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## PREFACE

*You will not earn money if you do not allow others to make money.*  
*Confucius*

### **The One Belt One Road Initiative is the new azimuth of the growth of the Chinese economy.**

Issue number 15 of the *Review of Applied Science* (which has been published in cooperation with the Opole Confucius Institute) is entirely devoted to the economic, political and social aspects of the trans-continental railway known as the One Belt One Road, which not only created high hopes and expectations but is often a source of concern. The authors refer to the traditional shipping route of Chinese goods as the Silk Road, during the time when the most desirable and expansive goods such as silk and porcelain came to the European continent as the goods made in China at that time were synonymous with high quality and sophisticated tastes. The contemporary re-branding of the Silk Road as the One Belt One Road is both a powerful economic project as well as a challenge for China and its trade partners. The project officially announced by Xi Jinping in September 2013 at the Nazarbayeva University in Astana, supported by a \$ 40 billion fundraising campaign, is an important instrument for China's economic expansion as part of its Go Global strategy. One Belt One Road is a crowning factor in the success of the Chinese economy and China's search for new, efficient growth engines. The Silk Road Renaissance – One Belt One Road is a groundbreaking event in modern history which is thought to be at a level of importance equal to that of the industrial revolution. The project fits perfectly into the current stage of China's development, which as the world's second largest economy has the production and economic capacity to keep the One Belt One Road idea filled with content. This project opens the door for Westerners to participate in China's success. It is also an eloquent marketing element of the Middle Kingdom's strategy, referring to that period of great Chinese power. One Belt One Road has also been included in Xi Jinping's renaissance programme for the Chinese nation. The One Belt One Road Initiative, like the sage Confucius of 2500 years ago, has become a token of Chinese cultural expansion of soft power which is an element of conscious and effective participation in the process of globalization with unprecedented strength and reach.

The article written by P. Misiurski and R. Śmietański, which opens the issue number 15 of *Review of Applied Science*, presents the Silk Road throughout the eighteen centuries since its inception through the prism of a series of groundbreaking events based on the Silk Road's changing nature and function:

- Until the 3<sup>rd</sup> century the Silk Road was dominated by four empires: the Roman Empire (Mediterranean territory), the Parthian Empire (Middle East), the Kushan Empire (India, Afghanistan, and Central Asia) and the Han Empire (China).
- The period from the turn of the 7<sup>th</sup> through the end of the 8<sup>th</sup> century when the Silk Road was controlled by the Khanate of Turkey.
- After 751, as a result of the battle between the Caliphate army that defeated the Chinese army, the Chinese began to lose control over Central Asia. Consequently, the dominance over the Silk Road, until the end of its existence, was taken over by Muslim and Jewish merchants.
- The 16<sup>th</sup> century when the landline Silk Road collapsed due to the development of the merchant navy.

Authors emphasize that the ancient Silk Route was developed based on the pre-existing trade routes in Asia: “Lazurite Route” and “Jade Trail”. The Silk Road accelerated the development of the areas through which it ran. Along the entire length of the route new cities, banks and companies were established. The organization of long-distance trade forced the development of logistic infrastructure: transshipment points, specialized marketplaces and a system of stable monetary exchange agreements as well as protection of the property rights of foreign merchants. The Silk Road became a channel for the exchange of new goods and information and helped in spreading innovation between the civilizations of Eurasia as well as the penetration of religion and multiculturalism because intense and regular economic relations led also to a cultural convergence. In the second part of the article, the authors analyze the role of the contemporary concept of reactivation of the One Belt One Road Silk Road. The programme of international cooperation in the field of transportation of freight between the European Union and partner countries – Georgia, Armenia, Azerbaijan, Moldova, Ukraine, Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan, Uzbekistan, Bulgaria, Romania and Turkey named TRACECA, is funded from the budget of the European Union. The authors analyze the determinants of China's spectacular economic growth at the turn of the 20<sup>th</sup> and 21<sup>st</sup> centuries. They focus on the high rates of internal savings, the supply of foreign capital and the positive trade balance to a large extent generated by the production of foreign corporations. The contemporary international One Belt One Road Initiative, which perfectly integrates into the era of globalization, has the chance to support the spectacular economic growth that has made China the second largest world economy. The authors point out the very location of the One Belt One Road startup station in Chendu and not on the rich Chinese coast, which is undoubtedly an element of Chinese policy that promotes not only the pace of growth, but also its sustainability. As the authors indicate, railway connections will not only shorten the time needed to transport goods from China to Europe, but is a cost-effective and equally ecologically viable alternative to maritime and air transport. Poland has a chance to play a significant role as a buffer state for Western Europe. It is favored by the geographical location and

the positive relationship with China. The authors also point out the economies of Germany, the Netherlands and Switzerland have a positive trade balance with China. This seems to prove that absorbent Chinese market can improve asymmetry in the trade balances with other European countries.

The Chinese economy has grown while becoming the EU's leading trade partner, unfortunately in the process also generating a growing imbalance in trade relationships with UE countries. M. Bernat and A. Drozd-Tereszkiwcz analyzed the causes of this phenomenon and also indicated the problem of the difference in perception of the very essence of the strategic partnership to which both EU and China aspire. The article attempts to answer the questions about the source of the growing predominance of the Middle Kingdom in trade relationships with the EU and the reasons for the growing dependence on China. At the same time, the authors examine the origins of the Chinese growth phenomenon, which they perceive as a part of a specific model of transformation known as the Beijing Consensus, which incorporates the synergy of the market mechanisms and central control, coupled with the broad openness of the economy, which is also however, at the same time deeply rooted in the country's culture. The origins of the imbalance date back to 1997. In 2010 the imbalance reached € 168.8 billion. According to the authors the sources of the imbalance include the barriers to access to the Chinese market, the lack of equality of European enterprises as investors in China, limited access to public procurement in China, and the limited protection in China of intellectual property rights. The authors also point out the difficulties in mutual commercial relationships, which is the so-called underestimation of the value of yuan as well as the essence of the different perceptions of strategic partnership for both China and EU. For the EU this is a still ongoing process, the so-called “maturing strategic partnership”, which requires content corresponding to both parties. China, however, takes the partnership for granted and accuses the European side of failing to meet all the requirements of this kind of relationship.

Y. Yavorska analyzes the source of the economic growth marathon (nearly four decades) of the Chinese tiger as being unprecedented in modern history. The author focuses primarily on the analysis of key factors conditioned by the culturally high propensity to save which along with foreign capital, is a fuel for growth, the enormous supply of cheap labor, which today is also a powerful group of affluent middle class consumers and finally the opening for economic globalization. Among the key cultural attributes, Yavorska highlights the concepts of “miànzi” (面子) – face, guānxi (關係) – interpersonal relationships, jiéjiǎn 節儉 (节俭) – savings, and rénjì héxié (人際和協) – harmonious development and the economic interaction between these concepts. Confucianism is the philosophy that binds the specific management approach which is characteristic of Asian tigers. The author indicates September 17, 2001 as a breaking point for the development of China in the age of globalization, signifying China's accession into the World Trade Organization when, after two

decades of intense absorption of foreign capital, it has become an active investor competing with western economies.

The article by M. Bernat and A. Michowska entitled “The Luxurious Dragon” examines the phenomenon of a country which in the 1970s struggled with the specter of hunger, but due to a successful economic transformation was promoted to a world leader in consumption of luxury goods. The main part of the Chinese consumption mechanism is a segment of 300 million middle-class people, which is systematically growing. The authors show the profile of Chinese consumption in its most sophisticated segment in the context of the changes taking place in the Chinese economy and society, and at the same time they identify opportunities for Polish manufacturers of luxury goods. The cultural aspect of the Chinese economy is also quite significant because of the clash of Confucian thrift and pragmatism with the prestige of the goods of the famous European brands like Louis Vuitton and Gucci. The period of over two decades of dynamic development of luxury consumption in the Middle Kingdom is also accompanied by the evident evolution of luxury consumers who now choose refined goods, yet avoid the ostentatious display of well-known brands that are perceived as a manifestation of bad taste.

M. Izdebski analyzes the political and infrastructural conditions of The One Belt One Road Initiative, whose implementation at this stage must be assessed in a theoretical and political way rather than in terms of its real economic effects, as evidenced by a series of discovered obstacles. This project was largely based on an obsolete infrastructure created in the Soviet Union, which prolongs the delivery time and raises the risk of lack of timeliness. In this respect, One Belt One Road is no longer competitive to the alternative sea route. Improving the quality of railway infrastructure is inevitable but requires capital expenditures undertaken autonomously by the participating countries or financed by Chinese funds. The second form of financing the modernization of the railway infrastructure is dependent. As a result, it allows the Chinese to use it as a bargaining chip in its relations with the countries participating in the project. Based on an analysis of the project, the political dependencies treated as a sphere of influence can exacerbate relations with the United States. This is of special significance after President Trump's take over. China's political approach to the project partners may trigger adverse reactions within the United States. The author assesses the corridor running through Kazakhstan, Russia, Belarus to Poland as the most politically stable, however not unchallenged compared to the south and central corridors which are passing through the more unstable regions of Turkey and Iraq. The author points to a number of potential unfavorable factors, such as the quality of border management, delays in supplies, corruption and embezzlement of funds, which could ultimately offset the economic benefits of a project approved at the interstate level.

The article by K. Mazur-Kajta is based on two areas of analysis: traditional and historical connections with the Silk Road and contemporary research results related to an evaluation of the One Belt One Road Initiative by the managers of

the Opole region. The author attempts to explain the process of opening China to the outside world in the context of trade. She also discusses the relative isolation of China resulting from the Chinese belief that there is no need for such outside trade relationships.

This culturally based sense of economic self-sufficiency is also reflected in the alternative name of China – “Middle Kingdom” (中国) pointing to the central location of this country on the map of the world and a strong sense of the Chinese about their superiority. Despite the barriers to internationalization which existed since ancient times, foreign trade relationships were established. Their essential element was the Silk Road. Silk as a luxury good became such a very desirable and dominant Chinese commodity in trade that the most famous commercial route includes the word “silk” in its name (丝绸之路). The modern opening of China to the world has occurred only since 1979 under the rule of Deng Xiaoping (邓小平). By initiating social and economic reforms Deng Xiaoping encouraged Chinese people to prosper and to that end he opened up China to foreign investment. In the 20<sup>th</sup> century, the international transport programme (Transport Corridor Europe-Caucasus-Asia – TRACECA) was launched. TRACECA includes 14 countries of the European Union, the Caucasus and Central Asia which were willing to cooperate in order to revive the ancient Silk Road. The One Belt One Road Initiative aims to expand the Chinese market to more consumers and to also strengthen the PRC's global position, especially towards the United States and Russia. Kajta points out that although The One Belt One Road Initiative is still at a stage in which its general assumptions and development plans need to be clarified, her research indirectly serves this purpose. The research which was conducted from December 2, 2015 to February 29, 2016 was based on a representative sample of enterprises in the Opole region. The aim of the research was to identify the expectations and plans of entrepreneurs in the Opole Silesia region in terms of establishing cooperation and an exchange of goods with the People's Republic of China and to assess their knowledge about The One Belt One Road Initiative. The study, which is described in the article, identifies a very clear need for more detailed information on The One Belt One Road and the opportunities for cooperation with Chinese partners.

W. Musialik in her article analyzes the effects of the Silk Road of the past based on the botanical changes in the European flora as a result of the introduction of plants originated from the areas of the Silk Road. The author points to specific examples of plants which, consciously or unconsciously, were transferred to Europe: peaches, Chinese sugar plant, black mulberry as a silk moth's fodder, Chinese radish, Chinese cucumbers. All of these plants which acclimatized in Europe over time originated in China.

*Maria Bernat*

Przemysław MISIURSKI, Roman ŚMIETAŃSKI

## CHINA'S ECONOMIC DEVELOPMENT AND THE CONCEPT OF BUILDING THE NEW SILK ROAD

### 中国的经济发展和建设新丝绸之路的设想

**Abstract:** The aim of this article is to present the history of the Silk Road and the contemporary concept of its reactivation. The article presents China's economic development and the increasing trade between Asian and European countries in order to justify the development of the New Silk Road. The article also indicates the role of Poland, which may play a significant role due to the operating rail connections with China and become the buffer state for Western Europe in the future.

本篇文章的目的是介绍丝绸之路的历史及其今天复兴的设想。本文用中国经济发展和亚欧国家贸易增长的水平证实建设新丝绸之路设想的合理性。由于与中国有运营的铁路线，本文还指出了波兰今后会为西欧国家起到重要的中介作用。

**Keywords:** The New Silk Road, One Belt One Road, China's economic development

### ROZWÓJ GOSPODARCZY CHIN A KONCEPCJA BUDOWY NOWEGO JEDWABNEGO SZLAKU

**Streszczenie:** Celem artykułu jest przybliżenie historii funkcjonowania jedwabnego szlaku oraz współczesnej koncepcji jego reaktywacji. W artykule przedstawiono poziom rozwoju gospodarczego Chin oraz rosnące wyniki wymiany handlowej pomiędzy krajami Azji i Europy jako potwierdzenie słuszności budowy Nowego Jedwabnego Szlaku. W artykule przedstawiono również rolę Polski, która dzięki uruchomionym połączeniom kolejowym z Chinami, może w przyszłości odegrać znaczącą rolę jako państwo buforowe dla Europy zachodniej.

**Słowa kluczowe:** Nowy Jedwabny Szlak, One Belt One Road, rozwój gospodarczy Chin

## 1. INTRODUCTION

Throughout the eighteen centuries since its inception the Silk Road played a huge role in the development of civilization and created the foundation for today's international trade between Asia and the countries of the Middle East and Europe. The Silk Road provided effective market mechanisms, developed institutions which supported trade, contributed to the exchange of ideas and

innovation, and influenced cultures and religions. Nowadays, the rich history of the Silk Road encouraged its reactivation. The term “New Silk Road” is now applying to the idea of a global market and goods exchanged globally. This great vision promoted and supported by China is becoming increasingly important in international politics. Many countries have declared their willingness to support this idea by taking an active part in developing transport connections and promoting trade.

The concept of One Belt and One Road Initiative is of great importance for the development of China's trade policy, which was triggered by the reforms introduced in 1978. China, which is becoming a global economic power, is looking for channels by which they could acquire raw materials, knowledge and innovative solutions, and export its goods to Europe.

The One Belt and One Road Initiative is an opportunity to maintain China's economic growth at a level which still remains one of the highest in the world, however recently it has decreased. The revival of the Silk Road: the One Belt and One Road Initiative should support China's development among the world's fastest-growing countries and becoming an economic powerhouse.

The aim of this article is to present the history of the Silk Road and the contemporary concept of its reactivation. The article presents China's economic development and the increasing trade between Asian and European countries in order to justify the development of the New Silk Road. The article also indicates the role of Poland, which may play a significant role due to the operating rail connections with China and become the buffer state for Western Europe in the future. The geographical location of Poland, good Polish-Chinese relationships, the lack of negative historical burdens and positive attitude of the authorities and the people of both countries may facilitate this process.

## **2. THE HISTORY OF THE SILK ROAD**

The term “Silk Road” dates back to 1877 and was first used by a German traveler and geographer baron Ferdinand von Richthofen in his work on China [Wood 2002: 9]. Since then, the term Silk Road has been commonly used by all involved in trade between China and the West. The term Silk Road is generally used to define trade routes connecting China with The Middle East and Europe. It was developed around the second century B.C., probably by Greek merchants from the Central Asia (Sogdiana and Bactria). The route became the most popular in the first century B.C. when the Romans brought silk up to the frontiers of the Roman Empire. Silk became a monetary standard for estimating the value of different products such as perfume, grapes and glassware. Apart from silk, ceramics and paper were also imported from China.

The ancient Silk Road was based on the existing trade routes already developed in Asia including the so-called “Lazurite Route”, established in the third millennium B.C. The name of the route originates from a semi-precious stone, lazurite, which was transported from the Pamir, Mesopotamia and India. By the end of the second millennium B.C. another trading route called the

“Nephrite Route” was established. This route served as an exchange channel of precious stones from the Central Asia (today Sinkiang-Uighur region) into Chinese silk [Łatow 2010: 6-7].

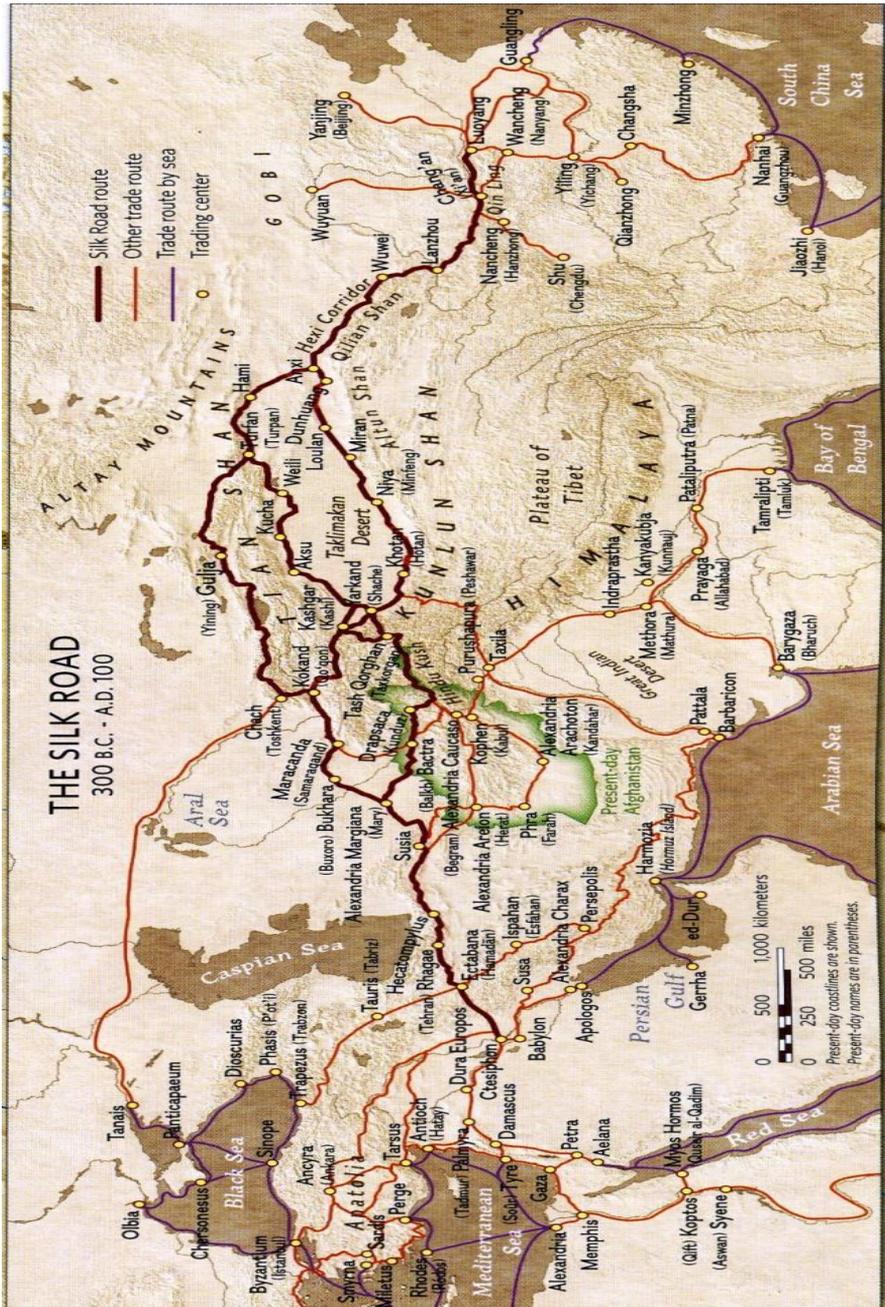
By the middle of the first millennium B.C. both the Lazurite Route and the Nephrite Route were merged and the exchange of goods spread along them. When Lazurite Route reached China, Persia and the Indus Valley Chinese silk was distributed. The turning point in the development of the Silk Road was the diplomatic mission of the Chinese official Zhang Qian, who in 138 B.C. went to the Yuezhi tribe in Central Asia to persuade them to make allies out of the Chinese Han Empire in the fight against the Siunn nomads. Zhang Qian visited Sogdiana and Bactria, that is Uzbekistan, Tajikistan and Afghanistan today. During the trip, he gathered relevant information about the demand for Chinese goods and noticed other goods that could be brought to China. In the years 123-119 B.C. Chinese troops conquered the lands inhabited by the Siunn nomads and established the safe trade route from China to the west. According to many scholars this was the “opening” of the Silk Road that connected China, India, the Middle East and Europe [Uhlig 1996: 25-30].

The development of the Silk Road was heavily dependent on the geopolitical struggles of the countries which wanted to control it because the control upon the route would be a source of great wealth. Until the third century A.D. the route was dominated by four empires: the Roman Empire (Mediterranean territory), the Parthian Empire (Middle East), the Kushan Empire (India, Afghanistan, Central Asia) and the Han Empire (China). This ensured the stability of trade. Over time, when the empires struggled to gain greater control over the route, the trading system has collapsed due to the fall of the Roman Kushan and Han Empires and the replacement of Parthian Empire by the Sasanids. The decline of trade along the Silk Road lasted until the sixth century when the great powers formed in Eurasia. In the second half of the sixth century, the tribe of Turks tried to take control over the entire Silk Road. In the years 570-600 Turkish Khanate united the territory of Central Asia and all the Eurasian steppes stretching from the Black Sea to China. However, the period the Turkish control over the Silk Road did not last long. At the turn of the seventh and eighth centuries, the Chinese Tan Empire got control over Central Asia Samarkand and Bukhara, including the eastern part of the Silk Route. In the first half of the eighth century the western part of the Silk Route was dominated by the Arabic Caliphate. After 751, as a result of the battle between the Caliphate army that defeated the Chinese army, the Chinese began to lose control over Central Asia. Consequently, the dominance over the Silk Road, until the end of its existence, was taken over by Muslim and Jewish merchants. In the sixteenth century the landline Silk Road collapsed due to the development of the merchant navy. Maritime transport became much faster and more effective. The shipping of goods from the Persian Gulf to the today's Beijing by sea lasted 150 days, and by land over 300 days. Also, it was finally possible to ship a much larger number of goods [Łatow 2010: 7-8].

The Silk Road accelerated the development of the areas through which it ran. Along the entire length of the route new cities, banks and companies were established. The organization of long-distance trade forced the development of logistic infrastructure: transshipment points, specialized marketplaces and a system of stable monetary exchange agreements as well as protection of the property rights of foreign merchants. The Silk Road became a channel for the exchange of new goods (silk, porcelain, spices and tea). Due to the fact that European merchants did not have to exchange goods, they paid for the exported goods with gold or silver. Over time, a cash-clearing system has developed along the Silk Road. In the Middle Ages, Byzantine gold and silver Sassanian and Arabic coins were used. Later also a barter exchange was developed, and people began to use checks. The Silk Road also became a channel for the exchange and information and helped in spreading innovation between the civilizations of Eurasia as well as the penetration of religion and multiculturalism because intense and regular economic relations led also to a cultural convergence [Latow 2010: 13-22].

For centuries China benefited from trade along the Silk Road, therefore, when the route collapsed it significantly undermined China's economic position. Only after the implementing the elements of free-market economy in the 1970s, in just 40 years, China has become the second economy of the world.

