



Weekly Briefing

**Poland external relations briefing:
China International Import Expo 2019 - Polish perspective
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China International Import Expo 2019 - Polish perspective

On November 5-10, 2019, the China International Import Expo took place. Poland again participated in this global event. Several dozen Polish companies took part in the fair organized in Shanghai. Polish companies represented various sectors of the economy - from agriculture, through cosmetics and medical equipment, to amber jewellery and mining machines. Although Poland wanted to show a wide range of offers, this year much fewer suppliers presented at the fair than during the first edition of the event.

Importance of CIIE

In the first half of November, for the second time in history, companies from around the world have fought for customers in Shanghai. The event under the name China International Import Expo (CIIE) was organized at the behest of the Chinese President Xi Jinping, meaning, that the rank of the fair reached practically a government event.

Preparations of Polish companies for the fair were once again conducted by the Polish Investment and Trade Agency (Polska Agencja Inwestycji i Handlu, PAIH). The PAIH acting president emphasized that already in the election phase, great efforts were made to select these applications and companies with the biggest sales potential for China - the possibility to offer premium products was a common key. It must be admitted that so far only few Polish companies are present in China, therefore most of them want to find distributors there through trade fairs - participation in the CIIE could be regarded as a unique opportunity to present Polish, innovative products then.

Exhibitors stressed in conversations that in the Internet age, the importance of trade fairs and personal meetings is growing again, because they help to strengthen personal relationships with contractors. Missions organized by state agency such as PAIH help - as a result - to build a wide range of business partners - so the importance of building *guanxi* is also increasingly noticeable by Polish companies.

Therefore in the spring, half a year before the fair, the specialists argued and analysts indicated, that nowadays it is the best time to search for trading partners in Asia, in a region that is still quite unknown to Polish companies. The trade fair is consequently an ideal moment

to explore the market and the needs of new contractors. Experts also pointed out that participation in importers' trade fairs is attractive for the Chinese side too, since China - in order to avoid losses in the trade war with the United States - must deepen their contacts with the rest of the world. It was underlined moreover, that the trade war may open the door for European companies a bit, meaning that China, in the search for friendly markets, may be more hospitable to European, also Polish, suppliers.

In fact, the participation in CIIE should be one of the key dates in the calendar of Polish companies that want to start exploring Asian markets. It also seems that it should be an important goal for PAIH, an agency that is to promote Polish products abroad. In contacts with China, this is extremely important because the imbalance in Polish-Chinese trade is huge. In recent years, it is around 1:12,5, so the Polish side should look for gates and opportunities to reduce this disproportion. One of the occasions is the participation of Polish firms in trade fairs, promoting Polish products there and expanding the audience. From the very beginning of its involvement in China, PAIH emphasized that the purpose of the missions organized by this agency was to reduce the trade deficit caused by low competitiveness and innovation of Polish products, and also huge competition on the Chinese market. Yet, the former director of PAIH, Tomasz Pisula, indicates that the trade imbalance in bilateral relations has also non-market reasons: "the Chinese side often place higher demands on Polish goods than those in other EU countries. Therefore the China International Import Expo is a litmus test, where we can verify China's promises regarding unblocking imports from Poland".

Participation in this year's edition

Despite the undoubted advantages, this year's edition was not as attractive as the I China International Import Expo. In 2018 over 80 Polish companies were present at the fair, and the Polish stand was the largest of all stands compared to other member states of the European Union. In total, Poland's offer in 2018 was presented on as much as 1000m². It consisted of 6 industry stands and a national stand. For this reason it was the largest exhibition space since EXPO in Shanghai in 2010.

This year, however, the Polish stand was definitely smaller - a total of 32 companies presented their products. Jewellery, cosmetics, healthy food, medical equipment and heavy machinery producers were present at the fair. Many of them emphasized great atmosphere but also the opportunity that the fair opens - according to the Polish Investment and Trade Agency, cross-border e-commerce in China is growing rapidly and thanks to this many producers may

easily enter the Chinese market. The fair was therefore a chance to present the Polish offer in this respect.

Tourist organizations were also present. Visitors to the Polish National Stand could listen to the music composed by Frederic Chopin, obtain information about Poland's tourist offer, learn about selected products proposed by regional tourists organisations participating in the fair, try Polish beer or take a picture of hostesses in Polish folk costumes.

Nevertheless, as mentioned, this year's Polish delegation was far away from what was presented last year. Undoubtedly, reducing the number of publishers is a serious mistake - although in the months preceding the exhibition PAIH promoted the event, yet there was definitely no better coordination. It can be assumed that the new management board of the agency lacked the involvement of previous director Tomasz Pisula, who took with him last year to Shanghai Minister Marek Suski, as well as Deputy Minister of Entrepreneurship and Technology Tadeusz Kościński. Which in practice means, that in addition to the business component, there was also a political pillar and governmental support.

There was no such involvement this year. Perhaps the lack of political will to support this event was the cause for that. Or the changed management board of PAIH, and actually the lack of a director responsible for the promotion of Polish companies abroad, is to blame for this situation.

Perhaps also Polish companies have found that the Chinese market is not lenient for them, competition there is fierce and the quality of products is very important. As one of the experts points out: "the attitude of our entrepreneurs is very important. We sensitize business to the fact that China is not a market in which Polish companies should compete on price. The scale of production is also a challenge. By cooperating and creating a joint sectoral brand, they will be able to provide the volume of goods that will allow them to fight for the Chinese market. Otherwise they will fail".

The fairs themselves did not arouse interest of the general public. It was not easy to find media reports on this matter - major dailies like "Gazeta Wyborcza" and "Rzeczpospolita" did not report at all, neither did the key news stations TVN24 and Polsat News. If the name of the fair appeared somewhere, it was only in the context of the visit of French President Emmanuel Macron and his talks with Xi Jinping (TVP Info, TVN24, "Rzeczpospolita"). There is no

mention of the Polish offer at the fair. Though one can find short information on the websites of tourist organizations and producers exhibiting at the fair (e.g. like Famed Żywiec - the only Polish producer supplying operating tables and hospital beds to China; the company generates almost 1/5 of annual revenues from export sales in China).

Especially striking is the lack of coverage about fairs on the PAIH websites – there is no information about the companies that presented their products and services, no description on activities of the agency during the CIIE. The Export Promotion Portal is also very laconic in its reports - there is only an invitation to participate in the fair on the website. Their portrayal is definitely lacking.

Yet, according to data from the Central Statistical Office for the second quarter of 2019, after rising to a record level of EUR 650 million (increase by EUR 165 million y / y, i.e. 33.9%), China has become the 20th most important market for Polish exporters. It is a shame that the opportunity was not taken to promote further companies in China, increase the scale of exports to the PRC and thus compensate trade imbalance in bilateral relations - a goal that Prime Minister Mateusz Morawiecki repeatedly mentioned during his meetings with Chinese political leaders throughout last years.