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SOUTHEAST ASIA AS A TRADING PARTNER OF POLAND

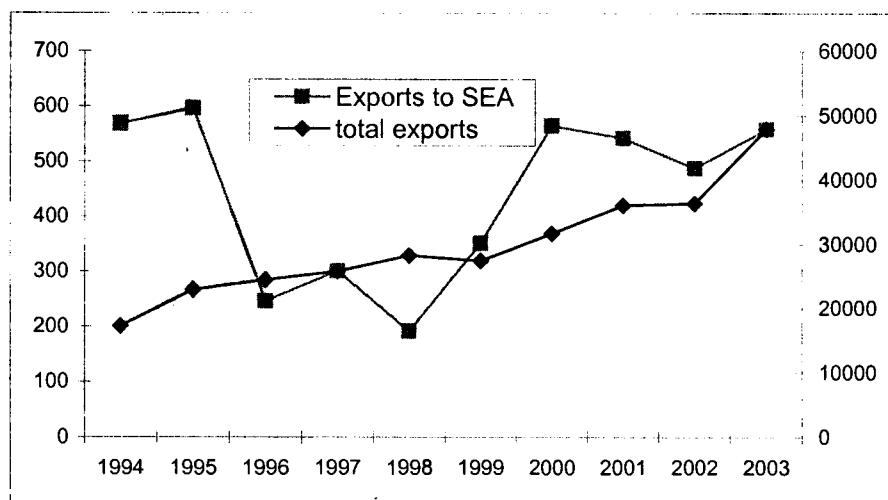
After the beginning of the economical transformation which began in 1989, Poland underwent dramatic changes in its economical and political structures. One of the most vivid results of these processes was a rapid growth of foreign trade turnovers. This resulted also in the rise of the internationalization level of the whole economy. In the year 2003 the share of exports in the Polish GDP reached a level of 25%. At the same time the commodity structure and the direction of Polish trade changed significantly. The production was shifted from a high labour endowment to a more developed and sophisticated structure.

The exports to the Southeast Asia (SEA) countries experienced a dramatic fall in the second part of the 1990s. After that time a volume of exports in 2003 reached the level of 1994. At the same time the total exports from Poland grew more than three times. In the relational values the exports to SEA in 1994 amounted to 3.3%, while in 2003 it constituted only 1.1%. On the other hand, the shapes of the curves of import dynamics in both cases are similar. In 1994 the ratio of imports from SEA in the total imports to Poland amounted to 6.9%, while in 2003 it reached about 10.7%.

As seen in the table above, China has gained the first position in both the exports and the imports values. China replaced Japan, which occupied the first position until the mid-1990s. Particularly, it is the imports from China that grew very remarkably: almost ten times within a decade. Japan comes second among the SEA importers. These two countries represent more than 2/3 of import expenditures to all the countries listed above. The third position is occupied by South Korea in both export and import commodities. The fourth on the list is Taiwan, and this is the last

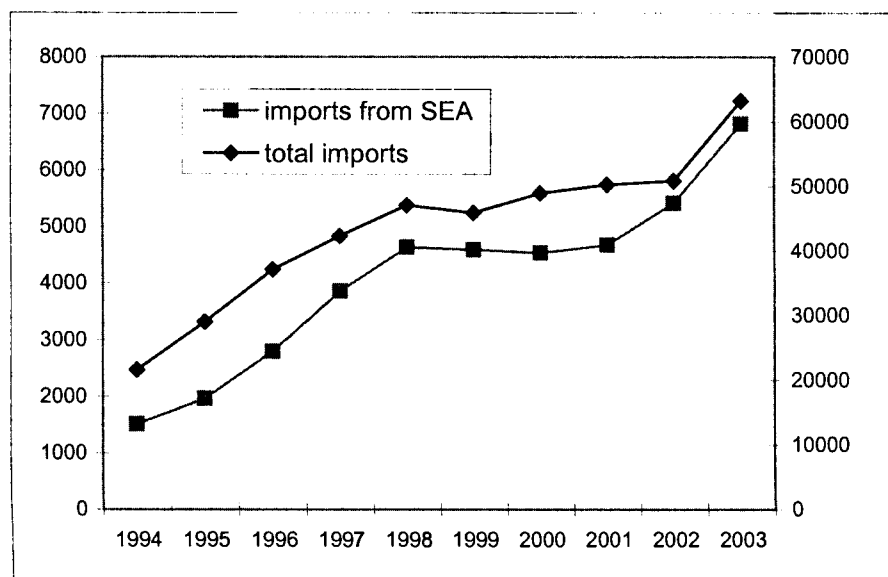
country whose imports amount to more than a half billion USD. Of minor importance are such countries as: Malaysia, Singapore, Indonesia and Thailand.