Figure 1. A map of the ancient Silk Road



Source: China Discovery 2017., <http://www.chinadiscovery.com/assets/images/silk-road/maps/China-Silk-Road-Map-full.jpg> [accessed 1.07.2017].

### 3. CHINA'S ECONOMIC DEVELOPMENT

China's economic development began in 1978, when Deng Xiaoping's government was slowly and progressively redeveloped. The most important changes included:

- the gradual opening of the economy;
- decentralization of the state;
- reconstruction of the agriculture as a basis for future economic reforms [Gabryś 1995: 25].

Opening of the economy to the world markets was the long-term activity aimed at modernizing Chinese economy. According to World Bank data, in 1979 China, with a GDP of \$ 178.28 billion, was the 10<sup>th</sup> largest economy in the world (see Table 1).

Table 1. Ranking of the best countries in the world in terms of GDP in 1979 and 2013

Year 1979				Year 2013			
Position	Country	GDP in [USD mln]	in %	Position	Country	PKB in [USD tn]	in %
1	USA	2632,10	100,0%	1	USA	18,04	100,00%
2	Japan	1049,58	39,9%	2	China	11,06	61,35%
3	Germany	878,01	33,4%	3	Japan	4,38	24,30%
4	France	615,83	23,4%	4	Germany	3,36	18,65%
5	Great Britain	438,99	16,7%	5	Great Britain	2,86	15,86%
6	Italy	392,38	14,9%	6	France	2,43	13,49%
7	Canada	243,07	9,2%	7	India	2,11	11,71%
8	Brazil	224,97	8,5%	8	Italy	1,82	10,12%
9	Spain	214,02	8,1%	9	Brazil	1,8	10,00%
10	China	178,28	6,8%	10	Canada	1,55	8,61%
11	The Netherlands	177,38	6,7%	11	Korea, Rep.	1,38	7,67%

Source: Own study based on data of the World Bank Group, <http://data.worldbank.org/> [accessed 24.06.2015]

In 2015 China was already ranked as the second world's economy with a GDP of USD 11.06 trillion, surpassing Japan with a GDP of 4.38 trillion and Germany with a GDP of \$ 3.36 trillion. In 2015, China's GDP represented 61.35% of US GDP (GDP of \$ 18.44 trillion). According to forecasts of the International Monetary Fund (IMF), in 2014 China already overtook the United

States, reaching a GDP of 17.6 trillion dollars reflected in the purchasing power parity (see Table 2). Table 2 shows that prospects for the Chinese economy by 2050 are very optimistic.

Table 2. Gross Domestic Product expressed in Purchasing Power Parity (PPP<sup>1</sup>)

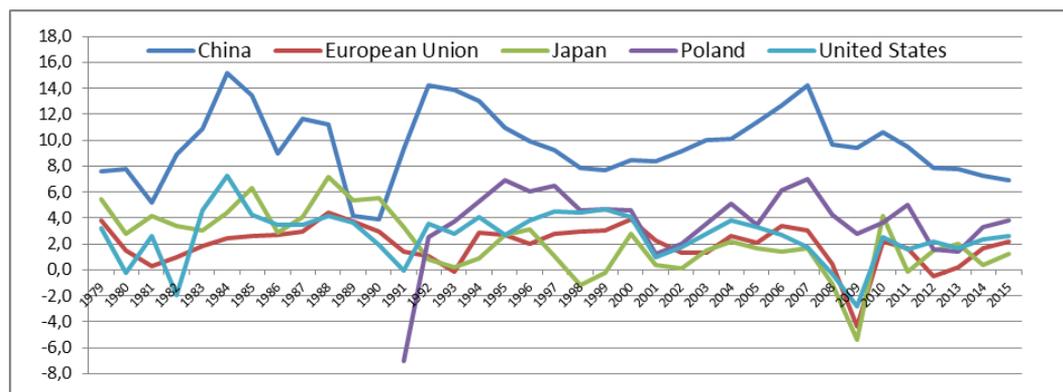
Position	2014		2030		2050	
	Country	GDP [USD tn]	Country	Forecast GDP [USD tn]	Country	Forecast GDP [USD tn]
1	China	17,632	China	36,112	China	61,079
2	USA	17,416	USA	25,451	India	42,205
3	India	7,277	India	17,138	USA	41,384
4	Japan	4,788	Japan	6,006	Indonesia	12,21
5	Germany	3,621	Indonesia	5,486	Brazil	9,164
6	Russia	3,559	Brazil	4,996	Mexico	8,014
7	Brazil	3,073	Russia	4,854	Japan	7,914
8	France	2,587	Germany	4,59	Russia	7,575
9	Indonesia	2,554	Mexico	3,985	Nigeria	7,345
10	Great Britain	2,435	Great Britain	3,586	Germany	6,338

Source: The World in 2050. Will the shift in global economic power continue? <https://www.pwc.com/...economy/.../world-in-2050-february-201...> [accessed 2.07.2017]

Due to implementing economic reforms, for over 30 years China is among the fastest growing economies in the world. When compared to the economies of the United States, Japan and the European Union China's economic growth is at a high level (Figure 2). According to the data provided by the World Bank, the average annual growth rate in China was the highest among all countries in the years from 1979 to 2015 and amounted to 9.7%. In the USA, however, it was only 2.7%, in Japan 2.2%, and in the European Union only 2.0%.

<sup>1</sup> PPP (Eng.) Purchasing Power Parity

Figure 2. Real economic growth in 1979–2015



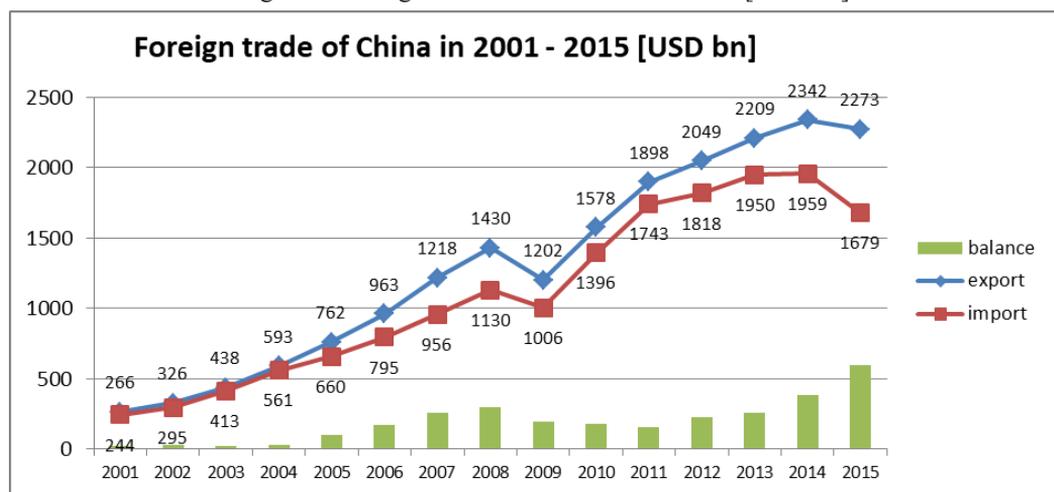
Source: Own study based on data of the World Bank Group <http://data.worldbank.org> [24.06.2015]

The high growth rate of China's economy was accompanied by very high and rising rates of domestic savings and investment. The saving rate in 2013 was 49.7% of GDP and the investment rate was 47.7% of GDP [IMF 2014]. It is worth noting that the rate of investment in China is slightly lower than the rate of saving (however, the level is similar). This is due to a number of factors including the age structure of society, the tradition of saving and the incomplete development of the social security system [Białowąs 2014]. According to Harrod-Domar's growth model<sup>2</sup>, the stable development of China's economy can be explained. As the savings rate rises, the rate of investment rises, resulting in a higher GDP growth rate. It is worth noting that the reduction of expenditure provides a large supply of capital and low inflationary pressures in the economy [Bernat, Wróblewska 2011: 49].

Another important factor that confirms economic growth is the value of China's foreign trade. From 2001 to 2008 Chinese export has grown steadily reaching \$1430 billion. In comparison in 2001 Chinese export increased by more than 500%. Foreign companies became an important source of export. They were encouraged to allocate capital with low labor costs [Bernat 2010: 39]. In 2009 Chinese export collapsed due to the global financial and economic crisis but since 2010, the value of Chinese export rose again, and in 2014 reached a value of USD 2342 billion. In 2014 the total value of Chinese imported goods was USD 1959 billion. This represents an eight-fold increase compared to 2001. In 2015, both import and export slightly decreased. However, during this period trade balance remained positive from \$ 22 billion in 2001 to \$ 594 billion in 2015.

<sup>2</sup> Harrod-Domar's growth model is a model of economic growth used in economics development explaining the growth of the pace of the economic development depending on the level of savings and capital productivity.

Figure 3. Foreign trade of China in 2001-2015 [USD bn]



Source: Own study based on The China's Statistical Yearbook 2016

Such a dynamic development of China is the result of China's programme of reforms initiated in 1978. The programme combined market efficiency with the effectiveness of central control [Bernat 2016: 123-132]. Nowadays, economists define these reforms as "The Beijing Consensus"<sup>3</sup>. According to Joshua Cooper Ramo, what made the dynamic development of China's economy possible is more flexible economic approach which does not use one solution for all changeable conditions. In addition, the Chinese emphasize innovation, fair and sustainable development and importance of independence and self-determination in decision-making [Stojek 2011: 111-112].

An additional advantage of the Chinese authorities is the determination to 'catch up' with the developed countries. As a result, China has maintained the highest economic growth for more than 30 years [Kolka 2012: 141].

Currently, China seeks new markets and tries to develop economic cities inside the country. As a result, China plans to create new transportation system (road and rail) between Central Asia and Europe. This will stimulate both trade and business development and will provide transport alternatives to existing maritime and aviation connections. This idea is also known as the New Silk Road.

<sup>3</sup> The plan, the model of this development was named for the first time in 2004 by Joshua Cooper Ramo who made an in-depth analysis of China's economic policy model, with its positive and negative aspects. See Joshua Cooper Ramo *The Beijing Consensus*; ed. Foreign Policy Centre, London, England 2004.

#### 4. ONE BELT AND ONE ROAD INITIATIVE

The concept of the One Belt and One Road Initiative, which refers to the Silk Road functioning from the third century B.C. until the seventeenth century A.D. was presented in September 2013. During the visit at the University of Astana (Kazakhstan), Chinese President Xi Jinping introduced the project of Central Asia's New Silk Road, which, as a commercial highway, will connect 4.5 billion people and create unprecedented opportunities for development [The New Silk Road 2015].

Figure 4. A map of the new Silk Road



Source: Xinhua, Silk Road Map <http://www.xinhuanet.com/world/newsilkway/index.htm> [accessed 20.07.2017]

In order to build the New Silk Road China has set up a special fund of \$ 40 billion from foreign exchange reserves. The Asian Investment Bank for Infrastructure (AIIB), established in November 2014 by China and 20 other Asian countries, will become an additional source of financing with a capital of \$ 50 billion [Observer finansowy 2017].

The development of the One Belt and One Road Initiative is related to the establishment of a transportation system between China and Europe. Such a great investment will require the construction or modernization of transport infrastructure including industrial infrastructure – gas and oil pipelines as well as the appropriate telecommunication infrastructure. The New Silk Road concept provides several alternatives of China's connections to Europe [Observer finansowy 2017]. Figure 5 shows the existing rail connections and alternative routes.

Figure 5. Variants of the routes of New Silk Road



Source: Kaczmarek M., *Nowy Jedwabny Szlak: uniwersalne narzędzie chińskiej polityki*, Komentarze OSW Number 161, 2015, p. 9.

The New Silk Road is part of the international transport cooperation programme between the European Union and partner countries – Georgia, Armenia, Azerbaijan, Moldova, Ukraine, Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan, Uzbekistan, Bulgaria, Romania and Turkey. The overall goal of the TRACECA<sup>4</sup> project is to build a Europe-Caucasus-Asia transport corridor [Achievements of the TRACECA programme 2017].

The TRACECA programme financed by the European Union is designed to transport goods from Central Asia to Europe and to provide road and ferry transportation system from the Bulgarian coast to the Black Sea, the Caucasus and the Caspian Sea. The project is coordinated on behalf of the EU by the German company Dornier Consulting, a daughter company of Daimler-Chrysler. It is estimated that it will reduce transport costs by 60% compared to airfares [German-Foreign-Policy 2017].

Over the last few years several connections between Europe and Asia have been created including connections between Poland and China. Since 2011 the connection between Chongqing and German Duisburg became an important trade center in western Germany. The establishment of connection with Chongqing is crucial for large international companies, which produce automotive and electronic parts in Chongqing. Due to the great distance from

<sup>4</sup> TRACECA (abbr.) – Transport Corridor Europe–Caucasus–Asia, is a comprehensive multimodal transport system. The aim of building this transport corridor is to develop economic and trade relations between the countries and regions of Europe, the Caucasus and Asia. The program was launched in 1993 during a conference in Brussels.

the coast of China (about 1500 km), the railway line is more favourable economically than maritime transport. Another very important event was the opening of the rail connection between Chengdu (Sichuan) and Lodz (Olechów) in May 2013. The connection was opened by two transportation companies: YHF Intermodal Logistics and the Lodz company Hatrans Logistics. At the beginning of 2013, the first transport of 41 wagons arrived from China to Poland filled with containers (mainly electronics), covering the distance of 10.000 km in 15 days. Transportation route covered the territories of China, Kazakhstan, Russia and Belarus. Currently the transportation is set once a week. This transport largely supports the export of electronic goods from the city of Wuhan of the Hubei province, and import of European mechanical and electronic equipment, vehicle parts and medical equipment of machines. Also on October, 2013 the railway connection between Suzhou and Warsaw was launched. The operators of this connection are: Austrian company Far East Land Bridge and Polish State Railways Cargo Logistics Group. Transport takes place in 2 routes: north by Russia and Belarus and south by Kazakhstan, Russia and Belarus. It takes 13 days to cover this distance. Since 2014 connections from Changsha to Duisburg and from Yiwu to Madrid were established [Portal Promocji Eksportu 2015].

According to the data of the consortium of Changdu Hatrans YHF Intermodal Logistics Co., Ltd, which operates the railway connection between China and Lodz, rail freight has become an attractive and effective form of trade. It takes about 12-14 days to cover the distance of 10.000 km. The transportation cost of 40 containers is four to eight times lower than the cost of air transport (see Table 2).

Table 2. Transportation time and cost of 40 containers on the route China-Poland by various means of transport

Type of transport	Transport. time	Cost of transport
<b>Air transport</b>	from 5 to 15 days	from USD 40.000 to USD 80.000
<b>Maritime transport</b>	from 35 to 42 days	from USD 5.000 to USD 8.000
<b>Rail transport</b>	from 12 to 14 days	Around USD 8.000

Source: Own study based on data of Instytut INTL, Changdu Hatrans YHF Intermodal Logistics Co., Ltd. "New version of Silk Road" China-Europe International AIR-TRAIN from Chengdu/China to Poland /Europe, [www.instytutintl.pl](http://www.instytutintl.pl) [accessed 4.06.2017]

Taking into account the reduction of emission of carbon dioxide (CO<sub>2</sub>), compared to other branches of transport, rail transport is definitely eco-friendly (see Table 3).

Table 3. The influence of the type of transport in the emissions of carbon dioxide

Type of transport	Emission of CO <sub>2</sub> [g/t-km]
Air transport	602
Road transport	62
Intermodal road transport/rail transport	26
Rail transport	22
Maritime transport	8

Source: Own study based on Instytut INTL, Changdu Hatrans YHF Intermodal Logistics Co., Ltd. "New version of Silk Road" China-Europe International AIR-TRAIN from Chengdu/China to Poland /Europe, [www.instytutintl.pl/pl/](http://www.instytutintl.pl/pl/) [accessed 4.06.2017].

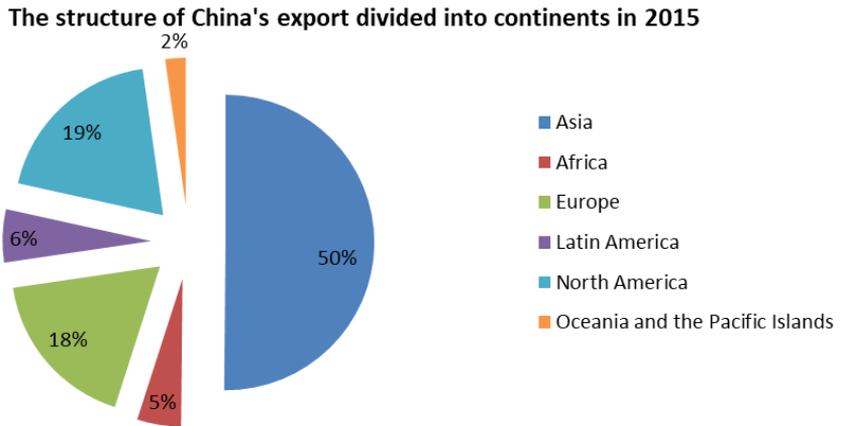
It is estimated that by 2020 there will be 5000 cargo trains running in China. The development plan assumes that the railway system will consist of Eastern, Western and Central routes and requires the construction of 43 transshipment terminals and 43 railway lines connecting China with Europe [Dolecki 2017].

Due to open rail connections, Poland has become an attractive partner for China as a trade gateway between the European Union and China. The concept of expanding China's transportation network with Asia and Europe is one of the economic proposals promoted by the PRC. Therefore, for both China and the EU countries, the concept of the New Silk Road becomes a very attractive solution in terms of developing economic and commercial relationships.

## 5. THE IMPORTANCE OF EUROPE FOR THE IMPLEMENTATION OF THE NEW SILK ROAD CONCEPT

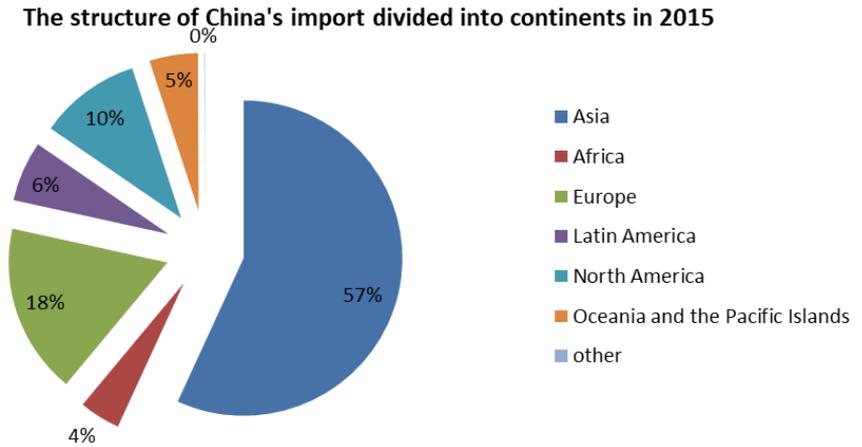
The European Union is a very important economic partner for China. On the basis of the Chinese statistical yearbook, trade between Europe and China amounted to \$ 696.30 billion in 2015, with China's export to Europe reaching \$ 403.24 billion and import reaching \$ 293.06 billion. The largest consumer of Chinese goods is Asia – almost 50% of all Chinese export goes to Asian countries, followed by Europe, where almost 18% of goods are exported (see Figure 6). Europe is also an important importer for China – almost 18% of all import from China come from European countries (see Figure 7).

Figure 6. The structure of China's export divided into continents



Source: Own study based on the China Statistical Yearbook 2016  
<http://www.stats.gov.cn/tjsj/ndsj/2014/indexeh.htm> [1.08.2017]

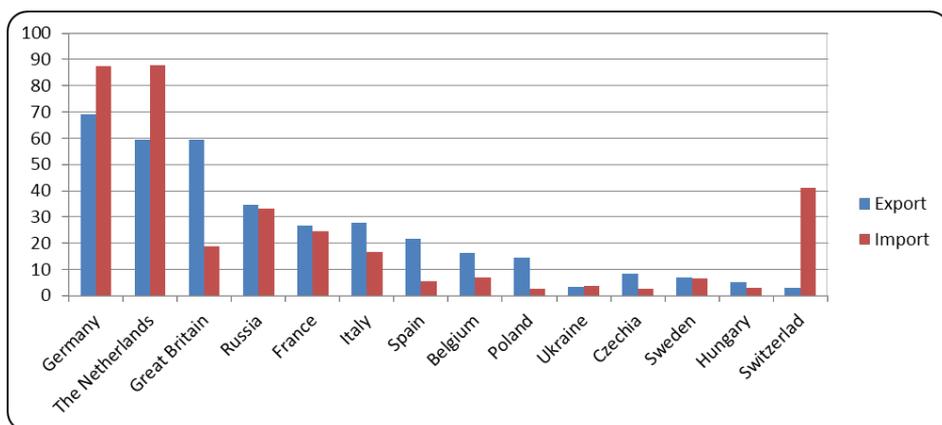
Figure 7. The structure of China's import divided into continents



Source: Own study based on the China Statistical Yearbook 2016  
<http://www.stats.gov.cn/tjsj/ndsj/2014/indexeh.htm> [1.08.2017]

Among the European countries, Germany is the largest importer and exporter to China. In 2015 China exported to Germany goods worth \$ 69.15 billion, while import amounted to \$ 87.62 billion in the reporting year (Figure 8). It is also worth noting that Germany, the Netherlands and Switzerland have a positive trade balance with China, which means that the value of export of goods to China surpasses import.

Figure 8. The amount of China's export and import to selected European countries in 2015 [in USD bn]

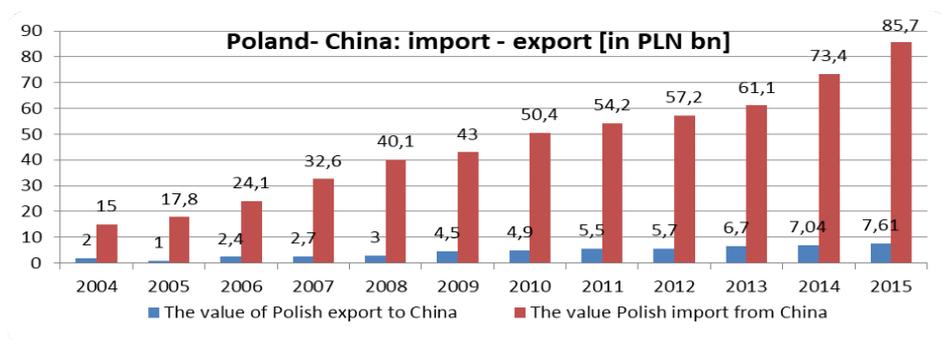


Source: Own study based on the China Statistical Yearbook 2016  
<http://www.stats.gov.cn/tjsj/ndsj/2014/indexeh.htm> [1.08.2017]

In 2015 the greatest level of trade with China among the EU member states was recorded in Germany (\$ 156.78 billion), Great Britain (\$ 78.5 billion), The Netherlands (\$ 68.23 billion), France (\$ 51.37 billion) and Italy (\$ 44.65 billion) [China Statistical Yearbook 2016].

