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Chinese Foreign Direct Investments in Europe. The Polish Case

Foreign Direct Investment (FDI) has been one of the most discussed topics in the economic globalization. In effect, Multi-National Corporations (MNCs) consider FDI as an important means to reform their production activities across the borders, maintaining the corporate strategies while using the competitive advantages of the host country. The inflow of FDI in the host country has seen as a significant opportunity to integrate their economies into the global market, and to promote their economic development. Host country's government, in order to maximize FDI's benefits, employs a variety of policies and measures. Nowadays, China becomes one of the biggest players in this FDI global game.

This paper aims to present an updated vision of Chinese foreign investments in Europe, focusing particularly on Poland. The internationalization process of Chinese companies, which is perceived as the consequence of the greatest economic phenomenon that can be described as the progressive integration of China in the global economy, occurred in the last decades. It has been worth noticing how nowadays, enterprises compete among them through international strategies, not only on a trade relation basis, but also increasingly through overseas foreign direct investment (FDI). The framework in which the Chinese enterprising is evolving is taking enormous proportions, and it is expanding throughout the global market, seeking new opportunities and resources. Hence, seeking more favourable conditions than those found within their own national borders.

Short historical background

The inflow of FDI in China over the past 20 years, has significantly influenced its economic development. Since the opening-up to the global economy, China became one of the most important host countries for FDI flows (Wei & Liu, 2011). Therefore, the foreign companies established in the Mainland did not only provide financial capital, but also human capital such as management expertise and new technologies. In addition, FDI have helped to integrate the country into the regional and the global manufacturing and sales process, which has been determinant in intensifying its export-driven economic growth. Accordingly, it is now widely recognized that foreign investment has contributed significantly in the Chinese process of modernization (Jiang, 2012).

Nowadays, the trend has changed; from China's impressive economic development, and after its accession to WTO in 2001, the Chinese government decided to adopt a policy aiming at encouraging Chinese outbound investments. Therefore, China is becoming one of the most important exporters of investment capital. The Ministry of Commerce announced that China's outbound FDI would exceed its inward FDI in a few years to come. This is explained by the fact that Chinese FDI outflows kept rising since 2004, notwithstanding the global financial crisis.

The first flux of Chinese FDI overseas markedly followed the government investment strategy; in fact, they were mainly directed towards developing countries in Asia, Africa, and Latin America, due to the abundance of natural resources necessary for Chinese industrial production. While the resource-seeking strategy continues to be fundamental in China's foreign investment policy, the second flux of Chinese investors targeted the industrialized economies, such as the US and the European Union, looking for their advanced technologies, management skills, and human capital or for their local distribution networks. With the global financial crisis, this phenomenon has been more intense and has raised several concerns among the researchers, policy makers and the public opinion. In the aftermath of the economic crisis of 2007, that afflicted the Euro zone; the European Union became one of the major recipient of Chinese outbound investment. At that time, many important and famous European firms have been acquired by Chinese investors, if not for that fact, a lot of these companies would have been bankrupted, bringing heavy consequences on the labour market.

Respectively, China's rising power today produces a combination of enthusiasm and concern, because its outbound FDI increased dramatically from zero in 1978 to a record 105.7 billion USD in 2011–2012. The reduction of barriers on outward FDI and the increasing encouragement by the Chinese government in promoting the global expansion of its multinational companies is an attempt to gain a major role in the international financial sector. This impressive expansion of the Chinese outbound investments in the European Union in the mist of the Euro zone's debt crisis, have induced fear about the possible threat of "China buying up Europe." This expression is just a step away from posing the question, whether China is "buying the world" (Nolan, 2012).

Since China's entry to the WTO till 2011, China received the largest FDI inflows compared to other developing or transition economies. However, in 2009, the global crisis caused China's FDI inflows fell to 95 billion USD; then it strongly recovered, reaching 115 billion USD in 2010, and it rose further to 124 billion USD in 2011.

In 2012, the foreign direct investment confidence index showed that China was maintaining its ranking at the first position. In fact, it is still the first recipient of FDI inflows worth 124 billion USD, well ahead the other developing countries such as Brazil, India and Russia (Davies, 2012, p. 1).

China's rise as a global direct investor

Over thirty years of openness has made the People's Republic of China one of the world's largest recipient nation to foreign direct investment (FDI). Foreign-funded enterprises have played a catalytic role in the processes of market-based economy, about half of China's foreign trade contributed by providing an enormous amount of foreign exchange reserves. These elements show just one side of China's "open door" policy.

The high level of inward FDI has cast a shadow over the growing levels of Chinese outward investment. The recent rapid expansion of Chinese overseas investment has captured an extensive attention; because this trend appeared particularly after the financial crisis of 2008, when the global FDI decreased, China's presence in the world remains very small compared to that of the developed economies (Salidijanova, 2011). However, considering China as a source of FDI, it has to be interpreted as an important step in the country's economic development, and as an evident element to indicate, that China will continue to strengthen its opportunity to invest overseas in the years to come. China's investments have developed not only in size, but also geographically, by following the government's economic commitments.

Even though China's overseas investments are still very small, its manufactures have been gaining importance by the virtue of new inter-

national capital source. In the light of the principal FDI determinants, such as market size, economic growth, availability of skills and good infrastructure as well as the presence of enabling regulatory framework, China attracts a big size of FDI. Therefore, thanks to this environment created since the beginning of the economic opening up, Chinese companies had the opportunity to become more competitive, and to gain the capacity to invest overseas (Buckley et al., 2007, pp. 499–518).

The central authority has created a complex structure with several governmental bodies to administrate FDI. The system regulates the details of several issues, as for example the examination and the approval process, it encourages specific types of projects, regulates the system of foreign exchange control, and the SOE assets management. As the government's approach to FDI changed, shifting from a tight and restrictive capital outflow, to encouraging Chinese manufactures to invest overseas, also the policy keeps changing following the government's strategy. Literature have outlined four stages explaining the historical development of China's FDI. Before the process of economic liberalization began in 1978, the Chinese economic policy was based on self-reliance and economic independence, because there was practically no outward investment, for the reason that the government was strongly against every form of FDI. A different attitude towards FDI was embraced, after the economic liberalization, when its importance was recognized. Consequently, China did not only welcome the capital, but also technology and foreign management experience, furthermore, it started to encourage Chinese investments abroad.

During the first stage, from 1979 to 1985, foreign trade and investment were under state's control. Therefore, solely state-owned trading corporations and local enterprises had the opportunity to undertake foreign investment, exclusively after the approval of the State Economic and Trade Commission (SETC). During this period, the foreign investment policy was not established, because the government was concentrated more on setting down policies to attract FDI into China rather than on encouraging Chinese FDI overseas. Nevertheless, state-owned enterprises were the first investors trying to enter into the international business framework, by taking advantage of their already existing business links, bestowed upon them by the central and local authorities (Voss et al., 2009, pp. 146–148).

