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ASEAN's 50th Anniversary: An Opportunity for a New Opening in Economic Relations with Poland

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This year, ASEAN celebrates its 50th anniversary. Established in 1967, the organisation has contributed to sustaining peace in Southeast Asia and to the rapid economic development of the region in recent decades. It is perceived as one of the most successful integration projects in Asia. Despite its rising economic position, ASEAN's economic relations with Poland are unsatisfactory and do not tap the potential. Among the ways to improve the situation are to take advantage of progressive integration within the ASEAN Economic Community and to intensify efforts to promote Poland in the region.

ASEAN in the Global Economy. ASEAN is an organisation of 10 countries: Brunei Darussalam, Cambodia, Indonesia, Laos, Malaysia, Myanmar, Singapore, Philippines, Thailand, and Vietnam. In 2016, their combined nominal GDP was worth $2.5 trillion, making the group of countries sixth in the world and third in Asia (behind China and Japan). In 2007–2015, their average yearly GDP growth was 5.3%, which was better than the global average. According to the IMF, in 2016, ASEAN's GDP growth pace slowed to 4.8%, though in 2017 and 2018 it should accelerate to 4.9% and then 5.1%, respectively. The reasons behind the growth are the rising consumption, infrastructure investment, and higher prices of commodities exported by ASEAN member states.

With a population of around 630 million people (smaller only than China and India) and a rapidly growing middle-class (by 2020, it may even be 400 million people, compared to 190 million in 2012), Southeast Asia has become an increasingly attractive market for goods and services from all over the world. GDP per capita in purchasing power parity was $7,000 in 2007 and grew by almost 60% to $11,000 by 2016 (in Poland, it is $28,000). Nevertheless, for some countries this indicator is much higher, such as Singapore ($88,000) and Malaysia ($27,000).

ASEAN accounts for almost 7% of global trade, making it fourth in the world (only behind the EU, the U.S. and China). In 2016, its imports were valued at $1.07 trillion (6.6% of global imports) and exports at $1.14 trillion (7.2% of global exports). Trade in services in 2016 was worth $644 billion (imports at $316 billion and exports at $328 billion). The region's success in trade was made possible in part because it could attract foreign direct investment (FDI), which enabled the ASEAN countries to link to global value chains. In 2015, FDI inflow to ASEAN was worth $121 billion (7% of global FDI), though in 2016 it decreased to $95 billion.

Prospective Partner for Poland. Poland is interested in developing economic relations with ASEAN. This has been underlined by high-ranking officials, including Minister of Economic Development and Finance Mateusz Morawiecki and Minister of Foreign Affairs Witold Waszczykowski. The bilateral relations between ASEAN and Poland can be described as modest and do not tap the potential, mainly in exports from Poland. This is visible in trade statistics between Poland and ASEAN member states (see Table 1). In 2016, Polish exports to the region were worth €1.3 billion (0.7% of Poland's exports) and imports at €4.6 billion (2.5% of

Poland's imports). Poland thus records a trade deficit with ASEAN of €3.3 billion (in 2012, it was €2.3 billion, see Figure 1). It only has bigger deficits with China (nearly €20 billion) and Russia (more than €5 billion). Investment cooperation is even less developed. In 2016, Polish FDI to ASEAN member states totalled €189.2 million (Singapore alone received €115.2 million), which is less than 1% of all Polish FDI, which in total is €27.7 billion. On the other hand, ASEAN countries' FDI to Poland amounted to only €46.9 million (again, Singapore had the most, at €24.5 million), representing a small fraction of the €176 billion in FDI to Poland.

The absorbent ASEAN markets can contribute to the geographical diversification of Polish exports (most of which, 80%, goes to the EU), which can have a positive effect on stability. Especially interesting for Polish companies are sectors such as food products, cosmetics, pharmaceuticals, biotechnology, machinery, ship construction, green technology, armaments, and information and communications technology (ICT). These focus areas are connected to growing demand for consumption goods as well as urbanisation and the development of local industry.

