

Chinese Greenfield Investment in V4



Visegrád 4

Visegrád Group, V4

15 February 1991 (as Visegrad Triangle)

– the **Czech Republic, Hungary, Poland and Slovakia**

2004 EU

2011 16+1

Czech Republic (USD 36,784 per capita)

Slovakia (USD 35,095 per capita)

Poland (USD 31,430 per capita)

Hungary (USD 31,370 per capita)



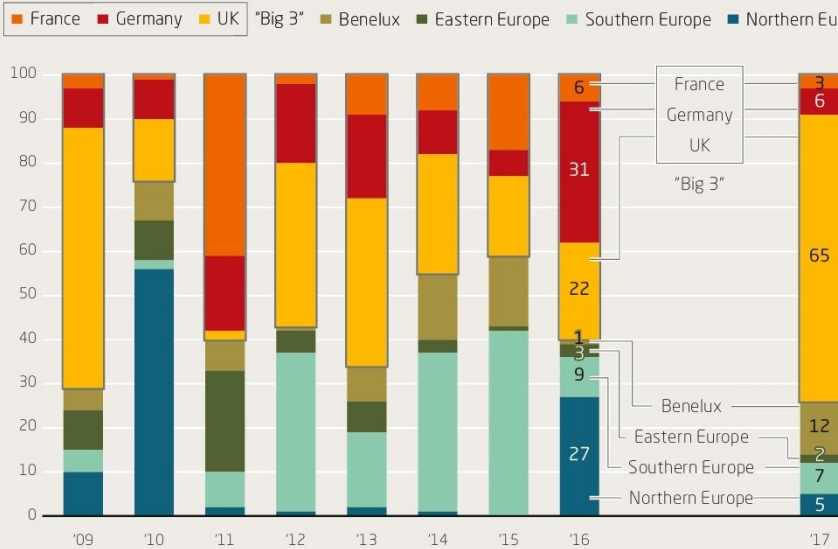
Greenfield investment vs. brownfield investment



Chinese investments in V4 vs. Europe

Chinese FDI remains concentrated in Europe's largest economies

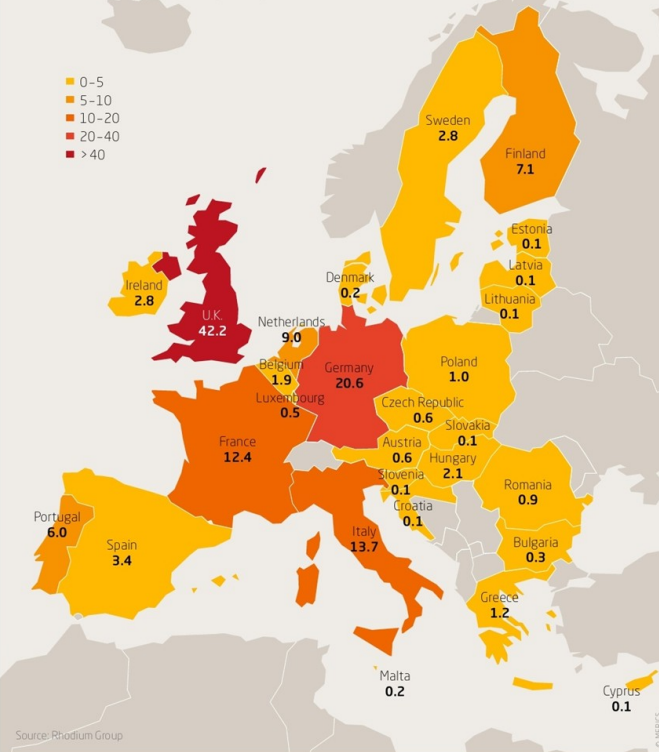
Chinese FDI in the EU-28 by country group 2009-2017, percentage



Source: Rhodium Group. The "Big 3" includes France, Germany, and the UK. "Benelux" includes Belgium, Netherlands, and Luxembourg. "Eastern Europe" includes Austria, Bulgaria, Czech Republic, Hungary, Poland, Romania, and Slovakia. "Southern Europe" includes Croatia, Cyprus, Greece, Italy, Malta, Portugal, Slovenia, and Spain. "Northern Europe" includes Estonia, Denmark, Finland, Ireland, Latvia, Lithuania, and Sweden.