In 1979, the State Council released a document announcing that overseas investment was recognized as one of the thirteen official policies for opening up the economy. Notwithstanding the efforts, the policy framework regulating Chinese overseas investments was incoherent, and, in addition, the State Council was in charge of approving every project. For instance, it approved the establishment of four SOEs specialized in

overseas investments, which were expected to play a fundamental role helping manufactures in entering into the international market (OECD, 2008, pp. 81–82). However, the new SOEs introduced and approved by the government used to operate outside of the standard administrative framework. Moreover, the official statistics of the activities of the Ministry of Foreign Economic Relations and Trade (MOFERT), did not register their investments. Chinese FDI projects were strictly linked to the government's political strategy, rather than to the enterprise's business motivation; giving the reasons that the approval was based on its contribution to the Chinese economic and political influence onto the international system (Voss et al., 2009, pp. 148–149).

Subsequently, Chinese government decided to change its strategy, by giving more importance to trade-related issues, besides the political objectives, in order to develop new markets, increasing exports and obtaining new resources. However, the shift was very slow, because Chinese foreign investments were still politically oriented. Therefore, Chinese investments motives changed from seeking resources to the combination of resource-market, and seeking technology (Wu & Chen, 2001, pp. 1238–1241).

Until 1985, the enterprises having the permission to establish subsidiaries abroad were mainly interested in the following sectors: engineering, finance, insurance and consultancy. Just a few of Chinese manufacturers overseas were involved in the activities abroad. This trend changed around the mid-1980s. The first step in 1984 was the introduction of "The Notice about Principles and the Scope of Authority for Examination and Approval of Establishing Non-trading Enterprises in Foreign Countries, Hong Kong and Macau". The further step in 1985, was the approval of the "Interim Regulation on the Administrative Regulations on the Administrative Measures and Procedures of Examination and Approval of Establishing Non-trading Enterprises Abroad". These regulations brought further liberalization of the existing policies and authorized any legal-entity enterprises, including non-state-owned companies, to apply for the permission to invest abroad, it required a sufficient capital, an adequate technical and operational expertise and a suitable overseas partner (OECD, 2008, pp. 81–82).

Afterwards, in accordance with this liberalization, overseas investments turned to be diversified into new industries, such as metallurgy, minerals, petrochemicals and chemicals, electronic and light industry, transportation, finance, medicine, and tourism.

This policy framework constitutes the core of China's FDI administration, which is still in vigour notwithstanding several revisions. The liberalization led to a sharp rise of the Chinese outflow investment, increasing on a yearly basis, from 134 million USD to 850 million USD in 1988

(Kaartemo, 2007, pp. 7–9). It is evident that the rise was justified by the government's retightening of central control and suspension of the approval procedure.

The third phase, from 1992 to 1998, implied a sort of delocalization of the decision process. Local authorities, instead of the central one, sustained the big increase of overseas investments by local and provincial enterprises. Some of them were engaged in the real estate sector and in the stock market speculation in Hong Kong. Consequently, many of the subsidiaries overseas suffered from heavy losses, due to the reasons of nepotism and the corrupt management. As a result of this massive loss of state assets and leakage of the foreign currency, the Ministry of Foreign Trade and Economic Cooperation (MOFTEC) decided to introduce a stricter and more rigorous control (Poncet, 2007, pp. 117–118). Nevertheless, all these elements appeared but a quite evident strategy of the Chinese government to discourage FDI (Yuan & Pangarkar, 2015, p. 275).

However, by the late 1990s, the government attitude towards FDI changed from merely allowing and/or encouraging Chinese investment overseas. The support program was focused at specific industries, such as the enterprises engaged in processing and assembling raw materials, or machinery export. Light industry, such as textiles and electrical equipment, were promoted by export tax reductions and by foreign exchange as well as by financial assistance for their projects overseas (OECD, 2008, p. 83).

The encouragement, was basically given to large SOEs investment overseas, operating in strategic sectors, which were expected to spearhead the country's industrialization and raise the level of competitiveness at the global market. The development of China's foreign investment is interpreted as a success of China's market-oriented reforms. These reforms brought to two opposite effects on the progress of Chinese FDI outflow. While the Chinese companies gained more autonomy in their foreign operations, the maturing Chinese market reduced the benefits of an international network as the advantage of the barriers between domestic, and international market became less privileged. The reduction of international barriers consequently decreased the profit margins of indirect investments, benefiting from the commodity chains overseas (Peng, 2012, pp. 97–107).

The first contribution in the "go global" strategy came from the former President Jiang Zemin 1990. He believed that in order to spread China's economic opening to the outside world it was necessary to expand Chinese business overseas. The first initiatives started around 1995, but it was the National Foreign Investment Work Conference in 1997 that paved the way for a more decisive step: Jiang Zemin promised strong support by the government to the Chinese firms willing to invest abroad. Nonetheless, clearer effects of this strategy were visible only years later. In 2001, the former Prime Minister Zhu Rongji, in his report to the National People's Congress on the work of the government officially announced the new policy (Shambaugh, 2013, pp. 174–183).

Subsequently, the Tenth Five-Year Plan (2001–2005) listed the Chinese outward investments as one of the four primary goals to integrate the Chinese economy into the international dynamics. Afterwards, at the Tenth National People's Congress in 2004 Prime Minister Wen Jiabao declared, that China should accelerate and implement the strategy of "go global", to guide Chinese investment abroad. All forms of enterprises were encouraged to invest overseas and to expand their market shares. The "go global" strategy was identified as the priority goal again in the last Eleventh Five-Year Plan (2006–2010) and in the Twelfth Five-Year Plan (2011–2015). Moreover, it has been set a new goal, in order to achieve a "balance" between outward and inward FDI, this means that while inward FDI will continue to grow, it will have to do so more slowly, as an effort to promote outward investment (Davies, 2012, p. 7).

The Government encouragement in promoting Chinese outbound investment has also always been manifested through the high level diplomatic missions to other countries (Zhou et al., 2013). The Government, both directly and indirectly, has always assisted Chinese enterprises. For instance, after President Hu Jintao's tour to several Latin American countries in November 2004, more than 400 agreements were signed by China. The FDI administration reform brought in a more efficient system, as the approval authority shifted from the central to the local level, implementing a simplified process with fewer items to submit to the authority, besides, it has introduced online application to enhance transparency (OECD, 2008, pp. 83–84).

