



STRATEGIC FILE

No. 25 (61), November 2014 © PISM

Editors: Marcin Zaborowski (Editor-in-Chief) • Wojciech Lorenz (Managing Editor)
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Regional Cooperation Key to Polish–Chinese Strategic Partnership

Adriana Skorupska, Justyna Szczudlik-Tatar

Upgrading Polish–Chinese relations to a strategic partnership in 2011 became a symbol of closer cooperation between the two countries. However, the relations at the top level are not sufficient to exploit the full potential of the partnership. The local administration is best positioned to stimulate the development of practical cooperation. Hence, Polish local governments should pursue closer relations with China’s western regions, use existing tools (direct railway connections, partnership agreements, regional offices) more effectively, and advocate cooperation based on mutual benefits.

The Role of Regional Cooperation in China–Poland Relations

Poland–China relations recently have been developing dynamically. China is among Poland’s foreign policy priority countries in Asia. Appealing examples of this are the intensive political dialogue and the upgrade of bilateral relations to a strategic partnership. One can observe the institutionalisation of these relations and a plethora of mechanisms that make the ties comprehensive and multidimensional.

Nowadays, Sino–Polish relations are taking place on at least three levels. The first is bilateral, which includes both the central government (e.g., strategic dialogue, intern-governmental committee dialogue, biannual prime ministers’ summits) and local level (e.g., annual Poland–China Regional Forums as a platform for contacts between local governments, entrepreneurs, etc.). The second tier is the sub-regional level, mainly within the framework of the “16+1” formula,¹ as well as lower-level meetings in this format covering miscellaneous areas of cooperation (e.g., local leaders’ forum). Finally, the third is the EU level, as seen in the EU–China summits and sectoral dialogues, including the partnership on urbanisation² (set up in 2012), which is perceived as key in the dialogue in the upcoming years.

Taking into account China’s economic potential and its dynamic development, Poland’s main goals in cooperation with the PRC are economic—to expand Polish exports to China, attract Chinese investments, and to raise Polish FDI in the PRC. An intensive political dialogue as well as education, cultural and tourism cooperation may facilitate implementation of the Polish goals. Poland wants to promote its own heritage and provide entrepreneurs with information about China. These efforts may prompt Polish businesses to launch cooperation with Chinese counterparts and may make economic relations more effective and intensive.

¹ The “16+1” format was launched in 2012 during Prime Minister Wen Jiabao’s visit to Warsaw. The format includes China and 16 Central and Southern European Countries: Albania, Bosnia and Herzegovina, Bulgaria, Croatia, Czech Republic, Estonia, Hungary, Macedonia, Montenegro, Lithuania, Latvia, Romania, Poland, Serbia, Slovakia and Slovenia.

² “Joint Declaration on the EU–China Partnership on Urbanisation,” Brussels, 3 May 2012, www.eeas.europa.eu.

Nevertheless, the geographical distance, China's size, internal diversity, and differences between Poland and the PRC are the main reasons that the central-level relations are not sufficient to fully reach the stated goals. The dialogue at the highest level is indispensable, as it creates a political impulse for Chinese local governments and entrepreneurs by highlighting that Poland is a country worth cooperating with and investing in. But the real relationship should take place at the lower, local levels. Counties, municipalities and cities know better the real needs of their "little homelands" and they can precisely identify potential areas of cooperation with their Chinese partners. Therefore, the local dimension is becoming more important and could be an effective area for implementing Poland's China policy goals.³

Why Regional Cooperation and Why Now?

The very good Sino-Polish relations at present create favourable circumstances to initiate or intensify cooperation at the local level. First of all, both Warsaw and Beijing provide a political umbrella for local cooperation. What is more, China recognises the growing role of Poland in Europe, with the best example of this Poland's leading position in the 16+1 format due to its political and economic stability and rather strong representation in the EU. Additionally, Poland is attractive as a country that has successfully transformed its political and economic systems, which is easily noticeable at the local level. This experience seems to be especially attractive for China's local governments, which are in the midst of development model changes. Among them, a focus on raising domestic consumption, on effectiveness and quality of economic growth, the rising role of the service sector, the construction of a social security system (medical care, services for the elderly, pension scheme, etc.), greater role of medium-sized and small enterprises in the Chinese economy, urbanisation, and many others.⁴ Furthermore, one can observe an increase in the responsibilities of Chinese local authorities and a focus on narrowing development and income gaps between the richer east and poorer west of China (continuation and enhancement of the Western Development Policy launched in the late '90s), the latter still not seen among Polish enterprises or local authorities as an attractive destination for cooperation (western provinces, such as Sichuan, Yunnan, Inner Mongolia, Gansu, Qinghai or Xinjiang, play an insignificant role in bilateral trade, with a maximum of 0.7% of total trade volume⁵).