Poland is also playing an increasing role among China's trading partners. In terms of import Poland takes 12<sup>th</sup> place among 28 countries, while in export Poland is 8<sup>th</sup>. Based on data on trade in goods provided by the Polish Central Statistical Office, since 2004 the value of Polish import from China has increased fourfold and in 2013 the value of PLN 61.1 billion (see Figure 9). However, Polish trade deficit is still substantial. The value of Polish import of goods from China is ten times the value of export to that country (in 2013 the value of Polish export to China amounted to PLN 6.7 billion).

Figure 9. Poland - China: import - export [in PLN bn]



Source: Own study based on the Central Statistical Office. Data includes commodity trade  
<http://swaid.stat.gov.pl/SitePagesDBW/HandelZagraniczny.aspx> [accessed 2.06.2017]

In import broken down into sections, more than half of the products are products of the electromechanical industry (56.5%). Textile products (10.8%) and various products (6.6%) are also important sections. The most important products imported from China to Poland in 2013 were phone and television sets, computers and parts for computers, converters, toys, printing machinery parts, reception apparatus for television, lamps and luminaire, suitcases and bags, clothing and car parts. In 2013, the highest share (38.2%) in Polish export of goods to China was made of non-precious products and base metal products (mainly copper), followed by machinery (20.8%). Further places were occupied by products of animal origin – 8.8%, plastics – 7.2% and vehicles – 6.2%. In terms of commodity goods in the top ten were: copper, frozen pork and offal, furniture, synthetic rubber, car parts and accessories, chemicals, electrical switches, telephone equipment, airplanes and ores and concentrates of lead [GoChina 2017].

## 6. CONCLUSION

The successful development of the New Silk Road will largely depend on China. Creating a network of transportation connections between European and Asian countries is especially important for China, as Chinese trade with European countries is growing each year. Therefore, the development of the route seems to be a tremendous opportunity for China to transfer Chinese products to both the Middle East and Europe.

The New Silk Road is also an opportunity for Europe, including Poland. Establishing long-term economic cooperation with Asian countries may improve the trade balance of many European countries.

The establishment of the transportation network is also a great opportunity for many commercial intermediaries. So far, the time of providing rail services between China and Europe have been advantageously shortened, becoming an alternative to maritime and air transportation. This is also an enormous opportunity of development for Polish transport companies and intermediaries since goods can be transferred from stations located in Lodz and Warsaw.

A series of talks between leaders of China and other Asian and European countries and the signing of economic and trade agreements foster the development of cooperation and bring the concept of building the New Silk Road closer.

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## EUROPEAN UNION AND CHINA: SOURCES OF GROWING IMBALANCE IN THE CONTEXT OF BUILDING STRATEGIC PARTNERSHIP

欧盟 - 中国：建立战略伙伴关系上不断增加的不平衡的原因

**Summary:** At the turn of the 20<sup>th</sup> and the 21<sup>st</sup> century, China transformed from a production facility located at the economic frontier of the globe into a leading player, thereby becoming the main partner of the European Union. The awoken giant's dynamic economy has grown to be a key economic partner of the European Union; what is more, it is generating a steadily growing and worrying imbalance in trade relations. The authors analyse this phenomenon, as well as differences in perceiving the nature of the strategic partnership for which both sides are striving.

在20和21世纪之交，中国从一个位于全球经济前沿的一个生产工厂转变成了一个主导者，进而成为了欧盟的主要伙伴。苏醒巨人富有活力的经济正在加强其欧盟重要经济伙伴的作用，而且还在不断地稳定增长并引起了令人担忧的贸易关系不平衡。作者分析了这个现象，以及从双方努力促成的战略伙伴关系本质中所观察到的差异。

**Keywords:** strategic partnership, Beijing Consensus, trade imbalances, trade barriers

### UNIA EUROPEJSKA – CHINY: PRZYCZYNY WZRASTAJĄCEJ NIERÓWNOWAGI W KONTEKŚCIE BUDOWY PARTNERSTWA STRATEGICZNEGO

**Streszczenie:** Chiny na przełomie XX i XXI wieku przekształciły się z zaplecza produkcyjnego pozostającego na rubieżach gospodarczych globu w czołowego gracza, stając się tym samym głównym partnerem UE. Dynamiczna gospodarka stała się czołowym partnerem ekonomicznym UE, co więcej generującym narastającą niepokojącą nierównowagę w relacjach handlowych. Autorki poddały analizie przyczyny tego zjawiska jak również odmienność postrzegania samej istoty zjawiska partnerstwa strategicznego do którego obie strony dążą.

**Słowa kluczowe:** partnerstwo strategiczne, konsensus pekiński, nierównowaga handlowa, bariery handlowe

## 1. INTRODUCTION

China's growing position in the global order that is being formed anew and the increasing trade deficit related to this economy constitute immense challenges for modern Europe. The new situation on the international arena after the collapse of the Soviet Union not only induced extension of economic and political

cooperation between these organisms, but also contributed to a very dynamic development of mutual relations. However, in the course of time these relations started to transform rapidly. The European Union, initially trying to play the role of a mentor showing the right manner of organisation of the state and economy, was reduced to the position of an entity striving for Chinese capital and investments in the course of mere twenty years. In this context, the question about the sources of this rapidly growing imbalance is justified. Therefore, the objective of the discussion in the article is analysis of the selected aspects of cooperation of the European Union with China and an attempt at answering the question about the sources of the growing competitive advantage of China and the causes of the EU's increasing dependence on China. The authors also attempt to present the process of building a strategic partnership and the differences in perception of the two participating sides.

## 2. GROWING ROLE OF CHINA ON THE INTERNATIONAL ARENA

The turn of the 20<sup>th</sup> and the 21<sup>st</sup> century was marked by considerable changes on the international arena. China's significance increased quite unexpectedly with its international position mainly relying on the attractiveness of local economy. Numerous analysts have pointed out for quite a while that China is predisposed to play a more active international role and forecasted, at least since the mid 1990s, that the approaching century would belong to this Asian country. This is the reinstated role of the Middle Kingdom, adequate to its potential and tradition. Nevertheless, one should not forget the past role of this country and its economic power: in 1820, China produced almost 32.9% of the world GDP [Morrison 2013]. Few people believed that in the course of two decades China would transform from a country struggling with immense problems and facing the threat of famine into almost the main player on the international arena, a desired investor and a guarantor of stability for the world economy [Góralczyk 2010a: 314–315]. Therefore, irrespective of the evaluation of the country and, in particular, its regime, it is necessary to appreciate the huge effort that it has undertaken. China's success is particularly visible when its situation is compared with Russia, i.e. the global power of the previous epoch. It is clearly noticeable that the different paths of development adopted by the two countries have offered completely divergent results – Russia was reduced to the position of a regional power – at most, completely dependent on the export of resources, whereas China has risen to the position of a global giant with extremely dynamic economy, based, to a great degree, on new technologies.

In this context, the question about the causes of this huge success seems to be fundamental. First of all, the cultural model typical for the Chinese society is worth mentioning, i.e. strong family ties, encompassing not only the Middle Kingdom, but, on account of the expansion of Chinese immigrants (*Huaqiao*), dispersed around the globe. As noted by A. Zwoliński, when China started to open up economically to other countries, these ties became the first investment and

export channels, which offered a strong development impulse [Zwoliński2007: 267-268] for the local economy. Russian economy definitely missed this factor. What is more, typical cultural traits of the Chinese were also important, i.e. laboriousness, discipline, cooperation and subordination to superiors and long-term planning horizon, which greatly improved the efficiency of Chinese investments [Niewdana 2011b: 123-124; Bernat; Karczewski 2014: 31-39]. However, it seems that the transformation model adopted by the people who governed the country was of fundamental significance; it did not consist of mechanical copying of the Western models, but of drawing conclusions from transformations that took place in culturally close countries called the “Asian tigers”. Therefore, as noted by B. Góralczyk, China started to build its unique development model, based on its own paradigms and priorities. Among them, it is necessary to list the government’s pragmatic approach to reforms irrespective to democratisation, sober evaluation of own potential and chances, active participation of the state in economic processes, meritocracy based on planned rotation of personnel, upholding social rights over human rights and non-interference with internal affairs of other states [Góralczyk 2010b: 4-6] and, primarily, the synergy of market mechanism and central control, combined with a broadly open economy, irrespective [Bernat 2016: 123-132] of the partners’ dogmas. What is more, the model of transformation adopted in the Middle Kingdom turns out to be very attractive for economies that are just embarking on the path of economic reforms; without doubt, it is an attractive alternative to the variant of reforms promoted by the IMF and known as the Washington Consensus. In the initiated process of reforms, Beijing did not give in to the pressure of immediate privatisation, treating internal stability as a priority. This aspect of reforms definitely distinguishes the variant adopted by Beijing from the repair programme promoted by the IMF around the world and known as the Washington Consensus. At the beginning of the 1990s, emphasis was on avoidance of significant unemployment, in the course of time allowing for restructuring and privatisation, which enabled avoiding mass unrest [Niewdana 2011a: 293; Nicieja 2014: 19-30]. The gradual variant of the Chinese reforms, excellently matching the Chinese culture where harmony is the priority, did not cause any sudden social tensions and it eventually allowed for maintaining a consistent economic growth, the time span of which, lasting almost four decades, is an unusual occurrence in the modern era. In this context, a question emerges about the degree to which the strategy results from an adopted plan and the degree to which it was an attempt at mitigating social protests, the most visible manifestation of which were the events at the Tiananmen Square. Irrespective of the motivation which guided the Chinese leaders, the strategy adopted by them brought unexpected success, as it allowed for putting the state on the path of stable and long-term economic growth [Góralczyk 2010b: 6-7] without disrupting the cultural paradigms of the society. It seems that the convergence of the Chinese variant of economic reforms with the cultural environment is the key to the Chinese success.

An important breakthrough in the modern history of China was a moment in which the country joined the World Trade Organisation (WTO) in 2001. This was the very important moment from which we can speak about the sudden acceleration in the country's development [Seitz 2008: 400-401]. Integration of the Chinese economy with the world trade system has contributed to solidifying its multilateral nature and entailed acceptance of international rules aimed at liberalisation of commodity, service and capital turnover.

However, it seems that even the presence of China in the WTO would not translate to the present-day position of this state if it was not for the outbreak of the world economic crisis in the second half of 2008. The events triggered off by the collapse of Lehman Brothers shook the position of the USA and the member states of the European Union, shifting the balance point of the global economy in the direction of Asia. Therefore, it may be said that from China's point of view, there was a convenient coincidence which advanced the country in the global hierarchy. This thesis seems to be quite justified, as the economic reforms as such, combined with membership in the World Trade Organisation, would definitely not make this country an economic leader, if it were not for the sudden collapse experienced by the Western states at the end of the first decade of the 21<sup>st</sup> century. Undeniably, China made use of the favourable circumstances, though it has to be admitted that it was well-prepared for them [Gradziuk 2012: 7]. The huge Chinese export market, which transformed from a production base of the globe into an international reservoir of demand, turned out to be the buffer for the crisis phenomena around the world, as well as China as such [Bernat 2016]. The crisis' outbreak in 2008 clearly accelerated this process, the course of which had already been imposed by the evolution of comparative transformations of the Chinese economy.

### **3. COMMERCIAL IMBALANCE: THE CAUSES AND CONSEQUENCES**

Economic relations between China and the European Union are very complex and their beginnings can be traced back to the Cold War period. The intensifying conflict within the communist bloc between the USSR and the People's Republic of China inclined Beijing to tighten the cooperation with the Western states. The mutual opening up resulted in almost common recognition of Beijing as the representative of China on the international arena by the Western European states, as well as establishment of cooperation with the European Communities. In April 1978, the first commercial relations were established as a trade agreement was signed containing the most favoured nation clause. It was supplemented by the granting of customs preferences to China in 1980 as a developing country. What is more, a mixed commission of the People's Republic of China and the EEC was established, which was meant to hold cyclical meetings. It was possible to see the potential embedded in mutual trade relations already at that time, as in the course of just a decade the mutual turnover grew from USD 820 million in 1970 up to almost USD 5 billion in 1979. The major trade partners of China in this period

were Germany (44%), Great Britain (15,8%), France and Italy (13.8% each) [Rowiński 2009: 34].

The next decade was also a breakthrough, primarily on account of transformations taking place in China. After a decisive turn in the internal and foreign policy made by Deng Xiaoping, concealed under the name “Gaiige Kaifang”, economic cooperation started to take priority. The effect was signing, in 1985, of a Trade and Cooperation Agreement (TCA) and two years later, opening of the representative office of the European Commission in Beijing. In this year, the EEC was on the second place as the largest trade partner of the People’s Republic of China, taking Japan’s place [Rowiński 2009: 341-342].

After a short collapse of mutual relations following the dramatic events at the Tiananmen Square, they reverted to the previous state. This primarily resulted from the growth in significance of both partners on the international arena in the post Cold War world. This induced the European Commission to formulate Brussels’ uniform strategy towards Beijing, which relied on the premise that the Chinese policy has to be an important ingredient of the Union’s new Asian strategy. This bore fruit in numerous documents, among which in the first place it is necessary to mention the “Long-Term Policy for China-Europe Relations”, determining the Union’s policy towards China until the end of the 20<sup>th</sup> century [Grobla 2009: 322]. As noted by J. Rowiński, the essence of the programme assumptions adopted in this period consisted in integrating the People’s Republic of China with the international community and its economy with the global market. It was also important for the Union to create its image as one of the major forces on the international arena, in particular in the context of the Common Foreign and Security Policy established at that time [Rowiński 2009: 343].

Apart from numerous, strategic documents pertaining to the Union and China relations, the 1990s were also marked by a very dynamic growth of economic cooperation and commercial exchange between the partners. Between 1990 and 2000, the mutual turnover grew from USD 13.739 billion to USD 87.8 billion. For the EU, China has become the third commercial partner in this period, whereas the EU was the third partner for China with respect to export and second with respect to import. Until 2000, companies from the EU member states located direct investments in China with the value of USD 8.5 billion, which made the EU the second investor in China, excluding Hong Kong and Taiwan [Rowiński 2009: 344].

The growth tendency persisted in the next decade of the new millennium, as in this period Beijing became the second (with respect to size) commercial partner of the EU, whereas the EU became the first recipient of export from China [Góralczyk 2009: 18]. In 2009, China dethroned the world leader of export – Germany. What is more, in 2010 the import of goods from China to Europe grew by 39.5% in comparison to 2009, which resulted in the fact that the European Union took Japan’s place in China’s international relations. Trade between the EU and China showed a rapid and solid growth tendency in the last three decades,

reaching the value of EUR 395 billion in 2010 [Report of the European Parliament 2012: 5].

The facts presented here show that the imbalance in the mutual commercial relations did not occur at the very beginning, but it appeared in 1997 and has been systematically growing since this moment. It is symptomatic that already in the first decade of the 21<sup>st</sup> century the commercial deficit grew from EUR 49 billion in 2000 to EUR 168.8 billion in 2010 [Report of the European Parliament 2012: 5]. In this context, it is important to ask about the sources of this growing imbalance. Several important factors violating the equilibrium in mutual relations may be pointed out.

First of all, it is necessary to mention the absence of equal rights, i.e. the fact that European companies cannot make investments in China on the same terms on which Chinese companies invest in Europe. This mainly results from the fact that the major permissible form of running business by foreign entrepreneurs in China, apart from the areas of special economic zones, is the *joint venture* formula. It is very burdensome and related to the risk of transfer of strategic technologies, which may be conducive to China's competitiveness to the detriment of the European industry [Grobla 2009: 332-333]. Furthermore, the capital market in China is, in general, locked up in sectors that the government believes strategic for the economic development. In a number of areas, e.g. in air transport, banking or renewable energy sources sectors, foreign shares were limited to 20% of capital [Godement, Parello-Plesner 2011: 22]. However, in spite of these obstacles, foreign EU investments in China in 2010 amounted to EUR 4.9 billion, whereas foreign Chinese investments in the EU in the same year reached one billion, which aggravated the existing disproportion.

Another factor influencing the growth of imbalance in mutual relations are commercial barriers in the access to Chinese market. In spite of the gradual lifting of such barriers by Beijing, many obstacles still exist. This is testified by the last report of the European Union Chamber of Commerce in China, according to which almost a half of European entrepreneurs in 2011 met with discrimination, whereas in 2010 it was only 33%. The report also indicates that the government in Beijing still adopts measures limiting the opening of the Chinese market to goods from other countries. This raises justified doubts as to the actual intentions of Chinese authorities. What is more, other commercial barriers have also been retained, e.g. granting of subsidies and export loans in certain sectors, the requirement to procure domestic certificates or lack of transparency of standards required from entrepreneurs [Report of the European Parliament 2012: 16]. This problem is particularly significant, as the export limitations for the Chinese goods on the EU market stopped to be applied in 2005. Therefore, a clear disproportion is visible in mutual commercial relations, where China, on the one hand, introduces numerous barriers and restrictions and the Union has almost entirely opened its doors to the import of Chinese goods.

An example of non-ambivalent relations of Europe with China often mentioned by politicians is the limited access to public procurement in this

country [Godement, Parello-Plesner 2011: 36]. It is pointed out that irrespective of the problems resulting from the complexity of provisions, the government in Beijing is limiting the volume of public procurement and the areas in which it is granted. Furthermore, lack of transparency and competition, as well as standards inconsistent with the international principles indirectly exclude European companies from the Chinese market of public procurement [Report of the European Parliament 2012: 16]. However, this example may be misleading, as in spite of the fact that the European market of public procurement is, to a large extent, open to Chinese companies, yet as of now, they are not able to compete effectively on it. They try to take part in public tenders for the implementation of infrastructural projects, but it is quite difficult to show a successful example of performance of such contracts on the EU market, and the failure of COVEC during the construction of the A2 highway section in Poland is symptomatic in this respect. Taking into account the fact that Chinese companies do well in this respect in Africa or in Latin America, it may be concluded that their expansion is possible in corrupt states with unclear networks of business relations [Gradziuk, Szczudlik-Tatar 2012: 12]. However, the problem may become significant in the future, not so much on account of the adaptation potential of Chinese companies or more or less explicit support of the Chinese government, but due to the fact that the European Union will soon be required to expand the range of provisions of the agreement on government procurement binding as part of the WTO, which may definitely make it easier for China to function on the European market [Report of the European Parliament 2012: 6].

Another cause for the growing imbalance between the Union and the People's Republic of China is the necessity of technology transfer to the Chinese market by companies making investments there and limited protection of intellectual property rights [Grobla 2009: 332]. This problem has several causes and in the first place, it is definitely necessary to mention the adopted model of foreign investments. The above-mentioned *joint-venture* mechanism applicable in China prevents foreign investors from taking up majority shareholding packages in some sectors, primarily sectors related to advanced technologies. This significantly weakens the protection of intellectual property and enables the Chinese partners almost unpunished to copy the European solutions. The problem is also related to the fact that the European companies that function on the Chinese market do not have any specific measures at their disposal that would allow them to start an effective fight against violation of intellectual property rights. Furthermore, even if there is a certain progress in this respect on the central level, as Beijing transposed the applicable international law in the area of protection of intellectual property rights to its legal system, yet its implementation on the level of individual regions still poses a significant problem. The stance of the Chinese government is also testified by the fact that it did not take part in the ACTA negotiations. In this respect, it is also necessary to mention that the increase in the value of Chinese export is accompanied by the growing number of falsified goods captured at external borders of the European Union. The scale of the phenomenon is shown

by the fact that in 2010, 85% of goods violating the intellectual property rights intercepted by the European customs authorities derived from China [Report of the European Parliament 2012: 16].

A more and more significant problem in mutual relations that may, in the future, aggravate the Union's dependence on the Chinese partner is the access to the so-called rare earth metals. China's policy with respect to the above-mentioned resources is causing increasing tension in the mutual relations. It primarily results from the fact that these metals are extremely important for the European sectors of advanced technologies, including primarily the so-called green technologies. This lack of equal rights results chiefly from the fact that 97% of the world production of such resources is located in China and Beijing, being aware of its monopolist position, has introduced export restrictions in the recent years. It justified its decision by the necessity of satisfying domestic demand in the first place, even though it was commonly known that the real target was support for the Chinese companies. The justified nature of these accusations is confirmed by the fact that in July 2011 the World Trade Organisation reproved Beijing for such practices [Report of the European Parliament 2012: 16].

The fundamental problem in mutual commercial relations is the so-called "yuan undervaluation". Numerous analysts point out that the source of China's economic success relies on the policy of decreased value and inconvertibility of the local currency, combined with the fact that the largest partners of the country, i.e. the USA and the EU, use currencies of variable rates. In consequence, this leads to currency dumping on a unique scale [Report of the European Parliament 2012: 16]. The above-mentioned undervaluation of the Chinese currency allowed the authorities in Beijing to accumulate currency reserves amounting to almost USD 3.95 billion in 2015. Furthermore, it enabled expansion of investments in Europe with the aim of accomplishing advanced technologies, as well as purchasing a part of the national debt of certain European states [Godement, Parello-Plesner 2011: 19].

#### **4. SIGNIFICANCE OF STRATEGIC PARTNERSHIP FOR THE EUROPEAN UNION AND CHINA'S COOPERATION**

The strategic partnership between the European Union and China is a very complex issue. This mainly results from the nature of the Union, which is an international *sui generis* actor, which calls for a varied outlook on its external activity. This specific nature of the Community chiefly results from the fact that the Community, and the states that make it up, are, in a certain sense, independent international entities. Thence, the policy in relation to the People's Republic of China is conducted both by the Union and the countries that are its members. Therefore, it may be stated in a very simple term that we are dealing with several dozen Chinese policies within the Union. This translates directly to the issue of the strategic partnership, as this is the status of the relations between the Union and China, as well as the relations between Beijing and certain member states. Due to

this, the issue is to be analysed on both dimensions, which will fully show the extent of problems that Europe is facing.

The European Communities, which were the forerunners of the EU, have perceived China as the strategic partner since the very beginning. Therefore, diplomatic relations were established quickly and in the course of time, they were gradually extended. However, the first strategic document aimed at setting out the direction of cooperation between the European Union and China was the Communication of the European Commission of 1995 entitled "A Long-Term Policy for China-Europe Relations" [Rowiński 2009: 343]<sup>5</sup>. It proposed introduction of a bilateral dialogue policy between Western Europe and China, which would take place via regular diplomatic contacts<sup>6</sup>. The Union would support further opening up of China onto the world, primarily via its participation in international organisations. In the above-mentioned document, the Commission also indicated the necessity of supporting activities aimed at establishing a system based on civic society and observance of human rights and, in the area of economy, China's gradual adjustment to the principles applicable in the World Trade Organisation [Grobla 2009: 322]. The document was of breakthrough importance primarily due to the fact that this was the moment marking the gradual expansion and institutionalisation of the channels of regular contacts, manifested in the annual meetings of the EC chairmen in Beijing and presidents and prime ministers of the People's Republic of China in Brussels. What is more, sectoral channels of dialogue were established, encompassing human rights, protection of intellectual property, environmental protection, health protection, education, transport, services, social insurance, legal cooperation, scientific and technical cooperation, etc. [Rowiński 2009: 345].