The government has also adopted other systems to liberalize the restrictions over Chinese overseas investment. For example, it has abolished the compulsory relocation scheme of the overseas profits back to China, determined to allow Chinese manufactures to re-invest their gains. Moreover, in 2006, it abolished the long-imposed quota of 5 billion USD per annum on foreign exchange allocation for FDI.[1]

In addition to the administrative reform, other specific measures reflecting industrial policy on FDI were adopted. In 2004, the government announced that the National Development and Reform Commission (NRDC) and the Export-Import Bank in China (EIBC) were committed to promoting Chinese overseas investment through favourable loans in specific areas:

[1] This quota had been gradually raised from the original level of US dollar 1bn, to US dollar 3.3bn in 2004 and to US dollar 5bn in 2005, before being abolished.

- Resource exploration projects to mitigate the domestic shortage of natural resources;
- Projects to promote the export of Chinese products, technologies, equipment and labour;
- Overseas R&D (research and development) centres to utilize internationally advanced technologies, managerial skills, and professionals;
- M&A (mergers and acquisitions) that could improve the international competitiveness of Chinese enterprises and stimulate their entry into foreign market (UNCTAD, 2006, p. 210).

As mentioned above, the Government supports FDI through different policies, such as financialand fiscal incentives as well as indirect assistance to overseas investment through its Official Development Aid (ODA) programs and diplomatic missions.

Nevertheless, the most powerful tool provided by the Government, are the financial incentives, for the reason that it allows Chinese enterprises from the priority lists, to access to below mentioned rate loans. Two banks provide this service, the China Export and Import Bank (Exim Bank) and the China Development Bank (CDB); furthermore, other state-owned commercial banks are lined up with the Government's strategic shift in supporting FDI (OECD, 2008, p. 84).

The current China's FDI expansion, encouraged by the government's "go global" strategy, reflects two aspects of the Chinese economy: macroeconomic and microeconomic. On the one hand, at the macroeconomic level, the Mainland has to balance its international capital flows, in order to handle the raising pressure to revalue its currency. The unprecedented level of foreign exchange reserves, resulted from the persistent trade, caused the Chinese authority to adopt a more flexible regime. In fact, it allows an incremental appreciation of the exchange rate, but this form of adjustment is not enough to stave off the revaluation pressure effectively. China's successful expansion into exports caused protectionists reaction in many host countries. The large accumulation of foreign exchange reserves in China created the rise of pressure, since the early 2000s, and, to a larger extent, between 2006 and 2010, from the international community on revaluating the renminbi.[2] For the reasons mentioned above, the

[2] Yongnian Zheng, Jingtao Ji, Minja Chen, Revaluation of the Chinese Currency and its impact on China, The University of Nottingham, Discussion paper nr. 24, 2007. Until 2005, the RMB was pegged to the US dollar, but after that year, under significant pressures of the US administration, China shifted to a managed float system, based on a basket of major foreign currencies. Since then, and until the summer of 2015, RMB was revaluated against the US dollar by 25% (W. Cline and J. Williamson, *Updated estimates of Fundamental Equilibrium Exchange Rates*, Peterson Institute for International Economics, Policy Brief, 2012; F. Bergsten, *Currency War, the Economy of United States and the reform of the International Monetary System*, Testimony before the Committee of ways and means, US House of representatives, May 16, 2013).

government saw the outbound investment as a friendly measure to avoid trade frictions and, to some extent, to mitigate revaluation pressure.

On the other hand, at the microeconomic level, more Chinese manufacturers possess incentives and capacities to put into practice international strategies in order to improve their comparative advantage and profitability. Many Chinese firms within the FDI inflow gained the knowledge and the experience to settle business abroad thanks to their foreign partners. Moreover, China's production over capacity observed in some industries within the domestic market, such as textile industry, colour TV production, almost every sector of home appliance production, air conditioner, washing machine, fostered the Chinese central government motivation to encourage its enterprises to invest overseas (Gugler & Boei, 2008, p. 12).

At that time, the "go global" project was still fragmented among different government bodies; therefore, the only beneficiaries of the FDI project incentives are the large SOEs, operating in strategic sectors. In many cases, the successful conclusion if this decision process is linked to the intergovernmental general agreements. By 2007, Chinese state owned business groups were responsible for around 35% of national FDI, a proportion that increases considerably, if one takes into account figures concerning FDI to tax havens (Suthwerland & Ning, 2015, p. 107). To promote overseas investments by SMEs, the government should intervene in two ways. Firstly, the central authority should provide more information to Chinese investors, not only about the policy framework of the host countries, but also concerning its practical issues, such as labour, environment and social practices. Secondly, the exchange rate volatility may be considered as a significant risk in outward investment, because the gradual liberalization of the exchange rate management system in China may bring more uncertainty in the future (Gugler & Boei, 2008, p. 12). In recent years, the Chinese government has shown a more determined commitment to SMEs outgoing strategy, encouraging them to participate in foreign management and competition. Nevertheless, results are still not too optimistic (Wang, 2014, pp. 61–64).

Chinese investments are influenced in many ways by the imperfections of the capital market. In virtue of the bank system, strictly controlled by the Chinese government, it is easy for any Chinese company to borrow loans below the market rates. In addition, the sovereign wealth funds of the China International Trust and Investment Corporation (CITIC) and the China Investment Corporation (CIC), with allocated assets from enormous stock of foreign exchange reserves, have supported Chinese firms in their outbound investments (Gugler & Boei, 2008). Particularly, the large SOEs and some private manufacturers have benefitted from this

mechanism, in order to secure the financial resources for their domestic-operations .. Additionally, the Chinese government has protected the national champions firms from competition on the Mainland and granted them special permits in order to set up financial companies, or to acquire a majority of local banks and to establish joint ventures with foreign insurance companies (Child & Rodrigues, 2005, pp. 381–383).

Drivers for Chinese outbound FDI

Throughout the years, the controls on Chinese FDI have been constantly relaxed, however, as explained previously, this is not sufficient, because China's FDI projects need to successfully pass two stages before being approved. Firstly, Chinese enterprise has to demonstrate the profitability and commercial viability of the project. Secondly, the government has to agree that the project respects the country's interest. Nevertheless, the majority of FDI are the large, state-owned enterprises, in which the decision process is frequently dominated by the government's intention. Given the important role played by the government in driving the economy, Chinese FDI are often seen more as part of the economic reform process, rather than a real business activity (Rosen & Hanemann, 2006, pp. 167–168).