All of these factors indicate that Polish local governments can "export" their knowledge and experience with reforms to China. As a result, Poland might be perceived as an attractive "transformation brand" and may benefit from the changes taking place in the PRC, including finding suitable partners for cooperation or identifying a profitable market niche. Another opportunity for the Polish local governments could be the Chinese foreign policy proposal known as the "Silk Road." Despite the vagueness of this slogan, it is apparent that it is an indispensable element of the country's new development model, including the development of western provinces by setting up direct transport connections to Europe.⁶ This is a chance for Polish and Chinese local authorities to strengthen cooperation and to increase trade and investment flows.

Polish local governments, in cooperation with Chinese local authorities, are focused on a few areas. The priority is economic cooperation. Also very important are educational, cultural and tourism relations. However, the sphere that is becoming more important is the sharing of management experience, including particular solutions in environmental protection, local transport improvements, doing business, establishing economic zones, budgeting, water and sewage management, and others.

Economic Cooperation

Generally, economic cooperation is not the main or traditional dimension of Polish local governments' international contacts. However, in the case of China, economic relations are a top priority. In business

³ See: T. Jurczyk, "Współpraca gospodarcza na poziomie władz lokalnych" [Economic Cooperation at the Local Level], *Poland-China Business Magazine*, no. 01/2014; *Przewodnik po współpracy z chińskimi władzami lokalnymi* [Guidebook on cooperation with Chinese local governments], Stała Ogólnopolska Konferencja Współpracy Międzynarodowej Samorządów, Łódź, 26 September 2014, p. 35.

⁴ *Ibidem*, p. 19.

⁵ *Poradnik eksportera i inwestora do Chińskiej Republiki Ludowej* [Exporters and Investors Guide to the People's Republic of China], Trade and Investment Promotion Section, Embassy of the Republic of Poland in Beijing, 4th ed., 2013.

⁶ Liu Z., "The Role of Central and Eastern Europe in the Building of Silk Road Economic Belt," *China International Studies*, vol. 47, July/August 2014, pp. 18–32.

contacts with Chinese partners, there is a need for political support from the local authorities. Even if the cooperation is established between entrepreneurs, it should come with formal contacts between the local authorities. Engagement with a Polish marshal or mayor gives the relationship a higher rank and legitimizes the business partners.

Although many Polish local authorities established contacts with Chinese partners many years ago and signed partnership agreements, in recent years one can observe an increase in the dynamism of the local cooperation. Polish local governments have responded positively to Chinese initiatives and Poland's own projects that aim to find and secure outlet markets for regional products and to attract Chinese foreign investments.

A significant example of this is seen in Łódź, where in April 2013 a private company launched regular railway cargo service to Chengdu (the capital of Sichuan province in central China). Moreover Łódź's ambition is to become a transport hub for reloading goods. This is a chance to increase trade volume, including Polish exports, because transportation by railway is shorter than maritime freight and cheaper than air transport. Seeing the prospects for further development of cooperation, the Łódź voivodship and the city of Łódź opened a regional office in Chengdu.

Effective economic cooperation with Chinese partners is also noticeable in the Silesian voivodship. Silesia renewed cooperation (established in the 1950s) with Liaoning province and its capital, Shenyang, an important mining centre in China. The Silesian authorities are interested in cooperation with this region, taking into account the potential benefits for its own machinery and mining equipment exporters. A good example of tangible cooperation might be the company from Gliwice that will provide procedures for automation and robotics to the BMW factory in China. The cooperation was launched thanks to local government contacts.⁷

Another example is seen in the Pomeranian voivodship and the city of Gdynia, which established contacts with Shanghai, also in the 1950s, and in 2009 established the Pomeranian Office in Beijing. It is worth mentioning that Gdynia is the headquarters (along with Shanghai) of the first PRC joint-venture company, the Chinese–Polish joint-stock shipping company Chipolbrok. Gdańsk aspires to become a marine transport hub for China and an indispensable element of the Chinese maritime “Silk Road” project. In 2013, one company extended a container shipping route from China to Gdańsk, which makes the city a point for the transshipment of goods from China to other European destinations, e.g., the Czech Republic, Slovakia, Belarus, Ukraine, and others.