In 1998, the European Commission published another *strategy paper* entitled "Building a Comprehensive Partnership with China" [Communication from the Commission 1998]. The core of programme assumptions adopted in this document focused on attempts at integrating China with the international community and Chinese economy with the world economy, as well as supporting the building of civic society in the country. Nevertheless, it seems that an informal creation of the image of the Union as one of the main forces on the international arena [Rowiński 2009: 343] was the actual objective. Two years later, the European Commission published a report on the implementation of this document [Report on the Implementation of the Communication 2000]. It pointed out the significance of development of relations between the parties in this respect and also emphasised that they are based on cooperation and not competition or confrontation. This report is the basis for talking about the rapprochement of both partners with respect to economic cooperation. In line with its premises, the future cooperation would focus

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5 J. Rowiński indicates, as the first document, the Communication of the Commission "Towards the New Asian Strategy" of 13 July 1994, yet it refers more to the entire Asia and not only China.

6 This concept is still maintained; it is indicated that China is the most frequent destination of diplomatic trips of the EU officials: [Islam2011: 2].

on fighting organised crime, illegal immigration, shaping social stability, as well as building joint enterprises not only in business [Grobla 2009: 323].

In response to these documents, China made its own attempt at evaluating the mutual cooperation in the strategic document "China's EU Policy Paper" of 2003 [China's EU Policy Paper]. It recapitulated the hitherto policy, and offered an analysis of the relations on the political, economic, financial and educational area; its authors expressed willingness to expand the cooperation and greater opening up towards Europe. However, after the analysis of the above document it becomes clear that the Chinese party did not have a vision for development of relations with the European Union, as it did not focus on any important aspects of cooperation, but only tried to describe all dimensions of mutual relations. It showed clearly that the declared strategic partnership has more symbolic than quantifiable dimension. In its documents, the European Union emphasised China's joining the international community, as well as promoting economic and social changes, yet the government in Beijing did not show any strategic vision in its document. However, as noted by B. Góralczyk, this was the first and so far the only Chinese document pertaining to Beijing's European policy [Góralczyk 2010b:13–14].

In spite of the publication of numerous documents pertaining to the Union and Chinese relations in the 1990s, it was only in the first decade of the 21<sup>st</sup> century that the European Commission decided to prepare a programme of long-term relations with China.

The above-mentioned documents establish the bases of the cooperation strategy between the European Union and China and designate the main directions of its development. However, in practice it is difficult to talk about a consistent and uniform foreign policy of the EU. Economic competition among member states is developing in parallel and each of them is fighting for reinforcing own status in contacts with China [Grobla 2009: 325]. This has led to strong divisions as part of the Union, which F. Godement and J. Parello-Plesner classified into two groups: "frustrated market-openers" and "cash-strapped deal seekers." It seems that this division most fully demonstrates the present-day dilemmas of the EU member states. On the one hand, there are countries aiming to increase their share on the Chinese market, which want to place one of the last instruments at their disposal, i.e. the European Union. On the other hand, there are Southern and Eastern Europe states which, in the face of a budget crisis, are only aiming to attract the Chinese capital (either in the form of direct investments or purchase of debt securities) [Godement, Parello-Plesner 2011: 28–31]. Therefore, the current problem of the Union and its member states not only consists in a strong competition among individual capital cities for Beijing's favours, but primarily is the fact that the above-mentioned two groups have incompatible interests. "Frustrated market openers" will try to force China to open up to investments and products from Europe, and the "cash-strapped deal seekers" will conduct the most possible pro-China policy—in order not to discourage China from approaching to themselves. Additionally, this group is characterised by a strong competition for the Chinese capital, as the leaders of these states are aware that Beijing treats the Union as one area and investment in

one country usually excludes it in another one [Golonka 2012: 27]. It seems that building a consistent and coherent Chinese policy of the Union as a whole is quite impossible in these circumstances. It is also apparent that Beijing is aware of it and skilfully tries to take use of the existing conflicts in order to accomplish the objectives that are important for it.

Another problem with building a lasting and multidimensional partnership of the EU with China is the above-mentioned issue of observing human rights and development of the civic society in China [Balducci 2009: 8-13; Gottwald, Cottey, Underhill 2010: 22–23]. There is no uniform standpoint of the EU and the stances of individual member states are shifting along with economic interests. An excellent example is provided by Hungary which, faced with the proposal of opening a new credit facility for the local companies amounting to EUR 1 billion, went silent with respect to the issue of human rights in China; in 2010, the meeting of Prime Minister Victor Orbán with the Dalai Lama was cancelled, even though such contacts took place earlier [Godement, Parello-Plesner 2011: 31–32]. Nevertheless, the example of the Olympic Games in Beijing in 2008 should be mentioned in the first place in this context. Before the event, advocates of political boycott of the event were spoken in loud voices. However, in the course of time this stance was replaced with typical Realpolitik manifested by almost common presence of European leaders [Góralczyk 2009b: 24]. It is also worth noting that with respect to the observance of human rights in China, we are also dealing with an internal rift. It does not run between the member states, which in principle fully embrace the above-mentioned Realpolitik, but between them and the European institutions which are the few entities that continue to speak up for individuals persecuted in China. This is particularly visible in the stance presented by the European Parliament which, via its members, often speaks up on the issue. This division seems to be quite convenient for the leaders of the member states who, on the one hand, may secure their economic interests and, on the other, point out to the community institutions as the ones that take care of human rights. However, Beijing is trying to place all instruments at its disposal to level the criticism related to the violation of human rights in China and, in particular, its policy with respect to Tibet. Its objective is not its complete elimination, but convincing the West about the necessity of observing the principle of no interference in internal affairs of a state, and indirectly, not compromising the international prestige of China [Szumski 2010: 20].

Summing up these divagations, it is worth noting that both China and the EU are using the term “strategic partnership” to determine the nature of their mutual relations. However, their perception of the term is completely different. For the EU, this is an ongoing-process, the so-called “maturing strategic partnership” which requires supplementation with adequate contents of both sides. On the other hand, China treats it as a completed fact and accuses the European side of not fulfilling all the requirements of this type of relationship [Szumski 2010: 352]. Such differing approaches have immense implications which determine, to a great degree, the mutual relations and their quality in the first place. Via its policy, the Union tries to influence China, transform it to its model, promote values of fundamental

importance for it and on the other hand, use the Chinese economic potential. On its part, Beijing defines the strategic partnership as an easy access to deteriorating companies and a possibility to purchase securities of states at the brink of bankruptcy [Godement, Parello-Plesner 2009: 10–11]. In this approach, there is no place for interference in internal affairs of the partner. This different definition of mutual relations translates to the current policy. Misunderstanding the partners' intentions is clearly visible and there is growing suspiciousness with respect to the actual objectives of activities pursued by both sides. Europe feels more and more assailed by the growing power, deprived of arguments in mutual rivalry. Therefore, inconsistency of its activities is clearly perceptible and interests of individual countries are mixing; this is also combined with the two-level nature of Europe's external activities. On the other hand, Beijing notices the internal inconsistency of the Union which upsets its credibility as a strategic partner. Chinese leaders increased investments and purchases of debt securities, yet in practice this does not translate to specific activities. It seems that they are only guided by economic and political interests and fail to see the European Union as a strategic partner on the global scene. Changes to the strategic partnership of the two powerful partners are inevitable. The analysis of this process will be the subject of the author's further researches.

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## SOURCES OF CHINESE ECONOMY GROWTH

### 中国经济增长的源泉

**Abstract:** Economy of East Asia attracts the attention of the whole world. Of course, the shocking results are achieved by China due to the increasing emphasis on this country. Global investors are ready to invest their capital in China. For 30 years, the average growth rate of real GDP is above 10%. The purpose of this article is to identify, describe and analyze the reasons, the reality and prospects for China's economic growth. What is China's mysterious driving force? Over the past two years, the Chinese economic growth has slowed down, which can have a negative impact on the state, but also on the world economic processes.

The article will answer the following questions:

1. China's Double-Digit Economic Growth - the political principals "Go Global" will be continue?
2. What are the factors supporting the most powerful economy in the world?
3. What are the types of impact of Chinese economy on the development of other countries?

东亚经济吸引了全世界的关注。当然，震惊的结果落在了中国，这个国家的重要性在不断增加。全世界的投资者都想在中国投资。30年来，经济平均增长率高于10%。本文的目的是要指出，阐述和分析中国经济增长的原因、现实和前景。中国的神秘驱动力是什么？过去两年，中国经济增速下降，这会对这个国家，也会对世界经济发展产生负面的影响。

本文将回答以下几个问题：

- 1、中国的两位数经济增长 - “走出去”政策还将继续吗？
- 2、支持世界上最强大经济的因素是什么？
- 3、中国经济影响其他国家发展的类型是什么？

**Keywords:** Confucianism, GDP growth rate, middle class, policy "GO GLOBAL", investment, GDP consumption.

### ŹRÓDŁA WZROSTU CHIŃSKIEJ GOSPODARKI

**Streszczenie:** Gospodarka Azji Wschodniej przyciąga uwagę całego świata. Oczywiście, szokujące wyniki osiągnęła ChRL, ze względu na rosnące zainteresowanie tym państwem. Globalni inwestorzy chcą i pragną inwestować swój kapitał w Państwo Środka. Przez 30 lat średnia stopa wzrostu realnego PKB zajmowała poprzeczkę powyżej 10%. Celem niniejszego artykułu jest określenie, opis i analiza przyczyn, rzeczywistości i perspektyw wzrostu gospodarczego Chin. Cóż jest tajemniczą siłą napędową Chin? W ciągu ostatnich dwóch lat w Państwie Środka zmniejszyło się tempo wzrostu gospodarczego, co z kolei może

mieć negatywny wpływ nie tylko na dobrobyt państwa, ale i na światowe procesy gospodarcze. Artykuł będzie zawierać odpowiedzi na następujące pytania: dwucyfrowy wzrost gospodarczy Chin - czy program "Go Global" będzie kontynuowany, jakie czynniki wspierają najpotężniejszą gospodarkę Świata, jakie są rodzaje oddziaływania gospodarki chińskiej na rozwój innych krajów?

**Słowa kluczowe:** konfucjanizm, tempo wzrostu PKB, klasa średnia, polityka „otwartych” drzwi, inwestycje, konsumpcja

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## 1. INTRODUCTION

Global economy is a complex system that combines many economic entities from all over the world. It is a living organism, which is growing, developing, and passing through certain stages of its development. These changes are very interesting from research and observation perspective. They became particularly visible and conspicuous at the turn of the 20th and 21st century in fields such as internationalization, capital globalization. Over the last decades, the number of companies and manufacturing centres in the world expanded significantly. The importance of East Asia countries has increased. Countries such as China, Japan, and India are among them. Globalization of capital causes changes in forces of production, which are directly proportional to scientific and technical progress. Innovation provides advantages and leads to the top. As mentioned above, the East Asia economy attracts the attention of the entire world. Needless to say, the PRC has achieved shocking results, due to the growing interest to this country. Global investors want and strive to invest their capital in the Middle Kingdom. In the last 30 years, the average real GDP growth rate was over 10%. One very important question stems from all the above. This question is the basis of this article: "What is the source of Chinese economic growth?"

In this article, we verified the following hypotheses:

1. The development model that has been a basis for economic development of China will no longer fulfil its function to maintain the current economic growth rate.
2. China's economic growth rate has a cultural explanation.
3. Chinese government policy "Go Global" led to the emergence of a new leader that developed a two-digit growth in 30 years.
4. Reduction in China's economic growth rate will lead to another economic crisis.
5. Cheap labour in China is no longer cheap.
6. Chinese investments in the world and in Poland, in particular, led to the dynamic development of the Middle Kingdom's economy.

We deemed the following research methods necessary to achieve the aforementioned objective:

The first is the observation method, which entails collecting and processing information on the economic situation in China - as well as finding connections and dependencies, including causal effect connections. The second – is the statistical method, which applies various statistical analysis tools to the data contained in the article.

## 2. CULTURE AND BUSINESS ETHICS IN A CHINESE WAY

For ages, China has always been distinguished for its special economic philosophy. Economic growth of Chinese state is not only influenced by the economic processes, but also by the cultural ones. China has one of the oldest cultures in the world [Karczewski 2014, s.32-38]. In 21<sup>st</sup> century, China stood out with a certain economic phenomenon, the driving force of which remains a mystery for the majority of people. Thirty years of economic growth, development of economic indicators measured in two-digit numbers, second most-powerful nation in the world that is not feeling so well in 2016. Certainly, there is something in Chinese economy of which China can be proud. One of the causes of this phenomenon is the culture of Chinese society, developed in complex historical, geopolitical and economic conditions. Interest in China's cultural views is increasing: most firms, entrepreneurs, and global "titans" implement management according to the Eastern philosophy that implies that every detail has its meaning. Scientists share the opinion that most of the world's economic systems are related to culture and decisions are made according to their ethical views. Franke, Hoftede and Bond stated that more than a half of China's economic growth rate between 1965-1980 and 1980-1987 had a cultural explanation [Kotler 1999: 140]. Scientists distinguish several cultural trends and we will discuss those trends later on. The highlighted features of Chinese culture particularly contradict with the Western principles, for the Chinese culture is a synthesis of historical events, namely the expansion of other nations onto China and their religions. Studying the literature on Chinese culture, one has to firstly confront with the strange name "miànzi" (面子). The literal translation of the word reads as "face." In Chinese - "miànzi" is a certain analysis, an evaluation carried through the prism of society, and the result of such analysis shows if the person meets the standards. One of the differences between the European and Chinese "faces" is the way of their acquisition. The Chinese believe that this concept can be obtained in a number of ways, while Europeans are convinced "faces" dwell in the human being, or it cannot be confirmed. By various ways, we mean education, having a prestigious job, or belonging to a particular clan, not just being a man with a certain education and proper behavior. Taking the Chinese economic relations to the account, the next factor that influences the interpersonal connection is guānxi (關係). G. F. Simons, C. Vazquez and R. R. Harris use a metaphor for handmade silk to describe this phenomenon [Murdoch 1999: 71-72]. Guaxi can be interpreted as "connections" that might save you or assist you. Most European companies are not concerned

about maintaining good relations. This is one of the key behavioral factors that distinguish a person from the East from the one from Europe. Part of Chinese business is based on good relationships. A person who wants to build an economic relationship with China needs to realize that there is a correlation that shows your status in a society. You may not have a single cent, but if you have the right knowledge, things may change.

Another feature of Chinese culture is *jiéjiǎn* 節儉 (节俭). The culture of savings stems from historical and demographic factors. China is the largest country in terms of population density - 1.3 billion people or 400-600 people per km<sup>2</sup>. From economic perspective, the saving rate is about 50% of GDP. It is rather high due to the Chinese meticulousness.

Let us take a closer look at so-called *héxié* (人際和協), meaning “the culture of harmony”. Chinese try to achieve the goal in a harmonious way. The loss of culture of harmony in your personal self causes negative effects on the environment, and this in turn causes the “loss of face” - an unacceptable behavior in eastern society.

Confucianism greatly influence the everyday life, business and culture of China, Hong Kong, Japan, Korea, Taiwan, and Singapore and to a lesser extent - the culture of other Asian countries. The basic Confucius doctrines include the following elements:

- One should abide by and respect relationships of inequality.
- Family is the prototype of organisation. Everyone is not a separate unit, but rather a member of a group.
- In relation to others, one have to behave as good as possible. At the same time, one should protect his "face".
- Studies and hard work should be rewarded.
- One should be gentle in every matter, always remain calm and avoid extremes.

It is not surprising that, to a greater extent, Confucianism is a system of principles, not a religion, and is considered a science for workers [Karczewski 2014, s.32-38]. It is possible to state that Confucianism emerged in antiquity, rules the state level up to this day and reflects some social norms. Today, religious and cultural trends make a significant contribution to China's economic development.

### 3. THE CHINESE AS A CHEAP LABOR FORCE

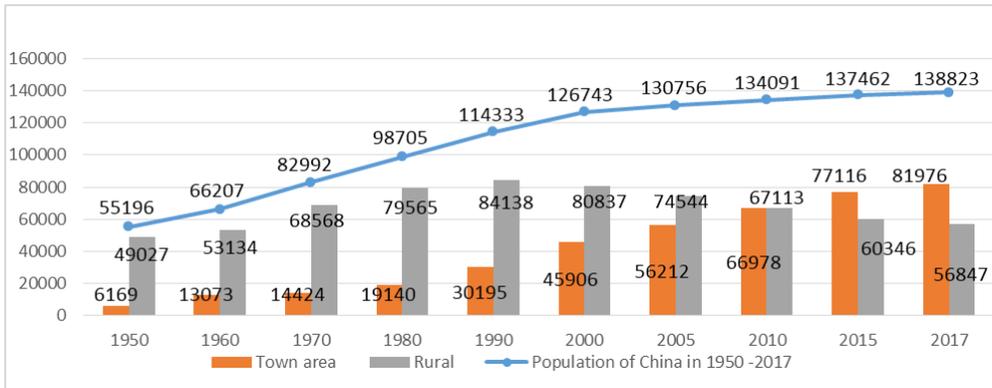
China's economic achievements are the unique experience in the modern world economy, especially because they happen in the country where the 20% of the world's population (1.3 billion people) lives. The development model adopted by China has transformed the economy from a poor country based on agriculture (80% of the population involved in agriculture) into the world's second-largest economy, with over 400 million people overcoming poverty, and significantly improving living conditions for the majority of people [Liberska

2010: 331 ]. According to the data from the Chinese National Statistical Office, the coefficient is steadily increasing, as seen in the chart below. As you can see from the data provided in Figure 1, the population of China has grown three times from 1950 to 2017. The percentage of men in Chinese society is always 3% higher than the percentage women (on average). This ratio had an impact on the place of women in the economy. Feminist companies have been on the rise since the early 1980s, and the real boom started after 1995 [Gorgoń 2012: 124].

Also, when analyzing the Figure 1, "China's Population in the 1950s-2017s," we need to pay attention to the structure of the population by residence. By 2010, more people lived in the countryside. It is not surprising because China is a country considered an agrarian nation. It is also noteworthy that ever since the beginning of Mao's government reformation, people have been encouraged to live in the city. China's GDP in recent years directly relates to this process.

Figure 1. Population of China in 1950–2017

(10 000 people)



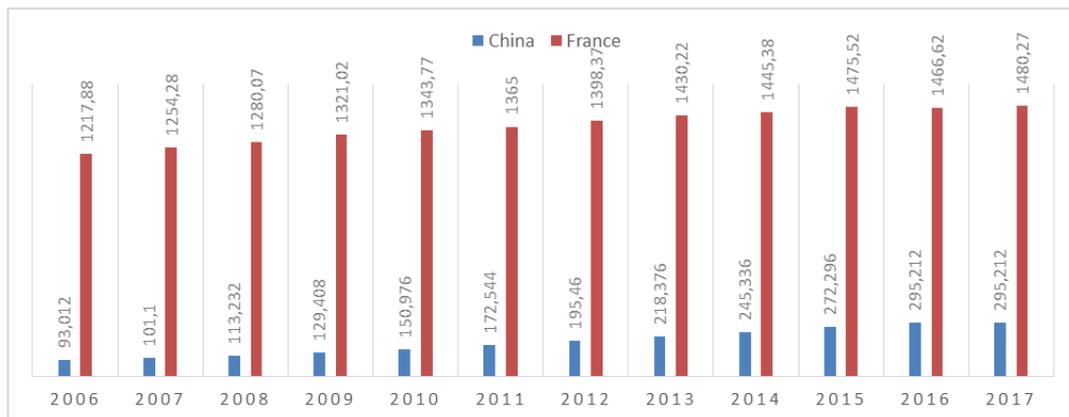
Source: data processed was accessed at National Bureau of Statistics of China, <http://www.stats.gov.cn/tjsj/ndsj/2016/indexeh.htm>, [accessed 16.03.2017]

The “One Child Program” introduced in 1978, which reduced the birth rate, is particularly noteworthy. Later another problem appeared – the "Aging Society." The contemporary Chinese have only on one child, creating a unique generation of consumers - the only ones who consistently dominate the Chinese market from the end of the 20th century. The drastic limitation of fertility rate has induced the deformation of the age structure of the Chinese society, and its effects are more and more perceptible. The aging of China's population means that the proportion of people over 65 will be 5 percent higher in 2020 compared to now [Bernat 2016: 123-132]. Consequently, the society consumption in the social sphere will change. In early 2016, the Chinese government officially revoked the policy of one child and adopted a policy of two children in one family. Politicians believe that this will address the problem of aging population of China.

There is one more characteristic worth mentioning that has been the basis of rapid growth in China. Like in every capitalist state, the middle class is the backbone of economic prosperity. Middle class must be the catalyst of economic growth of China, not only big investments and exports, as it used to be [Góralczyk 2016]. The tendency towards the "moderate welfare society" is growing as the country's economic strength increases. In the middle class analysis, it is worth to mention the level of wages. In 2014, the average annual income per capita was 56,360 yuan (about \$ 8,650), and more than half of the workforce in cities (nearly 390 million) could earn more than 2,000 dollars a year, which a decade ago in China would be considered a dream. It started with a strategy that not only the state should be rich, but also individual citizens. It is important to remember the needs. This class due to its large size will be the driving force for the development of the tourist and a little less so – for the leisure services in developed countries with rich history, combined with elements of material evidence of. In addition, generally Chinese like to buy branded things. This is a truly global factor that influences the global consumption of leading Western brands that were not affected by the 1998 and 2008 crises. Thanks to the new class of wealthy Chinese, who tend to consume "fashion" products European companies and to a certain extent the entire economy of countries that manufacturer these products are sustained. Chinese spend 9.2 percent of their total spending on sports, recreation and tourism. Americans spend 17.3%. In this respect, the process of catching up with the rest of the world by Chinese is the fastest. In 2013, China's largest middle-class spending (36.9 percent) went to computer games, cable TV and "per-view" programs made up 31.4 percent of the total consumption, movies summed up at 9 percent, and books at 13.7 percent [Góralczyk 2016]. Even though Chinese save a certain share of their income, recent stock market events and past events come to the surface. The more they consume, the more they to earn; the more they earn, the higher the country's economy grows. Also, wages depend on working conditions, social security, and occupation. China has a reputation of cheap labor. B. Góralczyk in his article "Chinese middle class goes on stage" highlights the fact that the excess of cheap labor and easy-to-find workers are the supporting factors for the Chinese economy [Góralczyk 2016]. The Chinese middle class counts 300 million people, and forecasts indicate it will rise to 700-800 million citizens in 2020 [Bernat M. 2016: s.127].

It is worth mentioning the minimum wage earned by an average worker in the People's Republic of China (Figure 2).

Figure 2. Comparison of monthly minimum wages in China and France throughout 2006 – 2017 in EUR



Source: 1. [www.tradingeconomics.com](http://www.tradingeconomics.com) on 19.03.2017; 2. CNY/EUR - Juan chiński Euro <https://pl.investing.com/currencies/cny-eur-converter>, [accessed 19.03.2017]. Kurs CNY do EUR na 19.03.2017 wynosił ¥1 = € 0,1348

At first glance, we can see from Figure 2 that the minimum wage in China is not even close to the minimum wage in a European country (France). The minimum monthly wage in China has increased 3 times over the period from 2006 to 2017, but compared to France the wage is incredibly low. What makes labor so cheap? The question is quite complex and requires extensive analysis. Of course, the original cause is the largest population on Earth. The next reason is that the state is developing, but not equally, since there are poor regions of China where people have to work anywhere and their payments are only enough to survive. Southeastern China is the most developed and has many advantages contrary to other regions. According to the official data from Forsal.pl, "China can no longer develop only by using cheap labor. The number of available employees is decreasing and they are no longer cheap. Economic growth should rely on human capital and technological progress. Such thesis was also expressed at the recent Central Labor Economics Conference, where top Chinese experts debated over the China's necessity to increase investment in education and labor market, not just in the new roads, metro, fast train and factories" [Kaliński].

