
Failed Highway Project in Poland & Croatia Bridge Construction

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Timeline

2009- China's company COVEC won bid to construct the A2 section (49km) of highway in Poland

2010- Competing companies and local workers refused to help COVEC source materials and employees

2011- After Polish refusal to alter contract COVEC was forced to stop work on the project



Timeline



2012- Covic returns to work in S. Asia and Africa

2017- China company China Road and Bridge Corporation won bid to construct Pelješac bridge (2.4km) connecting all of Croatia

2022- Expected bridge completion

Poland Breakdown

- Poland wanted to build an east-west highway across the country before 2012 European championship
- COVEC had the lowest bid (about half of government estimates)
- Other companies were angry at the low price
- Poland believed Chinese government would subsidise losses if necessary



Failure of Poland Highway Project

- COVEC not used to European standards
- Failed to provide financial records
- Surprised by environmental regulations
- Poorly organized leadership
- Underestimated costs of Polish wages and materials
- Polish subcontractors refused to work with them



Poland Opinions



- Southern Asia
- Africa
- Different standards

- Poland bid selection process
- Tension from competitors and Polish workers
- Unreasonable?* difficulty in sourcing materials



Motives

Poland:

- Solely economic
- Threatened by China

China:

- mainly political
- future economic prospect



Croatia Breakdown



Pelješac Bridge Purpose :

-connect “Dubrovnik-Neretva” with main land Croatia

-bypass Bosnia’s Neum (2.4 KM, 4-lane express way)

=Huge economic benefits concerning tourism and trade

Croatia Breakdown

- First started building in 2007, was halted due to financial difficulties and political disputes with Bosnia
- **Joined the EU**, a feasibility test of the bridge was conducted, found feasible
- European Commission contributed **357 million euros** 85% of the total expense
- **CRBC(China Road and Bridge Corporation)** wins the bid

1st Round

- Companies around the world participated
- Including firms from Korea, Greece and Croatia
- Another Chinese state-owned enterprise "Sichuan Road and Bridge Group" also joined the bid

Final Round

| | |
|-------------------|---------------|
| Estimated | 1756 billion |
| Astaldi (IT + TK) | 2,551 billion |
| Strabag (Austria) | 2,622 billion |
| CRBC | 2,08 billion |

Ended up with

- China's price **was 20 percent lower than its competitor**, promised to end 6 months earlier than expected
- bidders complaint with **the State Commission for Control of Public Procurement Procedures** over the winner's "unusually cheap" price
- **State - aid**

- Locals had hoped to find employment on this huge project but it would appear that Chinese workers will fill most of the positions
- Chinese workers to sleep on cruise ship

Less “Trickle-down effect”

View from Croatia

- Bridge projects is very important for government
- Tourism
- Schengen area
- Long-time goal of government
- Controversy of giving contract to Chinese company
- Would rather have Croatian workers



Views from EU and China

European Union

- EU gets more inclusivity
 - Bridge eliminates need to interact with B&H
 - Can stress pressure of nearby non-EU countries
 - Worried about adding connections with China

China

- China gets into the EU construction market, can prove themselves
- China has previous experience in area
 - familiar with working in that region

Poland Highway and Croatian Bridge: Similarities

- Expanding influence to EU
 - Infrastructure
 - Politics
- Surprisingly low price
 - Other companies unhappy
- EU unhappy deal is going to China
- High-risk projects

Comparing and Improving: 2009 -> 2017

Poland:

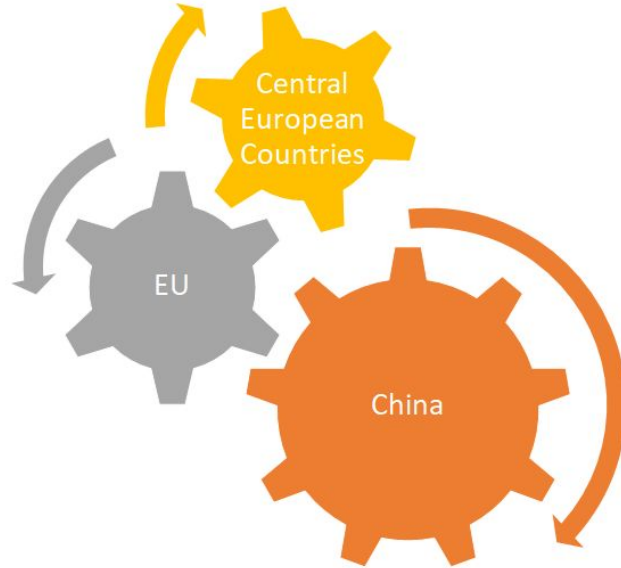
- Put in bid **50% lower** than the estimated worth of project
- Wanted to hire **Polish** subcontractors
- COVEC previously worked in **South Asia and Africa**

Croatia:

- Put in bid for **21% lower** than the competitors
- Use **Chinese** workers
- CRBC previously worked in **similar areas** (non - EU states)
- EU required more specific information before project started

Conclusion

“China has gotten smarter, avoiding the mistakes that they made the last time, but they are still abiding to their own rules, which could be controversial in the EU”



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