Currently, the majority of Polish regions offer various forms of support for local entrepreneurs. Most of them are economic missions organised jointly by regional or local authorities. They create the opportunity to establish contacts between Polish and Chinese entrepreneurs and to get some knowledge of the investment conditions in both countries. The results of this cooperation are mixed, but greater awareness of the possibilities and potential benefits makes more local governments interested in such contacts. Good examples of this are seen in Słupsk (when Słupsk translated its website into Chinese, the city noticed interest from Chinese enterprises), Elbląg (the Chinese diaspora living in Elbląg is very active and initiates contacts with Chinese local governments) and Starogard Gdański. The latter, after several years of mutual contact with Chinese partners, decided to sign an agreement with Foshan city (Guangdong province) on the sidelines of the second Poland–China Regional Forum, held in Guangzhou in June 2014.

Educational and Cultural Cooperation

Polish local governments cooperate with China also traditional areas: promoting culture, language and education at local universities. Attracting foreign students underscores the importance of the university and strengthens the whole region, bringing financial benefits, especially important with the demographic situation in Poland (declining population). This cooperation is very dynamic. For example, in 2013, the University of Silesia signed an agreement with the Northeast University in Shenyang, Liaoning province, and launched Polish language courses and classes on Polish culture. University cooperation was also initiated in Łódź (the University of Łódź launched ties with Nankai University in Tianjin) and Opole. Studies at Polish

⁷ The information used in this report was collected during in-depth interviews with representatives of the Polish local governments. Interviews were carried out in the framework of a study for expertise on international cooperation of self-government that is being prepared by PISM at the request of the Foreign Ministry.

universities are attractive due to the fact that the diploma or degree is recognised in other EU countries. What is more, studies gain the opportunity to learn about a distant culture and eliminate stereotypes, which may translate into better economic cooperation.

There is growing interest in learning the Chinese language in Poland. The courses at universities or schools are run by professional Chinese teachers. Chinese is also popularised by the Confucius Institute, established at Polish universities in cooperation with Chinese counterparts. At present, there are four such institutes at universities in Poland: in Kraków, Poznań and Wrocław, and at the Opole University of Technology.

It is also important to raise awareness about China in Poland. The idea of a community of international relations that began in Europe after the Second World War was the opportunity to explore, understand, and thus to overcome mutual prejudices. It is hard to list another country that holds as many negative stereotypes as China does in Poland. Although contacts between local communities is not as intense as with neighbouring countries, due to the large geographical distance, an increasing number of joint cultural events, exchange of students, or an increase in tourist traffic should result in better understanding and overcoming negative stereotypes. An example of this is Gabinet Szanghajski, a collection of books about China in many languages that is part of the Gdańsk Public Library.

Administration and Municipal Economy

Polish local governments also want to provide China with “know-how” about urban development, supporting entrepreneurial development and public administration at the local level. The representatives of Polish local governments admit that many Chinese delegations come to Poland and ask specific questions about city or regional management, including budgeting processes, solving environmental problems, water and sewage management, as well as the operation of specific companies.

This was the case for Lublin, a city that cooperates with China’s Henan province and hosts delegations interested in helicopter manufacturer PZL Świdnik and the possibilities of using the railway reload port in Małaszewicze. Chongqing is also interested in Małaszewicze as a potential “stop” along the Chongqing-Xinjiang-Duisburg railway lane, which could lead to cooperation between that city and Lublin. For Słupsk, which cooperates with Xiamen, the delegations are interested in the Słupsk Economic Zone.

The Chinese also expect to learn about how local authorities operate in practice. A good example of this is Opole, which in its cooperation with Fujian province (a letter of intent was signed in 2012) participated in an internship programme for officials. A representative from Opole held an internship at the partner provinces, then studied at the local university. Furthermore, a representative of the local authorities in Fujian spent a month on internship in Opole. Another interesting example is Gdańsk. Delegations from China are interested in the tax office’s activities and want to know more about the administration of local finances. They are also interested in management of sports facilities, including marinas.

Problems and Challenges

Polish local governments are more active and aware of the importance of cooperation with Chinese local authorities. They not only eagerly accept Chinese offers for cooperation and host delegations coming to Poland but also initiate relations with Chinese counterparts. However, cooperation with a distant partner is neither easy nor cheap. Polish local governments have highlighted several problems.

Relations with China are still the domain of large regions and cities with significant financial resources. For small cities and towns, China remains an exotic locale due to the high costs of cooperation and possible concern about the local community’s lack of support for such contacts. Officials openly concede they are afraid of accusations of extravagance or spending public funds for exotic travel.

Local governments complain that visits by Chinese delegations often do not produce tangible results. They argue that the Chinese side exerts pressure on signing cooperation agreements, which are not implemented, but only serve as proof of a foreign trip and submitted to higher Chinese authorities.

