

# Warsaw: Bargain capital of European Union

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Wang Weidong, the board chairman of Nucotech Warsaw Company Ltd (NWCL), a local subsidiary of Chinese security inspection product manufacturer Nucotech Co Ltd, said the parent company plans to inject more capital into the Warsaw company this year.

NWCL realized a profit for the first time at the end of 2010 after launching in 2004. Local private enterprises hold 1 percent of the company's shares.

The company's products are usually designed in China but manufactured, processed and sold in Poland. "In Europe, 90 percent of the products are manufactured in Poland. This year we plan to transfer core maintenance technology to Poland," said Wang.

He said the decision to set Poland as a pivot for developing its business in European markets was mainly because of the low labor cost there at twice that of China. In western Europe labor costs may be as high as eight times that of China.

"The local education level also meets our requirements," Wang said, adding the company is targeting the European market partly because, unlike Africa, it is mature and composed of high-end clients, which encourages upgrades and innovation.

And TCL Corp, a major Asian consumer electronics producer and television maker, is planning to expand its Polish plant, which was established in 1998 with an investment of \$66.38 million, said Yu Yang, manager at PIFIA.

Slawomir Majman, president of the PIFIA, said the political and economic stability of Poland, and the fact that it has performed better than other European countries since the financial crisis, have jointly made it more attractive

to foreign capital inflows.

But China has acted a little slowly in seizing opportunities. "Polish investment in China far exceeds China's investment in Poland. We are not satisfied with that," said Majman.

He said it is a very important moment for China-Poland relations with the Polish president visiting Beijing on December 16. "We strongly expect a series of breakthroughs in the economic sector. China is very important to Poland's development strategy in the long term," added Majman.

To attract investment from China, in October Polish authorities approved a plan to set up a center for Chinese cooperation. It was designed to be a one-stop shop for Chinese enterprises that are interested in investing in Poland, Majman said.

In 2011, 93 percent of Poland's foreign investment came from the United States and European countries. The US contributed 31 percent, followed by France, the United Kingdom, South Korea, Sweden and Germany.

And China only contributed about 0.1 percent of FDI flowing to Poland by the end of 2010, said Yu Yang.

FDI to Poland has gone up by 22 percent this year. As of September, the figure surged by 80 percent compared with one year earlier.

The investment is mainly going to areas including auto parts manufacturing, business process outsourcing, machinery, aviation and information and communication technology.

"There has been no better investment environment than 2011 in nearly 10 years," Majman said, adding he is convinced that investment from China will rise inexorably.

But not all the Chinese enterprises are finding condi-



A Polish booth at an exhibition in Xiamen, Fujian province. Chinese investors in the European country are advised to pay more attention to investment risks after some companies suffered setbacks.

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tions sweet in Poland. Setbacks encountered by a Chinese State-owned construction contractor aroused worries among investors that the local environment may be much more complicated than they thought.

China Overseas Engineering Group (COVEC), a Beijing-based subsidiary of China Railway Engineering Corp, a major construction and engineering company in Asia, withdrew from a \$447 million highway construction project in Poland in the first half of the year after incurring potential losses of \$394 million.

The cancellation came just two years after the company became the first Chinese enterprise to win a large European highway contract — to build

two sections of Poland's A2 highway, which will stretch 49 kilometers and run from Warsaw to the German border.

COVEC said the total cost of the construction will be 76 percent higher than the original estimate, as its Polish partner imposed a higher construction standard and the price of building materials soared strongly.

Following COVEC's cancellation, Guangxi-based Liugong Machinery Co., Ltd halted its purchase of Huta Stalowa Wola S.A (HSW), a Polish construction equipment manufacturer in June.

"The COVEC incident reminded us of something that we haven't taken into full consideration previously," Hou Yubo, project manager in

charge of the deal at Liugong Machinery told China Daily.

He declined to elaborate due to company policies.

Rumors arose that Liugong Machinery could not reach consensus with HSW's trade union on issues such as tenure of employment contracts and wage increases.

Pawel Tynel from Ernst & Young also warned that a labor cost rebound after 2009 may be a major risk for those thinking of investing in Poland.

In response to reported disagreements between Chinese enterprises and Polish institutions, Hong Lei, a spokesman at the Chinese Ministry of Foreign Affairs, said in June that China expects some friendly countries in Europe would continue to

grant Chinese enterprises more support and understanding.

Waldemar Pawlak, deputy prime minister and minister of the economy, said the Polish president's visit to Beijing will release a strong signal to enterprises from both sides that the current investment environment could be very favorable.