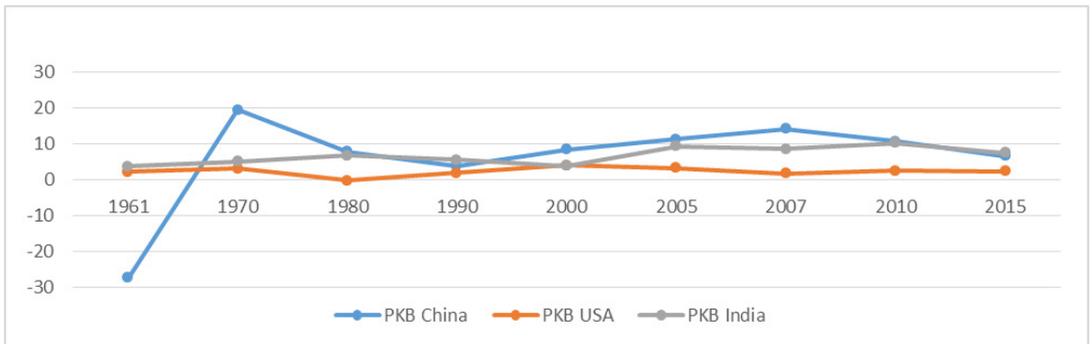
#### 4. GREAT OPENING TO THE GLOBALIZATION - "GO GLOBAL"

People's Republic of China began its economic growth and development marathon in 1978 with a "Go Global" motto. China is moving towards globalization. The reason behind this policy is the progressive globalization the world entered at the turn of 20<sup>th</sup> and 21<sup>st</sup> centuries. It is important to say that this policy was based on the reforms that were tailored specifically to fit into the structure of the Chinese state and adapted to its characteristics. Before this

policy was implemented, the state was in complete chaos and collapse, most people starved. Cities and villages were in deep depression. According to economic studies, economic development develops in a wave-like style. Soviet economist Nikolai Kondratjev wrote that there are interval cycles in the economy that change from growth to declines in the modern economy every 48-55 years [Korotaiev 2012: 58-109]. China's GDP growth in 1950-2015 period was simply amazing. China's GDP growth during the period of 1950-2017 was simply incredible.

Figure 3 visualizes that the most successful year was the year of 2007, when GDP rose to an unprecedented 14.19% (according to the World Bank data), while the United States, as a world leader, ended 2007 with a humble GDP growth rate of 1.78%. The transition from one phase to another, namely China's period of growth, lasted only 37 years (1950-1987). Figure 3 shows that India's GDP has been growing at the same pace recently.

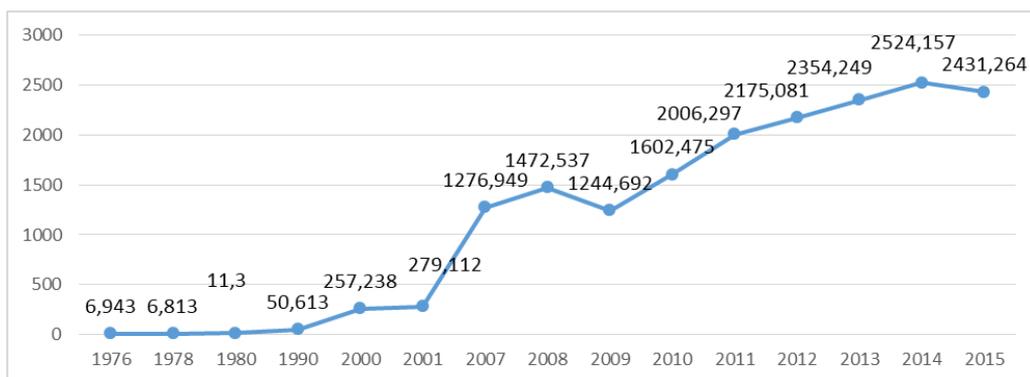
Figure 3. Percentage of Chinese economy growth 1961-2015



Source: World Bank data, accessed at <http://data.worldbank.org/country/china?view=chart> [accessed 18.03.2017]

China's entering the World Trade Organization on September 17, 2001 was a moment of significant importance for the "Go Global" policy. It provided China with new opportunities, such as stimulating foreign investments, maintaining the gigantic economic growth, growing export indicators, etc. First and foremost, the external trade policy has changed. Entrepreneurs of the PRC were granted access to the foreign markets and were offered appropriate conditions. The state has also created a rather liberal internal market model for foreign companies in order to encourage them to set up business. China was ahead of the United States. The consequences are visualized and can be seen from China's import and export dynamics (Figures 4 and 5).

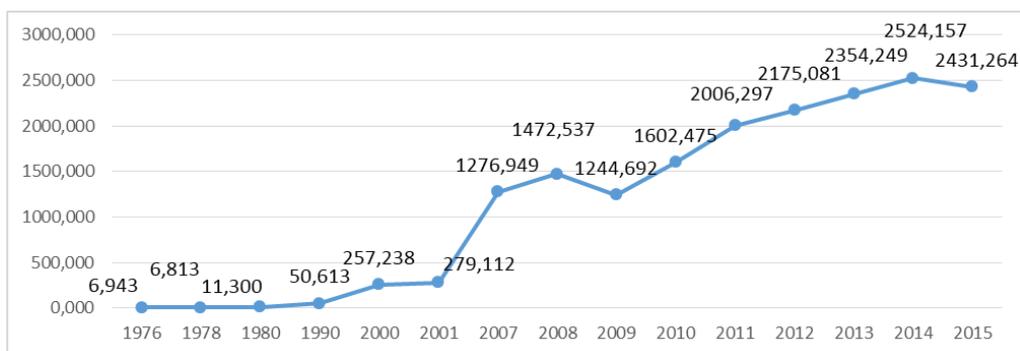
Figure 4. Chinese exports of goods and services in 1976 – 2015 in USD bln



Source: World Bank data, Exports of goods and services (current US\$) <http://data.worldbank.org/indicator/NE.EXP.GNFS.CD?locations=CN> [accessed 24.03.2017]

Figure 4 "Chinese goods and services exports between 1976 and 2015 in US dollars" shows that before the implementation of the "Go Global" program this indicator was at the \$ 6.943 trillion mark in 1976. The highest export index was recorded in 2014 amounting to 2,524 trillion USD. Asia has taken the first place among the regions, but the United States and Hong Kong (China) are the major export destinations for the Chinese economy.

Figure 5. Chinese import of goods and services in 1976 – 2015 in USD bln



Źródło: World Bank data, Imports of goods and services, (current US\$) <http://data.worldbank.org/indicator/NE.IMP.GNFS.CD?locations=CN> [accessed 24.03.2017]

As for the import of goods and services (Figure 5), from 2001 to 2008 the value of imports has increased from \$ 243.974 billion to \$ 1.146 trillion. The highest indicator was recorded in 2014 - 2,261 trillion USD. China is the largest importer in the Asian region. Reduction of imports in Asian countries took place in 2014-2015. The highest value of imported goods was supplied by the Republic of Korea, followed by the United States. Among European countries, Switzerland is growing its imports to China.

## 5. CHINA STRENGTHENS THE INVESTMENTS

Over the period of 1980 - 2015 the volume of direct foreign investments increased. Table 1 shows that the amount of capital inflow is greater than the outflow. China is considered an attractive investment haven. The major investors in the PRC are Hong Kong, a administrative being granted the status of a special economic zone, the islands of Latin America, the United States, and the neighboring countries - Singapore and Japan. The inflow of European investments is also growing. In recent years, Sino-German cooperation has begun to blossom. The PRC is one of the most important investors in the world.

Table 1. Foreign direct investment in the Chinese economy in 1980-2015 in millions

	1980	2000	2005	2008	2010	2014	2015
Inflow	1 077	40 770	72 406	108 312	114 734	128 500	135 610
Outflow	630	920	12 261	52 150	68 811	123 120	127 560

Source: World Investment Report 2004: The Shift Towards Services, United Nations, New York-Geneva 2004; World Investment Report 2010: Investing in a Low-Carbon Economy, United Nations, New York and Geneva 2010; WORLD INVESTMENT REPORT Investor Nationality: Policy Challenges 2016, United Nations, New York-Geneva 2016

Over the last year, the investments to Russia decreased, but the investments to Cayman Island, Virgin Island, and Britain increased over the same time period. Chinese entrepreneurs quickly place their investments in some special zones like Hong Kong, Cayman Islands, Singapore. A large part of the investments went into products, real estate and financial intermediation. Foreign capital in China is polarized in branches. The automotive and electronics [Kania 2012: 43-44, 53] sectors have a very high concentration of foreign investment. In 2015, Chinese invested mostly in the service sector, such as leasing, business services and financial intermediation. The investments in production area occupies the third place in ranking. The PRC manifests itself as an investor in accordance with Table 1. Foreign capital in China is polarized in branches. Automotive and electronics sectors are among those with highest concentration of foreign investments. In 2015, the Chinese invested mostly in the service sector, such as leasing, business services and financial intermediation. The production area occupies the third place in ranking. China's behavior as an investor is seen on Table 1.

Table 2. Chinese currency reserves in USD bln

2000	2005	2008	2010	2013	2014	2015	Styczeń 2017 [5]
168	821	1 949	2 866	3 840	3 859	3345	2998

Source: Total reserves minus gold (current US\$), The World Bank, <http://data.worldbank.org/indicator/FI.RES.XGLD.CD?locations=CN> [accessed 27.03.2017]

According to Table 2, one of the reasons of the growth of Chinese investment in the world is the fact that a large part of internal capital accumulates, because the Chinese people are thrifty. The essence of such tendencies stems from the culture of Confucius. China's foreign exchange reserves have grown 17 times in the last 17 years. Significant currency reserves (US \$ 3345 billion in 2015) and the world's highest foreign trade surplus are the derivatives of the country's pro-export policies, an important part of which is to lower the yuan exchange rate, thereby to significantly improve the profitability of foreign sales. At the same time, it is also a factor that attracts the export-oriented businesses to China [Kania 2012; 43,44,53].

## 6. CONCLUSIONS

In modern economy it is difficult to maintain economic growth without considering cultural specifics. All economic processes in China are intertwined. The main sources of growth of the Chinese economy are the human resources, their Open Door Policy and the investments. People's Republic of China has a very large population, which in turn affects the level of social and economic life. The whole world sees the PRC as the cheapest labor. The Open Door policy provided Chinese manufacturers with the chance to access the global market. Furthermore, Chinese WTO membership significantly increased the structure of exports and imports, which creates a background for the development of the scientific and technological potential of the country. All these factors contributed to the inflow of investments into China, which in turn increased the economic potential of the country and enabled its investment expansion into the world in the last decade. Foreign direct investments (FDI) contribute to employment, innovation, scientific and technological progress. According to the IMF forecast, 2017–2018 will be a positive year for the US and India. As for the People's Republic of China, the decline trend visible right now can cause a very negative impact on the world. In 2018, the increase will make up 0.9% as compared to 2015. According to the McKinsey & Company report, the indicator worth paying attention to is the country's GDP. "China's GDP will continue to grow at an annual rate of some 7.9 percent compared to 2.8 percent of the United States and 1.7 percent of Germany [Yuval Atsmon, Max Magni, Lihua Li, Wenkan Liao]" As you can clearly see, the Chinese economy is not unambiguous, it is unique, and its growth cannot be predicted. We can say with certainty that there was no state in the modern world that has exceeded the Chinese success.

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## LUXURIOUS DRAGON - THE CHINESE MIDDLE CLASS AS RECIPIENT OF LUXURY GOODS

### 奢侈的龙 - 购买奢侈品的中国中产阶级

**Abstract:** This article shows the phenomena of a country, which during the seventies of the 20<sup>th</sup> century was still facing the threat of hunger, due to its economical transformation has been able to rise to one of the leaders in consumption of luxurious goods. The authors show the Chinese profile of consumption in the most distinct segment, in the context of the changes happening in the Chinese economy and culture, as well as its global influence, which absorbs the fall of demand in traditional markets after the year 2008.

本文揭示了一个现象，一个在七十年代还遭受饥饿威胁的国家，通过经济转型可以成长为奢侈品的主要消费国。作者从中国变化的经济和社会背景和其抵御2008年后传统市场需求下滑的国际影响等方面揭示了中国高端行业的消费结构。

**Keywords:** middle class, luxury goods, cultural attributes

### LUKSUSOWY SMOK - CHIŃSKI KLASA ŚREDNIA JAKO ODBIORCY TOWARÓW LUKSUSOWYCH

**Streszczenie:** Artykuł ukazuje fenomen kraju, który jeszcze w latach 70-tych XX wieku zmagał się z widmem głodu w konsekwencji skutecznej transformacji gospodarczej awansował do grona światowych liderów konsumpcji dóbr luksusowych. Autorzy ukazują profil chińskiej konsumpcji w jej najbardziej wyszukany segment w kontekście przemian mających miejsce w chińskiej gospodarce i społeczeństwie a także jej wymiar globalny, który amortyzuje spadek popytu na tradycyjnych rynkach po roku 2008.

**Słowa kluczowe:** klasa średnia, dobra luksusowe, cechy kulturowe

## 1. INTRODUCTION

For the last couple of years the Chinese luxury good has been on an unprecedented rise compared to other countries and what's more - the rise of consumption in the last decade has coincided with the global market's downturn, where the expected panacea for the slowdown is the consumption of Middle Kingdom. Despite the euphoria following the discovery of a new market there are skeptics questioning the sustainability of such growth, especially in the long term.

One can refer to the opinion of Yu Hua, who wrote: when Louis Vuitton, Gucci and other luxury brands opened their shops in the trade districts of Chinese cities, and luxury good conferences in Shanghai, Canton and Shenzhen happened one after the other with enormous attendance, people have realized that China has quickly transformed from a luxury good producer, to a country of their consumption [Yu Hua 2013: 176 ].

The purpose of the reflections contained in the article is the underlining of the complexity of the formation of the new middle class in XXI century China, as well as the display of the economical, demographical, and cultural factors that are supposed to stimulate the growth of the aforementioned group. The authors make an attempt at an analysis of the mentioned changes in an attempt to judge the plausibility of the further growth prognoses in the Chinese luxury good market.

## 2. CHINA IN A TURNING POINT

In less than ten years the Chinese economy has tripled in size, overtaking Japan and becoming the second largest in the world, after the United States, and after 2009 becoming the world's export leader. The strongest source of its growth since the moment of its kaifang opening in 1978 were the foreign capital investments generating large amounts of export. The value of consumption has consequently remained on a low level, and has even fallen at the turn of the XXI century, from 46% of the GDP in the year 2000 to merely 33% a decade thereafter. *Signs* of an economical slowdown in a global scale have raised questions regarding China: will it be able to uphold its growth rate, and what will be its driving motor?

According to the prognoses published by McKinsey in the Consumer & Shopper Insights report, assuming no major economical shocks, the Chinese GDP will uphold its growth tendency at around 7.9% for the next ten years (compared to 2.8% in the USA or 1.7% in Germany). With the notable difference that this time consumption will be the determining factor, rather than investments. Its participation in the GDP in the year 2020 is estimated at 43%, whereas investments are predicted to fall down to 38% [Atsmon 2012: 9].

Even though in the year 2020 China will supposedly match the USA in terms of GDP in volume, GDP per capita will remain on a lower level: estimated 9000 USD compared to 57000 USD in the United States. Therefore the success of a transition to consumption will depend on many factors, the ongoing urbanization, the increase of government funds on social security, the financial sector and industrial reform, increase of income and salaries in the service sector, and the abolition of the hukou population registration system, among others [Atsmon 2012: 10; Bernat 2015: 123-132]. Quoting B. Góralczyk - "Xi Jinping as well as other Chinese leaders say up front: the western liberal democracy model is not acceptable amongst us, we must search amongst ourselves, in the rich Chinese tradition, and additionally have our Chinese Dream [Zhongguo meng] on the return to the previous prosperity. (That is, the state from the Napoleonic wars, when China alone contributed one third of the world's GDP, whereas today it contributes around 15%). Putting the Chinese Dream into reality requires adjustments to the Chinese growth model, however. Growth

at any price, as it has been up until now, shall be replaced by balanced growth, and exports cannot remain its source to its previous degree. It shall be replaced by the strength of the internal market and consumption [Góralczyk 2015].

### 3. LIBERATED CONSUMPTION

Until recently only few Chinese residents could afford spendings greater than those covering basic existential needs. The perspective of old age without retirement, a fragile public healthcare system as well as negligible social security were the main motives for money savings. For the majority of the Chinese the situation had changed, however. A rampant increase of incomes, access to luxury goods and information about them in the media, foreign touristic and business travel, a positive attitude towards amassing wealth have influenced the views of the Chinese towards luxury and the amounts in which they can consume it.

The increase of internal consumption in the Middle Kingdom has found its place amongst the strategic projects of Xi Jinping, under the name of moderate prosperity, the middle class laying at its core. Currently its size is estimated at over 300 million residents, which brings it close to the entire population of the United States. According to prognoses, this part of the Chinese society will reach 700 to 800 million citizens in the year 2020, which will amount to 50-60% of the entire population. The middle class together with the higher, affluent class (income over 34 thousand USD) will constitute an absorbent market, more clearly reaching out for luxury goods. People with a yearly income between 60 and 229 thousand RMB are counted amongst the middle class. This class, being the core of the Chinese consumption phenomenon as Bernat notes, "has paradoxically come into existence in a classless society by definition" [Bernat 2015: 128]. This class is clearly heterogeneous. Within a clear trend can be identified, the rise of the upper middle class - people earning between 106 000 and 229 000 RMB [Bernat 2015: 127]. A distinctive feature of the Chinese middle class compared to their western counterparts are their connections to the government. This feature can be seen as a safety valve for the creation and spreading of new ideas, which may not be in line with the ruling party's perspective. The growing prosperity of the middle class has a stabilizing influence in terms of social unrest. As noted by Peter Hefele and Andreas Dittrich, the prosperity of this group steers toward the up keeping of the ruling party's status quo [Hefele, Dittrich 2011]. The representatives of the Chinese middle class are consumers compensating the modest consumption during the cultural revolution period as well as the first period of dynamic economical development during the end of the XX century. They are keen to acquire imported goods, which are often a status symbol, but foremost a guarantor of quality. The growing affluence of the Chinese society will make China a promising consumer market for producers of luxury goods, which are increasingly popular amongst not only affluent consumers with income over 34 thousand USD, but also the so-called upper middle class with income between 17 500 and 38 000 USD. According to analysts at Ernst & Young the consumption of luxury goods in China represents up to 20% of the world's market (year 2011 [Ernst & Young, 2012]).

Additionally, the good sales results in this segment on the European market are largely thanks to travelers from the Middle Kingdom, visiting European countries for tourism as well as business purposes. The Chinese luxury good market is also going through a transformation. Its consumers have started avoiding goods with an "eye-catching" company logo, instead looking for unique, sublime goods aiding the creation of an individual style. According to expert R. Pyffel, the Chinese are becoming increasingly aware of their growing purchasing power and are therefore becoming increasingly demanding. Women's participation as luxury good consumers is on the rise, a market traditionally reserved for men, which is attributable to the professional advances of women in the PRC.

The growing group of Chinese consumers who can nowadays leisurely afford luxury goods has their roots in second rate cities, and because of this they have major impact on the distribution of luxuries in China. Prosperous households, whose yearly income is between 300 thousand and 1 million RMB constitute a strong consumer group, growing at the rate of 15% a year. China's rich, who have an income of over 1 million RMB at their disposal and a wealth of over 10 million RMB, are growing at an even faster rate, 20% a year [Atsmon 2011: 11]. "According to the Hurun report from the year 2009 there are already 825 thousand of them, 51 thousand amongst them have a wealth over 100 million Yuan and a yearly spending of over 2 million Yuan" [Yu Hua 2013: 179]. According to prognoses, this group will stand behind a 38% rise in the luxury good market in the next five years [Atsmon 2011: 11]. It is worth noting that a larger consumer group is showing an affinity to luxury goods, which traditionally would not be considered as prospective customers, which creates opportunities as well as challenges for branding specialists, who where until now focused on the affluent customer.

A part of the 13 million households counted among the upper middle class (with an income between 100 and 200 thousand RMB) are stretching their budget in order to purchase luxurious watches, jewellery, handbags, shoes and clothing, which where until now in the domain of a small affluent group. Forced to save money for their goal, they purchase goods only after having obtained the required funds: "I plan to purchase a Tiffany necklace for my birthday, and a Rado watch towards the end of the year, when by bonus has arrived" - declares a Chinese consumer [Atsmon 2011: 13]. Consumers belonging to the analyzed group are highly visible at duty free shops in international airports in Frankfurt, Paris, Seoul, New York; where Chinese-speaking personnel is being hired in order to cater to them.

An important aspect of luxury consumption in the Middle Kingdom are gifts, which are a culturally vested way to strengthen social bonds in the form of *guanxi*. Luxury consumption being a part of corruption is not an uncommon occurrence, which is since 2013 heavily being combated by the government of Xi Jinping. Since then, advertisements supporting behavior not in line with the ruling party's social ethos have been banned. These changes are impacting consumption, especially of luxury goods [Bernat 2015: 130-131].

#### **4. WHAT WILL THEY BE LIKE TOMORROW - THE CHINESE CONSUMER OF THE FUTURE**

An accurate prediction of future behavior of the Chinese consumer is impossible when differences in behavior in different segments are accounted for, which grow with each arriving new set of demographical data. We may only take a closer look at specific trends, whose effects will become visible in the coming years. Amongst the attributes, which will differentiate the Chinese luxury good consumption one should count: refinement, self-satisfaction rather than admiration, shopping in the virtual space, pragmatism, the need to stand out due to consumption.

##### **Refinement**

The Chinese consumers change as quickly as China itself does: the tastes of people with access to luxury goods are maturing at an astounding rate. Previously overwhelmed with their new financial possibilities, they manifested their social status with flashy logos - nowadays, after a couple of years of experience as luxury good recipients, they are becoming more refined. They consciously choose less noticeable or flashy products, choosing goods of good quality with a small, not very noticeable logos. In a study carried out by McKinsey in year 2012, 51% of the questioned have agreed with the statement "demonstratively wearing brands is in poor taste". Two years earlier, 37% of the respondents agreed with this statement [Atsmon et. al. 2012: 24].

##### **Self-satisfaction rather than admiration by surroundings**

Consumers who have made their first luxurious purchase around ten years ago are a group with fairly easily predictable behavior. Subtle in their choices, they are being driven by an emotional satisfaction fueled by different products, reflecting their own individual taste. Notably being accustomed to a certain standard of life, these consumers have a tendency to purchase products for their own personal satisfaction, rather than for admiration from the rest of society. Studies have showed that almost half of this group likes to discover new brands and trends before others do. Bored with the commonness of previously cherished brands, they give way to a new group of the rich, who have had at most two years of access to luxuries. In contrast to their predecessors, they will show great affinity to the most popular luxury brands [Atsmon, Ducarme, Magni, Wu 2012: 24]

##### **Shopping in the virtual space**

In case of consumer goods in general, the participation of online shopping is greater in China than in the United States, especially in the quickly developing markets connected with electronics and clothing. The sales of luxury goods experiences a gradual increase instead. A small but continually growing group of consumers choose the Internet as their tool to search for exclusive items. While currently the Internet is still being used as a knowledge compendium, there are indicators suggesting that its impact on trade will rise. Smartphones

and tablets have gained significant popularity in China and have become a part of daily life. Studies show that among urban residents, over 70% use smart phones and 60% use tablets. New technologies and the widespread access to the Internet are steering towards the creation of a new virtual consumption era [Zhang Lei, Li Jing 2014: 4].

