

## Poland bets on China

During a state visit to the People's Republic of China in November 2015, the President of the Republic of Poland, Andrzej Duda, was received by the three most important persons in China: Premier Li Keqiang, President Xi Jinping and the NPC Chairman Zhang Dejiang.

"I have great hopes that a strategic partnership between Poland and China will continue," President Andrzej Duda said during a meeting in Beijing with President Xi Jinping. Three memoranda, including, among other things, a memorandum on an agreement between Poland's Bank Gospodarstwa Krajowego (BGK, The State Development Bank of Poland) and the Industrial and Commercial Bank of China, were signed as a result of the visit.

### One Belt, One Road

President Andrzej Duda travelled to China with nearly 70 businessmen from Poland, with whom he took part in the first Chinese-Polish forum devoted to the intensification of economic cooperation. The Polish businessmen discussed with the Chinese side the subject of the construction of infrastructure connected with the "One Belt, One Road" project. The idea of the project is to restore the Silk Road, which linked China with Europe centuries ago. It will take approximately 35 years to build. The project envisages the construction and modernisation of a network of maritime and land connections between China and the European Union, an important part of which will run through Poland; moreover the construction of a huge handling "port" in Małaszewice, on the Polish-Belarus border, is being considered. Poland is the first EU country that has already taken action in this respect – the first railway link within the so-called Silk Route, running between Łódź and the Chinese city of Chengdu, was opened in 2013.

### AIIB

The economic discussions also concerned Poland's participation in the creation of the Asian Infrastructure Investment Bank (AIIB). It was conceived by China as an alternative to the World Bank and is to support investments in the infrastructure of Asian countries. Why is Poland interested in participating in the AIIB? At present, Poland is the biggest beneficiary of EU funds for so-called hard infrastructure, but after 2020, when the wave of investment projects co-financed from EU funds passes, Polish undertakings (e.g. companies building train railway infrastructure) will be seeking opportunities to participate in projects being implemented abroad. Contemplating its accession to the AIIB, Poland wants to ensure access to the infrastructure projects market in Asia for Polish businesses.

The meeting of minister Krzysztof Szczerski, who represented the Chancellery of the President of the

Republic of Poland, with the main financial institutions of China, organised by the Polish Information and Foreign Investment Agency (PAIIZ), was one of the most important aspects of the Polish business mission. The meeting was attended by representatives of the most important financial institutions of China, as well as Chinese economic decision-makers of the highest level. They came to discuss a new beginning for Polish-Chinese economic cooperation and the opportunities that are opening up for Poland in infrastructure projects that will be implemented under the One Belt, One Road initiative.

Owing to Poland's increasing importance in Chinese infrastructure projects, an invitation from PAIIZ was accepted by minister Li Wei – President of the Research and Development Centre of the State Council, Li Keping – President of the China Investment Corporation, Wang Yanzhi – President of the New Silk Road Fund, Gao Yingxin – Vice President of the Bank of China, Ao Juncheng – Vice President of the Industrial and Commercial Bank of China, and Yu Ping – Vice Chairman of the China Council for the Promotion of International Trade. Representatives of the largest Chinese companies, such as Owen Ou – President of Huawei, Zhang Lei – President of Sinohydro-Power China, and Tang Zhongdong – Vice President of the China Harbour Engineering Company, CCCC, were also among the invited guests.

## China - CEE

President Andrzej Duda's visit also had a regional dimension. He attended the 4th China - CEE Summit. This summit, called 16+1, has been taking place for several years and is attended by delegations of the governments of all CEE countries and the countries that emerged after the break-up of the former Yugoslavia. The main theme of the summit was "unity in diversity". The CEE countries, despite the differences separating them, want to jointly implement investment projects, especially in the infrastructure sector, which will improve the region's cohesion, and hence also its security. Strengthening cooperation with CEE countries was one of the important messages in Andrzej Duda's election campaign, and jointly soliciting Chinese infrastructure investments is a confirmation of that message.

## BGK - ICBC

During the summit of the Central and Eastern European countries and China, an arrangement was signed that is probably one of the most important arrangements for Poland and, in the long term, also for the CEE region. Bank Gospodarstwa Krajowego (BGK, The State Development Bank of Poland) signed in Beijing a Memorandum of Understanding (MoU) with the Industrial and Commercial Bank of China (ICBC), the world's largest bank, which is present on practically all global markets, including in Poland, where Clifford Chance had the pleasure to advise ICBC on the commencement of its activity and on relevant regulatory matters. The MoU was signed in the presence of the President of the Republic of Poland, Andrzej Duda, and the President of the People's Republic of China, Xi Jinping.

The purpose of the MoU, which was signed by the presidents of the management boards of both institutions, is to establish a multi-dimensional and strategic partnership between the two parties, and support for joint projects and further cooperation in various areas between the People's Republic of China and the Republic of Poland. The MoU also identifies those areas and forms of cooperation forming part of the "One Belt, One Road" initiative.

The areas of cooperation listed in the memorandum include the sharing of experience and know-how in the co-financing of large infrastructure projects, development of industrial parks, issuance of guarantees for large enterprises and in selected types of transactions. The parties also declared that they will look for opportunities to cooperate in the area of trade financing, including the issuance of import and export letters of credit, accounts receivable factoring transactions, export guarantees, trade and investment in the Chinese currency, and trading in derivatives. Furthermore, BGK and ICBC will seek opportunities to conduct joint analytical research and cooperation in projects aimed at building competencies (cooperation in the area of technical assistance), exchanging knowledge within the scope of managing and investing in debt and capital funds; they will also treat each other as strategic partners in the area of trade and investment financing.

Bank Gospodarstwa Krajowego initiates and implements programmes supporting the economic development of Poland. It is a competence centre in the financing of infrastructure projects, export, municipal companies and local government. It develops systems of sureties and guarantees aimed at stimulating enterprise. It is engaged in programmes aimed at improving the situation on the real estate market and Poles' access to apartments. It manages European programmes and distributes EU funds nationwide and in specific regions. It is a leading institution in the process of the consolidation of public finances.

The Clifford Chance Warsaw office has a team of experts who assist both state and private Chinese investors in their activities in Poland and Central and Eastern Europe. The team works with the Clifford Chance offices in China (Beijing, Shanghai and Hong Kong). On the team's initiative, a briefing entitled "Investing in 'New Europe' – a legal guide for Chinese investors" has been published. This legal guide is aimed at Chinese investors who wish to invest in Central and Eastern Europe. It covers the following countries: Bulgaria, the Czech Republic, Hungary, Poland, Romania and Slovakia. This guide has been put together by the Central European offices of Clifford Chance with support from Boyanov & Co. in respect of Bulgaria and Lakatos, Köves and Partners in respect of Hungary.

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