



Weekly Briefing

**Poland External Relations briefing:
Poland at the China International Import Expo (CIIE)
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Poland at the China International Import Expo (CIIE)

In October Poland's delegations and business people joined first China International Import Expo (CIIE). As reported by media the Polish Pavilion of 1000 m³ was the biggest from all the European Union member states. The questions discussed among policymakers, experts and broader public have mainly touched the issue of trade deficit with China. Whether by participation in CIIE Poland might limit its trade deficit with China? And the second, whether the Polish side uses the CIIE only for the trade issues or maybe for strengthening cooperation in the different fields?

The Polish government sent Secretary of State, head of the political cabinet of Prime Minister Marek Suski, Minister of Agriculture and Rural Development Jan Krzysztof Ardanowski and Undersecretary of State in the Ministry of Entrepreneurship and Technology Tadeusz Kościński. Minister Marek Suski told that at every meeting the topic of the Central Communication Port appeared. The Central Communication Port is one of the main long-term investment projects of the Polish authorities. After meetings in Shanghai, Minister Marek Suski said that this topic arouses great interest among Chinese investors.

Minister of Agriculture Krzysztof Ardanowski had met with e.g. the head of the Chinese customs office Ni Yuefeng. The discussions were about shortening procedures related to the access of Polish agricultural products to the Chinese market in order to increase exports, especially of the Polish poultry. Poland's expo offer consisted of food products made according to traditional recipes but with the use of modern production means, and stressed that they were adapted to the specifics of the Chinese market. China is among the main venues for Polish food exporters, and Polish food has been often on display at food fairs in the country. What is worth mentioning, that between the beginning of the year and August,

Poland sold 76 million euros' worth of food to China, a 16 percent higher than in 2017.

During CIIE 82 companies from Poland promoted their products. Moreover, the State Investment and Trade Agency signed an agreement with a major Chinese distributor on partnership and establishing a common platform for the sale of Polish products export in China, as well as a framework agreement for the purchase of Polish goods, mainly food, worth 100 million dollars. It was is the largest mission of domestic entrepreneurs to China since finished with a great success of the World Exhibition EXPO 2010 in Shanghai.

For Tomasz Pisula, the president of the State Investment and Trade Agency this fairs are a touchstone for Poland, and the Polish government will closely watch whether China will really open on import. So far, as he said, everything shows that the Chinese side is really interested in importing from Poland and are definitely looking for it new business partners. Moreover, Poland is looking for more Chinese investors and hopes to attract more Chinese greenfield investment in the country. The Chinese are interested in investing in Poland, including participation in the reconstruction of railway infrastructure and investments related to container ports. As was stated *The Chinese are willing to make some more mature investments in Poland than we have talked about a few years ago.*

The major sector was represented by the poultry companies and producers of dairy products and healthy food, like HPBA. But also amber and jewelers, cosmetic brands (e.g. Miraculum or Inglot), representatives of the automotive sector including Poland Automotive Group and aviation companies: Alnea and AeroAT.

Apart from agriculture companies, the port of Gdansk opened its sales representative in one of the main port and industrial centers of China. Cooperation between China and the Port of Gdansk is developing on the yearly basis. The trading office of the Port of Gdansk in Shanghai is the first representative of the

