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Poland in China's Foreign Policy—Not Only Economic

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PRC Chairman Xi Jinping's visit to Poland that starts on Sunday, with a plan to strengthen the countries' "strategic partnership" as well as possible investment projects under the Belt and Road Initiative, vindicates the fact that China's interest in Central Europe, including Poland, is increasing. Thus far, the PRC has been focusing on economic cooperation, but recently China's political rationales behind its engagement in the region are noticeable. On the one hand, this new approach implies an opportunity for Poland, such as a chance to expand export to China, but on the other, it entails challenges that create a need for coordination of Polish foreign policy with the policies of other European partners and the United States.

For the last several years the role of Central Europe and Poland in China's foreign policy has been increasing. On the one hand, China is being engaged in the regional and multilateral 16+1 cooperation forum, launched in 2012 in Warsaw during PM Wen Jiabao's visit to Poland. Under its framework, there are annual summits of the heads of government, as well as many other lower level meetings. Since 2013, the cooperation has been based on guidelines adopted at summits, and in 2015, a medium-term China-Central Europe cooperation plan to 2020 was announced. On the other hand, the PRC is trying to enhance its bilateral relations with countries from the region. The best examples are the many high-level visits and business trips as well as the rise in dynamic trade with the region. This year alone, PRC Chairman Xi Jinping already paid an official visit to the Czech Republic in March, while this week, he will visit Serbia and Poland. Furthermore, the next 16+1 summit will be held in Riga in the autumn.

Poland plays an important role in China's foreign policy towards Central Europe. It is the biggest country in the region, the 6th biggest economy in the EU and has a stable political and economic situation, despite the global crisis. What is more, Poland pursues the most multidimensional and institutionalized political dialogue with China of any of the Central European states. Apart from the annual strategic dialogue, the Poland-China intergovernmental committee, launched in 2015, on the ministers of foreign affairs level, both countries conduct very dynamic cooperation on the local level between provinces, voivodships and cities. What is more, there are Poland-China regional forums every year. PRC Chairman Xi Jinping's visit to Poland starting 19 June shows China's rising interest in Poland. It is worth mentioning that the visit is only several months after Polish President Andrzej Duda's visit to China and almost five years after the establishment of a strategic partnership between the two countries.

Thus far, China's interest in Central Europe has mostly been motivated by economic reasons. But China's ongoing diplomatic offensive, especially this year, vindicates the fact that the countries from the region are import because of political reasons, as well.

Economy First. China's main reasons for strengthening relations with Poland are economic ones. Poland, as a big market, offers very good prospects for China, especially because of the lower competition it faces than in countries that have been in the EU for longer. Its central location in Europe and well-developed transport network is why Poland could become a logistics, distribution as well as manufacturing hub for China. China perceives this as a chance to utilise the extra capacity it finds difficult to use in the country, internationalise Chinese companies, and lower transport costs. Meanwhile, M&A-type investment gives Chinese companies an access to the existing distribution channels, management know-how as well as manufacturing infrastructure and technology.

Chinese interest is also a response to initiatives by the Polish authorities. The reason for Poland's intensification of its relations with China is its need for capital and export markets beyond Europe, because of the upcoming decrease in

EU funds and saturation of the European market. The symbol of this approach is Poland's membership in the Asian Infrastructural Investment Bank (AIIB). The new Polish government is not only continuing the policy of enhancing relations with China, but it is also seeking new forms of cooperation under the countries' development plans—the Morawiecki plan and the new Chinese five-year plan. Both visions indicate opportunities for investment, especially in infrastructure, innovation and technology. China has responded to such initiatives positively, suggesting joint projects or setting up special industrial zone dedicated to Chinese investors.

China Seeks Political Allies. Apart from economic rationales, Poland is becoming an important political partner for China. The PRC is looking to gain favour among EU members, including those from Central Europe, as the European Union prepares two key decisions on China: to grant (or not) the PRC market economy status (MES) and a stance on the territorial disputes in the South China Sea.

Granting MES means treating China as a country whose exports are based on fair competition and products that are not manufactured under state subsidies. For the EU, it would mean difficulties in imposing antidumping duties on subsidized Chinese exports. At the same time, it would make it easier for China to export its overproduction. China, which is aware of the lack of unity among the members over MES, is lobbying among the countries of the EU trying to convince them to grant it MES. Taking into account the fact that this decision will be made by the European Council, Poland's support as a one of the biggest EU members and the biggest country in Central Europe is important for China.

The second important issue is the EU position (still under preparation) on the territorial disputes in the South China Sea. China is wary of the EU's critical stance following a verdict by the Permanent Court of Arbitration that will be announced in a couple of weeks. A Polish judge, Prof. Stanisław Pawlak, has been included on the arbitration tribunal hearing this case. In 2015, the court unanimously stated its jurisdiction over the arbitration procedure lodged by the Philippines against China over the PRC's claims of "historical rights" to the disputed island, reefs and setting up of artificial constructions on the reefs. China announced that the court does not have jurisdiction over the issue and its sentence will not be accepted by the PRC. For the EU, which thus far has been avoiding a clear stance on the issue, the upcoming verdict, based on the international law, will force it to clarify its stance. It is expected that the EU will base its position on the court's decision, especially as it will imply consequences for the policy of inviolability of borders.

The importance of this issue for China, especially this year, is visible by information presented in Chinese state media (representing the government's stance), which after high-level visits to China, then describe the position of a particular county on this issue. For example, after the visit of Polish Minister of Foreign Affairs Witold Waszczykowski to China, the Xinhua press agency tried to assign Polish support for the Chinese position on the disputed islands, which was quickly denied in social media by the Polish diplomatic staff.

Consequences for Poland. Xi Jinping's upcoming visit to Warsaw will be an opportunity to strengthen the countries' "strategic partnership" and confirm the status of Poland as an important partner for China in this part of Europe. It is another political impulse to make economic relations easier between the two countries. A good atmosphere during the visit may result in Poland having easier access to the Chinese market, especially for agricultural products. Meanwhile, potential projects under the Belt and Road Initiative, e.g. financed by the AIIB, might improve infrastructure and narrow the development gap between Central and Western Europe. That would help make the "strategic partnership" tangible and offer a chance to narrow the Polish trade deficit.

However, increasing Chinese engagement in Poland may also imply new challenges. There is a risk that bigger Chinese involvement, such as M&A investments or implementation of projects using Chinese companies and labour might be mostly beneficial for China. Among the other benefits for Chinese might be greater exports and access to technologies and know-how, without many benefits for Poland. What is more, inflow of investments and trade facilitations might be a Chinese toolkit for exerting pressure on Poland on political issues. Bearing in mind contradictory interests between the EU, the U.S. and China, that could put Poland in a difficult position. On the one hand, the intensification of cooperation with China may increase the susceptibility of Poland to Chinese influence. On the other hand, Poland as an EU member and a U.S. ally must coordinate its position with its partners. This is a reason why in a dialogue with China, Poland should focus on the reciprocity principle in economic cooperation, simultaneously, separating economic issues from political and legal ones. In the case of MES, Poland should underscore economic benefits and threats for Poland, without excluding supporting a positive EU stance on this issue. While in the case of the South China Sea, Poland, which firmly criticizes Russia for annexing Crimea, should endorse a peaceful solution to the dispute in accordance with international law and principle of the UN Charter. A potential over-interpretation of the Polish position on this issue should be promptly denied at the appropriate level.