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CHINESE FDI IN POLAND AND THE CZECH REPUBLIC – INFLOWS, DETERMINANTS AND CHALLENGES

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Purpose: The objective of this paper is to present Chinese investment flows and the nature of participation, to analyze the differences between host countries, and to identify the determinants of Chinese FDI in Poland and the Czech Republic.
Design/methodology/approach: Comparison of the specifics of Chinese direct investments in Poland and the Czech Republic.
Findings: The nature of Chinese investment in Europe is changing. After years of being dominated by mergers and acquisitions, Chinese investment in Europe is now more focused on greenfield projects. In 2021, greenfield investments reached €3.3 billion, the highest ever recorded, and accounted for nearly one- third of all Chinese FDI. More recently, the volume of Chinese FDI in Europe has reached the level of European FDI in China (now constrained by restrictions and risks). It matched the level of FDI by Chinese companies in the United States before declining over the past two years, generally due to Covid-19 and the war in Ukraine. Chinese economic presence in Europe can be divided into three areas based on size, destination, and type of acquisition: The core of Europe is formed by the three major target countries (Germany, UK, France), where more capital-intensive investments are made, followed by other Western European countries (EU-15). The new member states (NMS), which joined the EU in 2004, 2007 and 2013, as well as the Western Balkan countries in the process of accession, are associated with China in the 16+1 format (with the exception of Kosovo) and form another gateway to Europe. Due to fewer market opportunities, they receive less direct investment, but China is building infrastructure (ports, highways, railroads) - segments of the Silk Road that will bring Chinese products to mature EU markets (Richtet, 2019). It is unlikely that Chinese investment in Europe will recover in 2023. The Chinese government is expected to maintain strict capital controls, financial retrenchment, and Covid-19 restrictions. The war in Ukraine and the expansion of regulations to monitor and control Chinese investments in the EU and the UK will cause additional difficulties.

Originality/value: The article could be an attempt to answer the question of combining macroeconomic and institutional factors to better understand the internationalization of firms (Dunning, Lundan, 2008). There is no doubt, that the Covid-19 pandemic and the war in Ukraine made it necessary to deepen the study of the phenomenon of FDI, its inflows, determinants, and related challenges in a turbulent world.

Keywords: foreign direct investments (FDI), People's Republic of China, Czech Republic, Poland, international relationships.

Category of the paper: Research paper.

1. Introduction

To Emerging-country multinational companies are increasingly integrating into the world economy through foreign direct investment (FDI), with Chinese outward FDI being the most spectacular case in terms of rapid growth, geographical diversity and takeovers of established Western brands. Chinese companies invest mainly in Asia, Latin America and Africa, where they seek markets and natural resources. However, the developed economies of Western Europe and the United States have recently also become important targets, offering markets for Chinese products and assets Chinese firms lack, such as advanced technologies, managerial knowledge and distribution networks. In recent years Chinese companies have increasingly targeted central and eastern European countries, with the Visegrad countries (Czechia, Hungary, Poland and Slovakia), together with Romania and Bulgaria, among the most popular destinations.

Global flows of foreign direct investment have been severely affected by the Covid-19 pandemic. In 2020, they fell by a third to $1 trillion, well below the low point reached after the global financial crisis a decade ago. Greenfield investments in industry and new infrastructure investment projects in developing countries were hit particularly hard (UNCTAD, 2021).

It should be noted, that China sees central and eastern Europe as a block of 16 countries. Among the 16 CEE countries which are involved in the so-called Chinese 16+1 initiative there are 11 EU countries (Bulgaria, Croatia, Czechia, Estonia, Hungary, Latvia, Lithuania, Poland, Romania, Slovakia, Slovenia) and five EU candidate countries (Albania, Bosnia and Herzegovina, FYROM (Macedonia), Montenegro, and Serbia).

Although compared with the Chinese economic presence globally or even in the developed world, China’s economic impact on the central and eastern European countries is fairly small, it has accelerated significantly in the past decade: trade volume is growing constantly, while it can be observed rising inflows of Chinese investments in the region, which are expected to increase due to recent political developments: strengthening Chinese–Hungarian relations, Poland becoming China’s strategic partner (at the end of 2011), the establishment of the China-Central and Eastern Europe Cooperation Secretariat in September 2012, the 16 + 1 initiative and the One Belt One Road.

The Covid-19 pandemic caused a dramatic fall in global FDI in 2020, bringing FDI flows back to the level seen in 2005. The crisis has had an immense negative impact on the most productive types of investment, namely, greenfield investment in industrial and infrastructure projects, what significant influenced the entire world economy (UNCTAD, 2021).