Polish port in the Middle Kingdom. The office was opened with the cooperation of the Polish Investment and Trade Agency. As considered by the Polish government this is a milestone in building the strong position of the Port of Gdansk on the world map. The Port of Gdansk constant presence in the heart of the Chinese maritime economy is both business and PR success. The Port of Gdansk was awarded at the international China International Logistics and Transportation Fair in Shenzhen the most important event in the logistics and transport industry. The Port of Gdansk is currently the fastest growing transport hub in the region of the Baltic Sea. As the only Baltic port, Gdańsk has permanent shipping connections with ports in China (Shanghai, Ningbo, Yantian, Xiamen). Moreover, the Port of Gdansk is also the only one in the Baltic Sea able to receive the world's largest transoceanic OOCL container ship. The Chinese giants like China Merchants, Cosco, China Communications Construction Company, ZMPC or Steel Searcher the market already benefit from these opportunities. Recently the Port of Gdansk summarized the reloading for the first half of 2018. Compared to the same period last year, the port of Gdansk has more than 35 percent of reloading. Gdańsk has also achieved the highest growth rate among the Baltic ports and is currently in fourth place in terms of transshipments in the Baltic Sea. Moreover, the city of Gdansk brought one of the leading company Nava Co. This company is the leader of the ship design employing highly-skilled specialists with extensive experience in a variety of fields.

The Chinese giant of the telecommunications market Huawei is considering the building of a research and development center near Warsaw. During CIIE Marek Suski met with a delegation from Hunan province and as media informed Hunan Construction Engineering Group Co. Ltd. is interested in building Huawei's center. Interestingly, during the Expo, the Polish government hold the seminar on Hunan-Central Eastern European Business Forum and B2B Procurement Fair. This cooperation might open the new chapter in the cooperation between Hunan and Poland. So far, Poland cooperates with Sichuan and Henan province.

Conclusions

From the Polish perspective, the most important issue is the trade deficit with China. Polish exports to China have been systematically growing, but have not exceeded EURO 2 billion. In addition, in the previous year, he dropped to EURO 1.72 billion from EURO 1.82 billion in 2015. The value of exports from Poland to China in 2017 increased by as much as one-third. The value of goods sold for the Wall for the first time in history exceeded PLN 12 billion in one year. In 2017, it reached nearly 18 billion dollars. after an increase of 18 percent. The historical level achieved the turnover of China with Poland. Total exchange increased by more than 20 percent and for the first time has raised the amount of USD 21.23 billion. Poland is placed in the eighth place among Beijing's trading partners from the European Union. This, however, does not imply, that the deficit in bilateral trade has been narrowed. Contrary to the expectations the deficit has been growing and the government is thinking about how to limit the above-mentioned processes. The CIIE might be seen as the solution, however, the small amount of trade will be not sufficient to cover the deficit gap.

Not only trade cooperation is important. As we need to notice Port of Gdansk is also interested in cooperation with the Chinese port cities. From this perspective, China is the key partner for future cooperation. With the 16+1 Maritime Secretariat Poland is becoming more and more important for non-EU members. In 2017 the cooperation with Russia occupied 49 percent and was followed by cooperation with Norway and China 9 percent and 8 percent respectively. The Ministry of Maritime Economy and Inland Navigation is ready to strengthen cooperation with Chinese companies and ports. This indicates that the Polish government is interested in strengthening cooperation in infrastructure and logistics with China. According to Minister Gróbarczyk, the Chinese government is "extremely interested" in participating in investments in Poland, including in the field of hydrotechnical projects. We have been discussing cooperation for almost two years, now we are finalizing the design work (...). This is the best opportunity for us to start a concrete cooperation in the field of

construction, said the head of Ministry of Maritime Economy and Inland Navigation in the context of the meeting with the Minister of Transport of the PRC, Li Xiaopeng. The cooperation will be driven by cities, and the Port of Gdansk' actions fully support the growing role of the sub-national actors in bilateral relations.

From the perspective of the Polish exporters, the China International Import Expo is perceived as the good opportunity for the strengthening their position on the Chinese market. Some of them remarked that the presence of Chairman Xi Jinping is considered as the crucial for the future cooperation with the Chinese counterparts. The core gives incentives for Small and Medium Enterprises that are important for the development of the Polish economy. The Small and Medium Enterprises make up 70 percent of the job places in Poland and approximately 60 percent GDP.

To sum up, the Polish activities at the China International Import Expo were not only limited to the political meetings but were rather constructive and presented the possibilities for further business interactions with China in the field of trade and investment based on the European Union regulations.