and finally China's favoritism towards Russia in the war with Ukraine. In his view, China's reactions to changes in the region over the past decade, from those resulting from democratic processes to security considerations vis-a-vis Russia, demonstrate that China does not understand both the nature and scale of the changes that have taken place in Central and Eastern Europe in recent years.<sup>35</sup> Warsaw Institute analyst Pawel Paszak points out that despite growing trade and positive presidential-level contacts, Warsaw's relations with Beijing have been at an impasse for some time. After a period of dynamic development of relations between 2008 and 2016, the period of the United Right government was followed by a weakening of cooperation, according to Pawel Paszak, resulting from disappointment with the lack of significant progress of the Belt and Road Initiative, the 17+1 format and limited access of Polish manufacturers to the Chinese market.<sup>36</sup> However, as Radoslaw Pyffel, former Polish representative at the Asian Infrastructure Investment Bank, notes, Poland is not as enthusiastic about cooperation with the Middle Kingdom as Serbia and Hungary, but on the other hand it is unlikely to leave the 16+1 format like the Baltic countries.<sup>37</sup> He stresses that Poland officially declares to stick to the One China policy. However, he recalls that Polish Foreign Minister Zbigniew Rau criticized the harshness of China's response to Lithuania<sup>38</sup>.

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34 The economic Portal Wgospodarce.pl, Artur Ceyrowski „Doing business with China. What role does Poland play in the Chinese economy?”, 11 Oct, 2022, [https://wgospodarce.pl/informacje/118158-doing-business-with-china-jaka-role-odgrywa-polska-w-chinskiej-gospodarce?fbclid=IwAR11Rkc3vSwYoF4dOwA7Abo9rwdtu7n\\_32AKwAGJV2Sg0TfLHAbOV9QrGPA](https://wgospodarce.pl/informacje/118158-doing-business-with-china-jaka-role-odgrywa-polska-w-chinskiej-gospodarce?fbclid=IwAR11Rkc3vSwYoF4dOwA7Abo9rwdtu7n_32AKwAGJV2Sg0TfLHAbOV9QrGPA)

35 The ObserwatorMiędzynarodowy.pl Portal , „16+1 Format: there will be no jubilee summit”, 16 May, 2022 <https://obserwatormiędzynarodowy.pl/2022/05/16/format-16-1-jubileuszowego-szczytu-nie-bedzie/>

36 The Warsaw Institute, Paweł Paszak, „Poland-China relations in 2021: status and prospects” 29 Jan, 2021 <https://warsawinstitute.org/pl/stosunki-polska-chiny-w-2021-roku-stan-perspektywy/>

37 The Wnet Radio, „What next for the 16+1 format? Pyffel: The Czech Republic and Slovakia may follow Lithuania's lead. Poland will rather balance”, 19 Aug, 2022, <https://wnet.fm/2022/08/19/co-dalej-z-formatem-16-1-pyffel-czechy-i-slowacja-byc-moze-pojda-sladem-litwy-polska-raczej-bedzie-balansowac/>

38 The Portal MediaNarodowe.pl, „Head of the Polish diplomacy: We consider Taiwan to be part of China”, 8 Sep, 2021 <https://medianarodowe.com/2021/09/08/szef-polskiego-msz-uwazamy-tajwan-za-czesc-chin/>

Prof. Bogdan Góralczyk, a sinologist, former director of the European Center at Warsaw University and former member of the International Scientific Council of the China-CEE Institute, believes (interview February 2021) that there is still no awareness in Poland that it is in China's interest "to enter Poland." This is not because "they like this or that Polish administration, it's just what the map tells them." Prof. Góralczyk stresses that for Poland the location between Russia and Germany is a historical curse, but from China's point of view it is the best possible position imaginable. Of course, in his opinion, China comes here with its own interests, concepts and money, but if we would play this game, a lot can be gained.<sup>39</sup> In turn, former Polish representative at the Asian Infrastructure Investment Bank Radoslaw Pyffel believes, looking at Polish-Chinese relations, that Poland should give up tools that are already anachronistic, such as looking at everything through the prism of the trade balance or trying to reduce everything to the realities of the Cold War, at a time when the world and relations between countries, even within the West itself, look very different today. - New ideas and new tools are needed. It's also worth remembering the strategic importance of Poland, which is the first country on the Chinese road to Western Europe and is recognized in China as a developing economy, still with considerable growth reserves," he stresses.<sup>40</sup>