Picture 1. The development of exports to SEA countries and total Polish exports in millions of USD



Source: Author's own calculations.

Picture 2. The development of imports from SEA countries and total Polish imports in millions of USD



Source: Author's own calculations.

Table 1. Exports and imports from SEA countries (years 1994 and 2003) in millions of USD (in brackets the rank among all the SEA countries)

	2003		1994	
	Imports	Exports	Imports	Exports
China	2890 (1)	182 (1)	311 (2)	62 (2)
Japan	1269 (2)	94 (2)	350 (1)	38 (7)
South Korea	644 (3)	47 (3)	209 (3)	40 (6)
Taiwan	566 (4)	47 (3)	167 (4)	161 (1)
Malaysia	342 (5)	41 (6)	40 (9)	16 (10)
Singapore	291 (6)	43 (5)	78 (7)	56 (4)
Indonesia	260 (7)	17 (10)	91 (6)	15 (12)
Thailand	244 (8)	19 (8)	102 (5)	48 (5)
Vietnam	134 (9)	15 (10)	32 (10)	17 (10)
Philippine	71 (10)	6 (11)	11 (14)	21 (8)
Hong Kong	59 (11)	39 (7)	72 (8)	60 (3)
Sri Lanka	21 (12)	4 (12)	18 (11)	12 (13)
Bangladesh	20 (13)	3 (13)	11 (13)	2 (15)
North Korea	8 (14)	2 (14)	16 (12)	21 (8)
Laos	0 (15)	1 (15)	0 (15)	5 (14)

Source: Author's own calculations based on The Polish Yearbook of Foreign Trade (Years 1995-2004), Central Statistical Office, Warsaw for years 1995-2004, respectively.

The turnovers with the remaining seven countries are rather of marginal importance, and in a few cases they do not even exceed 1 million USD per a given year. It must also be stressed that after a fall in the mid-1990s, the export dynamics to SEA countries has recovered. Nevertheless, there is still a wide gap between the export and the import growth, and this will presumably lead to a further widening of trade deficit in the turnovers with the SEA countries.

An analysis of the geographical structure of commodity exports leads to a conclusion that the importance of the SEA countries for Poland is comparable to the situation in other Central and East European Countries (CEEC).

Table 2. Merchandise exports of selected CEEC in 2003 in percentage (%)

	Poland	Hungary	Czech Republic	Slovakia	EU-15
Western Europe (EU included)	73.2	79.0	74.1	63.4	67.8
CEEC	18.3	11.0	18.9	26.4	6.9
North America	2.6	3.3	2.6	5.5	9.4
Latin America	0.9	0.4	0.4	0.3	1.9
Asia (SEA included)	1.6	2.0	2.2	1.7	7.8
Middle East	0.9	1.8	1.1	0.4	2.5
Africa	0.7	0.6	0.5	0.2	2.6

Source: International Trade Statistics, WTO, 2004.

As the above table demonstrates, the weak position of Asia as an export destination for Poland is comparable to the other countries of the region, and it varies between 1.6% and 2.2%. Still the numbers are significantly lower in comparison to the "old" EU countries (EU-15) where exports to Asia amounts to 7.8%.

Table 3. Merchandise imports of selected CEEC in 2003 in percentage (%)

	Poland	Hungary	Czech Republic	Slovakia	EU-15
Western Europe (EU included)	65.5	58.3	63.4	53.6	67.0
CEEC	17.3	14.3	18.0	33.5	6.8
North America	2.9	3.5	3.4	2.0	6.4
Latin America	1.5	1.2	1.1	0.6	2.0
Asia (SEA included)	10.4	19.8	13.4	7.6	12.0
Middle East	0.3	0.2	0.6	0.1	1.5
Africa	0.8	0.3	0.5	0.3	3.0

Source: International Trade Statistics, WTO, 2004.

For the whole Central European region Asia is a much more important partner in terms of import expenditures than in export sales. The most vivid situation applies to Hungary. This country imports almost 1/5 of all imported goods from Asia. It is not by chance that in the last years Hungary has attracted a lion share of Asian FDIs invested in the CEEC. A share of imports in the total imports is comparable also for the former EU-15 (12.0%). As regards Poland, both export and import structures in terms of the geographical division are comparable to the other countries of the region. And all the countries suffer from a large trade deficit in the turnovers with SEA countries.