In 2021, there was a strong recovery in foreign direct investment flows worldwide after they reached exceptionally low levels in 2020. According to the United Nations Conference on Trade and Development (UNCTAD), global direct investment flows increased by 77%, exceeding pre-pandemic levels. Global Chinese investment was an exception to this trend, stagnating in 2021.

According to official Chinese statistics, China's non-financial outbound investment increased by only 3% to $114 billion (€96 billion) in 2021. China's global outbound M&A activity fell to a 14-year low in 2021, with completed mergers and acquisitions totaling only EUR25 billion, down 9% from 2020 and 45% from 2019. The failure of China's outbound global direct investment (OFDI) to recover was due to several factors: China's outbound investment had been declining since 2016, reflecting domestic restrictions on outbound capital flows and tighter controls on Chinese outbound investment. The lack of recovery is also likely linked to China’s adherence to a zero-Covid strategy, which hindered cross-border travel and thus deal-making activities. What’s more, sharp competition for global assets in a booming M&A context likely put Chinese buyers at a disadvantage due to their limited international experience and emerging regulatory concerns

The aim of this paper is to map Chinese investment flows and types of involvement, and to analyse differences between countries, as well as to identify the determinants of Chinese FDI in Poland and the Czech Republic.

The research method used in this article is based on a comparative analysis of the specifics of Chinese direct investment in Poland and the Czech Republic. The research hypothesis is that in the case of both Poland and the Czech Republic, Chinese direct investment has played an important role in the development of these countries over the years. In recent years, both Poland and the Czech Republic have been the main recipients of Chinese FDI in Europe. Despite the Covid-19 pandemic and the war in Ukraine, Chinese FDI in both Poland and the Czech Republic is expected to continue developing after a temporary stagnation. The article could be an attempt to answer the question of how macroeconomic and institutional factors can be combined to better understand the internationalization of firms (Dunning, Lundan, 2008). There is no doubt that the Covid-19 pandemic and the war in Ukraine call for a deepening of the study of the phenomenon of FDI, its inflows, its determinants, and the related challenges in a rapidly changing world.

2. Theoretical background

Paper According to the definition of OECD, foreign direct investment (FDI) is the category of international investment that reflects the objective of a resident entity in one economy to obtain a lasting interest in an enterprise resident in another economy (OECD). The investor is to gain permanent benefit due to long-lasting influence on the management of the FDI enterprise. The minimum number of shares held in a given enterprise is 10%. However, the influence on management, with such level of shares, may be exerted only if the other shares are highly dispersed (OECD, 2008, p. 234).

The nature and motives of foreign direct investment were determined in Dunnig's eclectic theory of foreign direct investment (Dunning, 2001). He combined the theory of monopolistic advantage (which explains why the investments are made outside the territory of the country of origin, but does not specify why these investments are made in certain markets), the location theory (which explains why FDI is made in certain markets without specifying the reason for the investments made) with the theory of internalization (which explains the mechanisms of exploiting the advantages that the company derives from making the foreign investment). On this basis, the OLI paradigm was developed (OLI stands for ownership, localization, internalization) (Dunning, 2001).

Analysis of the literature on the subject showed, that there is a growing use of the international business literature in economic geography (Beugelsdijk et al., 2010; Jones, 2018; Jones, 2017; Jones, Wren, 2016), for which the eclectic paradigm is the most influential framework for examining FDI determinants (Stoian, Filippaios, 2008; Buckley et al., 2007; Jones et al., 2016; Jones et al., 2018). Recently, there has also been research on FDI motives in CEE countries (Resmini, 2000; Bevan, 2004; Bevan et al., 2004; Carstensen, Toubal, 2004; Baltagi, 2007; Pusterla, Resmini, 2007).

In general, a company transfers capital in the form of foreign direct investment under the following conditions:

- a company must have specific advantages resulting from resources and capabilities that make the company competitive in the international market,
- a company should use the competitive advantage it has gained by building its own structures in foreign markets and not transfer it by selling it (e.g. licenses),
- a company should combine its own advantages with the advantages of the location market, i.e. it should effectively use the advantages of the respective location to maximize its own profits (Jankowiak, 2016).

According to the OLI paradigm described above, the decision to make a foreign direct investment at a given time should be conditioned by the configuration of the three forces mentioned above. Firms enjoy various advantages resulting from the specific nature of their activity, the country from which they originate, and the country in which they operate (Dunning,

2001, p. 176). The first two factors closely depend upon the capabilities and resources of the company, the third factor decides about the direction of transferring the capital in the form of FDI (Jankowiak, 2016).