Together with the rise of mobile electronics, brands are faced with a multitude of challenges related to communication, new media, until now unknown needs and whims of consumers. The widespread use of new devices, the evolution of applications based on the iOS and Android systems, availability of 3G and 4G internet - all these factors pave the way for e-commerce. Because technologies are becoming more advanced, consumers are expecting more from their virtual existence, whereas previously they were satisfied with basic communication tools such as SMS. Presently they use a multitude of functions provided by smart devices, such as the use of e-mail, access to news, social media, games, music, movies, photos, applications and foremost – shopping [Zhang Lei, Li Jing 2014: 4].

### **Pragmatism**

Chinese consumers are known for their pragmatism, which apparently cannot be changed despite their growing wealth. Their shopping decisions are generally well thought out: they often define the budget and the qualities which are worth paying for, after which they look for the most affordable option. Impulsive acts are relatively rare, according to studies this tendency is observed in 28% Chinese compared to 49% Brits [Atsmon et al. 2012: 27]. An explanation can be found among the Confucian tradition, whose values will influence consumption patterns in the coming years. No radical changes in the attitudes of Chinese consumers should be expected, as putting an effort in and choosing the most favorable offer is so to say part of the culture. When easy access to information and comparison of prices are considered, these characteristics are sure to remain.

### **Individualization through consumption**

The maturing of markets is intertwined with the rise of consumer expectations, the Chinese are no different. Over a dozen years ago, as inexperienced recipients, they concentrated on the basic functional benefits of the purchase, such as longevity of electronics, comfort of clothes, smell and taste of comestibles. Today they have become more demanding. "Health and well-being" can be considered as an example, mentioned as one of the determining characteristics by most consumers choosing between drinks and other comestibles, as well as face cosmetics and cleaning powders. "Ease of use", mentioned as important for mobile phones by one fourth of the respondents in 2009, became important for almost half of them asked three years later [Atsmon et al. 2012: 27].

Research conducted by McKinsey suggests that until 2020 the emotional aspect will severely impact the purchasing habits of the Chinese, who will be more keen to buy a product mirroring their own identity and individuality

[Atsmon et al. 2012: 27]. This in turn is associated with an evolution towards more liberty in self-expression and assertiveness, challenging not only automotive of cosmetic brands, but also those connected with milk production or cleaning agents.

### **Seven segments of luxury good recipients**

As mentioned before, the Chinese luxury good consumers show a set of distinctive features, which allow telling them apart from their European, American or even Asian equivalents (the authors mean Japan). For effective communication however, brands also need knowledge about the disparity within these groups, very diversified in terms of income, domicile, gender, age or even attitude towards borrowing money, following trends or manifesting their status. According to data provided by McKinsey, seven groups can be differentiated, briefly describing the Chinese luxury good consumers [Atsmon et al. 2009: 20-22].

#### **Luxurious**

Consumers in this group have the highest incomes, live in the biggest and at the same time most wealthy cities in the country. They constitute a collective dominated by women, and at the same time one most familiar with luxury. They are pleased only with the best, most expensive brand products such as Chanel and Hermes. More than the brand itself, they value quality and oppose unoriginal products. This segment can be named "the best friends of big brands", because they constitute a multitude of returning customers who tell their friends about most purchased goods, becoming trendsetters. They avoid flashy products, instead choosing sophisticated chic. Even though they work hard, they find time for socializing, travel and caring for their health (especially in spa saloons and fitness centers).

#### **The demanding**

A group of women and men who can attribute their success to their own abilities. They earn more than they need, they are proud of their own prosperity and remain hard workers, even though they are unsure of increases in income in the near future. In contrast to the luxurious, they are not interested in the top shelf goods, they are often satisfied with off-brand products. Before a purchase they often make calculations, even if they can easily afford it. Occasionally, they will spend a sizable amount of money on a product with allow them to stand out from the crowd. Largely resistant to the refined methods of luxury consumption, they instead prefer to spend money on everyday items, such as cars, televisions, sound systems. They are skeptical towards borrowing money.

#### **The flashy**

Slightly above the average income, they largely reside in the biggest and most prosperous cities. Attached to specific brands, they are keen to decide on luxury goods to manifest their status. They often pick off-brand goods and

search for low prices. Sure of their incomes and aware of the need of hard work. Health and care for the environment have only marginal importance for them.

#### **The sophisticated**

Slightly below the average income, they largely reside in the biggest and most prosperous cities. More men than women. They care for health, the environment and family life. Refined, they like indistinctive products, they spend far less on luxury goods compared to the luxurious. They value quality over brands and are firmly against buying off-brand products.

#### **The climbers**

Slightly below the average income, they largely live in second rate or smaller cities. Aware of the importance of status, they are keen to connect with the wealthy and influential. They value luxury goods but do not see them as a necessity. They do not want to pay more for a better product, instead looking for the most affordable option. Less sure of their incomes.

#### **The practical**

Young and in first contact with luxury goods, they live in second rate cities. They value family life over social life. They do not value top shelf products much, are distrustful towards foreign brands. When they buy luxury goods, they pay attention to quality and buy inconspicuous products. They are sure of their finances, but are pressured by their environment to increase their income.

#### **The enthusiasts**

Lowest income amongst all groups, they mostly reside in second rate cities. Enthusiastic towards luxury goods, they would like to acquire more than they can afford. They like to stand out from the crowd and show brand products (they value Chinese brands). They are keen to buy off-brand products [Atsmon et al. 2009: 20-22].

## **5. CONCLUSION**

The Chinese luxury good market, a phenomena on global scale, has become an object of interest because of its scale and extraordinarily dynamic development during a time of global economic slow-down.

Once behind the times and isolated China, initializing its first experiments with capitalistic elements in a socialistic system in the 80'ies, have in the twenty first century become a country open to global markets, with enormous foreign-exchange reserves and set on consumption. The common term used to describe China, "the world's factory", is consequentially losing accuracy. China is currently moving towards innovation, letting go of the world's factory image instead becoming one of the globe's most attractive consumer markets.

The priority goal for the coming years is switching from an investment-based economy to a consumption-based one. The success of the undertaking, part of the 12th five year plan for the years 2011-2015 is dependent on a large spectrum of factors. Even though skepticism towards the sudden stimulation of the

Chinese economy can be attributed to the disparity between the high position of the Chinese economy (2nd in the world) and the per capita income (79th place in 2014), it can be presumed that the optimistic prognoses will become reality. The depletion of the primal reserves of economic growth, in form of a enormous work force, are being replaced in the form of a wealthy middle class making up a time of scarce consumption, characteristic to the first phase of opening. The Chinese cherishing in their culture the remembrance of its former power, desire to bring it back and show the world its new image (zhongguo meng, 中国梦). For the "Chinese dream" to be executed a radical growth model change is required, where growth at every price is to be replaced by moderate growth. In modern China exports of cheap, technologically uncomplicated products will not be the driving force of the country, but rather the internal market's strength and consumption.

It may seem that the Chinese consumers, famous for their frugality and pragmatics, will be hard pressed to make use of their financial possibilities, what more the phenomena of impulsive consumption contradict the reserved Asian culture. In this context, the emergence of a new middle class (xiaokang shehui, 小康社会), which completely contradicts the previous fears and is becoming a focus point of western marketers, may appear to be a phenomena in itself.

The new middle class is a group formed partially in the twenty first century, as such relatively young and easily adapting to the demands of the market. Grown up in uncertain times, they readily make use of their large financial abilities, allowing the purchase of luxury goods exposed in media. Driven by, among others, materialistic and hedonistic incentives, and the will to manifest social status (mianzi), is becoming an especially valuable group of recipients of western brands looking for consumer markets. Among the providers of luxury goods, the impact of Polish producers is slowly growing.

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## BARRIERS IN THE IMPLEMENTATION OF THE ONE BELT AND ONE ROAD INITIATIVE

### “一带一路”的实施障碍

**Abstract:** The following analysis refers to the One Belt and One Road Initiative. The main emphasis has been put on the inland transportation, which is crucial for Polish economic interests. The analysis covers the progress of the project and identifies the main obstacles in its development. Non-economic costs related to the project have been indicated as a cause of decreasing the potential benefits. They include political conditions, institutional weaknesses, coordination errors, high level of corruption and high construction costs.

下文分析“一带一路”课题，重点放在那些对波兰经济利益重要的地区。分析包括项目的进程，提出其发展的主要障碍。本文指出了与该项目有关的非经济成本，这些成本可能会超过潜在的利益，如：政治情况、虚弱的机构、协调错误、严重的腐败和高建设成本。

**Keywords:** One Belt and One Road Initiative, political conditions, institutional weakness, corruption, coordination errors

### NOWY JEDWABNY SZLAK BARIERY W REALIZACJI

**Streszczenie:** W opracowaniu podejmowana jest tematyka związana z Nowym Jedwabnym Szlakiem. Główny nacisk został położony na kluczową z punktu widzenia polskiego interesu gospodarczego jego lądową część. Przeanalizowano dotychczasowe postępy w realizacji projektu oraz wskazano główne przeszkody na drodze do jego powstania. Wskazano pozaekonomiczne koszty towarzyszące projektowi mogące przewyższać potencjalne korzyści tj. uwarunkowania polityczne, słabość instytucjonalną, błędy koordynacji, wysoki poziom korupcji oraz wysokie koszty budowy.

**Słowa kluczowe:** Nowy Jedwabny Szlak, uwarunkowania polityczne, słabość instytucjonalna, korupcja, błędy koordynacji

## 1. INTRODUCTION

One Belt and One Road is a term used to describe a number of planned and to some extent existing transport links, as well as the links which need to be developed between China and Europe.

The project was presented for the first time during a speech delivered in Kazakhstan by the President of People's Republic of China Xi Jinping in September 2013 and referred to the construction of land connections,

in particular the railway (Silk Road Economic Belt). During a visit of Xi Jinping to Indonesia in October 2013 a parallel concept of 21<sup>st</sup> Century Maritime Silk Road was demonstrated, which referred to maritime routes. Even though the project was announced 3 years ago, its formula is still open and its final form has not been determined yet [Kaczmarek, 2016]. The broadest plan is to cover 65 countries populated by 4.4 billion people producing 40% of the world's GDP [China's One Belt]. The following study focuses on the land section of One Belt and One Road Initiative, which is the most important in terms of Polish economic interests. This article has descriptive the effect which is based on deduction and induction. The aim of the article is to identify the main economic, institutional and political barriers that may delay or prevent from its implementation.

## **2. PREVIOUS IMPLEMENTATION OF ONE BELT AND ONE ROAD**

Since the announcement of the construction of One Belt and One Road project, a lot of information was released in both Polish and international media. The key points of this project were discussed during the visit of Xi Jinping in Poland, which took place in June 2016 [President]. The representatives of Poland and China have cooperatively opened a new railway connection between Warsaw and Chengdu, as well as welcomed the first rail consisting of only 22 wagons [PAP]. This was the second open connection between two countries. The first one was set up in 2013 between Suzhou and Warsaw, which was shortly after the announcement of the project by Chinese leader [GoChina].

Despite many successful stories that have been announced in the media, so far the progress in the implementation of One Belt and One Road Initiative can be evaluated only symbolically and politically rather than economically. According to the data provided by Eurostat, the rail transport from China to the European Union increased from 27 thousand tonnes in 2012 to 78 thousand tonnes in 2015, while in the other way round in 2015 39 thousand tonnes of goods were sent [Eurostat]. Although there was a rapid increase in the volume of cargo transported, it still constituted a small part of trade between Europe and China. Currently, the most popular means of transportation is maritime transport, followed by air transport, which in 2015 delivered 626 thousand tons of goods from China. The cheapest form of transport is by sea. It takes 30-40 days, however in some cases it's too long, whereas the rail transport is much faster as it takes between 11-14 days being much cheaper than air transport [Nazarenko, 2016]. This demonstrates how enormous growth potential provides land transport, which in fact has not been used until recently. So far the Chinese authorities have announced significant investments through newly established financial institutions. The Asian Infrastructure Investment Bank (AIIB) is to provide \$ 100 billion for One Belt and One Road Initiative projects and 40 billion dollars for the New Silk Road Fund (NSRF) projects [Chhibber, 2016].

Additional support can also be provided by the New Development Bank (NDB) and the Contingent Reserve Arrangement (CRA), which was in recent years created together with the BRICS countries. These institutions are expected to support the governments in investing in One Belt and One Road Initiative with grants and low-interest loans [Krukowska, 2016]. However, it is worth noting that only part of this amount will be used for the development of land transport infrastructure, as the other part will be used to create 21<sup>st</sup> Century Maritime Silk Road.

Current rail deliveries are based on existing infrastructure built during the Soviet Union period. The most of this infrastructure is deteriorated due to overuse, which significantly increases the delivery time. The planned infrastructure investments will allow to shorten the delivery time and thus increase the competitiveness of this type of transport. In addition, it should be acknowledged that infrastructure development should not notably increase current transport costs, as investments will be made by individual countries and they will largely bear the cost of investment rather than private companies, pending the economic benefits associated with it. Furthermore, countries can rely on partial financing of investment by China and the aforementioned financial institutions.

### 3. POLITICAL CONDITIONS

The One Belt and One Road Initiative is one of the key elements of Chinese foreign policy [Swaine, 2015]. Potential partners are interested in the project because of its open formula and the strength of Chinese economy. In fact, China uses this advantage as a bargaining chip in bilateral relationships. However such a state of affairs cannot last endlessly, as partners will expect the actual results to follow the declaration phrased. This requires the need of identifying a basic variant of One Belt and One Road in the near future, along with a list of accompanying projects. At the same time, the clarification of plans which are necessary for the actual implementation of the project may alleviate the relationships between the countries outside the main route.

Another challenge and potential obstacle in the implementation of One Belt and One Road Initiative is its geopolitical context [Callahan, 2016]. The project will contribute to expanding China's economic potential by increasing trade with Asia, the Middle East and Europe, which consequently develop China's political power. Additionally, the pace of China's development will be linked to the economic situation in China. This may result in a loss of support for exacerbating US policy towards China from former US allies in the region, who may be afraid of potential economic losses and political sanctions imposed by China. Aforementioned factor was particularly important after the change of administration staff in the White House after the victory of Donald Trump in the presidential elections. It should be emphasized that one of the main promises of Trump's campaign was to focus more on China and to impose customs duties on Chinese goods, as a result of the exchange rate being undercut by them.

It may be expected that such a firm rhetoric will intensify American diplomacy efforts to prevent the One Belt and One Road Initiative from being formed. Such a policy may be particularly effective against China's closest neighbors, who may be afraid of China's growing economic, military and political power.

Emphasizing various political interests of individual countries participating in the development of the One Belt and One Road Initiative is crucial, as it is likely to dominate over the potential economic benefits of the One Belt and One Road Initiative. A political instability in places through which the One Belt and One Road Initiative is to run may threaten the project. This applies in principle to each potential route. Furthermore, the most favorable from the point of view of Polish economical interest and at the same time the most politically stable variant of the northern corridor passing through Kazakhstan, Russia and Belarus to Poland, comes with a conspicuous number of threats. The most important among them is Russian politics, which in recent years has led to armed conflicts with Georgia and Ukraine, raising the potential for further conflicts with our neighbours in the future. The threat is considerable for Belarus due to the recent tensions in its relationships with Moscow, which weren't so striking in recent years. The sources of this conflict between Russia and Belarus –include: the difficult economic situation of Belarus, the warming of its relationship with the European Union and the conflict over payments for gas purchases from Russia. In addition, protests against President Lukashenka's policies have taken place recently [Reuters]. All this creates a space for internal instability of Ukraine in case of Moscow's involvement in the conflict. The difficult relationship between Russia and Poland, which resulted in the trade restrictions between the two countries and the sanctions imposed on Russia by Western states following the annexation of the Crimea, should also be highlighted. Despite all of the above, this scenario has many advantages over other solutions, i.e. a small number of borders, one track from the border with Kazakhstan to the Polish border, which is also the border of the European Union and the possibility of using existing infrastructure. The southern and central corridor passes through even more unstable regions like Iran, northern Iraq and Turkey. It should be emphasized that military activities are currently going on in the last two states and despite the successes in the fight against the Islamic State, the future of the region is not clear. Furthermore, the Turkish section of the route passes through areas inhabited by the Kurdish population, remaining in conflict with varying degrees of intensity with the Ankara government. However, following repressive measures by the government of Recep Erdoğan after a failed coup in July 2016, there is a risk of a renewed conflict [Zanotti, 2016].

The above analysis shows a number of unfavorable political conditions related to the development of the One Belt and One Road Initiative, which can dominate over the potential economic benefits. Overcoming those obstacles requires an active engagement of China in international politics and support for potential partners in addressing their problems, which is contradictory to China's current policy. In addition, such engagement would contribute to the

reconciliation between these countries and China, which in turn could result in the US counter actions aimed at preserving its influence in the region and maintaining its political status quo. The identified risks associated with political factors may result in China's reluctance to finance the implementation of the inland part of the One Belt and One Road Initiative, due to impossibility of defining the full non-economic costs associated with its implementation. Also, ignoring political risks can result in economic inefficiency of the project.

#### 4. INSTITUTIONAL CONDITIONS

Regardless of the final shape and inland route of the One Belt and One Road Initiative, the implementation of it will involve at least a few countries. This requires an effective cooperation between partners. China became the undisputed leader of the project, given the size of its economy and the key role it plays in developing and financing the project. Such a position requires China to respect the interests of smaller partners and eliminate any discriminatory practices and perceptions by their partners as discriminatory, which can be a big challenge for Chinese diplomacy after many years of international isolation. Furthermore, the example of European Union shows how difficult the task is. Despite many years of integration and development of mechanisms which support mutual understanding, the success in some areas is yet to be reached and smaller states have a sense of ignoring their needs.

Unlike the European Union countries, the countries which are involved in developing the One Belt and One Road Initiative differ in culture, law and the level of economic development. The majority of these countries have no experience in implementing large infrastructure projects. Therefore, they require China's support, as it may provide an appropriate support in the proper implementation of the investment. This applies to all stages of the project: design, investment preparation, technical advice, execution of construction works and technical supervision. This process can be difficult and expansive because of various and poorly developed legal systems in some countries. Additionally, the implementation of such a large infrastructure project may require the local law to be adjusted to the requirements of this investment, which will additionally prolong the implementation time. It should be noted that while China has experience in large national infrastructure projects, it may not be sufficient to carry out foreign investment in all countries involved in the project. The construction of the A2 motorway in Poland by the Chinese company Covec can serve as an example, which is the first large construction project of Chinese companies in the European Union. Despite its much smaller size, the project has failed and the contractor resigned from the project, blocking Chinese companies from entering the European market for several years [Jurczyk, Mierzejewski, 2014].

Additional barriers are the cultural differences which were previously indicated. The countries involved in the One Belt and One Road Initiative belong to several distinct cultural circles. Therefore, this can result in communi-

cation problems and unintended tensions between partners, which are additional transaction costs. These tensions may in particular arise between the democratic states of Western Europe and the Asian and Near Eastern partners. On one hand, European countries which are attached to democratic values may want to continue their democracy-promoting policy, which they execute towards their neighbours [Freyburg T., 2011]. On the other hand, they may be afraid that China will promote its autocratic models [Chou, Bryant, 2015]. Furthermore, cultural tensions can result in a sustained reduction in trust between partners and prolonging decision-making process.

The One Belt and One Road Initiative investments are designed to create new, competitive terrestrial trade routes and reduce transportation costs associated with trade by shortening the delivery time between China and Europe. However, they may not bring the expected benefits due to the low quality of border management and the associated delays in delivery [Peyrouse, 2015]. An additional challenge is the high level of corruption in some countries. Despite the lack of fully reliable data on corruption due to the informal nature of corruption, the Corruption Perception Index 2016 developed by Transparency International is the most adequate measure of corruption. Of the 176 classified countries, the highest place in the ranking corresponds to the lowest level of corruption. Among the key countries participating in the One Belt and One Road Initiative, Poland was ranked in 29<sup>th</sup> position, followed by China at 79<sup>th</sup>, Russia at 131<sup>th</sup> and even higher levels of corruption occur in the Central Asian and Middle East countries, located along the central and southern corridor routes [Corruption Index, 2017]. The widespread occurrence of corruption threatens to defraud part of funds and poor quality of project implementation, following the award of contracts due to corruption rather than economic reasons. In addition, a high level of corruption refers to all levels of the government, which can result in numerous minor barriers for low- and middle-level government official in the course of investment, despite the political approval of the project at the highest levels [Lambsdorff 2007: 61].

Overcoming these institutional challenges will require the establishment of a permanent framework for cooperation based on international agreements, and perhaps setting up international institutions for this purpose. Due to the scale of the challenges, they have to go beyond the existing New Silk Road Fund and focus on expert support as well as advice on structural reforms in particular countries i.e. counteracting corruption, adapting legal systems, and effective managing of borders. However, the effectiveness of such assistance may be limited due to cultural and political differences between China and its partners.

## 5. SUMMARY

One Belt and One Road Initiative is an infrastructure project initiated by China in 2013 and involves many countries in Asia, the Middle East and Europe. Even though the project was announced 3 years ago, its formula is still open and its final form has not been determined yet. Political conditions seem to

be the most important obstacle in the implementation of the project. The inland route of the project is located in countries which are unstable politically and have various, often contradictory, political interests. Additionally, its implementation may contribute to a change in the balance of power in the Asian region, which may have the effect of preventing it from succeeding by the new US administration.

The countries involved in the development of the One Belt and One Road Initiative differ in culture, law and economic development. Most of them have no experience in large infrastructure projects and struggle with serious corruption, which can result both in inefficient use and defrauding some funds. Such a threat requires an effective coordination between partners and expert support from China at all stages of implementation.

The analysis shows a number of unfavorable conditions that could dominate over the potential economic benefits of establishing One Belt and One Road Initiative. Therefore underestimating all of the political and institutional risks can make the project economically unprofitable.

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## **PERSPECTIVES ON THE OPENING OF THE NEW SILK ROAD IN OPINIONS FROM MANAGERS OF LARGE BUSINESS ENTERPRISES LOCATED IN OPOLE SILESIA**

奥波莱省大公司经理们眼中开辟“一带一路”的前景

**Abstract:** This article attempts to present the process of opening up China to the outside world in the trade - context, the origins of the ancient Silk Road and the important role of the New Silk Road. The main goal is to show the expectations and plans of the managers of large Silesian Opole companies related to the prospects of more convenient business cooperation with the Chinese partners. Shown in the article are results of a survey conducted between December 2, 2015 to February 29, 2016.

