

# Poland is open to the East

In this exclusive statement for “Polish Market” Polish Deputy Prime Minister and Minister of the Economy WALDEMAR PAWLAK outlines the country’s economic co-operation with countries further East.

China and Russia are now the biggest powers of the East, countries to be reckoned with by all the participants in world trade. The importance of Central and Eastern European economies is also growing. More and more countries are noticing the opportunities offered by the political and economic transformations taking place there, as well as the improving economic situation. For Poland, which is recognized as the leader of transformations in the region, this offers the opportunity to broaden co-operation with the East and strengthen the position of this part of the world in global competition. For countries of the East, Poland is in turn an attractive bridgehead on their way to win EU markets.

The annual Economic Forum in Krynica and the EU-China Summit provide an excellent chance to tighten economic relations with countries in the East.

## China

China is Poland’s number one partner in Asia in terms of two-way trade. In 2007 commodities worth nearly EUR 8.6 billion were imported from China. Given the steadily rising imports (up by as much as 39% last year) the biggest challenge for Polish policies vis-à-vis China is to achieve a trade balance.

Faced by fierce competition from the highly developed countries, Polish exporters are having problems reaching Chinese partners. That is why we support Polish entrepreneurs by offering them assistance in terms of financial instruments such as export loans. Last year their total value increased from USD 85 million to 285 million. By end-2007 contracts for the deliveries of goods and services to China were signed to the tune of around USD 141 million.

These measures are already bringing tangible effects. The number of Polish companies that export to China is growing dynamically. In



2007 their number exceeded 1,100. In the same year Polish exports to China grew by 19% reaching the level of EUR 712 million. In the year to May Polish commodities worth EUR 383 million were sold in China, which is over ten times more compared with Japan, Korea, Taiwan and India.

When it comes to investment co-operation with China, Polish companies are the keenest to take the plunge in the production of machinery and mining equipment. China is the world’s biggest coal producer. Poland is the European leader. That is why coal processing is a very promising area of co-operation. We are primarily interested in the exchange of experiences in the field of clean coal technologies. We are counting on new Chinese investments in Poland. We estimate that by

end-2006 Chinese concerns had invested around USD 120 million in Poland.

## Russia

Next to EU countries, Russia is one of Poland’s most important trading partners. In terms of size, it is the sixth largest market for Polish goods and the second largest exporter to the Polish market. In 2007 two-way trade amounted to around USD 20.7 billion, with Polish exports accounting for around USD 6.4 billion. This year we are observing a notable acceleration of two-way trade. In the year to April Polish exports grew by as much as 55.1%. This was largely due to the lifting of the Russian embargo on Polish meat and plant products. We regard this as a positive signal, a sign of normalization and a desire to develop bilateral economic relations. The lifting of the embargo also opened the way for talks on a new EU-Russia Partnership and Co-operation Agreement.

Russia’s accession to the World Trade Organisation is also bound to improve the conditions of economic co-operation. We are hoping that as part of the accession process unfavourable non-tariff instruments applied toward Poland by Russia will be removed, including complex veterinary and phytosanitary rules as well as a system of extra fees for rail transport.

The potential of the Russian market is appreciated by Polish investors. Polish entrepreneurs had invested as much as USD 350 million by end-2007.

## **Ukraine**

For a number of years Poland has shared with Ukraine its experiences in democratic political reforms and the liberalization of the economy. Ukraine has become Poland's strategic partner in Eastern Europe. In the past three years two-way trade increased more than 2.5 times. Last year alone Polish trade with Ukraine grew by 33% to reach the sum of USD 7.2 million, of which 76% was accounted for by Polish exports.

We are encouraged by the rapid growth of Polish investment in Ukraine. By the beginning of this year it had amounted to over USD 670 million. Ukrainian companies are also keen to invest their capital in Poland. This year they invested USD 800 million.

Bilateral co-operation can be particularly fruitful in such areas as power engineering, agriculture, extraction industries and construction. Ukraine is facing the need to modernize its economy, which will require considerable investment outlays and imports of machinery, equipment and modern technologies. Poland can be a valuable partner in this respect.

Poland is also actively supporting Ukraine on the international forum, notably within the European Union. We support the country's accession to WTO, which will make the Ukrainian economy more competitive and will facilitate access to its market.

## **Kazakhstan**

Another promising partner in the region is Kazakhstan. It currently occupies the fourth position in Poland's trade with the countries of the Commonwealth of Independent States. It is also Poland's main partner among Central Asian states. Last year Polish-Kazakh trade was up 36% on previous figures. It amounted to nearly USD 890 million. Polish exports accounted for 53% of that.

Polish investors appreciate the advancement of Kazakhstan's market reforms and economic growth, which in 2007 amounted to as much as 8.7%. The rich crude oil and natural gas deposits are another attraction, offering a chance for the diversification of Poland's energy supplies.