In accordance to the FIAS/MIGA/IFC/CCER survey on China's FDI in 2005, 150 Chinese companies were interviewed, and the result was that the most common motive for Chinese ODI was market seeking (85% of the questioned companies considered it as an important motive for their investment), then strategic asset seeking (51%), resource seeking (40%) and efficiency seeking (39%) accordingly (UNCTAD, 2006, pp. 167–168). Similar information can be derived from Deng's survey made in 2009. It showed that market seeking was considered to be the most frequent motive for Chinese FDI, even though Deng found that the strategic assets and efficiency seeking were an equal motivation. Additionally, the OECD study made in 2008, considers another important motive for China's FDI, that being diversification-seeking project, which mainly interests large SOEs (OECD, 2008, p. 94). The excessive competition in the domestic market, due to the increasing multinational companies investing in China, caused the overcapacity production in certain industries, and obliged Chinese enterprises to leave the domestic market and to move to new markets overseas, in which it is possible to gain direct access to the host market. Furthermore, concerning the deregulation of the services sectors after China's accession to the WTO, competitive pressures pushed more Chinese firms from the service sectors to invest abroad.

Since the late 1990s, strategic asset seeking has been one of the major motives for Chinese FDI. This means that all the foreign enterprises holding technologies protected with intellectual propertyrights, or brand names recognized globally after establishing strong sales channels, are theoretically a scope of the Chinese interest. Acquiring strategic assets is an easy method to obtain technologies without incurring large expenses on research and development, on international marketing campaigns and or creating an efficient distribution channel. Furthermore, the acquisition of such assets will also prevent the possibility of other competitors purchasing these strategic companies. As Chinese enterprises are fully aware of the increasingly competitive market, they recognized the necessity to shift their investment strategy to the one based on low cost production and low prices, to the one based on competitive innovation, or a brand image that produces higher profit margins (OECD, 2008, p. 98). Chinese strategic asset-seeking companies are focused on the highly developed countries with attractive technologies and brands, as for example Europe and North America. There are many reasons to justify such strategic assets motivation. It provides an opportunity for a market and innovation seeking company from a developing country to overcome these deficiencies, by simply acquiring another asset, one that already possesses all the above mentioned elements (Gugler & Boei, 2008, p. 19).

According to what we said above, it seems evident that the key to success of the internationalization strategy of a Chinese firm is determined by its relationship with the Chinese government; but, it also depends on its ability to take advantage of this support while escaping from the institutional restrictions. Because the business needs independence in order to take the required strategic decisions on the market rather than to satisfy the institutional instructions. Furthermore, foreign partners may have a critical view of the strong interference on the internationalization strategy of Chinese firms on behalf of the government. However, the invasive domestic institutional interference can be interpreted as an important element in driving Chinese firms to escape from the Mainland framework. In particular, the precarious legal system, the domestic acquisition obstacles, the regional protectionism of the Chinese companies are seen as challenges to be faced. Therefore, FDI represent the solution to access to an unrestricted business development without the government interference.

Considering the Chinese Ministry of Commerce data, by the end of 2007, barely 7000 Chinese enterprises have established more than 10000 subsidiaries abroad, spreading in almost 200 countries all over the world. The geographic distribution of Chinese outbound operations sees Asia as the most attracting destination, it isfollowed by Latin America; however,

its weight is decreasing over time, while Africa, North America and the European Union are becoming larger recipient of Chinese investments, even though they still account for a limited percentage of the total outbound FDI (Gattai, 2009, p. 250). Furthermore, in the recent years, the economic recession in the US has transferred the attention of Chinese firms towards the European Union. Therefore, the European Union became the fastest growing destination for Chinese investment.

Chinese Foreign Direct Investments in Europe

By focusing our attention on the European Union, it is necessary to point out to the evidence, that Chinese investments in the Old Continent are still relatively small, although the number of investment projects funded by China have been increasing steadily (500 percent since 2000). Even if we limit the observation period just to the most recent years, this trend is confirmed: between 2009 and 2011, Chinese FDI to the EU countries increased 30 fold (EUSME, 2014, p. 3). Furthermore, as the data source suggest, the amount of the total Chinese FDI outflows is unequally distributed across the European Member States. Literature argues that Chinese firms proove a strong investment concentration into a small number of countries, which are of a high income and developed economies as well. In fact, the United Kingdom is the first destination for the Chinese outbound investment in Europe, followed by Germany, the Netherlands, and France; while Sweden, Italy, Spain, Poland, Romania and Hungary receive a very limited percentage of the investment. Later on, we will also analyse in detail the relevance and the function of the new European member states (Nicolas, 2009, p. 5).

The European Union symbolizes a very particular case of China's overseas investment strategy, justified mainly by the European integration. Its peculiarity is based on the fact that by entering into one member state, a Chinese firm de facto gets an access to the entire European Single Market. Moreover, the European member states are highly distinguished among them. Moreover, there is a lot of differences in between the investments in the particular European Union member states. This difference is particularly evident between the markets of the "Old Europe" and the markets of the new, enlarged European Union, specifically, in the Central and Eastern part of the continent (Zhang et al., 2012, p. 103). In addition, the Eurozone economic crisis offered the Chinese firms a great opportunity to invest in the European integrated market. Because of the crisis, legendary and famous European assets became affordable; ergo,

many opportunities became available for Chinese companies looking for overseas investment. Before focusing our attention on the various entry modes, it is also necessary to explain more clearly, what factors are behind Chinese outward direct investment in Europe.

As already said, the main driving forces of Chinese outbound investment are varied. They include the desire to access the foreign markets, technologies, natural resources; however, the first two factors are the principal motives justifying the investment in Europe. Behind these strategies, there are is also a variety of push and pull elements that foster and stimulate Chinese companies to invest overseas. All these aspects are essential in order to understand why the Chinese entrepreneurs from different sectors prefer to invest in Europe rather than to export their sales to foreign investors. It is evident that pull and push factors are interrelated amongst them.

Among the pull factors, protectionism of many of the major markets is perceived as the major threat. Therefore, as in the past it was also the case of the firms belonging to advanced economies, Chinese investors now are increasingly motivated to invest overseas instead of exporting (Dunning & Lundan, 2008). Moreover, the Chinese record on trade surplus with the United States and the European Union, brought an anxiety to Chinese exporters concerning the possibility of the establishment of high tariffs to tackle the problem of the goods coming from China. For instance, in 2003, the US government has introduced anti-dumping duties (that reached a level of 22.36 percent) against four China based TV producers, including the TCL television sets (Hong & Sun, 2004, p. 626).

From the Chinese point of view, entering into the European Single Market is more complicated than for instance, entering into any another country, because the European Union consists of 28 different states; but, at the same time, it has one integrated market with common rules and regulations. Therefore, Chinese companies have to consider not only the European regulations, but also the single member state own laws and regulations. As a result, the selection of the entry mode becomes fundamental. Since the beginning of the economic crisis, the main European firms targeted by Chinese companies are of a competitive niche producers, and former partners or suppliers, with a serious, critical economic and/or financial situation. In most cases, the acquisition is immediate, or it starts through a strategic investment, followed by a complete takeover. To strengthen the relationship with the European partner, Chinese acquirer prefers to engage firstly in a minority-stake acquisition. Surely, different ways of investments are related to their different purposes. Independently to the form of investment, the Chinese primary goal has

always been to gain an access to the brand name and to its distribution network, and undoubtedly, to its technology expertise and its customer networks alike (Milelli et al., 2009, pp. 207–209).