Indeed, different types of investment incentives attract different types of FDI, which Dunning (1992) divides into four categories: 1.) market-seeking (tariff-jumping or export-replacing FDI is a variant of market-seeking FDI); 2.) resource-seeking; 3.) efficiency-seeking; 4.) and asset-seeking. Factors that attract market-seeking MNEs typically include market size, as reflected in GDP per capita and market growth (GDP growth). Investments aimed at improved efficiency are determined for example by low labour costs, and tax incentives.

Finally, firms interested in acquiring foreign assets may be motivated by a common culture and language, as well as trade costs (Hijzen et al., 2008). It should be emphasised that some FDI decisions may be based on a complex mix of factors (Blonigen, Piger, 2014). Much of the research and theoretical discussion to date relates to FDI outflows from developed countries, for which market-seeking and efficiency-seeking FDI is most prominent (Buckley et al., 2007).

Characteristic of Chinese outbound FDI is the search for natural resources, the search for markets (Buckley et al., 2007), and more recently, the search for strategic assets (Zhang et al., 2012).

The rapid growth of FDI from emerging and developing economies has been the subject of numerous studies that attempt to explain the unique characteristics of emerging market multinationals' behaviour that are not captured by mainstream theories. Mathews extended the OLI paradigm with the Linking, Leveraging, Learning Framework (LLL), which explains the rapid international expansion of firms from the Asia-Pacific region (Mathews, 2006). Linking refers to partnerships or joint ventures that laggards enter into with foreign firms to minimise the risks of internationalisation and to "acquire resources that are otherwise unavailable" (Mathews, 2006).

3. Chinese expansion on the European market

Reforms introduced since 1978 and China's policy of opening up to the world, followed by China's accession to the World Trade Organization (2001), led Chinese companies to start investing intensively outside their own country. This was particularly friendly when the Going Global strategy was introduced in parallel [走出去战略] making the expansion of Chinese enterprises an important element of the economic growth model and encouraging companies to "leave" [走出去] outside China through investment. The Going Global 1.0 stage is currently associated m.in with the anti-corruption campaign and protests by local communities and businesses unfavourable to Chinese investments. One example is the unsuccessful investments of COVEC in Poland between 2009 and 2011. The Going Global 2.0 stage was prepared with

greater care for local sensitivity and image elements of China and focused upwards of the value chain (China Going Global between ambition and capacity, 2017). As a result, Chinese investments reached practically every continent.

After 2008, European Union countries have become the fastest-growing destination for Chinese foreign investment. This was facilitated by (Ma, Overbeek, 2015):

- an increasingly friendly investment environment within the European Union,
- the debt crisis in the euro area (especially Greece, Ireland, Spain and Portugal),
- the willingness of the Chinese side to decouple its GDP from exports,
- plans to diversify China's foreign exchange reserves (previously most of them were kept in USD),
- treating foreign investment as an alternative (to exports) allowing access to the European market.

This has influenced the emerging new patterns of development of Chinese FDI within the EU. They manifested themselves in (Ma, Overbeek, 2015):

- rapid growth of investments,
- location within the main EU Member States,
- the beginning of interest in semi-peripheral and peripheral countries,
- choosing more diverse sectors,
- placement within state-owned enterprises,
- the beginning of interest in private companies and sovereign wealth funds.

Between 2003 and 2010, one of the factors that influenced the settlement of Chinese investments was the foreign community, as it led to greater access to strategic information. According to Bas Karreman's team, there was a stronger relationship between the size of the Chinese community living abroad and the likelihood of Chinese investment in a community where newer generations of Chinese migrants live, as well as individuals with higher education. In European regions, however, a Chinese community alone is not enough to attract more Chinese FDI. Much depends on the right human capital and the fit of the local workforce as well as the specific sector (Karreman et al., 2017).

After 2013, the Belt and Road Initiative (一带一路/ Belt and Road Initiative) became an additional element of China's new economic growth model. This initiative is closer to a declaration of cooperation and an invitation to economic cooperation than to ready-made offers of activities to be implemented. As part of it, China cooperates with more than 140 countries (International Cooperation, Belt And Road Portal), and trade and investment maintain an upward trend (Gu, Zhou, 2020). The Visegrad Group countries are among China's main trading partners, and strategic partnerships have been signed with the Middle Kingdom: the Czech Republic, Hungary and Poland (Parepa, 2020).