The first observation from the table above is the fact that the exports commodity structure to SEA countries is much less diversified when compared to the sales to Germany (which is at the moment the main trading partner of Poland) and the USA (the main export destination among all the non-European countries). However, this diversification changed positively in the years 1995-2003, particularly in the case of China and Taiwan. But the commodity structure is still strongly based on only a few sections. The products of metallurgical industry play a special role in the export to China and Taiwan and amount to 39% and 65% of total Polish exports to those countries, respectively. Also chemical products are of quite an importance, despite the fact that the share of chemical goods in the Polish exports fell dramatically over the analysed period of time (from 21% to 9% in exports to Japan, 56% to 23% in exports to China and 15% to 10% to Taiwan). In the year 1995 the animal articles amounted to almost a quarter of the total export to Japan but at the moment this number has diminished. However, in a case of Japan a sharp rise of the exports of transportation equipment is being observed. This should be associated with a fairly high amount of the FDIs invested by Japanese automotive companies in Poland. Despite the few positive changes, it should be stressed that the structure of the Polish exports to SEA countries is not sophisticated also when compared to the most important non-European export market, namely the USA, which can be seen in the table.

Table 4. The merchandise export of Poland by the PCN sections and selected countries in 2003

	Japan		China		Taiwan		Germany		USA	
	1995	2003	1995	2003	1995	2003	1995	2003	1995	2003
animals	24.5	20.1	1.8	1.9	0.0	2.6	2.0	2.0	3.9	1.9
vegetable products	2.4	0.5	0.1	0.7	0.0	2.3	2.2	1.9	0.2	2.2
fats and oils	4.8	1.6	0.0	0.0	0.0	0.0	0.1	0.0	0.0	0.0
prepared foodstuffs	0.0	0.0	0.2	0.1	0.0	0.9	2.3	2.6	4.7	10.1
mineral products	0.0	0.0	0.2	0.7	0.1	0.0	5.9	4.3	2.6	1.3
products of the chemical industry	21.8	8.9	56.8	23.0	15.5	10.6	3.4	2.7	16.0	6.8
plastics and rubber and articles thereof	0.3	1.3	0.9	2.8	0.5	2.0	3.0	5.0	2.3	3.9
raw hides and skins, articles thereof	0.2	0.5	0.0	0.1	0.0	0.0	1.4	1.2	0.2	0.1
wood and articles of wood	1.0	6.7	0.0	0.6	0.0	0.5	6.2	3.7	0.8	1.1
pulp of wood, paper, paperboard and articles thereof	0.1	0.4	0.5	5.0	1.5	4.2	1.6	3.2	0.7	1.1
textiles and textile articles	6.9	0.8	1.9	0.3	0.1	0.4	18.5	7.5	10.6	4.8
footwear, headgear and articles thereof	1.0	0.1	0.3	0.0	0.0	0.0	1.3	0.6	2.6	0.9
articles of stone, ceramic products, glass	10.7	3.9	0.2	1.8	0.0	0.2	1.8	1.9	8.8	6.7
pearls, precious stones and metals, articles thereof	0.7	0.4	0.0	0.0	0.1	0.2	0.4	0.4	0.8	4.6
base metals and articles thereof	14.9	3.6	5.6	39.4	76.5	65.2	17.7	13.5	11.9	8.3
machines and machinery equipment	2.8	12.2	29.4	18.1	4.6	8.5	10.0	21.9	25.3	21.6
transport equipment	1.0	26.1	1.1	4.4	0.0	1.2	10.6	15.7	3.4	6.9
optical, photographic, measuring, checking instruments and article thereof	6.6	7.5	0.4	1.0	0.2	0.6	0.5	0.9	0.7	6.9
arms and ammunition	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.7	0.0
miscellaneous manufactured articles	0.4	5.5	0.5	0.3	0.9	0.5	11.0	10.8	3.9	11.0

Source: Author's own calculations based on The Polish Yearbook of Foreign Trade, Central Statistical Office, Warsaw 2004.