Chinese FDI is distributed widely across Europe

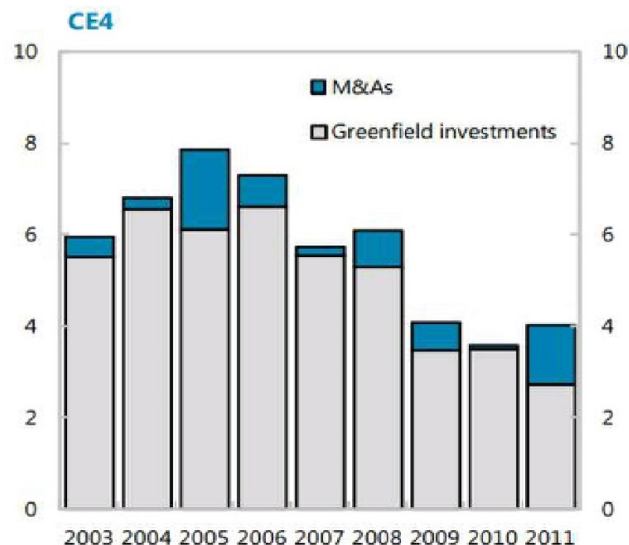
Chinese FDI transactions in the EU by country, 2000-2017, EUR billion



Source: Rhodium Group

Chinese greenfield investments in V4

Breakdown of FDI into greenfield and M&A
(Percent of GDP)



Chinese Investment in V4 until 2011

Country	Greenfield Investments	Mergers and Acquisitions
Czechia	10	1
Hungary	14	4
Poland	15	1
Slovakia	0	0

Source: IMF, 2013

CZECH REPUBLIC

2016 visit of Xi Jinping in Prague - investment memorandum and agreements

CEFC acquisitions

Stable greenfield investment growth in electronics, engineering sectors

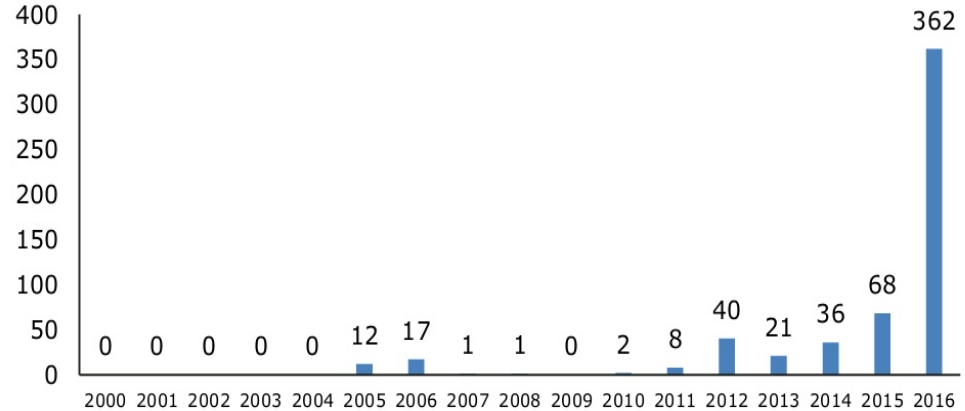
Reasons for investments:

strategic location

excellent connectivity

well-skilled labour force (and cheap)

Figure 1. Chinese direct investments to the Czech Republic (EUR million)



Changhong Europe Electric

LCD and LED TV manufacturer

Nymburk, 2005

Production of 1 million LCD TV's per year

Employs 400 people

CHANGHONG



Shanghai Maling Aquarius

Food producer

Teplice, 2008

Should employ 150 people, produce 10 000 tonnes of canned food per year

Reality: only 20 employees, production less than 15% of the planned capacity

Cause of failure: trademark dispute



Huawei & ZTE

Cooperate with local mobile phone operators, sale of mobile phones and smartphones

Employ 350 people

Huawei plans to invest over 360 million USD, employ 4000 people within five years