Recent studies have discovered that some of the Chinese firms have demonstrated their preference to enter into the European market not only through the traditional FDI modes, but also by creating strategic alliances with the European enterprises. This last kind of investment – largely perceived as less risky – guarantees more adaptability, and implies fewer obligations when a foreign company decides to enter into a new market for the first time. In the past, the scholars studied the phenomenon of the strategic alliance from the perspective of the Western firms, as they usually were the main actors. More recently, research has shown that the strategic alliance was often established between the Western and Chinese companies in China (Zhang et al., 2012, p. 103).

Most of the time, there is an instant, major acquisition or a start of a strategic alliance, followed by a complete takeover by a Chinese firm. From time to time, the Chinese enterprise decides to establish a minor acquisition, in order to consolidate the relationship with its European partner. This kind of investment is used in sectors like services and manufacturing. The decision to acquire certain kind of companies is dictated by the already existing distribution network and the technology utilised by a certain company, as this is the quickest and easiest way to enter and to succeed in the European market (Nicolas, 2009; Sanderson, 2015).

It is widely recognized that acquisitions provide a direct access to technologies and skills, as well as the distribution networks and well-known brands. For this reason, in the recent years, Chinese enterprises have increased their acquisition of European companies. This trend has rapidly accelerated after 2002; it represents the turning point, after China's access into the WTO. The Chinese firms have acquired renowned European enterprises such as Schneider Electronics, Thomson, Volvo, Marionnaud, MG Rover and more; recently also Pirelli, the group delivering the tires to Formula one cars (Nicolas & Thomsen, 2008, p. 15).

Filippov and Saebi (2008) defined this new phenomenon as "Europeanisation". It is a broad concept characteristic to a lot of Chinese companies, that are increasingly seeking the access into the European market. This new expression refers to the strong efforts made by Chinese companies to enter into the competitive European market, in the attempt to strengthen their presence in Europe, pursuing their main objective that is the access to superior technologies, competencies and expertise. The new concept of "Europeanisation" does not consist of just a simple strategy of investment carried by single business entity. It appears to be a well-made strategy, planned by the Chinese government. This idea is justified

by the investments strategies adopted by every single company, because they are trying to strengthen their presence on the European territory by increasing the production, for the purpose of capturing new markets. However, it gives the impression that the main goal is to acquire strategic positions, in order to use the European base as the launch for global operations. For this purpose, they take the advantage of the European skills, methodologies, technologies and are trying to conform to the European code of conduct, in order not to avoid problems with the competitive pressure. For the Chinese companies manufacturing in Europe, it is very expensive, and the barriers to the market entry are excessively high and strict. Therefore, the only solution available is to acquire a domestic company in Europe. Despite that, even after the acquisition, the acquirer has to sustain the competitive advantage, for example, by maintaining high quality standards, because European consumers pay particular attention to the quality of products. Additionally, the new acquirer will have to face yet another, new challenge, the strong European labour regulation (Filippov & Saebi, 2008, p. 17).

Notwithstanding the recent enlargement of the European Union, the powerful purchasing power is still being held by the Western European consumers. For this reason, for a Chinese investor, the chances to survive after having entered in this competitive and unfamiliar market are very low. As a consequence, Chinese firms found that due to the last enlargement of the European Union in 2004 and 2007, there are new opportunity to access the Single Market through the former communist states of the ex URSS. The new European member states are seen as a commercial entrance, enabling access to Europe's half a billion market of consumers. It is defined as the backdoor to Europe, because it grants the Chinese investors a leap over the European tariff barriers.[3]

Filippov and Saebi argue that Chinese investors target the Western European members for their competences in new technology and knowhow; in comparison the new Eastern EU members represent the destination for foreign direct investment looking for establishing company's subsidiary, aiming to export to the Western European consumers without customs duty. The only European regulation to respect in order to be allowed to export into the Single market without customs duty, re-

[3] Tariff jumping is considered the only strategic investment solution, considering all the trade wars between China and the European Union. The European Union after having accused China of price dumping, it has introduced several duties on different goods. For instance, in the 1990s, the European Union accused China of exporting TV sets at too low prices; consequently, it has introduced duties of 40% for all the TV sets produced in China. This duty has been lifted only in 2002, but the European Union has then fixed quotas on quantity imports and it has introduced minimum prices of products. If more than 50% of the product is made within the European borders (by a Chinese subsidiary), there are no applicable duties.

quires that more than half of the manufacturing of the product comes from within the European Union borders. Therefore, it permits the Chinese companies to choose between capitalizing on their low cost base in China (as the cost of production in Eastern Europe is higher in comparison to the Mainland) and the manufacturing inside the European borders and selling duty-free in the Single market. The second solution justifies the necessity to produce inside Europe, instead of importing these goods from China. This strategy enables Chinese multinational companies to decrease logistics costs and escape from the payment of tariffs and duty.

Greenfield investments of the Chinese firms in Western Europe are established for the basic functions, as for example, to support the trade or to establish a sales representation. While in Eastern Europe, they have different functions and furthermore, since they focus on low cost manufacturing. Acquisitions in Western Europe targeted engineering companies with strong competences and know-how, in order to transfer these new knowledge to the headquarters. Differently, the acquisitions in Eastern Europe are made to take advantage of the lower cost of manufacturing. The strategic alliances established in Western Europe are most of the time a technology alliance. On the contrary, the strategic alliances with the Eastern European companies are logistics and marketing based alliances, established to help Chinese companies to understand and adapt to the European standards and technological requirements (Filippov & Saebi, 2008, pp. 11–13).

Foreign direct investments structure and distribution across the European Union

Through the examination of the distribution of Chinese outward investment across the European Union, it is possible to highlight the capability of Chinese companies in the investment competition. Although, it is hard to understand and determine the specific distribution of Chinese firms through the European member states, because there are limits in the measure of the aggregate data. In accordance with the Chinese Government data, 87% of the total Chinese outward investment during the period 2004–2010 flowed to Asia, and precisely 72% destined to Hong Kong (National Bureau of Statistics of China, 2011). Therefore, it is obvious that a relevant part of this outward investment is routed from China through Hong Kong, due to monetary reasons; accordingly, the final destination is somewhere else (European Commission, 2013). Moreover, the

private equity fund "A Capital" based in Beijing, Brussels and Shanghai, declared that Europe was among the top destination of Chinese outbound investments in 2012, which rose by 21% over 2011, and totalled 12.6 billion USD. The Chinese investment in Europe tripled between 2006–2009 and again, between 2009 and 2012 (Silk, 2014).