Table 5. The merchandise import of Poland by the PCN sections and selected countries in 2003

	Japan		China		Taiwan		Germany		USA	
	1995	2003	1995	2003	1995	2003	1995	2003	1995	2003
Animals	0.0	0.0	1.6	4.6	0.0	0.1	0.9	0.4	3.0	1.8
vegetable products	0.0	0.0	6.2	1.7	0.0	0.0	0.9	0.4	3.4	1.2
fats and oils	0.0	0.0	0.0	0.0	0.0	0.0	0.8	0.5	0.0	0.2
prepared foodstuffs	0.0	0.0	0.7	0.6	0.1	0.0	3.5	1.9	4.1	2.1
mineral products	0.0	0.2	2.6	0.8	0.0	0.0	1.4	2.3	0.9	0.7
products of the chemical industry	9.3	5.8	9.0	3.6	0.6	0.7	11.0	10.4	14.3	20.3

plastics and rubber and articles thereof	3,5	4,7	2,8	2,7	9,4	3,8	8,0	11,4	5,6	5,1
raw hides and skins, articles thereof	0,0	0,0	3,1	2,2	0,5	0,1	1,2	0,5	0,7	0,3
wood and articles of wood	0,0	0,0	0,4	0,5	0,1	0,1	0,7	1,2	0,9	0,3
pulp of wood, paper, paperboard and articles thereof	0,3	0,4	0,6	0,4	0,5	0,1	5,4	4,6	1,6	3,8
textiles and textile articles	4,3	1,7	12,6	13,8	9,8	8,5	15,4	4,7	6,9	2,5
footwear, headgear and articles thereof	0,0	0,0	14,0	4,3	0,8	0,7	0,2	0,1	0,1	0,0
articles of stone, ceramic products, glass	2,8	0,4	0,8	2,8	0,2	0,4	1,9	2,1	1,4	0,9
pearls, precious stones and metals, articles thereof	0,0	0,0	0,1	0,2	0,2	0,0	0,1	0,1	0,1	0,1
base metals and articles thereof	1,2	4,3	6,3	6,2	7,5	7,2	8,9	12,9	2,7	4,3
machines and machinery equipment	52,5	57,6	18,9	41,6	50,7	71,3	28,4	28,3	42,3	38,3
transport equipment	7,0	16,5	1,1	2,9	9,6	2,9	6,3	14,3	1,5	8,0
optical, photographic, measuring, checking instruments and articles thereof	18,0	7,2	4,6	3,0	3,4	1,7	3,1	2,1	9,0	9,3
arms and ammunition	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
miscellaneous manufactured articles	1,0	1,1	14,4	8,3	6,5	2,1	1,9	1,8	1,5	0,9

Source: Author's own calculations based on The Polish Yearbook of Foreign Trade, Central Statistical Office, Warsaw 2004.

The commodity structure of imports from SEA to Poland is again much less sophisticated and less diversified when compared to the commodity imports from the USA and Germany. A much higher value of the imports from China in comparison to Japan and Taiwan results also in a much diversified commodity structure. The main section in terms of the import structure is similar for all the countries listed above. It is the "machines and machinery equipment" and for a few countries this section stands for more than a half of the total sales to Poland (e.g. Taiwan over 70%). Another important noted feature are other investment-related sections, namely the articles of: chemical industry and rubber, and plastics industry. It must also be noticed that China is gaining a fairly important role in the imports of pre-processed agricultural articles, which could be found in a rising share of the animals products (section I).

Foreign direct investments and trade

In the contemporary economy there is a special link between foreign direct investments (FDIs) and foreign trade. It is especially true for a country like Poland. The most recent estimations provide that 54% of the export sales from Poland are generated by companies with foreign capital. Also the firms which originate from the SEA countries play an important role in that process. The fact that a predominant part of FDIs invested by Asian enterprises in Poland has come via their plants located in Western Europe is worth noting.

Until the end of 2004 the total value of the FDIs invested in Poland amounted to 85 billion USD. Nevertheless, only a small share of the world FDIs is invested in Poland. In 2004 it was slightly above 1% and gave Poland the first place among all the CEEC (not including Russia). One of the most important results of the FDIs is their influence on foreign trade turnovers and especially on the export sales. It is estimated that one third of the companies with foreign capital were engaged in the export activity and more than 54% of the total exports value was obtained by those firms. A predominant part of their export output came from the machine industry and was sold to the EU countries. A large share of the FDIs invested in Poland is a result of the privatisation process, except for the investors from Asia, who in the most cases have chosen the greenfield method.

