



# BULLETIN

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## Poland's Pivot to Asia: Illusion or Necessity?

Patryk Kugiel

*Global power and wealth are shifting from the West to the East and Asia is emerging as a new centre of the global system. As Poland develops the global dimension of its foreign policy, the pivot to Asia is becoming a necessity. It has to expand into Asia more vigorously. The continuation of the high-level dialogue with major partners, expansion of its diplomatic and cultural presence, and more resources for the promotion and understanding of Asia will help Poland to diversify its exports and prop up the country's international position.*

Poland is not a major power with global interests and abundant resources to be present in all corners of the world. But any country aspiring to a role larger than that of regional power in Central Europe must respond adequately to the changing international system and the rise of Asia in particular. Regardless of whether the 21<sup>st</sup> century will be the Asian century, the role of Asia in global politics and the economy will grow and attract more attention.

**Return of Asia.** Today, Asia is a continent of 48 countries, inhabited by more than four billion people and responsible for almost 40% of global GDP. In 2014 it was the fastest growing region with 5.6% GDP growth and, according to the IMF, it will continue to rise at the same level in the coming years. The Asian Development Bank forecasted that, by 2050, Asia will be producing more than half of global GDP, will regain the dominant position it had until the 19<sup>th</sup> century, provided current trends continue. Even today, several major economies, such as China, Japan, South Korea, India, Indonesia, and Taiwan, are Asian. With growing wealth and living standards, mostly young societies and expanding middle classes, the continent will offer the greatest market of consumers, and a major source of tourists and international students. Places such as Singapore, Shanghai, Hong Kong and Tokyo are already major financial centres, and many countries offer a favourable business environment. In fact, eight Asian economies are ranked higher than Poland (32<sup>nd</sup>) in the World Bank ranking of Ease of Doing Business. These are Singapore (1<sup>st</sup>), Hong Kong (3<sup>rd</sup>), Korea (5<sup>th</sup>), Malaysia (18<sup>th</sup>), Taiwan (19<sup>th</sup>), the United Arab Emirates (22<sup>nd</sup>), Thailand (26<sup>th</sup>) and Japan (29<sup>th</sup>). As growth in the West is stagnating, and Africa remains a hope for the future, it is Asia that offers the greatest economic opportunities today, and it is likely to become an engine of the global economy.

Yet, while Asia's prospects look promising, there are also numerous risks and pitfalls to be avoided, such as regional tensions and rivalry, falling into the middle income trap, and environmental degradation. Unlike Europe, Asia is not based on one religion, or the same political system, and it lacks one inclusive regional organisation that can defuse tensions and distribute prosperity. The rise of China fuels fears in some smaller countries, terrorism destabilises large swaths of the continent, and corruption and bad governance risk wastage of resources. Rising inequalities between rich and poor, rural and urban areas, and regions and countries, can fuel social unrest or spur inter-state conflicts. Rising Asian powers strive to have more say in global affairs, and this poses a challenge to the rest of the world. Free trade agreements are mushrooming and new financial institutions (such as the Asian Infrastructure Investment Bank) and new initiatives (China's New Silk Road) suggest that Asia, for good or for bad, will matter more in the 21<sup>st</sup> century. This is why the West attaches more importance to the continent, as illustrated by U.S. President Barack Obama's famous "Pivot to Asia".

**Polish Presence.** Although many European countries have been taking hold in the region for years, Poland is somehow a latecomer in this field. After the end of Cold War, Poland, which was focused on integration with the EU and NATO, allowed links with many Asian countries to lapse because they were of low priority to Polish foreign policy. Only recently has there been growing interest in the continent, demonstrated by the rising number of visits and new initiatives. This

year, for the first time, Asia had a prominent place in a presentation about foreign policy directions, given by Poland's foreign affairs minister in the Sejm on 23 April, suggesting a new opening up towards the region.