A study by Blomkvist and Drogendijk (2016) found that European countries generally receive less investment from Chinese companies compared to other regions of the world. They found that the main motives for Chinese investment in Europe are the search for markets and strategic assets, and that there are large differences among European countries in attracting Chinese investments (Blomkvist, Drogendijk, 2016).

Over the past 20 years, FDI from China to the EU has amounted to more than USD 120 billion. During this period, almost all EU Member States concluded investment treaties with China (Xu, 2022). The impact of Chinese FDI has significantly increased bilateral exports within the EU, and China has become not only the most popular but also the most active investor in the world. The evolution of China's FDI in the period 2005-2021 is shown in Figure 1. Another figure shows the formation of Chinese FDI in the period 1998-2021 globally and narrowly to European countries (Figure 2).

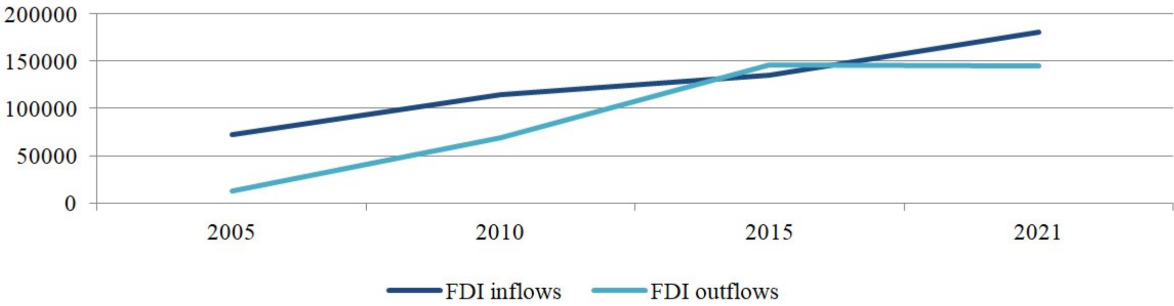

Figure 1. China's FDI in 2005-2021 [USD mill.].

Source: own elaboration based on (UNCTADSTAD).

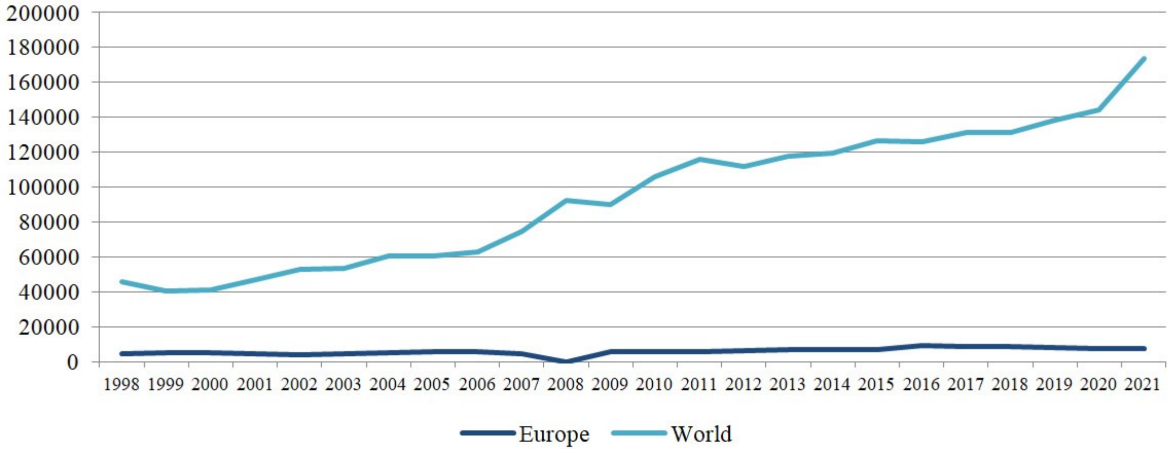

Figure 2. China's FDI actually utilized in 1998-2021 [USD mill.].

Source: Own elaboration based on: (National Bureau of Statistics of China, 2022, 2021, 2020, 2019, 2018, 2017, 2016, 2015, 2014, 2013, 2012, 2011, 2010, 2009, 2008, 2007, 2006, 2005, 2004, 2003, 2002, 2001, 2000, 1999).

Both diagrams show an upward trend in Chinese FDI. For example, in 1998, Chinese FDI on the old continent amounted to USD 4.3 billion, in 2008 – USD 5.5 billion, and after another ten years, in 2018 – USD 8.8 billion. The visible regression that took place in 2008 was related to the global economic crisis, which was accompanied by, the collapse of the business cycle.