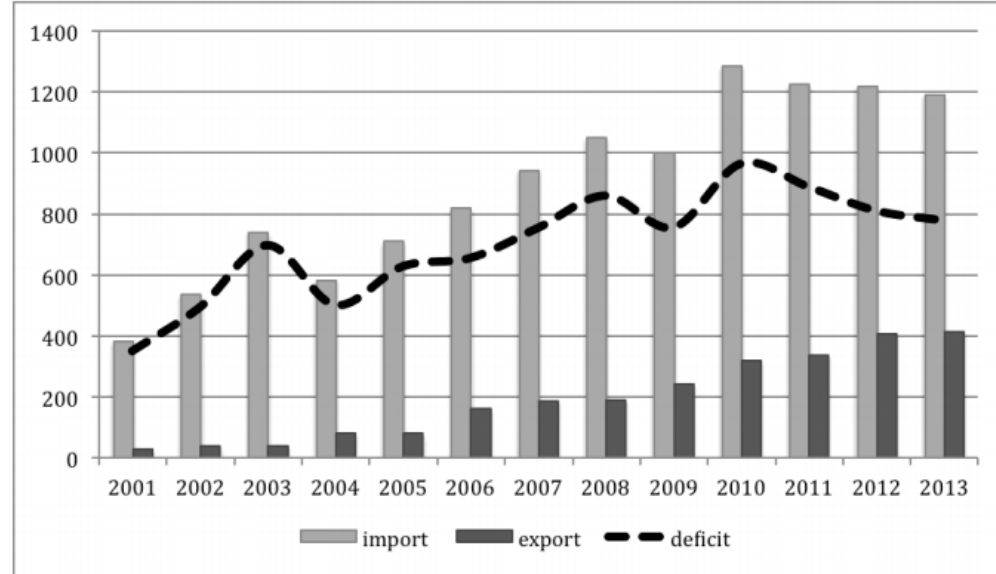
HUNGARY

2010 Eastern Opening

Regarding imports, China is third most important trading partner (2016)

Reasons for investment:
excellent geographic location
access to EU markets
favorable political environment

Figure 1. Hungary's trade with China, 2001-2013 (HUF billion)



Source of chart data: Hungarian Central Statistical Office's (KSH) STADAT database, available at http://www.ksh.hu/stadat_eves_3_5

Company	Sector	Year	Total Value (estimate, EUR million)	Result
Yanfeng Automotive Interiors	Automotive	2004	25	Success
Huawei	ITC	2005	300	Success
ZTE	ITC	2005	15	Success
Livan Biodegradable Product	Biotechnology	2007	18	Failed
Lenovo-Flextronics	ITC	2009	NA	Success
Shanghai Construction Group	Cargo Airport	2009	NA	Failed
Orient Solar	Solar panels	2011	NA	Failed
BYD	Electric buses	2016	20	Success

BYD - Build Your Dreams



BYD is one of China's largest businesses

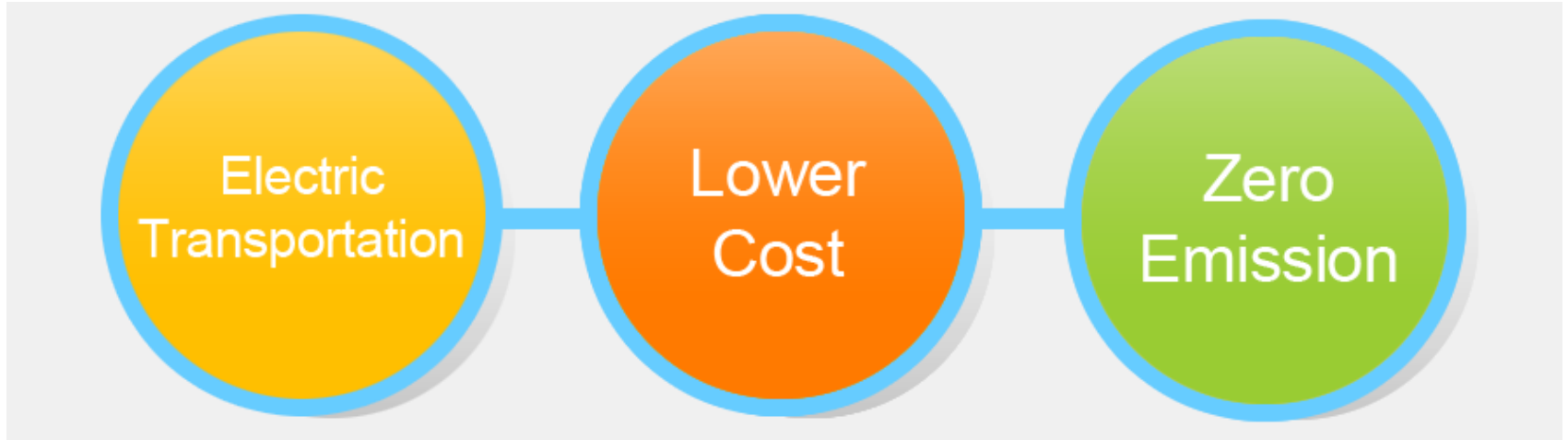
Initially specializing in rechargeable battery technology
--- electric-powered public transportation