A more recent research has shown that data concerning Chinese FDI have several limitations and that in general, literature remains elusive. Usually, data concerning FDI have been overstated, and this evaluation is particularly relevant since the Chinese Ministry of Commerce announced that in 2014, the outflow of capital for the first time overtook the inflow. A complex work of readjustment of both flows and stocks has permitted to modify any previous evaluation. The new data are of the year 2013 (Ferrero et al., 2015).

Table 1: Chinese ODI Stocks and Flows by region before and after adjusting for round-tripping and offshoring (USD bn)

Stocks					
MOFOCM			**Adjusted**		
Region	**Total**	**% Total**	**Region**	**Total**	**% Total**
Asia	447.41	68%	Asia	245.32	49%
Latin America	86.09	13%	Latin America	23.15	5%
Europe	53.16	8%	Europe	95.19	19%
North America	28.61	4%	North America	63.19	13%
Africa	26.19	4%	Africa	38.88	8%
Oceania	19.02	3%	Oceania	32.70	7%
TOTAL	660.62	100%	TOTAL	498.46	100%
Flows					
MOFOCM			**Adjusted**		
Region	**Total**	**% Total**	**Region**	**Total**	**% Total**
Asia	75.6	70%	Asia	40.69	50%
Latin America	14.36	13%	Latin America	4.39	5%
Europe	5.95	6%	Europe	13.87	17%
North America	4.9	5%	North America	11.42	14%
Africa	3.37	3%	Africa	5.38	7%
Oceania	3.66	3%	Oceania	5.87	7%
TOTAL	107.82	100%	TOTAL	81.62	100%

Source: Alicia Garcia Ferrero, Le Xia, Carlos Casanova, *Chinese outbound foreign direct investments: how much goes where after round-tripping and offshoring?*, BBVA Research, Working Paper No. 15/17, Hong Kong, June 2015.

Data are showing a strong reduction of the data concerning Asia and an increase, particularly significant for Europe. Inside the Old Continent, this process reinforces the already high figures for Germany, Luxemburg, France and Great Britain. However, the investments carried by Chinese firms in economically developed countries prove the intention to acquire technologies, brands, as well as the intrinsic competitiveness of the company targeted. Although this new strategy of investment is becoming important; as after the enlargement of the European Union, many Chinese firms are focusing on low cost production investments, located in the new European Union members. For those new European Union member states, that in general receive low FDI; investments established by Chinese firms are seen as a great opportunity to implement and catalyse the industrialization process of their internal economy.

Besides the factors attracting Chinese investments described above, the bilateral economic relation between the single member state and China is an important element in the analysis of the distribution of Chinese investments across the European Union, because it encourages and promotes inwards investment in the particular, interested European Union member state. Therefore, it is necessary and fundamental to consider the European member state FDI in the context of China, in order to understand the strong interest that both countries share on mutual economic relations. The large investment undertaken by a member state in China encourages and galvanizes the trust between the two countries, and consequently, it stimulates the European member state to adopt governmental support to host Chinese investment (Clegg & Voss, 2012).

Therefore, in order to understand the distribution of Chinese investment across the European market, it is required to analyse the single European member state FDI into China against the individual member state importance within the European market overall size. The results elaborated by the researchers Clegg and Voss (2012), give evidence of the size of the Chinese FDI pouring into each European Union member state. This study shows a positive correlation between the GDP of the single EU state member, its FDI to China and Chinese FDI into the same country. In Germany for example many firms have initially enjoyed a long lasting relation with their Chinese investors, before the acquisition was made by the Chinese partner. Therefore, the acquisition is the outcome of a meaningful economic relationship. Accordingly, we can expect a connection between the investment carried out by a member state in China, and the Chinese investment following suit in that interested state.

Clegg and Voss' study does not consider some other very complex processes, which statistical data can only suggest, without being able to explain them. The mutual perception between single European countries and China, the presence of a Chinese community, the potential of the local market, the geographical position, all of these are just some of the elements we must consider. For instance, a large Chinese emigration that had started already in the 1980's and was reinforced during the following decade, explains the disproportion of the Chinese FDI to Hungary, where the largest amount of these investments amongst all the areas is located (Lathan & Wu, 2013).

Chinese FDI in Poland

Poland is experiencing a similar process, but at a lower rate. In fact, a recent research seems to confirm the correlation between the increase of Chinese immigrants into Poland and the rise of Chinese FDI, but the figures are still too low to permit confirming a long-term trend (Wiśniewski 2012; Kaczmarczyk et al., 2013). Among all of the CEE countries, Poland seems to have a better profile, considering all of these points of view: a growing economy, even during the recent economic crisis, a large market, a barycentric position in Europe, with an infrastructure that is undergoing a deep process of modernization (PAIiIZ, 2015).

Despite the asymmetry of data and information offered by the official statistical institutions in China and in Poland, Chinese investments in Poland are falling behind those of Hungary and Rumania, considering the importance in all the CEE countries. According to Chinese sources, which sometimes show a very big, and not always justified difference, the total amount in 2012 was 130 million USD, while the Polish sources were declaring around 180 million. The revised data seem to offer even more positive picture, since the level of Chinese investments should be around 390 million USD. Data provided by the Central statistical office of Poland for 2013 affirm that there are 799 firms in the country, whose capital is in its majority in Chinese hands. According to this figure, China takes the eighth place in the Polish national ranking of foreign investors. The same source also says that there are 829 firms with Chinese capital. Out of these firms, 706 are of a small size (up to nine employees) and only 120 have more than nine employees. There were 509 companies in 2010, and 433 out of them had less than nine employees, which means that the large majority of Polish firms controlled by Chinese investors is a part of the micro-firm universe. The largest increase occurs in this section, while the companies with more than nine employees increased proportionally less. Statistical data, once again, do not offer any detailed information about the bigger firms. The financial information simply does confirm this picture. The average of capital of the

smaller firms is around 206,000 PLN, while the 120 bigger companies by average, have a capital of almost one million PLN. Unfortunately, the statistical exercise is soon to be completed, because no other figure (even aggregated) is available, since the total amount of capital invested by China remains quite far away from the one offered by the biggest European and American investors. Nevertheless, data concerning Chinese investments in Poland must be compared with the situation within a couple of years after Poland had entered the EU. In 2006, there were only 75 firms with Chinese firms. The trend is quite similar in the other CEE countries (Polish Information and Foreign Investment Agency, 2014).