Table 6. The FDIs invested in Poland by the country of origin until 2004 in millions USD (only investments of more than 1 million USD included)

Position	Country	Number of firms	Value of invested capital
1	France	101	16,026
2	Netherlands	126	11,154
3	USA	118	10,163
4	Germany	258	10,149
13	South Korea	6	1,167
22	Japan	18	362
33	China	2	45
34	Philippine	1	40
Total			80,649

Source: Polish Information and Foreign Investments Agency.

The role of the SEA countries in the value of the FDIs invested in Poland is not significant. Asian activity is much more important in the other CEEC. In 2004 the Japanese investments in Hungary amounted to 14% and Taiwanese to 11% of the total foreign capital invested in this country.

Among all the Asian countries investing in Poland the highest value was invested by South Korean firms. Korea is ranked on the 13th position as far as the cumulated value of the FDIs is concerned. It has made 1.1 billion USD (1.5% of all the FDIs in Poland). There were six Korean firms with investments higher than 1 million USD. The most important is Deawoo, which invested 936 million USD and at the moment it ranks 18th among all the foreign investors in Poland as far as the

total value of the investments is concerned. This corporation has invested in a wide spectrum of activities: firstly, in automotive production but subsequently also in electronic and machinery production. From among the Asian firms only Daewoo has invested in the insurance sector. The LG Electronics invested 180 million USD in the electronic equipment production. The structure of investments made by Korean firms is more diversified in comparison to the Japanese investments in Poland. Apart from the automotive and machinery industries there are also two chemical plants and one wholesale trader.

The 22nd position in the ranking is occupied by Japan. Japanese companies have invested 365 million USD (0.4% of the total FDI in Poland, and 18 firms invested more than 1 million USD). The biggest Japanese investor as far as the total investments sum is concerned is the Bridgestone Corporation with 221 millions USD (the 76th position among all foreign investors in Poland), which has invested in manufacturing of the radial tires for passenger cars. The next positions are occupied by firms engaged in the automotive industry: the 401st is Insulators (18.3 million USD) which produce catalysers, the 406th the Sanden Corporation (18.0 million USD) producing car parts and accessories. Few of those companies are classified as machinery and equipment producers, but indirectly they are connected with the automotive industry. 13 out of 18 Japanese investors are connected with the automotive industry and they represent 332 million USD which constitutes 91% of all the Japanese FDI in Poland. Also the remaining companies are indirectly connected with the automotive industry. They deal with car distribution (e.g. the Mitsubishi Co. or the Marubeni Co.)

The investments made by Chinese and Philippine firms are of minor importance. The Chinese have invested in services: the Sino Frontier Properties in construction and the Min Hoong Development in hotels and restaurants. The only company from Philippine is a sea transport services provider.

Only four SEA countries are listed by the Polish Information and Foreign Investments Agency. It is interesting that there are no Taiwanese investments. But there is a methodological problem in the counting foreign investments. Many of the plants are built by companies registered in Western Europe, which artificially shadows the real situation. Most of the automotive production is, however, exported. For example, in 2004 the Isuzu engines factory export revenues amounted to 1.2 billion USD.

A few months after the EU accession in 2004 several outcomes of the mutual cooperation between Poland and the SEA countries emerged. The most discussed one in the common EU trade policy are the textiles imported from China. The trade restrictions for the imports of textile goods have escalated. In the spring of 2005 Polish farmers faced for the first time a competition in terms of strawberries imported from China.

Conclusion

The business relations between Poland and the SEA countries in the fifteen years between establishing a free market economy and Poland's joining the EU have undergone significant changes. The most impressive result is the growing role of import purchases from Asia. However, the slowly growing export is a source of notable disappointment. The commodity structure of imports from the SEA is dominated by highly processed goods and a labour based production from China. Due to its impressive expansion in the international markets China has become the most important trading partner of Poland among the SEA countries. As concerns the exports, there are no positive signs of improving the negative situation in the future. The SEA markets are regarded as difficult by Polish exporters. Both the large role of imports from the SEA countries and the minor role of exports to this region are similar in the other Central and East European Countries. Furthermore, the whole EU-25 and Poland will be facing a growing role of a highly competitive production from China in the nearest future. The FDIs invested by only four SEA countries do not play an important role in comparison to the other countries investing in Poland. A share of those investments does not exceed 2%. The Japanese investments are more export oriented and aimed at automotive industry. The Korean plants are more focused on the Polish market demands. The FDIs enhance employment and balance the trade deficit in the foreign trade turnovers of Poland.