"Chinese enterprises should learn a lesson from the COVEC incident that they need to get familiar with local laws, partners, cultural differences and fiscal conditions when they invest in Poland," said Pawlak.

Chinese enterprises should proceed with care when they are considering direct investment in Poland and other European countries, Mei Xinyu, a senior researcher at the Chinese Acad-

emy of International Trade and Economic Cooperation under the Ministry of Commerce, told China Daily.

"The legal system, especially that of labor statutes in Europe, is too complicated. The best path is to start with sales and some contracted projects to get familiar with local circumstances before increasing investment in the region directly."

He said the biggest obstacle for Chinese enterprises is the fact that hidden costs will be huge because the highly efficient approach that they are accustomed to in other regions doesn't work in Europe.

To Mei, the advantages of Poland such as its rapid economic growth and comparatively low labor costs are far less attractive than in some countries in East Asia, even disregarding labor productivity. "One should invest directly into the targeted market instead of using Poland as a springboard for other European markets," he added.

Some argue that the blurred economic prospects for Europe would make investors from China more cautious when they are planning to explore the market.

"We noticed that businessmen now hold very undecided views about investment in Poland and other European countries, mainly because of the increasing uncertainties of the European economy. They have become more prudent and hesitant," said Chen Yuehua, director of the Foreign Trade and Economic Cooperation Department of Guangdong.

Dong Xian'an, chief economist at Peking First Advisory, said recent indexes continued to indicate the downward risks of the European economy, and that in the fourth quarter Europe would formally enter a recession.

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## Bringing Wenjiang people closer to art and culture

By ZHAO XIE

The capital of Sichuan province, Chengdu, has been known as a "land of plenty" for thousands of years, so it's a place where people can easily find ways to meet both their material and spiritual needs.

Enjoying a life of abundance and leisure, locals there have a natural love of arts and culture.

This is particularly true of the Wenjiang district in Chengdu's northwestern suburbs.

Wenjiang is known for a brilliant culture that has lasted for more than 4 millenniums.

It was the birthplace of the

ancient Yufu Kingdom dating back to more than 4,000 years ago. A lot of cultural relics belonging to this period have been discovered in Wenjiang and its neighboring areas, indicating a civilization that could parallel any ancient civilization in the central part of China.

Wenjiang is also a place that had offered inspiration to the nation's renowned poets such as Li Bai, Du Fu and Lu You, who left a lot of poems praising the area's nature and culture.

Today the people there still maintain a love of local culture — for example, the pop-

ular operas of teahouses and the folk songs and dances performed on the streets and the countryside.

The locals find a simple happiness for themselves in the humblest performances, such as Baba dance and folk songs as well as their own dramatic creations.

Baba is a type of street dance that combines folk elements with Western-style dance.

And other popular arts there also include the Ee Lantern and Ox Lantern dances.

Wenjiang has more than 100 culture and art groups performing year round.

The district government has

lent its support to these local inclinations and has spent more than 30 million yuan on cultural facilities in its 10 townships and 111 villages, since 2009.

As a result, the residents there can have access to at least one such facility within 10 minutes' walk.

One of the areas to benefit, Liucheng, received 1.2 million to build an indoor performing arts facility at Biluo Lake Park, and the area now has more than 20 performing arts groups.

Hu Guangming, a retired government official who is well versed in several musical

instruments, now heads the Baihua Art Troupe, which is made up of elderly art devotees.

"Before we had the Liucheng stage, it wasn't easy for us to find a proper place to perform," Hu said.

Since this past May, when the stage opened, it has seen at least one performance every day.

"To qualify for the chance to play on stage, we have to do our very best," Hu said, with a sly smile.

Liucheng's stage is not the only such facility it has. There are also about two-dozen arts centers in the area that cater to the needs of locals.

In Zhengzong, a residential community in Wenjiang, has eight performing arts groups for people of all ages.

Li Suqin, who is one of the community's "rural choir" members, said, "When I was a child, I dreamt of being a singer — and now my dream has come true."

Local officials have said that these grassroots activities are a helpful way to improve the morale and quality of life of the locals.

Zhengzong even has a children's theater that has put on some story plays that tell the younger generation about China's traditions and merits and teach them ethics and proper behavior.

Li Suqin, the choir member, who is in her 60s, said the performances make everyone feel younger and more energetic.

"As members of the choir, the old guys have begun to pay more attention to their dress and behavior and we're all looking nicer and more elegant."



The Ox Lantern dance is one of the first batch of intangible cultural heritage items in Chengdu.



Farmers orchestra plays for the public in a local park.



Foreign tourists joining in a folk dance performance.



Showing their artistic talent on a newly built stage in Liucheng.

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