The reality of the following years has led to new challenges affecting economic life, above all another crisis related to the emergence of the Covid-19 pandemic. As a consequence, in 2020 Chinese FDI in Europe amounted to EUR 7.9 billion (approximately USD 7.8 billion) and a year later it increased to EUR 10.6 billion (approximately USD 10.5 billion) (Rhodium Group), but was still lower than in 2019.

Generally, China's FDI in Europe (EU-27 and the UK) increased but remained on its multi-year downward trend. In 2021, completed Chinese FDI in Europe increased 33% to EUR 10.6 billion, from EUR 7.9 billion in 2020. The increase was driven by two factors: a EUR 3.7 billion acquisition of the Philips home appliance business by Hong Kong-based private equity firm Hillhouse Capital and record high greenfield investment of EUR 3.3 billion. Still, 2021 was the second lowest year (above only 2020) for China's investment in Europe since 2013 (Merics, 2021).

However, according to Rhodium Group data (Rhodium Group, 2021), the value of Chinese investments in Europe increased by 25% in 2021, while in North America it fell by 34%. On the Old Continent, the Chinese spent nearly USD 13 billion. Interestingly, more than a third of the amount was allocated to greenfield investments, i.e. creating a business on the spot from scratch or recapitalizing a business built by them (Rhodium Group). It turned out, that the Netherlands was the largest recipient of Chinese capital in 2021 (USD 4.5 billion), and over USD billion also went to asset owners from Finland and the United Kingdom.

4. FDI in the Czech Republic

The Czech Republic is known as one of the most successful Central and Eastern European countries in attracting foreign direct investment. According to the Government Agency for Foreign Direct Investment, the Czech Republic ranks first among Central and Eastern European countries in terms of foreign direct investment stock and per capita inflows. This is due to the introduction of investment incentives, the availability of skilled and cheap labour, and the Czech Republic's geographical advantages, such as its location in the heart of Central Europe. Since May 2021, the Czech Republic has introduced a new FDI screening process that is in line with EU guidelines. Under the new law, any non-EU investor must obtain approval before acquiring more than 10% of the shares or voting rights of a company operating in a sector that is sensitive to the country's security or internal or public order (e.g., energy, gas, heating and water, food and agriculture, healthcare, transport, communication systems and IT, financial

market, emergency services and public administration, military material, etc.) (Doing Business, 2020).

The Czech Republic was ranked 41st out of 190 countries in the World Bank's latest Doing Business report, dropping 6 places from the previous edition. This is mainly due to the fact that the country's progress in terms of ease of doing business is almost stagnant (Doing Business, 2020).

Table 1.
FDI in Poland and the Czech Republic in years 2019-2021

FDI	Czech Republic			Poland		
	2019	2020	2021	2019	2020	2021
FDI Inward Flow (mill. USD)	10,108	9,411	5,806	13,510	13,831	24,816
FDI Stock (mill. USD)	171,334	195,240	200,587	240,586	249,723	269,225
Number of Greenfield Investments	90	57	109	448	467	511
Value of Greenfield Investments (mill. USD)	2,369	2,596	3,094	24,462	22,757	21,871

Source: UNCTAD.

Advantages of FDI in the Czech Republic:

- The Czech Republic is a member of the EU, but not the Eurozone.
- The country's central bank is strong and independent and regulates a stable currency. As a result, the country has excellent access to the European market and has positive and stable international relations.
- A stable banking sector that has proven resilient in recent crises.
- Public spending at a satisfactory and controlled level.
- One of the lowest unemployment rates in Europe creates an optimal and healthy business environment.
- The country's long tradition of industrial production (the sector continues to have great potential).
- The quality of the labour force (with high intermediate costs).
- Central geographic location.

Disadvantages of FDI in the Czech Republic:

- The Czech Republic's economy is highly dependent on the level of exports and the inflow of foreign investment, which makes it particularly vulnerable in times of crisis.
- The country's Euroscepticism and the lack of interest in adopting the euro can discourage some European entrepreneurs in the long run and make the country less competitive.
- The country has experienced political tensions, which may jeopardise its stability in the eyes of potential entrepreneurs.
- Legislative and judicial reforms are slow to materialise; this can be explained by a political history made of governmental coalitions.

- The shortage of labour and the ageing of the population also constitute a significant obstacle to the country's development and limit the country's ability to meet production requirements.
- The automotive sector occupies a large share of the economy.