The Polish case seems to offer a clear evidence of the feature that can be defined as "political" decision, leading to invest more in this country. On both sides, there has been a convergence process in preparing the conditions for a real jump in Chinese FDI in Poland. The visit to China of the Polish President Komorowski in December 2011 was the first step of a real common strategy.[4] A few months later, in April 2012, Prime Minister Wen Jiabao visited Poland. It was the first time in the last 25 years for a Chinese Prime Minister to visit this country. During the visit, he also took part in the China-Central Europe-Poland Economic Forum, held in Warsaw.[5] Both events created a strong institutional framework, that permitted establishing a new conduct line and, to some extent, providing Poland with a sort of a new status in front of the Chinese eyes but also, even in the eyes the other countries of the region. However, from the Chinese point of view, the pragmatic approach to a very complex and long-term issue prevailed over any more symbolic meaning of the new strategy (Liu, 2013).

During his visit, Prime Minister Wen Jiabao presented the "Twelve measures" that should permit to reinforce the cooperation not only with Poland, but also with all of the Central Eastern European countries. The proposals included firstly the setting up of a secretariat for cooperation between China and the Central and Eastern European countries in order to coordinate all the future activities foreseen by the Chinese proposals. From the economic point of view, the establishment of a special credit line of 10 billion USD for cooperation projects (a part of the strategy to reach 100 billion dollars in trade between China and Eastern and Central Europe by 2015), and sending to CEE countries Chinese trade missions set to revamp the bilateral economic cooperation, were the most relevant

[4] *President Komorowski urges China to invest in Poland*, 19.12.2011. Retrieved from: http://www.thenews.pl/1/12/Artykul/80728,President-Komorowski-urges-China-to-invest-in-Poland#sthash.loudlbTN.dpuf (accessed: 15/10/2015).

[5] *Prime Minister Wen addresses China-Central and Eastern Europe Business Forum in Warsaw, Poland*, 27.04.2012. Retrieved from: http://english.cntv.cn/20120427/112488.shtml (accessed: 15/10/2015).

aspects. In the medium term (2012–2017), Wen Jiabao suggested creating economic and technological zones in each country, affirming that his government would push Chinese firms to take part in the development of the existing economic and technological zones in the relevant countries. The documents also described a series of monetary and financial measures, including the opening of branches of the Chinese State owned banks; establishing a special advisory committee on the construction of transportation network between China and the Central and Eastern European countries. Some other points were mentioning cultural aspects, such as the opening of Confucius institutes. The development of the cultural, academic and tourism initiatives both in China and in the CEE countries in order to reinforce the mutual understanding and knowledge. The "Twelve measures" strategy officially was officialy launched in September 2012 along with the establishment of the China-CEE Secretariat (Simurina, 2014).

However, one should not overestimate the weight of Chinese investments in Poland. In 2011, according to an official source, there were only six Chinese companies among the biggest FDI in Poland. Germany was leading this ranking with 382 firms, followed by France with 122. Even India (not to mention the small European economies), was ahead China with eight firms. This number remained stable also in 2012 and 2013, while the last data available (for 2014) show an increase up to 13. Nevertheless, the distance between the Polish figures and the German ones (486 firms) or the French ones (261) increased dramatically between 2011 and 2014 (Polish Information and Foreign Investment Agency, 2012–2014).

Do this data diminish the importance of the Chinese strategy for Central and Eastern Europe and particularly for Poland, or do they contradict the wider Chinese strategy analysed in the first part of this paper? The difficulties in collecting not only the data, but also qualitative information suggests a very low profile in any statement concerning Chinese investments in Poland. An analysis of the impact of the most relevant Chinese investments shows that the general strategy outlined especially from the early 2000's, seems to be finding its road. The fact, that the most recent investments are following the main points included in the "Twelve measures" highlighted by the Chinese Prime Minister in 2012 is even more important. They are actually showing that Chinese firms are entering in the special economic and technological zones, accessing high tech production via direct control of important Polish companies, that might be in financial troubles, but that allows to keep a long tradition in quality production. According to a recent study on Chinese FDI at the European level, however, most of the investments in Poland seem to be directed at the high-tech manufacturing sector. However, too much

aggregated data, in the end, cannot allow to detect the preciseness of this evaluation (EUSME, 2014). They are also establishing infrastructure and service companies, permitting the Chinese goods to enter by the front door into not only the Central Eastern European market, but also the whole European market.

The last point merits some more detailed analysis, because it has a strategic impact, since one of the most important aspects of the Chinese foreign economic policy is to create the best conditions to permit the trade to grow. For instance, in 2013, a new transportation service link was established, the Chengdu-Europe express rail cargo service, that has its terminal in Poland, in Łódź.[6] The train tracks runs along 9,826 kilometres of the legendary Silk Road, from Chengdu (Sichuan Province), through Kazakhstan, Russia, Belarus, before entering into Poland and reaching Łódź. Despite the fact that the transportation costs by train are 25% higher than by a cargo-ship, the time of transport is dramatically reduced, from about 35–45 days to 12–14 days (Ocicka, 2015, p. 125). The shareholders of the company running the service are Hatrans Logistics (a firm based in Hong Kong), Vailog (controlled by a British company), and YH Global (a Chinese enterprise based in Shenzhen). There is official enthusiasm about the project, a part of a larger strategy strongly sponsored by the Chinese president Xi. However, a more critical approach highlights the tough competition with the classical maritime alternative, and suggests that only important government (central and local) subsidies can permit, at least, in an early phase, to give a chance to the rail service.[7]

The terminal is just a huge hub for the whole Europe, since from Łódź, Chinese goods (or products manufactured in China for Western customers) can also reach Western European markets within three days. Recently, it has been announced that Chinese investors will set up a logistic centre to handle all the operations and functions connected with the management of the Łódź terminal. In fact, at the end of 2015 the goods were stored in the structures of the container terminal in Łódź Olechów, administrated by Spedcont company (Ocicka, 2015, p. 124).

The importance of this strategy and of the future investment in logistics has been increased since 2014, when Chinese president Xi Jinping announced the "New Silk Road strategy", the "One Road, one Belt" project, a sprawling set of trade and infrastructure agreements which aims to foster free trade and bolster Chinese soft power amongst China's neighbours

[6] *China to Poland railroad begins operations*, 14.01.2013. Retrieved from: http://chinadailymail.com/2013/01/14/china-to-poland-railroad-begins-operations (accessed: 15/10/2015).

[7] *Silk Road subsidies undermine rail link*, 8.12.2014. Retrieved from: http://www.scmp.com/business/economy/article/1657286/silk-road-subsidies-undermine-rail-link (accessed: 15/10/2015).

to the West and Southeast (Min Ye, 2014). In November 2014, the Chinese government announced the creation of the special, 40 billion USD Silk Infrastructure Fund, to finance the construction or improvement of a series of railways, bridges, ports, and roads; to permit all the countries included in this strategy to take part to this new strategy at the best conditions (Clover & Hornby, 2015).

