



# Asia Research Centre Commentary

## Centre for Security Studies

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#### **Polish export to ASEAN in context of RCEP**

Łukasz Sarek

The signing of the Comprehensive Regional Economic Partnership Agreement (RCEP) by 15 countries has completed a long process of negotiations aimed at creating one of the world's largest free trade areas. The agreement covers various areas of economic activities, including investments, trade in services, intellectual property, e-commerce competition and others. Majority of those areas is regulated in a rather general way, while the tariffs reductions and regulating rules of origin remain the key component of the agreement.

The agreement will have limited direct impact on overall Polish exports to the ASEAN. The total value of potential losses that Polish exports could suffer as a result of preferential tariffs applied for goods originated from the countries which are parties to the agreement will be very limited due to the poor involvement of Polish exporters in the ASEAN markets. Each of the RCEP signatories follows individual schedule of tariffs reductions and Poland, as a EU member, also benefits from the trade agreements concluded by Brussels with some of the members of ASEAN. The competitiveness of Polish products after the RCEP enters in force will depend heavily on individual countries' obligations concerning the reduction of customs duties on goods and related rules determining the country of origin.

The value of Poland's direct export to the ASEAN has remained very low since 2012. In 2019, it was worth 1.475 billion USD. While exports to some of the bloc's countries have increased in recent years, they did not compensate for the dramatic fall in exports to Singapore (from nearly 842 million USD in 2014 to little more than 298 million USD in 2019). The most dynamic export growth was recorded in Vietnam: from 174 million USD in 2013 to 343 million in 2019. Exports to Malaysia bounced between 139 million USD and 310 million USD with the value of 254 million USD in 2019. The exports to Thailand peaked in 2018, reaching

282 million USD, and dropped slightly last year to 224 million USD. The share of the ASEAN in overall Polish exports has decreased from 0.77% in 2013 to 0.55% in 2019.

As Polish goods are exported to the ASEAN through third countries, official ASEAN data does not reflect the relation between value of exports to ASEAN from Poland and value of Polish goods imported to the ASEAN market. Imports of Polish goods to ASEAN have been growing relatively dynamically since 2012, according to the ASEAN data. This growth rate was much faster than that of total imports from non-block countries and imports from the European Union. However, the high growth rate in imports of Polish goods to ASEAN, as recorded until 2016, could be a result of underestimation of the value of their goods in earlier years in ASEAN statistics. Thus, the actual change in flow rate could be less dynamic. This has been gradually levelled out and from 2017 onwards, the reported value of ASEAN imports of Polish goods exceeded that of Polish exports to ASEAN.

This growth rate, inflated or not, was still not high enough to significantly increase the value of imported Polish goods in comparison to flows to the ASEAN from other countries. Their share in the ASEAN's overall imports has remained marginal. In 2019, imports of Polish goods accounted for only 0.16 percent of imports from outside the block and for 1.39 percent of the imports from the EU.

The entry of RCEP into force will have different effects on the competitiveness of Polish exports to ASEAN members. Due to Singapore's open import policy and the signing of a free trade agreement between the EU and Vietnam, export conditions to these two leading importers of Polish goods will not significantly deteriorate. The competitiveness of Polish exports to other key ASEAN customers, such as Thailand and Malaysia, depends on the commitments made by these countries to reduce tariffs under the RCEP in specific product groups. As for Malaysia, the key groups of Polish products seem to remain unthreatened. 18 out of 20 groups of products on line HS8 constituting roughly half of import of Polish goods to Malaysia were under 0% of tariffs rate with only two subject to higher rates. The exports to Thailand will be the most challenging as Polish goods in some groups will be subject to much higher tariffs than Chinese, Korean or Japanese.

Polish authorities should support or, where necessary, take initiatives to conclude bilateral or multilateral agreements with those key ASEAN partners with whom no such deals exist

and which, under the RCEP, will significantly reduce rates for imports from other signatory countries.