In order to reduce the Czech market's dependence on its European trading partners (mainly Germany), the government has implemented reforms to diversify the country's export opportunities and the structure of its export market as well as its economic structure. To support these changes, an export strategy (2012-2020) targeting fast-growing emerging markets and a competitiveness improvement strategy (introduced in 2011) have been implemented. The Czech Ministry of Industry and Trade and the investment development agency CzechInvest (Investment and Business Development Agency – CzechInvest) have already launched the Welcome Package initiative and are now offering visa support to make immigration procedures as simple as possible for foreign investors who need residence and work permits in the Czech Republic

In addition, the Czech government has launched an economic program based on the promotion of entrepreneurship and the modernization of public administration (in terms of greater functionality and transparency). This has resulted, for example, in making it easier to obtain public funding in the areas of science, research and innovation.

In 2019, the government made significant changes to the Investment Incentives Law, eliminating incentives for investments aimed at growing low-skilled labor and limiting incentive payments to high-value-added investments that focus on research and development and create graduate jobs.

5. FDI in Poland

Poland has a lot to offer to foreign investors - first of all, it is well-connected and guarantees free access to the rich EU market, while remaining a country with relatively cheap, well-educated and numerous labor force. Therefore, it is an excellent location for companies looking to build factories or establish service centers, and scores well in the ranking of the largest recipients of greenfield investments. Poland is among the most attractive countries in Europe in terms of foreign direct investment. According to UNCTAD's 2021 World Investment Report (UNCTAD, 2021) FDI inflows to Poland remained stable in 2020, reaching USD 10 billion, the same as the previous year's figure of USD 10.8 billion, despite the outbreak of the Covid-19 pandemic causing a 42% drop in global FDI. The country's total investment stock amounted to USD 236.5 billion in 2020. In terms of the value of greenfield projects announced in the same year, Poland ranked fifth in the world with a total of USD 24.3 billion (UNCTAD, 2021).

Among the most important projects is Google's construction of a cloud region in Poland for $1.8 billion. Poland is the largest recipient of foreign direct investment in Central Europe. Most holdings are held by the Netherlands, Germany, Luxembourg, and France, with investments flowing mainly into the manufacturing, finance and insurance, wholesale and retail, and real estate sectors. In addition, data from recent years show that a high percentage of investors come from China and South Korea. According to the latest OECD figures, FDI inflows to Poland totaled $12.3 billion in the first half of 2021, up 27.4% from the same period last year (when FDI inflows totaled $9.6 billion). Poland's main assets are its strategic location, large population, membership in the European Union, economic stability, low cost of skilled labour, and a tax system attractive to businesses. In addition, Poland has a number of dynamic Special Economic Zones and the government founded the Polish Investment and Trade Agency (PAIH. Why Poland) to improve conditions for FDI. Under the 2021-2027 EU budget, Poland will receive USD 78.4 billion in cohesion funds as well as approximately USD 27 billion in grants and USD 40 billion in loan access from the EU Recovery and Resilience Facility. However, Polish law limits foreign ownership of companies in selected strategic sectors and restricts acquisition of real estate, especially agricultural and forest land. Furthermore, a new law came into force giving the President of the Office for Competition and Consumer Protection the authority to review FDIs by non-EEA and non-OECD investors on the grounds of public security, order and health. Overall, the Polish business climate is good and the World Bank ranks Poland 40th out of 190 countries in its latest Doing Business ranking (Doing Business, 2021), seven positions lower compared to the previous edition.

Moreover, in 2022, Poland widened and extended its controls on new foreign direct investments for another three years, until mid-2025.

Advantages of FDI in Poland:

- Growing economy.
- Central geographical location in the heart of Europe.
- Multilingual workforce, qualified, able to export trades (at a low cost) and whose productivity is growing rapidly.
- Stable banking sector and a controlled currency.
- A healthy and resilient economy even during economic crises.
- Unlike other Central European countries, its population does not face over-indebtedness.

Disadvantages of FDI in Poland:

- Rigidity of the labour market.
- Slow administrative procedures (120th country for the speed of starting a business according to the World Bank).
- Current account in deficit.

- The adoption of the euro initially planned for 2012 has been jeopardised by the financial crisis, thereby delaying its beneficial effects on the economy.
- The relatively unstable political landscape slows down the implementation of necessary reforms.

6. Comparison of China's investment in Poland and the Czech Republic

As shown in Figure 3, China is investing much more in the Czech Republic than in Poland. Since 2016, China has become the second largest trading partner of the Czech Republic (2018 - EUR 24.3 billion in trade in goods). After Germany, China is the largest supplier of goods to the Czech market. In 2018, imports from the PRC amounted to EUR 22.1 billion and were ten times higher than Czech exports to China.