The recent developments of Chinese FDI raise the question, whether negative experiences with Chinese investors did or did not provoke any long-term consequences. The most famous case is connected with the construction of a segment of the A2 highway from Warsaw to Berlin, a strategic infrastructure project, co-financed by European Union. A 30-mile stretch of the road, the section leading from Warsaw to Łódź «fell victim to poor planning, strict regulations, higher-than-expected costs and – in a small part, frogs» – wrote the *Wall Street Journal*. The Chinese company that acquired the contract – China Overseas Engineering Group Co Ltd (COVEC), a Beijing-based subsidiary of the China Railway Engineering Corporation – withdrew from a 447 million USD construction project in the first half of 2011, after incurring potential losses of 394 million USD, just two years after winning the important tender of the Polish government. Mismanagement, unprecise calculations of some of the costs (COVEC won the contract by reducing the price limit proposed by the government by 50%), incomplete knowledge of the EU's and Polish rules concerning publicly financed works, unfamiliarity with the European laws, regulation system and record-keeping, all these issues have been the factors, that obliged the Chinese company to withdraw. The impact of Covec's mistakes has been partly increased also by the negative attitude shown by many Polish firms that were supposed to deliver raw material and semi-finished products to the Chinese constructor, a subtle strategy aiming to discourage any further Chinese presence in one of the wealthiest Polish investment sectors.[8]

At the Polish-Chinese summit in April 2012, the issue remained out of the official agenda. In fact, as a Polish newspaper wrote, "during Wen Jiabao's visit, Chinese companies may sketch out rosy visions of future businesses. But these visions are ruined by the putrid smell, rising from the mess of the Chinese investment on the A2." Some other personality familiar with the issue affirmed that the Chinese "thought they came to Africa" (Cienski, 2012).

Beijing semi-official point of view recognized that "Chinese companies still have a lot to learn about managing infrastructure projects in Europe, despite their successful experiences in the developing countries"

[8] Chinese Builder Loses Showpiece Polish Highway Deal COVEC stops Polish highway construction. *China Daily*, 18.06.2011 (accessed: 15/10/2015).

(Areddy, 2011). A critical analysis by Chinese journalists confirmed that the "Chinese construction model", based on offering a very low price for the job, before asking for a readjustment due to negative weather conditions, unfavourable exchange rate or the cost of raw materials, successful elsewhere in the world, did not work in a country of the European Union (Le Van, 2012). However, China resisted the Polish government's request to pay the 200 million USD guarantee fund for the project. China's reputation is under examination, and consequences are still strong, more than three years after the end of Covec's story in Poland. Recent attempts by major Chinese companies, such as Shanghai Electric bids to build three power plants in Poland, have been rebuffed by Warsaw's government.[9]

Nonetheless, regardless of the unlucky conclusion of the highway investments, and despite all the efforts made on both sides, it remains quite difficult to substantially increase the amount of Chinese FDI in Poland, when one considers that Poland's ministry of Economy has just one official dedicated to brokering trade and investment relations with China. Major western European nations have more than 50 (Foy, 2015).

Conclusions

In a country like China, FDI are playing an increasing role in shaping the new profile of the Chinese economy. Literature underlines that their increasing importance is linked with the development strategy of the country. China needs outbound FDI today and in the future, as in the past decades it needed inbound investments and, to some extent, it still needs – for the modernization of its economy as well as to allow for a more balanced economic growth. Most of the Chinese FDI are aimed at the access to energy and raw materials. However, in the more recent times, the search for the advanced technologies, technical expertise and knowledge is becoming an increasingly important factor for Chinese FDI. As for the advanced economies, FDI have also the purpose to permit the companies to avoid any trade barriers or tariffs. Chinese manufacturing industry, the biggest in the world, requires a stable and easy access to markets, especially those of the advanced economies. Increasing Chinese trade has been for a long time the opposite side to the country's development strategy. Today, there is an important evidence showing the reconsideration of this growth's mechanism, although the new direction – more domestic market

[9] Shanghai Electric Group was interested in three contracts for the construction of three power plants in different regions of the country for the Polish state-owned company PGE (Agata Geppert, *Trade and investments in China*, "Polish Market", Special Edition 2013, p. 26).

oriented - does not appear solid enough because of the growing difficulties Chinese economy is facing in the recent times (Ghemawat & Hout, 2016).

Despite radical reforms, Chinese political and economic systems are still largely dominated by the State, and particularly by the Communist Party of China, which are defining the long-term strategies for economic growth and social and political stabilization. Outbound FDI are possible and are decided only in this framework. Despite the increasing autonomy of the firms, even the state-owned ones, and despite the still initial decentralization process in for the procedures concerning FDI, there is still a very strong political control over them. Their geographical direction as well as the sectorial distribution depend on political evaluation.

Chinese investments in Europe respond mainly to the need to access some of the most dynamic and rich markets but also to acquire technologies via the acquisition of companies with a tradition and a precise competitive advantage in the technical field. This kind of investments are mainly directed towards Western European countries. Only recently, after 2004 EU enlargement, Chinese government established a strategy of penetration into Central Eastern economies. The strategy has sufficiently elastic to permit to adequate it to the economic development of this area, and from 2012 – with the establishment of the "Twelve Measures" policy – it has become a pillar of the new foreign economic policy of Beijing. Nevertheless, the total amount of FDI going to these countries remain quite low compared to Western Europe.

Chinese investments into Poland are second by importance, only to those directed to Hungary, where a solid and stable Chinese emigration permitted to establish a set of political and social relations, that played an important role in Chinese decision making process. The structure of Polish economy is largely based on small and medium size firms, with a still relevant presence of the state-owned companies, especially within the coal and energy sector. This feature is not the most suitable for the big Chinese foreign investments, considering that the Western countries, including the US, developed a wide and deep penetration strategy already in the 1990s, and even greater after 2004. Firms controlled or set up by Chinese investors remain insignificant in numbers. Available data permit just a few considerations in this part of our analysis. Nevertheless, some qualitative aspects do allow to affirm that these investments are following State directives, regardless of being the initiative of a private, or a state-owned company.

In the more recent years, Chinese investments have been directed to the infrastructure system, still one of the most dynamic branches of the economy ,that did not stop to grow, despite the economic and financial crisis of the last years. Poland is becoming sort of a hub for Chinese ex-

ports to Europe, and Łódź is now the terminal of the new railroad link service, bringing trains full of Chinese manufactured goods to the Old Continent. Nevertheless, some problems remain in place. The troublesome end of an important contract in the public investment works in 2011, which could represent the beginning of a new form of Chinese penetration, is affecting new opportunities of investments for the big Chinese groups into the same sector. The investors' reputation – a value that is usually very important in the Chinese business culture – is still under scrutiny. Chinese investors are not unfamiliar with a very old attitude of any business community: to build a reputation needs years, to destroy it, just a few seconds are enough.

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