2017 Komarom, Hungary
production capacity: 400
startup crew: 32 employees (then 300)

Isbrand Ho, Managing Director of BYD Europe:

“Firstly, because of its central location and its long tradition of engineering excellence, but also we are very conscious of the strong heritage of bus making in this immediate area. Now the government is reinforcing that industry and we are proud to be at the forefront of that movement”.

Green City Solution





POLAND



2011 visit of Polish president in China → Document on establishing a strategic partnership

2016 Xi Jinping visited Poland → Comprehensive strategic partnership format

Why Poland?

- + Biggest land area and population in CEE
- + Close economic and trade ties with China (biggest trade partner among CEE)
- + Economic and financial stability
- + Highly educated human capital (and relatively cheap)
- + Strong position in EU...

WHAT POLAND WANTS X WHAT CHINA WANTS

Chinese investments in Poland

Type of investment

acquisition

17

: 10

greenfield / new entity



Countries	2016 (% of total)	2015 (% of total)
France	32.5	15.2
UK	23.1	35.9
Finland	16.8	0.7
Greece	5.0	0.0
Germany	3.5	13.9
Poland	1.3	6.6
Netherlands	2.5	6.3

Source: FDImarkets

Guotai-Huarong car batteries factory

- the only new significant greenfield project this year
- investment valued at USD 45 million (EUR 38.6 million)
- the plan: build a factory for its flagship product in Godzikowice, in south-west Poland by 2020
- initially will employ 60 people, eventually will create about 100 workplaces

Hongbo Clean Energy (Europe) Co., Ltd



- the project is located in southwestern Poland
- It uses a greenfield investment model with a total investment of 100 million US dollars to build LED lighting equipment.
- created approximately 100 workplaces
- In August 2017, the first phase of the factory passed the acceptance and production, and supplied it to the IKEA European market
- (<http://chinaplus.cri.cn/news/business/12/20180820/172809.html> 1:57)

Nuctech Warsaw

- a global provider of technology services in the fields of security and inspection for customs, airports, ports, railways and major events
- office and production plant in Kobyłka covering an area of 6,000 square meters
- investment valued at 11 million U.S. dollars

SLOVAKIA

- complicated foreign policy towards China
- no Chinese investments prior 2007 in general



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Why not?

- not a typical developed country with desired technology or brands
- not a developing country rich on primary materials
- a small country
- landlocked geographical position
- shortest border with western countries...

Leyard Shenzhen Opto Electronics

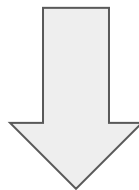
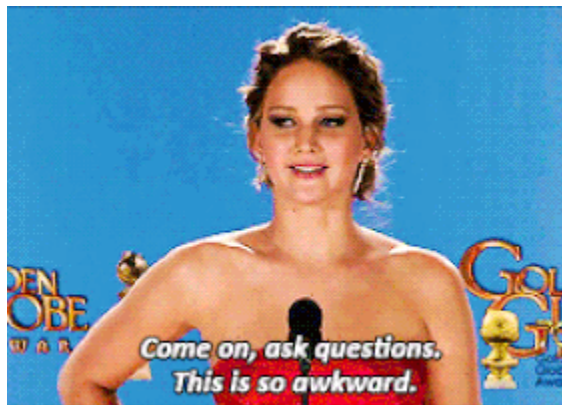


- production facility for large-scale display screens
- investment valued around 2,6 million USD with a planned further 3,4 million USD investment
- created around 200 workplaces

Flameshoes s.r.o.

- Chinese investor opened a new plant (2015) focused on a shoe production
- investment valued around 16 million USD (Slovakia paid 5 million USD)
- created around 200 workplaces





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