

English summaries

Polish Post's cooperation with China Post

Łukasz Sarek

In 2017, Polish Post (PP) and China Post signed an agreement granting the Polish side the right to deliver parcels from China to over 30 European countries. The Małaszewicze rail hub is expected to play a key role as a logistics centre and the first point in the processing of EU-destined postal parcels. In recent years, international expansion has been one of the pillars of the Polish Post Group's development strategy. This strategy has also indicated at coordination of trade flows between Asia and EU as one of its key goals. The establishment of a postal logistics hub and handling parcels from China was meant to serve as an important source of income for Polish Post, as PP would collect transit fees for delivering letters and parcels to European countries as well as from terminal fees collected on the delivery in Poland. The company also plans to invest around 1.3 billion PLN in projects (such as sorting facilities, regional logistics centres, IT equipment) related to cooperation with China Post.

The rapid increase in volume of incoming post from China and other Asian countries to Poland and other European countries has been caused by very dynamic growth of cross border e-commerce. It has been most notably related to AliExpress' rapidly growing expansion in the Polish market. It has been estimated that in 2019, AliExpress' mobile application had 3.9 million users and the firm was ranked 15th on the list of the most popular mobile applications in Poland. Polish domestic e-commerce platforms and enterprises selling goods through e-commerce channels have complained about Chinese exporters' competitive advantages based on practices and mechanisms that can be considered as unfair competition.

One of the factors that gives the Chinese e-commerce vendors an edge vis-à-vis their Polish counterparts has been the option to deliver parcels to Poland for free or at a very low cost. This advantage stems from the differentiation of terminal fees introduced by the United

Parcel Union (UPU) regulations. The terminal fees are paid by the designated postal organisation in the outbound country to the postal organisation of the inbound country. The current system was established to support less developed countries, since terminal fees paid by postal organisations in more developed countries are higher than those paid by the ones operating in less developed countries. In terms of official development status, China belongs to a different category than European countries (which also do not all fall into one category).

Another unfair advantage is the massive tax and custom duties avoidance when goods are sent by China Post to Poland. The amount of VAT collected on the parcels from China has recently increased. However, it is still insignificant while compared to the amount that could flow to the Polish treasury if taxes and custom duties were collected based on the full quantity and value of goods arriving from China (this sum is estimated at 2.1 billion PLN or 490 million EUR). The amount currently collected is also insignificant when compared to the amount of investments that the Polish Post plans to make in projects related to cooperation with China Post. Chinese central and local governments (e.g. in Xi'an or Zhengzhou) support international e-commerce trade by providing subsidies, including those for sending parcels by China Post railway connections to Europe, which adds up to the overall competitive position of Chinese vendors.

The profitability of Polish Post operations related to handling and delivery of Chinese parcels in Poland also raises doubts. As the number of parcels increases, raising profits these operations becomes crucial. Polish Post has not revealed the breakdown of its income from China-related operations, citing confidentiality of detailed provisions regulating cooperation with China Post. It would be, however, strongly recommended that Polish Post's authorities provide convincing data supporting the claims that cooperation with China Post is profitable. It would clear all the doubts and would also raise confidence in PP's strategy. The company has recorded increased losses in the previous years.

Polish authorities should also raise the issue of the unfair Chinese advantage in terms of terminal fees and the reform of the UPU terminal fees system on the UPU forum. They

should also discuss the same during talks with other stakeholders interested in this reform. This September, the United States successfully negotiated the right to impose self-calculated terminal fees. The Polish Post management could also draw inspiration from other countries' experiences (e.g. that of Australia) in order to undertake actions supporting Polish vendors in their export to China through cross-border e-commerce channels.

Iran's attitude towards riots in Iraq and Lebanon

Łukasz Przybyszewski

Riots in Iraq and Lebanon have started on October 1 and 17, respectively. So far, the most drastic course of events has taken place in Iraq, with over 300 deaths and more than 15000 injured. The riots are the result of socio-economic and religious divisions created by conflicts as well as structurally and functionally defective economies. The turmoil will probably lead to more significant political, yet not systemic, changes (as compared to such events in the past). From Iran's perspective, the territories of Iraq and Lebanon provide a buffer zone for its 'forward defence', allowing Tehran to keep the conflicts with its regional rivals far from its borders.

The importance of these countries for Iran forced its authorities to adopt a more restrained approach to deal with the above-mentioned events. Moreover, due to budgetary constraints, the array of Iran's possible reactions to these developments is limited. The country has also been adversely affected by its own domestic unrest, caused by an increase in petrol prices. Even the Iranian supreme leader's (Ali Khamenei) comments on the turmoil in Iraq and Lebanon were made public only during a small graduation ceremony held on October 30, arguably an event of very little importance. Khamenei put the blame for the ongoing riots on foreign powers' meddling in regional affairs. Such an argumentation is hardly surprising, as it fits Iran's political narrative. Nevertheless, the timing of Khamenei's speech mirrored the situation on the ground in Iraq as well as Lebanon, as it was delivered the day after Saad Hariri's resignation and as-Sadr's repeated defiance to the central authorities in Baghdad.

Iranian authorities have much less power to influence the events in Lebanon than in Iraq. They may probably assume that the Lebanese Hezbollah will not benefit significantly from