本文展示中国贸易对外开放的进程，古丝绸之路的起源和新丝绸之路的重要性。主要目的是，就有关便利与中国伙伴商务合作前景的问题展示奥波莱省大公司经理们的期望和计划。本文展示了2015年12月2日至2016年2月29日间的调查结果。

**Keywords:** New Silk Road, Opolskie Voivodeship, Opole Silesia, large enterprises

### **PERSPEKTYWY OTWARCIA NOWEGO JEDWABNEGO SZLAKU W OPINII MENAGERÓW DUŻYCH PRZEDSIĘBIORSTW ŚLĄSKA OPOLSKIEGO**

**Streszczenie:** W artykule starano się zaprezentować proces otwierania się Chin na świat zewnętrzny w kontekście wymiany handlowej, starożytnego Jedwabnego Szlaku i wagi roli nowego Jedwabnego Szlaku. Głównym celem jest ukazanie oczekiwań i planów menagerów dużych przedsiębiorstw Śląska Opolskiego związanych z perspektywami bardziej dogodnej współpracy z chińskimi partnerami. W artykule ukazano wyniki badań własnych, przeprowadzonych pomiędzy 2. grudnia 2015 r. i 29 lutego 2016 r.

**Słowa kluczowe:** Nowy Jedwabny Szlak, województwo opolskie, Śląsk Opolski, duże przedsiębiorstwa

## **1. INTRODUCTION**

Information pertaining to the renewal of interest in the ancient Silk Road can be seen every day, whether it is in matters related to professional (business, scientific, etc.) prospects or if we only consider the media. Due to its “indefinite

purpose and open nature” [Kaczmarek 2016: 6] the new project<sup>7</sup> is so promising that it can potentially fascinate everyone and involve many, particularly because one of the corridors of the New Silk Road is planned to pass through Poland. In the past, Polish businessmen had used conventional shipping methods and routes as relatively cheap, but rather time-consuming way of importing goods from China. It was only during the period of 2011-2014 that shorter transit corridors connecting China and Europe were opened, including Poland: Chongqing-Duisburg, Chengdu-Łódź, Zhengzhou-Hamburg, Suzhou-Warszawa, Wuhan-Prag, Yiwu-Madrid. [See: Bojanowicz 2015: 18-19] In 2015, the company Hatrans Logistics launched its first regular two-way rail connection between Łódź, Chengdu and Xiamen [Woźniak 2015: 32-34], which has become an additional incentive for Polish entrepreneurs wanting to establish or strengthen their relationships with Chinese companies. The aforementioned corridor of the New Silk Road would pass through the central part of Poland but would also provide many opportunities for companies located in other Polish regions. The skillful development of these opportunities can contribute to establishing both successful business relationships and effective commodity exchange.

This article aims to examine the process of China's opening up to the outside world in regards to trade, the beginnings of the ancient Silk Road and the significance of the New Silk Road, as well as the expectations and plans of the managers in large Opole Silesian enterprises in terms of greater business cooperation with trading partners in the People's Republic of China (PRC).

## 2. CHINA'S OPENING TO THE OUTSIDE WORLD

China is viewed as one of the world's oldest and leading civilizations, and its uniqueness is often characterized by its distinct differences when compared to the Western world. The cause of these differences is rooted in China's alienation and isolation in establishing its state and society.[Wowczuk 2003: 17] When asking contemporary Chinese about the origins of alienation and the reasons for China's isolation in relation to the outside world at first it seems that China has always been open to the world, and that their current international position is an unquestionable fact, which supersedes the historical truth from social consciousness. However, when delving deeper in these discussions to better understand the facts, the more evident it becomes that China's isolation (resulting not only from its geographical location and communicative difficulties) always existed and that cultural differences have been and remain quite evident. The reasons for the closure of the Chinese to foreigners include: the Opium Wars (鸦片战争), that is, the period associated with the opium dependence on foreign powers and the loss of imperial China autonomy mainly

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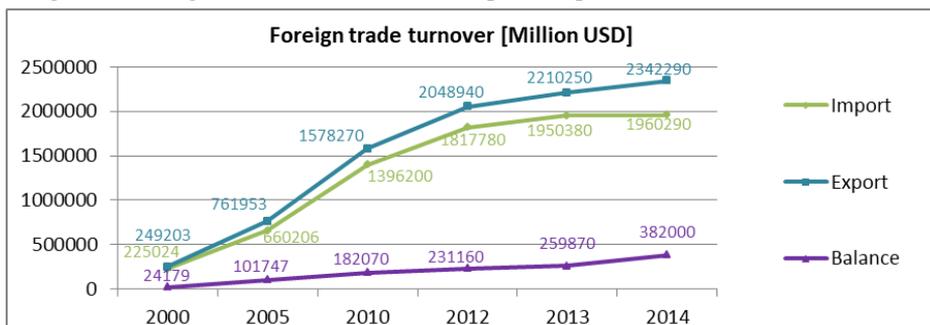
<sup>7</sup> The more appropriate term for the New Silk Road is the word *initiative*. However, in the public opinion it is still very often perceived as a *project*. Therefore, this term is also used in this text.

to Britain and France in 1842 and 1860, the period of Great Proletarian Cultural Revolution (无产阶级文化大革命) when in 1966 Chinese authorities sought new ways to introduce their own ideological concepts and create new state after the negative experiences of armed conflicts with Japan. China's history also reveals that its relationship with the outside world has been interrupted regularly as a result of disputes and wars with tribes and neighboring states long before the 19<sup>th</sup> century. Therefore, what might justify China's isolation is not only the distrust of potential invaders, but also the assumption that there was no internal need for China to develop such relationship. This attitude is also reflected in the name of China – “Middle Kingdom” (中国), which indicates the central position of this country on the map of the world and the strong sense of Chinese superiority explained by a heightened sense of patriotism reflected in the following statements: “What did you, white people, do a thousand years ago? You shot from the bow. And we had powder. We built canals, dams, and fortresses, we were able to make porcelain, silk, paper and ink while the white man was satisfied with raw meat. We already had a great philosophy when the white man was just setting up his alphabet. Our culture has grown east. Our culture is a pillar of world culture [Władimirow 1977: 52]”, or “I identify with the revolution of Sun Jat Sen and the revolution of Mao Zedong. Why? Because before these revolutions we were [...] worthless. All the mighty world powers attacked us, subjugated our country, benefited from it as a political prey. They deprived China with drugs. France and England maintained their well-being at the expense of Chinese blood. How can I not love the revolution?” [Carenal, Araujo 2012: 62-63].

Despite all this, since ancient times, during relative peace, the united Chinese state established foreign trade relationships. After 221 B.C the first emperor of Qin dynasty (秦始皇) ran exchange trade behind the Great Wall. Then the Han dynasty (汉朝; 206 B.C.–220 A.D) carried out trade exchange with Korea at border crossings, and in 139 B.C. Emperor Wudi of the Han dynasty (汉武帝), after discovering the possibility of external trade with merchants from South-Eastern Asia, while gaining new lands and fighting the Huns, Wudi set up watchtowers along the trade routes to protect and control the caravans going to Persia and Eastern countries. Silk as a luxury good became such a permanent and dominant commodity in trade that the most famous commercial route includes the word silk in its name (丝绸之路). In the first century AD the sea lanes for the silk trade began to develop, and in the 2<sup>nd</sup> century the land route became the main trade route between the Far East and the West. In the 5<sup>th</sup> century, after a period of numerous divisions of China, trade was conducted with Turkish tribes, and in the 7<sup>th</sup> century, the Tang dynasty (唐朝, 618-907) started trade with Arabic countries, India, the Indochina Peninsula and Japan. These tracts exported and imported not only goods, but also philosophical and religious concepts. The exportation of silk from China to the West, which was interrupted by wars and aggression by invaders, lasted until the 13<sup>th</sup> century.

Over time, the mystery of silk production and the raw materials necessary for its production (i.e. insects of silkworms and mulberry trees) became more accessible outside of China and silk manufacturing industries were established outside of the Middle Kingdom. [Kański 1979: 119] The path of the ancient Silk Road ran from China through Georgia to Byzantium and Scandinavia. According to Edward Kajdański, the Silk Road had been formed in the 2<sup>nd</sup> century and was used until the 15<sup>th</sup> century, when armed conflicts and the development of maritime trade [see: Kajdański 2005: 99-100] as well as the replacement of the Mongolian Yuan dynasty (元朝, 1279-1368), which developed lively trade relationships with neighboring countries by the Ming dynasty (明朝, 1368–1644) which was hostile to foreigners. It was not until the founding of the Portuguese colony in Macau in the 16<sup>th</sup> century that Portuguese merchants began to trade with China. Dutch colonies were also established in Taiwan and the Pescadoras during the reign of the Qing dynasty (清朝, 1644-1912) while, the British dominated Hong Kong by trading with Europe through the East India Company. In the 20<sup>th</sup> century, following the overthrow of the China Empire, the first international treaty between Russia and China was signed – the Treaty of Nerchinsk (尼布楚條約) renewing caravan trade. Another international agreement was the Treaty of Kyakhta (恰克图界约) regulating cross-border trade and the frequency of exchanges between cross-border countries. [See: Kański 1979: 9-25] After the establishment of the People's Republic of China “[...] in a declaration published on 1<sup>st</sup> October, 1949, the PRC stated that it was ready to establish diplomatic relations with all states on the basis of equality, mutual benefit and mutual respect for territorial integrity and sovereignty”. [See: Kański 1979: 119] The declaration was not fully implemented, and China's opening up to the world took place only after 1979 under the rule of Deng Xiaoping (邓小平), who initiated social and economic reforms, encouraging the Chinese to grow their wealth by opening China to foreign investments. By introducing a market economy and developing special economic zones, China started accepting western capital and perceiving the rest of the world not as a threat, but as a huge consumer market. Due to this strategy, the Middle Kingdom became the center of international trade reflected in China's foreign volume (Figure 1).

Figure 1. Foreign trade turnover of the People's Republic of China in 2000-2014.



Source: Own elaboration based on Tabl. 14.2. Import; 14.3. Eksport, *Rocznik Statystyki Międzynarodowej 2015*, Główny Urząd Statystyczny, <http://stat.gov.pl/obszary-tematyczne/roczniki-statystyczne/roczniki-statystyczne/rocznik-statystyki-miedzynarodowej-2015,10,3.html> [accessed 06.02.2016].

In the 20<sup>th</sup> century an international transport programme (Transport Corridor Europe-Caucasus-Asia – TRACECA) was launched. TRACECA associates 14 countries of the European Union, the Caucasus and Central Asia which are willing to revive the ancient Silk Road. In 1998 a multilateral transport agreement was signed in the Republic of Azerbaijan as a continuation of this programme. The corridor runs through: Ukraine, Romania, Bulgaria, Turkey, Georgia, Azerbaijan, Turkmenistan, Afghanistan, Tajikistan, Uzbekistan, Kazakhstan and Kyrgyzstan to China.[TRACECA] In 2013, China also decided to recreate the Silk Road and developed the Silk Road project (丝绸之路项目) which was called either the New Silk Road (新丝绸之路) or the Silk Road Economic Belt and the Maritime Silk Road of the 21<sup>st</sup> century (丝绸之路经济带和21世纪海上丝绸之路) also known as Belt and Road Initiative (一带一路). The project includes several multi-level communication networks, several alternative routes along three land corridors: the northern – the longest corridor extending from Beijing to Madrid and passing through Poland using the Trans-Siberian railroad; the middle – starting from Zhejiang province, which coincides with the TRACECA corridor; the southern – originating in Guangxi province [Pieriegud 2015: 20] as well as the maritime corridors: China (Quanzhou - Kanton - Hainan) - Indochina - India - Arabian Peninsula - East Africa - Europe (Greece). The New Silk Road Project is designed to create and modernize transportation, industrial and telecommunications infrastructure, including land and sea routes, supported by China's own fund and the Asian Infrastructure Investment Bank. Although the project announced by Xi Jinping (习近平) in its official form does not refer directly to commercial transactions but only to the development of its infrastructure, the desire to stimulate the economy and increase the market of consumer goods as well as to strengthen the position of the PRC in the global arena (especially towards the United States and Russia) seems quite obvious.

After reviewing the materials published in March 2015 by the National Development and Reform Commission of the Ministry of Foreign Affairs of the People's Republic of China (中华人民共和国国家发展和改革委员会) one can get the impression that the New Silk Road Project will cover practically everything, as evidenced by its main objectives [see: 推动共建丝绸之路经济带和21世纪海上丝绸之路的愿景与行动]:

- Improving communication at the political level (including peaceful coexistence, respect for sovereignty, territorial integrity, nonaggression and no interference in internal affairs, cooperation for prosperity, etc.);

- Developing communication infrastructure (including traffic management and safety, promotion of international customs, construction of port infrastructure, maritime routes, modernization of aviation infrastructure, promotion of cross-border electricity transmission corridors, modernization of the electricity grid, developing environment friendly economy, developing intercontinental optic fiber network and improvement in information exchange, etc.);

- Increasing investment and trade cooperation and the flow of capital (including support for investment and consumption, developing the labor market, reduction of barriers to trade and investment, improvement of business conditions, developing a common free trade zone, enhancing customs cooperation and mutual assistance in law enforcement, avoiding double taxation, deepening cooperation in agriculture, forestry, farming and fisheries, production and processing, support to aquaculture, marine fisheries, fish processing, maritime engineering, biodiversity and environment protection, tourism industry, promoting of alternative energy sources, supporting the development of industrial clusters, social responsibility, deepening financial cooperation, promoting a stable monetary system, etc.);

- Encouraging interpersonal communication (including cultural and academic exchanges and staff, youth, women and volunteers, expanding technological capacity for innovation, media cooperation, promotion of tourism, professional training, cooperation in reducing public health threats, etc.).

The objectives of the New Silk Road Project seem very promising, but they are still at the conceptual stage, with no indication of any details or specific stages of the project's implementation. Only very general information is available to the Polish public including a list of countries through which the New Silk Road corridors will run.

### **3. STUDY OF OPINIONS FROM MANAGERS OF LARGE BUSINESS ENTERPRISES LOCATED IN OPOLE SILESIA CONCERNING THE PROSPECTS OF OPENING THE NEW SILK ROAD**

In order to recognize the expectations and plans of Opole Silesian entrepreneurs in establishing cooperation and the exchange of goods with the

People's Republic of China and with their current knowledge of the New Silk Road project, a survey was conducted among the managers of large enterprises, that is, companies located in the Opole province employing over 50 employees. This was an informal, non-invasive and one time study, carried out between December 2, 2015 and February 29, 2016.

According to the data provided by the Central Statistical Office in September of 2015, in the Opole province there was a total of 753 medium and large entities of the national economy which employed over 50 people (356 entities in the public sector and 397 in private sector), listed in the Taxpayer Identification Number Register (TIN) excluding farms operated individually. Among these companies 668 entities employ from 50 to 249 employees, 76 companies employ from 250 to 999 employees and 9 entities employ more than 1000 workers.

In order to reach as many respondents as possible, the author contacted the Opole Chamber of Commerce, the Business Center Club – Opole Chamber and the Opole 150 Club. Their support for this research initiative approved the distribution of the survey forms<sup>8</sup> via email among the managers of large enterprises in the region. According to the data available through the Opole Chamber of Commerce in December 2015 there were 142 entities listed in Opole province and these were the first companies this study consulted. Unfortunately, the lack of official data on established and implemented trade initiatives between Opole and Chinese entrepreneurs, confirmed by the Opole Center for Economic Development did not allow for narrowing the criteria of selection.

### 3.1. CHARACTERISTICS OF THE STUDY GROUP

The group of respondents included managers of companies employing over 50 employees located in the Opole province. The demographic characteristics of the group of respondents breaks down along the following lines: 40% were women, 60% were men; all respondents were between 35 and 60 years of age (30% were between 35-44 years old; 57% were 45 to 54 years old; 13% were 55 to 60 years old) and all of respondents had a university degree (3% held bachelor's degrees and 97% held master's degree). The companies of respondents were located in urban areas (3% in the cities of up to 20 thousand inhabitants; 13% in cities with populations of 21 to 50 thousand 67% in cities of 51 to 100 thousand and 17% in large urban centers with population of 101 to 150 thousand). Most of the entities were production companies (50% of companies were involved in manufacturing; 7% in sales; 3% each in communication, banking and technology and 33% of the entities were unclassified).

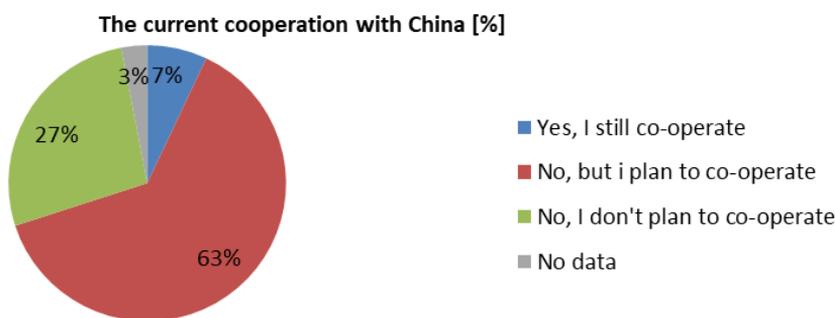
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<sup>8</sup> The application used in the research <http://www.eBadania.pl> was made by M. Szpunar and T. Szpunar.

### 3.2. THE OPINIONS OF THE MANAGERS

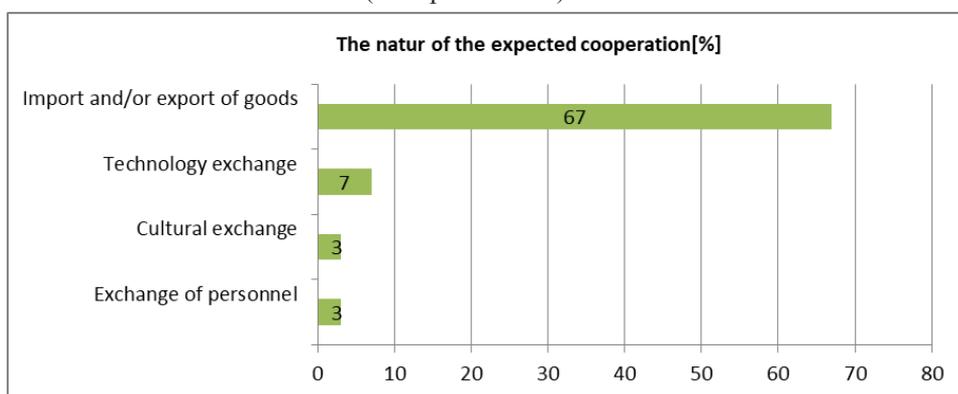
Most respondents (90%) have not yet entered into any kind of cooperative business relationship with Chinese companies, although 2/3 or (63%) of respondents have not rejected the possibility of future cooperation. Slightly fewer than 1 in 10 respondents (7%) stated that such cooperation has already been established involving the import and export of finished products (3.5% each). Potential future co-operation would also primarily involve the import and export of goods (67% of responses); mainly the exportation of finished products (53%), the exportation of raw materials (50%) and the importation of finished product (23%). Details of this distribution are illustrated in Figures 2-4.

Figure 2. The current cooperation of Opole Silesia companies with China



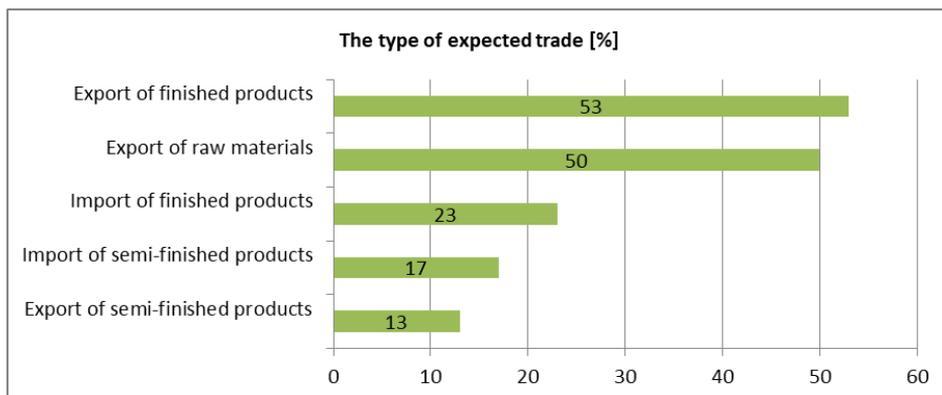
Source: own elaboration.

Figure 3. The nature of expected cooperation with Chinese companies (multiple answers)



Source: own elaboration.

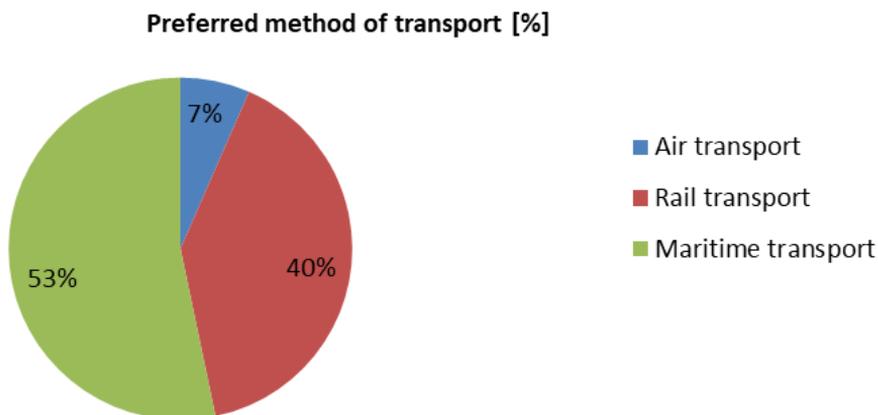
Figure 4. The type of expected trade with China



Source: own elaboration.

Maritime transport (53% of responses) and rail transport (40%) are the preferred methods for the moving of goods. These preferences are explained by the price of transport services in relation to air transport (the difference of 46 percentage points when compared to maritime transport and 36 percentage points when compared to railway transport).

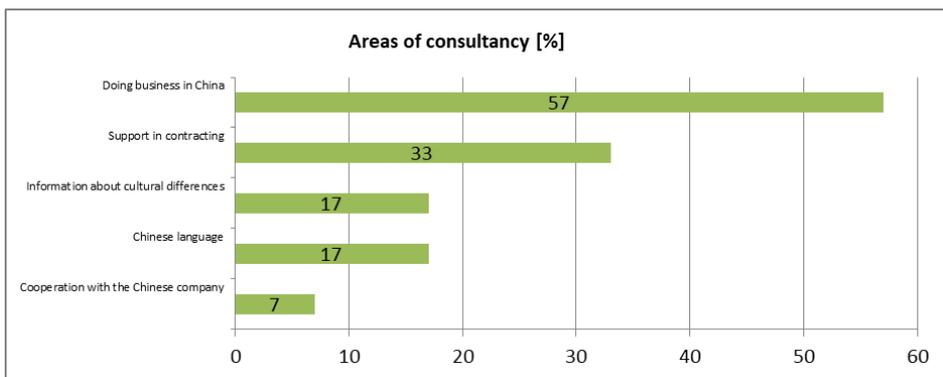
Figure 5. Preferred method of transport between Poland and China



Source: own elaboration.

In terms of business relationship with the Chinese, surveyed companies were mainly concerned with the business conditions in the PRC (57%) and with commodity brokering (33%).

