



Asia Research Centre Commentary

Centre for Security Studies

War Studies University

March 28, 2022

Poland's trade deficit with China

Łukasz Sarek

In 2021, Poland's trade deficit with China, calculated according to Statistics Poland data, reached a record value of USD 46bn 720m. The main reason for such a high negative trade balance were dynamically growing imports. The cost of transport from China to Poland is also one of the important factors having impact on the value of imports and the trade balance. The increase in the value of imports was also influenced by price increases implemented by Chinese producers. Since they were facing relatively weak domestic demand, those producers increased profitability by imposing higher margin on export sales.

In 2021, the value of the deficit-to-trade ratio was significantly higher than in previous years and significantly higher than for other key trading partners in the region, such as South Korea, Japan and Vietnam. The increase in the value of Chinese goods imported to Poland was also greater than the increase in the value of Polish goods imported to China. As a result, 2021 was another year when this unfavourable trend has been deepening. Chinese direct exports to Poland also grew much more than direct exports from Poland to China.

Last year, China financially benefited from bilateral trade to a much greater extent than Poland, and more than other important Polish trade partners in the region, such as Republic of Korea, Japan and Vietnam. Years of efforts undertaken by Polish authorities to achieve a more balanced trade model with the PRC, a model in which exports grow faster than imports, have not brought desired results.

Downplaying the issue of trade deficit and the growing role of Chinese imports for the Polish economy is increasingly at odds with the changing realities of Chinese economic policy and the long-term goals of the CCP leadership. The location of production and other

elements of supply chains are important for the economic security of the country. Polish authorities should place particular emphasis on supporting activities aimed at diversifying sources of supply and reducing exposure to Chinese manufacturers in the area of capital goods and semi-finished products and components used in manufacturing processes.

The increase in the trade deficit also shows the difficulties in introducing Polish products to Chinese market. These challenges are related to the range and quality of the Polish offer, insufficient actions supporting exports and formal and informal barriers in accessing the market. Diversification of Polish exports and a broader expansion on extra-EU markets – including Asian ones – is highly desirable. However, the possibility of Beijing using the tools of economic warfare as an element of pressure must be taken into account while increasing exposure to the Chinese market. Together with measures to support exports, the Polish authorities should carry out an information campaign on the risks of doing business on the Chinese market, as well as offer support in exporting those products which are as little dependent as possible on the arbitrary decisions of the Chinese party-state apparatus.