However, for a middle-sized country with modest resources, rebalancing towards Asia is a daunting task. There are Polish embassies in half of the Asian countries, and new, innovative representation format (that of visiting ambassador) is being tested in Mongolia, a new embassy is planned for the Philippines, and a new consulate general has just been opened in Chengdu, central China. Four out of 24 Polish institutes of culture abroad are located in Asia (Tokyo, Delhi, Beijing, and Tel Aviv), as are 12 out of 49 trade and promotion investment sections (WPHI). Although for a few years Poland's Asia policy seemed to be concerned only with China, it has recently broadened across the region. A strategic partnership with China, established in 2011, has been complemented by a similar format with South Korea (2013) and Japan (2015), and a strategic dialogue with Thailand (2013). The GoChina economic promotion programme, launched in 2012, has been balanced by the GoIndia initiative this year. Yet, there is no single Asian regional programme (similar to GoAfrica), and strategy towards Asia has been unsuccessfully debated in the MFA for several years.

It is still not so clear whether Poland has any strategic interests in the Asia, more than business, and whether it will dedicate more resources to this region. Poland dispatched its troops for stabilisation missions to Iraq and Afghanistan, and provided modest development assistance to Afghanistan, Palestine and Myanmar. The democracy promotion agenda finds few takers in Asia, and not all share Poland's view on the Ukraine crisis. Poland's engagement in Asia has been driven mainly by economic diplomacy, and as such has brought only modest results so far. Asia is the source of 18.7% of Polish imports (half coming from China) but receives only 6.3% of Polish exports, making it the major source of Poland's trade imbalance. For the EU, Asia is a major export destination, amounting to 14.1% of the bloc's total exports (and as much as 35% of its exports outside the EU), which shows there may be untapped potential for Poland.

Geographic and cultural distance, limited expertise and weak people to people links hamper more robust ties with Asian nations. There is little awareness about fast-changing Asia in Poland, partly because there is rarely any media focus on the continent, except for when there are disasters or conflicts. Warsaw has only one direct flight connection with an Asian city (Beijing), operated by national airliner LOT, though this is to be expanded this year to include Tokyo, Seoul and Bangkok, with Delhi to be added next year. A clear political signal from the Polish government about the importance of Asia (for example, joining the AIB) is required to help tackle the information deficit and encourage more companies to explore these markets.

**GoAsia.** As growth in the EU is still uncertain, and absorption of Polish products is reaching its capacity (75%), one of the biggest opportunities for diversification of exports and investments lies in Asia, from the Gulf region to Japan. Some Asian partners (such as India and Malaysia) have traditionally been major markets for the Polish defence sector, and large modernisation programmes of armed forces across the region may open new avenues for cooperation. Mining, gas exploration, power and energy are other promising sectors in which Poland has significant experience. The mass urbanisation process and giant investments in infrastructure open significant opportunities for Polish companies offering transport equipment (trains, buses, and so on), construction material, green technologies, sewage treatment, or food processing machinery. Medical equipment, pharmaceuticals, furniture, and luxury products such as yachts and amber jewellery could also find new customers among expanding middle classes in Asia. Polish products, of European quality but less expensive, could compete successfully in these markets. In addition, Asian investors, more active in the EU, could become new sources of foreign investment in Poland.

Engagement in Asia is not only about the economy. The support of almost 50 Asian states is crucial for the success of Poland's bid to be a non-permanent member of the UN Security Council in 2018-2019. Stronger bilateral ties with Asian partners could also strengthen Poland's position in the EU, and give it more say in developing EU Asian policy. Poland, as the eastern-most EU Member State, has a special interest in working for better connectivity with Asia and serving as a bridge between the West and the East. Terrorism, religious fundamentalism, migration, the drug trade and human trafficking emanating from Asia are also of increasing concern to Poland.

As Poland's position in the EU becomes stronger, it is time to look to Asia. To tap into the potential of the fastest growing and most populous continent, the government must continue its high level dialogue with Asian partners, and its expansion of diplomatic missions. It is important to relocate more WPHI and Polish Institutes to Asia, to facilitate economic cooperation and raise the visibility of Poland as a brand. More Asian countries should be included in economic promotion programmes, and new regional tools (such as Poland Business Houses in regional hubs, for example, Singapore) could be introduced to support Polish companies. Although relations must be tailored to individual countries, a new, overall Asian strategy may be helpful in allowing the effective use of all instruments and resources. A government programme to support research on Asia, the presence of Polish media correspondents, and cooperation in tourism and education will be crucial in order to bridge the information gap and grasp new opportunities.