Figure 6. Using the support/ consulting institutions from Opole Silesia to contact with Chinese companies

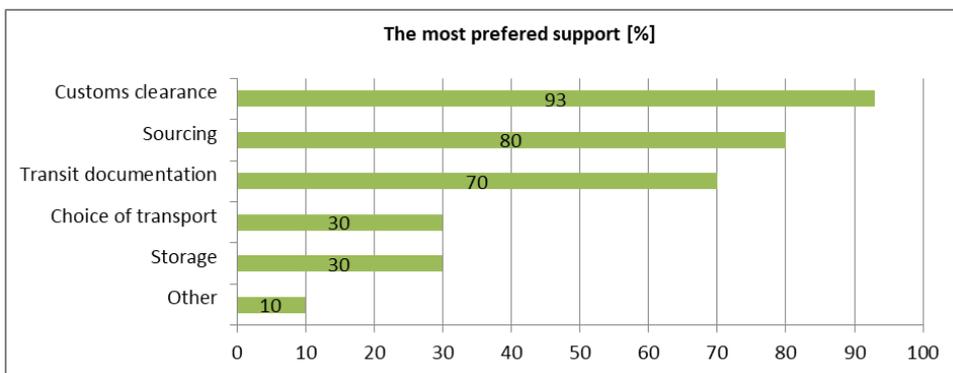


Source: own elaboration.

The majority of managers (75%) do not know which agencies in the Opole region provide support or consultation services in developing business relationships with Chinese companies. One third of respondents recognized that such agencies include the **Center for Cooperation Poland-China Confucius Institute** of the Opole University of Technology, and the *Opolskie* Centre for Economic Development which is a budgetary unit within the Self-Government of Opole Province.

According to the respondents, the support of these institutions, would be needed mostly with matters related to the customs clearance (93% of indications), supply (90%) and delivery (70%).

Figure 7. The most preferred support for the Polish entrepreneur in the trade between China and Poland



Source: own elaboration.

The respondents generally recognize categories related to the Ancient Silk Road and the New Silk Road with the following associations:

- ancient / historic / old trail,
- trail / road / transport / commerce
- the Far East / West / Middle East / Asia / Europe / China / China / international route,
- silk trade in ancient times,
- caravans,
- Marco Polo.

For 87% of respondents the main source of information about the New Silk Road is media reports (the Internet, newspapers, television), 10% of respondents indicate Polish colleagues or business partners and 3% cite lectures at the postgraduate studies of the EU-China International Business conducted by the Opole University of Technology (3%).

Only 13% of respondents were unaware of the New Silk Road project. Details regarding levels of awareness are shown in diagrams 8 and 9.

Figure 8. Available information about the New Silk Road in Opole Silesia provided by the consultancy institutions which support cooperation with a Chinese companies

**Available information about the New Silk Road [%]**



Source: own elaboration.

Figure 9. The main source of information about the New Silk Road

The source of information about the New Silk Road [%]

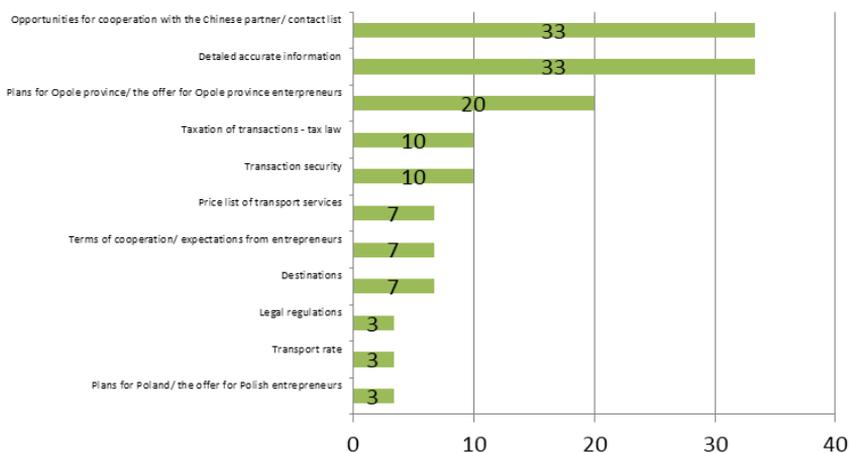


Source: on elaboration.

33% of respondents have expressed a need for more detailed information on the New Silk Route and indicated a desire to have more information on the possibilities for cooperation with Chinese partners including contact lists. 20% of respondents pointed to at the business offers for entrepreneurs from Opole in terms of foreign cooperation plans of the Opole province as well as the need for more detailed information on taxation, security, the expectations of the Chinese and the exact route being planned for the New Silk Road. The respondents also emphasized that they felt the media provides extremely general and inaccurate information which is not inadequate to guarantee a successful cooperative venture with a Chinese partners.

Figure 10. The area requiring more accurate recognition about the New Silk Road

The area requiring more accurate recognition about the New Silk Road [%]



Source: own elaboration.

#### 4. CONCLUSIONS

The New Silk Road project reflects the development of China and its opening up to trade with the rest of the world. Based upon its stated objectives, the project is very promising. Its founding capital amounts to 40 billion USD. However, the project is still at a stage in which its general assumptions and development plans need to be clarified, because only then can it attract European entrepreneurs and encourage them to enter into cooperation and trade relationships with Chinese partners.

The survey conducted among the managers of the Opole province representing companies employing more than 50 employees further revealed that:

- Most of the Opole entrepreneurs have not yet established business contacts with Chinese companies, but they are keen to develop co-operation and trade relationships with the PRC.
- Up to now, cooperation with China has involved only the import and export of finished goods. This area may concern entrepreneurs in the future. Only a few respondents indicated an exchange of know-how (technological knowledge, skills, human capital).
- In the past business relationships with the Chinese, companies from the Opole Region have so far used mainly external support to obtain information on conducting commercial activities in the PRC and guidance in establishing business relationship.
- The support of external agencies is most needed with matters relating to customs clearance, supply and delivery.
- Very few entrepreneurs know about agencies or institutions that support companies interested in establishing trade cooperation with the PRC. Therefore, it is necessary to increase awareness and to provide more information through social advertising, the organization of conferences design to address foreign trade relationship and planning for foreign cooperation of the Opole province, etc.
- Maritime is still the preferred means of transport mainly because of its lower cost compared to rail and air. This creates an opportunity for entrepreneurs to increasingly shorten the time of delivery of goods between China and Poland.
- The concepts of ancient Silk Road and New Silk Road project are well known, but the former carries more associations with respondents than the later.
- The design of the New Silk Road is known primarily from the media. The information is very general, therefore, it is impossible to plan foreign cooperation strategies based solely on information provided by the media.

It should be emphasized that the idea and the main assumptions of the New Silk Road, despite their current character, present a great opportunity for international cooperation, trade, developing new business relationship and economic development which will be beneficial for all parties involved in the process.

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Wanda MUSIALIK

# INTRODUCTION OF FLORA FROM THE SILK ROAD AREA IN EUROPE

## 欧洲从丝绸之路地区引进的植物群介绍

**Abstract:** The descriptions of efforts to acclimatize Asian plants in Europe date back to the expeditions of Alexander the Great. Similar attempts were also made when the Middle Kingdom opened for foreigners. The following analysis presents chronologically the examples of plants from the Middle East and the Far East introduced into European crops. The author's attention was drawn to the state of knowledge presented in Polish publications published from the end of the 18th century to the first decades of the 20th century.

尝试将亚洲植物落户欧洲的描述可追溯到亚历山大大帝的探险。当中央帝国对外国人开放时，也做过类似的尝试。以下分析按时间顺序列出了从中东和远东引进欧洲的植物实例。作者注意到18世纪末至20世纪前十年波兰出版物所展现的知识水平。

**Keywords:** flora, introduction, Europe, plants.

## INTRODUKCJA FLORY Z JEDWABNEGO SZLAKU DO EUROPY

**Streszczenie:** Opisy wysiłków na rzecz aklimatyzacji roślin azjatyckich w Europie sięgają czasów ekspedycji Aleksandra Wielkiego. Podobne próby podjęto również, gdy Państwo Środka otworzyło się na obcokrajowców. Poniższa analiza przedstawia chronologicznie przykłady roślin z Bliskiego Wschodu i Dalekiego Wschodu wprowadzonych do upraw europejskich. Autorka zwróciła uwagę na stan wiedzy przedstawiony w polskich publikacjach opublikowanych od końca XVIII w. do pierwszych dekad XX wieku.

**Słowa kluczowe:** flora, introdukcja, Europa, rośliny.

## 1. INTRODUCTION

Currently, the introduction of species of foreign origin into flora is called “introduction” and the plant itself is called an “exotic”. [Kolasiński, Borycka 2013: 1-2]. Such process can take place without informed human participation. Such were the first displacements of plants from their primary habitat. The displacements were favored by the migrating birds that transported the seeds of their food into their stomachs and spread the seeds with the faeces over the area of the flight. Animal

hair also transported seeds. The fruiting bodies of the plants covering the seeds were caught in furs, moles and tails and transmitted during the migration of wild animals. [Knoblauch 1900: 89, 387; Roo-Zielińska 2004: 53]. Also domestic animals transported the seeds in their hair when moving along with humans. The process accelerated when humans consciously started to acclimatize the plants from other climatic areas to European conditions. Plants that expanded their habitat due to human intervention are called synanthropic plants. In order to scientifically classify these plants, different criteria were used, including the origin of the species, the time of arrival in a given area or the level of domestication. [Tokarska-Guzik, Dajdok 2012: 18].

The plants from the areas of the Silk Road “arrived” to the Old Continent at the end of the 15<sup>th</sup> century (archeofites), and after the discovery of the North America (kenophytes) [Tokarska-Guzik, Dajdok 2012: 18]. The great geographic discoveries are claimed to be a milestone for this division of the introduction process due to which new plants expanded their habitat. The above classification has been used in this study. The suitability of plants in satisfying utilitarian human needs has also been considered in this study. Therefore, the Author has been primarily interested in crops. The term “Silk Road” has been adopted symbolically for the network of trade routes connecting the continental area of Western, Southern and Eastern Asia

## 2. EXAMPLES OF ACCLIMATIZATION TESTIMONIES UNTIL THE 16<sup>TH</sup> CENTURY (ARCHEOFITES)

The first reference to informed acclimatization of Asian plants in Europe concerns the orders of Alexander the Great. In 334 B.C, during his great expedition to Persia and India, Macedonian ruler asked special observers to search for unknown plants that could be useful in Hellenic medicine or agriculture.

### Stone plants

Among others, Greek warriors noticed oranges. At that time citrus plants were cultivated on the southern and western slopes of the Himalayas. The Chinese started growing citrus plants around the year 200 B.C. Plants found by Greek observers were sent by Teofrast from Eresos, who is considered the “father of botany”. In his work “Research on Plants” Teofrast described citrus trials in Europe [Zielinski 1835: 45; Bill 1875: 339].

The Romans were associated with the European history of walnut (*Juglans regia*). The findings from the 19<sup>th</sup> century indicated that the walnut tree originated from ancient Persia, where it was reserved for the royal family. For this reason walnut was also called Persian nut. Merchants who traveled along the Silk Road between Asia and the Middle East used these nuts for trade. The brew of walnut leaves and tree shells was used for dyeing wool and silk for brown color. Unripe walnut fruits were used for jams and liqueurs. Ripe walnut fruits were used to make almond oil and dish oil, which was also used for lighting and in the chalcography. Walnut wood was sought by carpenters and turners [Zielinski 1835; Bill 1875: 282].

Peach, which originates from Persia, was also discovered and brought to Europe by Greeks and Romans. Apricots, Hungarian plums and cherries also originate from the East. In the 19<sup>th</sup> century some of these species grew wildly outside gardens and orchards [Dzieje 1857: 213; Müller 1867: 94; Bill 1875: 304, 305; Księga 1899: 98].

### Cereals

In the times of the Crusades buckwheat (*Polygonum fagopyrum*) was brought from Asia to Europe [Wyżycki 1845: 256; Brzezniccki 1858: 11]. The plant, also known as the hump, grew on sandy soils and sometimes replaced traditional cereals. Buckwheat flour was used to make pancakes and noodles. The grain was also used as “black buckwheat porridge” to feed poultry [Księga 1899: 287]. Common millet (*Panicum miliaceum*) originates from East India [Brzezniccki 1856: 33]. It is said that Arabs introduced rice in Europe however ancient Greeks knew it [Bucka 1873: 39]. Millet groats (*Panicum miliaceum*) are also brought to Europe from East India. However, the time of introduction is unknown [Wyżycki 1845: 250].

### Sugar plants

In 800, Arabs from the South Asia brought Chinese sugar plant (*Saccharum officinarum*) to the Mediterranean Basin. In the 12<sup>th</sup> century plantations were established in Cyprus, from where the sugarcane was brought to Sicily, Malta, Rhodes and Madeira, as well as the Caribbean Islands [Jundziłł 1799: 30; Bill 1875: 133].

### Silkworm fodder

In 1845 Józef Gerald Wiżyński, a Vilnius botanist, claimed that the Romans brought black mulberry from Persia. Mulberry's leaves were not very useful for silkworms, therefore, they were rather cultivated for the taste of the fruits. In the 12<sup>th</sup> century when the Italians developed silkworm cultivation white mulberry was brought to Europe from Asia [Wyżycki 1845: 87, 90]. However, in 1856, it was reported that the mulberry cultivated by Europeans came from Persia and India [O hodowaniu 1856: 2]. Until the 16<sup>th</sup> century, silkworm maggots were fed with white mulberry leaves, which came from Indian gardens. In the 17<sup>th</sup> century the black mulberry was brought to the Old Continent [Dzieje 1857: 213].

## 3. EXAMPLES OF ACCLIMATIZATION FROM THE 16<sup>TH</sup> CENTURY

### New fodder for silkworms

In 1865, a new type of silkworm from China (*Ailantus*) had been introduced in Europe and had been reported as “recent” [Śliwa, 1865: 119]. However, it was unknown when exactly it happened and thanks to whom. Two hundred years later, the tree was planted more often because of its ornamental value. In 1751 under similar circumstances a tree of heaven (*Ailanthus altissima*) was planted in Europe. The leaves of this tree served as food to the maggots of one of the silkworm species [Księga 1899: 57; Bożodrzew 2017]. According to the encyclopedia of Warsaw

“[o]ne type of silkworm lived on *Ailanthus altissima* but the results were not satisfying enough”. Wood from this tree was used for furniture polishing because of its “satin shine” [Księga 1899: 57].

In Poland, the cultivation of mulberry started in the second half of the 19<sup>th</sup> century. It was estimated that 30,000 mulberry trees grew in Galicia at that time [Brzeznicki 1856: 30]. The bankruptcy of some Polish economic societies as a result of repression after the January Uprising (1863) hindered the functioning of one of the first silk companies. The company supported the idea of setting up a mulberry orchard in Czyste near Warsaw<sup>9</sup>. Eight years after planting, trees were wasted as deprived of proper care. Similarly, because of the death of Adolf Bogucki who was the founder of mulberry nursery in Kogucin near Warsaw, mulberry trees did not survive [Historia 1928: 10]. Cultivation of mulberry was also promoted in Silesian Cieszyn by The Silesian Silk Society in Opava. The Society's board of directors won cash prizes “for excellent efforts in cultivating mulberry and silkworm”. In 1865 Jan Drozd won this prize [Z Cieszyna 1865: 80].

### Fodder crops

In the 1850s planting of chestnuts was popular. In 1835 it was claimed that the chestnut tree originated from the basin of the Black Sea [Zielinski 1835: 53]. Ten years later, the area of origin was simply described as the “Northern Asia” [Wyżycki 1845: 54]. According to Julien Joseph Virey (1775-1813), who was a Parisian professor in natural history chestnut originated from India and was known in Europe thanks to Carolus Clusius [Virey 1844: 9]. Fifty years earlier, Fr. Bonifacy Stanisław Jundziłł noted that around 1550 chestnut tree was brought by Carolus Clusius from Asia to the capital of the Austrian Empire [Jundziłł 1799: 167]. A hundred years later it was claimed that the chestnut came from Tibet [Księga 1899: 369]. The first specimen of the chestnut grew in Vienna in 1576 thanks to the Dutch botanist Carolus Clusius. The tree was sprouting from seeds donated by Baron Ungnad, Austrian representative at the Turkish court in Istanbul. [Bill 1875: 271]. The popularity of the new plant could be measured by the hand-planting of chestnut seeds by Tsar Peter the Great in his imperial garden in Riga [Wyżycki 1845: 54]. Other publications included only general characteristics of chestnut's origin. It was reported that the chestnut arrived to Europe at the end of the 16<sup>th</sup> century from the mountainous parts of Eastern India. The descriptions referred to it as to “bitter chestnut” [Dyakowski 1900: 197].

This name indirectly indicated a disappointment to previous information suggesting the possibility of using chestnut as a fodder. It was claimed that after some preparation, the chestnut fruit would have been useful for feeding bovine animals, horses, sheep, goats, pigs, poultry, birds and deer. It was also believed that the leaves of the chestnut tree were used as fodder. During the European acclimatization, a rumor was spread that the chestnut flour was used to bake bread

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<sup>9</sup> Czyste – The estate founded by Charles Schultz which dates back to the 18<sup>th</sup> century. It was built on the battlefield of the Northern War (1705). [www.warszawa.wikia.com/wiki/Czyste](http://www.warszawa.wikia.com/wiki/Czyste) 11.03.2017.

over the Black Sea [Zielinski 1835: 53]. The information was checked, for example, in Saxony, where the pulverized pulp was used to replace 1/3 the proportion of rye flour necessary for this baking [Brzeznicki 1858: 15]. However, this solution was not widely accepted. At the end of the 18<sup>th</sup> century in Germany and England the attempts to refine the chestnut tree failed. [Jundził 1799: 167]. A hundred years later, apart from the aesthetic qualities of chestnut trees [Virey, 1844: 9] it was also noted that its “wood is good for production: bark contains tannin; fruit contains starch” [Księga 1899: 369]. However, the attempts of using chestnut bark and fruits in non-agricultural branches were also unsuccessful. Previously this tree was promoted based on the information that in Turkey chestnut shells served as brown and black dyes, seeds were used to feed “broken-winded” horses, and pressed oil was used for lighting and production of vodka [Bill 1875: 271-272].

On contrary, the Chinese alfalfa appeared to be quite successful. Alfalfa was brought to Italy by the Romans, but after the fall of the Empire it disappeared from Italian fields [Kohn 1858: 99]. In 1867, alfalfa was planted in plots of the Acclimatization Society, located under Moabit in Berlin. Berlin's nursery experience has been rated positively. It was announced that the plant would be quickly introduced for wider cultivation. It could be used as animal feed and “rich harvest” [Brzeznicki 1858: VIII; Chińska lucerna 1867: 275].

The introduction of wheat spelt (*Triticum spelta*) was also positively assessed. Wheat spelt came to Europe from Persia. However, the time of acclimatization is unknown. In the 1850s wheat spelt was cultivated “in many European countries”. According to Lviv experience, wheat spelt was useful “as a hay for cattle”, similarly to wheat [Brzeznicki 1858: 37].

### Industrial plants

In Cieszyn Silesia efforts were made to check the suitability of Chinese potato. [*Chińskie* 1859: 52]. At the same time “Chinese potato” was promoted as fodder in Lviv. Also in Poland attempts were made to introduce this plant not long after it was brought to Europe. In 1850 its first specimens were brought from China to Paris [Brzeznicki 1858: 14].

In the Greater Poland, similar efforts were made in case of Chinese sugar plant (*Saccharum officinarum*) [Nowa chińska 1854: 109]. This plant reached the Greater Poland in the 1850s [Nowa chińska 1854: 109]. According to school textbooks, this “sugar cane” was brought to Europe during the Crusades [Bill 1875: 133]. In the 19<sup>th</sup> century, this plant became more interesting than sugar beet because of the amount of sugar obtained from a comparable land area [Nowa chińska 1854: 109]. In 1858 in Hungary the sugar bush (*Sorghum saccharatum*) was cultivated because of its sugar content. At that time sugar bush which came from “East India and Arabia” was also cultivated experimentally in Germany [Brzeznicki 1858: 10].

In the next decade farmers from the Greater Poland found out about Chinese oil radish (*Chinesischer oelrettig*). According to the “Universal Encyclopedia” of Samuel Orgelbrand ship doctor Carl Gustav Ekeberg (1716-1784) was the first to brought Chinese oil radish from China to Sweden and then to Italy and Germany [Rośliny 1866: 295]. In the Greater Poland this kind of radish was introduced by

Włodzimierz Adolf Wolniewicz (1779-1852), the pioneer of agricultural progress. Wolniewicz's observations were published in "Ziemiańin". According to Wolniewicz's report, leaves, flowers and pods of Chinese oil radish were very similar to garden radish. In addition, Chinese oil radish was characterized by a short growing period. Sown in early or mid-May, maturing in the second half of August. The harvest did not cause any major problems and during the mowing the ripe pods did not open. The harvested grain might produce 41 pounds (20.5 kg) of white cooking oil from 100 pounds of radish<sup>10</sup> (about 50 kg). According to Wolniewicz, this was the only benefit of this plant. He did not confirm the suitability of straw and pods in feeding domestic cattle [Wolniewicz 1875: 69].

### Cereals

In the 1890s it was reported in the Greater Poland grains called *gaolon* were cultivated in Russia. *Gaolon* came to Europe from the southern China. If ground grain of *gaolon* would be mixed in 1/3 with wholemeal flour it would provide "good bread", and could also replace barley groats. The grain was resistant to drought, and yielded plentiful yields. In addition, its grain did not spill out of the ears, therefore, it could stand in the field until late autumn. When mown in the green state *gaolon* became an excellent feed for cattle [W Europie 1892: 193]. In spite of many advantages of this grain, no further information was found.

### Vegetables

Long Chinese cucumbers were recommended for amateur cultivation. Caring for their growth was considered "too expensive for trade" [E. J. 1880: 36]. The image of cucumber was invoked to describe the "pear of love" that is the eggplant from Asia which was grown in "warmer European countries" at the end of the 19<sup>th</sup> century [Księga 1899: 52]. Pumpkins which came from the East India were found in Moldavia, Besarabia and Bukowina. Several species were cultivated there [Bill 1875: 256-257]. Asparagus (*Asparagus officinalis*) also came from East India [Księga 1899: 154]. Rhubarb (*Rheum palmatum L.*) and sorrel (*Rumex L.*) also came from China and "Tartary" [Bill 1875: 186, 313]. However, publications about these vegetables did not indicate when they were introduced in Europe.

## 4. CONCLUSIONS

Problems in introducing Chinese plants in Polish publications from the 19<sup>th</sup> century.

In the 19<sup>th</sup> century, the method used in the natural sciences to describe plants was provided by Swedish botanist Charles Linneus (1707-1778). According to his classification, plants may be divided either by a specific area they grow in or by their specific functional properties. In the general descriptions of plants, the place of their origin was rarely determined. Representatives of the flora, originating from the Silk Road area were not specifically identified.

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<sup>10</sup> After 1858 in Prussia one pound equated 0.5 kg.

Based on a review of school textbooks, agricultural guides, agricultural newspapers, and encyclopaedic publications, the reference to the Silk Road area was found in case of 6 stone trees, 4 cereals, 1 sugar plant, 4 "silkworm feeders", 3 fodder plants and 6 vegetables. Most of these plants were introduced in Europe in the 19<sup>th</sup> century.

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