Moreover, the Chinese delegations treat Poland as a departure “base” for other European countries or come to Poland only to gain knowledge about local government activities, economic zones and the

investment environment. The Chinese side in turn does not propose concrete solutions beneficial for Polish local governments.

A significant example of this sort of one-way contact and low benefit ratio for Polish local governments is in certain railway connections, specifically between Łódź and Chengdu and Suzhou and Warsaw. They are still used mostly for sending Chinese goods to Poland rather than to China. The reasons for this are a lack of information among Polish entrepreneurs about the cargo links, Chinese market access barriers, the lack of products attractive to Chinese buyers, and the fact that Chinese local authorities subsidize these connections to Europe.

Recommendations

- In the Polish-Chinese relations, more attention should be paid to the exchange of experience at the local government. China, as a country with a fast-growing economy, ongoing urbanisation, and increasing problems with achieving a low-carbon economy, could better present solutions to its Polish partners.
- Polish local authorities should be more assertive in their cooperation with Chinese partners. They should focus on reciprocity, especially bringing economic benefits to Polish regions, raising Polish exports to China and attracting valuable Chinese investments.
- Polish local authorities should pay more attention to developing cooperation with China's western provinces, which present more opportunities for Poland than the traditional eastern part of China due to the lighter penetration by companies and local governments from Western countries. What is more, economic growth in this region is higher than China's average annual GDP growth, and western China is a starting point for the "Silk Road," the flagship foreign policy project announced by the current Chinese authorities.⁸
- An important tool that may facilitate cooperation with western China could be the decision to set up a Consulate General with a Trade and Investment Promotion Section, in Chengdu or Chongqing. Both cities aspire to be considered "Silk Road" starting points and have railway cargo connections (Chengdu) or the railway passes through Poland (Chongqing–Xingjiang–Duisburg line).
- Chinese cities are much bigger than Polish municipalities. In addition, they are different in terms of organisational structure. Under these circumstances, it is worth considering cooperation with particular counties, districts or parts of municipalities instead of whole cities.⁹
- Smaller Polish local governments should cooperate with Polish regions that already have partnerships with Chinese local authorities. This cooperation should include sharing knowledge about China and experience with cooperation with Chinese local communities. Moreover, the more experienced regions may jointly cooperate with small and poorer Polish communities that cannot afford to launch relations with China by themselves.
- Taking into account the fact that for Chinese officials food security is a top priority, it is a chance for Polish agricultural regions to launch cooperation with Chinese counterparts to promote exports of Polish agricultural products to China. Polish food is known as safe and high-quality. It is worth using newly opened railway connections for dispatching Polish agricultural products to China.
- There is a need to disseminate information about Poland–China railway connections. Local governments should cooperate with operators and distributors (also Chinese ones) to build logistics hubs in Poland. These would create jobs, strengthen the economic role of the region, increase local government revenues and facilitate customs control over the circulation of goods.
- The local authorities should be supported by central institutions, higher local governments (marshal's offices), universities and experts. Their assistance should include information about

⁸ J. Szczudlik-Tatar, "China's New Silk Road Diplomacy," *PISM Policy Paper*, no. 34 (82), December 2013.

⁹ For more about the Chinese administrative system, including urban areas, see: *Przewodnik po współpracy...*, *op. cit.*, pp. 12–16.

Chinese authorities, current economic trends in China, characteristics of Chinese regions, and others.¹⁰ With such assistance, it would be easier to identify a suitable partner for cooperation and areas that could bring tangible results.

- One opportunity to significantly support local governments and other stakeholders interested in cooperation with Chinese local governments would be to establish regional offices in Chinese provinces. Having a bureau secures the permanent presence of the Polish regions in China, while office staff familiar with the Chinese region may provide Polish entrepreneurs with more effective support and advice. It is worth mentioning that there is the possibility to use EU funds to open regional offices in China.
- Local governments should focus not only on cooperation with regions with which they have signed partnership agreements, but should be flexible and painstakingly explore the needs of other Chinese regions, cities and provinces, including local communities and the authorities, and be open to innovative action.
- Cooperation with China is an important signal for Polish local governments that relations with distant countries are possible and might be effective. But the local governments should be patient and not expect prompt and easy results. Cooperation with China should be seen as a long-term investment with results expected to be noticeable in the future. But now is the best moment to launch this investment.

¹⁰ A good example of that assistance is the “Guidebook on cooperation with Chinese local governments” published by the University of Łódź in cooperation with the Łódź voivodship, which was presented at the 3rd Poland Conference on Local Government International Cooperation in September 2014.