### **Conclusions and recommendations**

1. The Polish-Chinese economic relations are deepening, trade turnover is increasing - this is the trend and despite the changing economic situation it is likely to remain so.
2. For Poland, China is a promising market opening up many opportunities for economic cooperation due to its size. Key for Poland is the export of Polish agricultural and food products, industrial, but also technological products.
3. For China, Poland is the largest - 40 million market in the Central and Eastern European region - a rapidly developing country, which is the gateway of the European Union on the line of the New Silk Road leading to Western Europe, opening the possibility of creating a transport and food hub.

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39 The Daily Rzeczpospolita, interview with prof. Bogdan Góralczyk, „Góralczyk: Poland – China. Business must wait for a political impulse”, 23 Feb, 2021, <https://firma.rp.pl/chiny/art17061941-goralczyk-polska-chiny-biznes-musi-poczeka-na-impuls-polityczny>

40 Portal of the (Daily) Dziennik Gazeta Prawna, „Poland-China: Let's build a mutual relationship based on trade and infrastructure development [DGP DEBATE], 22 Apr 2021 <https://biznes.gazetaprawna.pl/artykuly/8147193,relacje-polska-chiny-debata-dgp-pelne-otwarcie-czy-ostrozna-wspolpraca.html>

4. It is important to open the Chinese market more to Polish products, especially agricultural and food products (this will be an argument to show that deeper cooperation with China makes sense), as well as the opening of the Polish government to Chinese investments in the area of infrastructure and new technologies.
5. The war in Ukraine has deepened Polish-Ukrainian relations and, according to many experts, this will lead to stronger integration of Ukraine with Poland. An opportunity for the development of Polish-Chinese relations may be the cooperation in the future reconstruction of Ukraine after the war and in the context of the development of Ukraine's infrastructure links with Poland and Europe.
6. Poland is a country that will undergo a huge energy transition, related to the shift away from fossil fuels (it is Europe's largest producer of energy from coal), which will be accompanied by huge investments in the area of sustainable energy infrastructure, which opens a wide field for Chinese investment in this area.
7. The Polish economy is very strongly integrated with the German economy, which is China's main partner in Europe, which opens up wide fields for Chinese cooperation with Poland, due to, for example, lower labor costs in Poland with a similar level of employee qualifications to Germany.
8. It is important to maintain friendly relations between the governments of Poland and China and intensive dialogue on current problems, despite the geopolitical adversities of the current world system. Poland is a strong ally of the US, but does not consider China a security threat. China has a "friendly relationship" geopolitically with Russia, but also has its own economic interests in the transportation security of the New Silk Road, which the pandemic and subsequent war in Ukraine disrupted. Economic relations with the West, including Poland, are more important to China than with Russia.
9. It is important to build mutual understanding of each other's place and interests in the world between China and Poland - to build trust, by strengthening relations between Polish and Chinese institutions, local governments and business. This should include education of Polish entrepreneurs on how to operate on the Chinese market and Chinese entrepreneurs on the Polish market and deeper cooperation at the local government level. A constraint to the development of this cooperation is the current Chinese "zero covid" policy, which limits the possibility of developing direct relations.
10. The development of non-political cooperation between the scientific and business communities in the technological area, especially in the field of technology should be pursued.

11. New and possible forms of economic cooperation should be sought that would be outside the geopolitical tension between China and the United States in the areas of trade, technology and infrastructure.