The negative trade balance is unfavourable for the Czech government, which expects its Chinese partner to deregulate and liberalise the market. This position stems from the ANO (ANO) programme which, which in the context of China mentions respecting the rules of international trade and protecting Czech industry from unfair competition.

The Czech Republic's cooperation with China was established through a declaration on strategic partnership, and both sides signed several memoranda reflecting Czech aspirations to increase trade with China and hope for greater Chinese investment. Initially, it was assumed that in the first year of cooperation in 2016, Chinese investments in the Czech Republic would amount to CZK 95 billion, i.e. approximately EUR 3.5 billion (Bankier.pl, 2016).

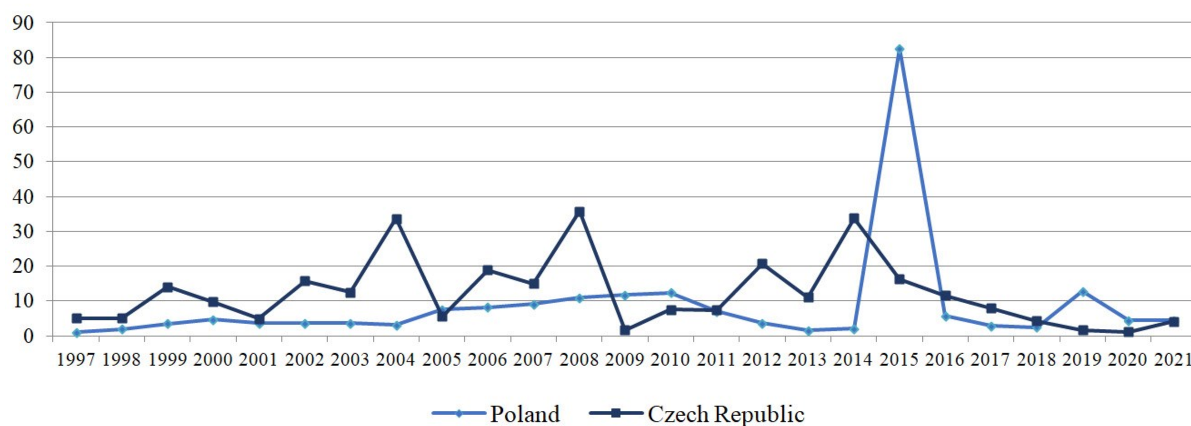

Figure 3. China's FDI actually utilized by Poland and Czech Republic in 1997-2018 [USD mill.].

Source: Own elaboration based on: (National Bureau of Statistics of China, 2022, 2021, 2020, 2019, 2018, 2017, 2016, 2015, 2014, 2013, 2012, 2011, 2010, 2009, 2008, 2007, 2006, 2005, 2004, 2003, 2002, 2001, 2000, 1999).

Unfortunately, FDI, which was supposed to flow to the Czech Republic thanks to the Belt and Road initiative, is not growing in the wake of imports from China. FDI from China in 2017 amounted to around EUR 0.2 billion, whereas it reached EUR 0.5 billion a year earlier.

This result contrasts with President Zeman's announcement in 2016 of an investment inflow of €3.7 billion by the end of that year. In fact, credibility to these plans was added by 17 agreements between economic entities of both countries, concluded together with a strategic partnership. In addition, during Miloš Zeman's visit to China in April 2019, the Bank of China signed memoranda on cooperation with the Chamber of Commerce of the Czech Republic and with the financial company CITIC, the main Chinese investor in the Czech Republic (Ogrodnik, 2019).

Transatlantic relations also have a significant impact on the Czech Republic's policy towards China. The United States wants to stop China's technological expansion in Central Europe. Currently, it is noted that Czech-Chinese relations are deteriorating. Although the Czech government is currently disappointed with the state of investments from the PRC, in the long term they want them to grow. The guarantee that they will not pose a threat will be the regulation of the EP and the EU Council of 19 March 2019, implemented by the Ministry of Industry and Trade (for which ANO is responsible). The 14 EU members, including the Czech Republic, do not have national investment screening mechanisms (Ogrodnik, 2019).

Poland is one of the most attractive locations for foreign investment. Regional aid is the most popular type of aid for companies carrying out investment projects in Poland. They are granted only for "initial" or "new" investments, which are generally defined as investments related to the establishment of a new establishment, the expansion of the capacity of an existing establishment, or the diversification of the production of an establishment to include products not previously produced. The maximum amount of aid a project can receive depends on the size of the company and where in Poland the project is to be located. Regional aid can be granted in Poland in various forms, such as exemption from corporate income tax (CIT) in so-called special economic zones (SEZs), state grants (support from the state budget), and cash grants or loans from EU funds. The state grant (Multi-Annual Support Programme - MASP) is a regional aid programme financed by the Polish government and designed to support large investments in the so-called “priority sectors”: automotive, electronics, aviation, biotechnology, modern services (particularly IT centres, BPOs and telecommunications) and R&D (UNCTAD, 2022).

In Poland, a limited number of sectors have restrictions on foreign ownership and foreign capital. Polish law limits non-EU nationals to 49% of a company's capital in air transport, radio and television, and airport and seaport operations. Licenses and concessions for defense production and seaport management are granted on the basis of national treatment for investors from OECD countries. The Law on Freedom of Economic Activity (LFEA) requires companies to obtain government concessions, licenses, or permits to operate in certain sectors, such as broadcasting, aviation, energy, arms/military technology, mining, and private security services (UNCTAD, 2022).

In May 2020, the Polish government adopted regulations designed to make it more difficult for investors from outside the European Union to acquire at low-cost companies that Poland considers strategic to its economy. The regulations were part of a government rescue package

worth more than PLN 300 billion to help the country survive the new coronavirus pandemic and the resulting economic crisis (UNCTAD, 2022).

Even though Poland is the leading recipient of FDI in central and eastern Europe it has attracted little Chinese FDI. This may be partially explained by the rather cool political relations between the two countries since the early 1990s, when Polish politicians often criticised Beijing for violating human rights and supported the case of Tibet.

McCaleb's findings show that the motivation originally associated with the pursuit of markets and efficiency, mostly involving greenfield entry, has been broadened to include the strategic pursuit of assets, as reflected in the acquisitions of Polish companies in the 2009-2014 and 2015-2018 periods (McCaleb, 2021). Another feature of Chinese companies that have recently gained a foothold in Poland is that their presence is the result of acquisitions by Chinese multinational companies (MNCs) located in third countries, especially Germany. This is a consequence of the Chinese MNCs entry into European value chains. The industrial structure of Chinese MNCs in Poland also evolved from assembly of electronics, to manufacturing of parts and components for automotive sector, utilities, and services. Chinese firms are mainly located in Poland's key industrial regions, namely the Mazowieckie, Dolnoslaskie, Malopolskie and Slaskie voivodeships. The ten largest Chinese employers employ between 372 and 2103 people and are mainly active in the automotive industry (Biswas, Dygas, 2021).

7. Summary

Although the countries examined here – Poland and Czechia – differ in many respects, they have some common features as well. They have been in the process of economic catching up over recent decades; their development paths are defined mainly by the global and European powers, rules and trends; and FDI has a key role in restructuring their economies. In recent years, the abovementioned countries have started to get more interested in Chinese relations – more properly in attracting Chinese investments and boosting trade relations – since the new millennium, although the economic and financial crisis of 2008 drew their attention more than ever to the potential of Chinese economic relations.

In the context of Chinese strategy, the location is an advantage of Poland and the Czech Republic. The initiative created by Chinese government in 2015 "One Belt, One Road" was supposed to open the possibilities for Chinese investors to go global. The scale of Chinises investments in Europe will change and that is an opportunity for Poland, the Czech Republic and other countries from Central and Eastern Europe. Foreign direct investment is one of the most important areas of potential development in bilateral relations. Investment relations between China and CEE countries are expected to develop, based on the announced strategy of Chinese central authorities towards this region (Jankowiak, 2016).

However, the Covid-19 pandemic caused a notable decline in global foreign direct investment (FDI) in 2020, bringing FDI flows back to 2005 levels. The crisis had an immense negative impact on the most productive types of investment, namely greenfield investment in industrial and infrastructure projects, which significantly affected the entire global economy (UNCTAD, 2021).

It is unlikely that Chinese investment in Europe will recover in 2023. The Chinese government is expected to maintain strict capital controls, financial deleveraging, and Covid-19 restrictions. The war in Ukraine and the expansion of regulations to monitor and control Chinese investment in the EU and UK will cause additional difficulties.

The limitation of the conducted research is, among others, the fact that the comparison of Chinese investments was made only in terms of two neighbouring countries, exemplary for the European Union, but certainly not characteristic of each EU member state. Additional, the Covid-19 pandemic and the war in Ukraine, therefore, made it necessary to deepen further research on the phenomena of foreign direct investment, its inflows, its determinants, and the challenges associated with them in a turbulent world.

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