However, entrepreneurs looking to the region must reckon with significant barriers to access to the ASEAN markets, including high duties on some goods (e.g., agricultural products) and regulatory issues (e.g., certification). Some of these barriers will be reduced when EU free trade agreements (FTAs) with Singapore and Vietnam enter force (the earliest in 2018). The EU is conducting talks on similar FTAs with Indonesia, the Philippines, and Malaysia (negotiations with Thailand were suspended after the military coup there in 2014), and with Myanmar on an investment protection agreement.

Polish companies should take advantage of opportunities created by the ASEAN Economic Community (AEC), which was inaugurated on 31 December 2015. Its aim is to create a single market for the free flow of goods, services, capital, and workers. The implementation is slow given the different levels of development of the member states and their approach to integration based on consensus and non-interference in the internal issues of other partners (the so-called "ASEAN way"). Nevertheless, part of the plan has been put in place, including lifting some non-tariff barriers (duties within ASEAN have been significantly reduced since 1990), such as accepting product standards or exchanging trade documents. This can encourage Polish businesses to invest since engagement in one ASEAN member state should make it easier to access the others. A production base in ASEAN can also facilitate trade with markets (such as China or India) that have an FTA with ASEAN, unlike the EU. Potential investors should also find improvements in infrastructure, including transportation, as a result of ASEAN initiatives (within its Master Plan on ASEAN Connectivity 2025) and those of external actors, such as China and its Belt and Road Initiative.

Conclusions and Recommendations. Southeast Asia is a key region for the global economy and should become an important area to promote Poland. One instrument to support Polish business in the region is the GoASEAN programme conducted by the Polish Investment and Trade Agency (PAIH). Activities within the programme are still modest, and mainly informative. Increasing the activity and expenditures on such things as trade missions and opening PAIH trade offices in the region—currently there are two, one in Singapore and another in Ho Chi Minh City—can effectively support Polish entrepreneurs in ASEAN countries. Also, there are the EU-ASEAN Business Networks programmes, which support companies from the EU, so Polish businesses too, on seven ASEAN markets.

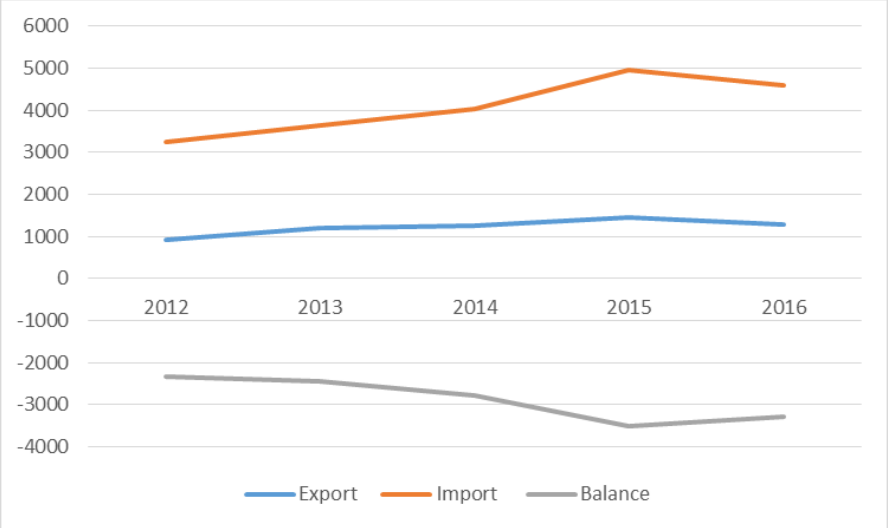
Special attention should be paid to Singapore because it can be a launch pad for Polish firms looking to Southeast Asia. Its main advantages are a favourable business climate, highly developed transport connections with the region, manifold financial and consulting institutions (which support entrance to other ASEAN member states), and the FTA with the EU. To this end, it is important to develop political relations between Poland and Singapore, and the visit by the president of Singapore to Poland in May goes towards this. A visit, in turn, by the president of Poland to Singapore and efforts to open a Singapore embassy in Poland also would be beneficial. President Andrzej Duda's planned visit to Vietnam in November this year and the opening of the Polish embassy in Manila at the beginning of 2018 should also strengthen the political and economic cooperation with these countries. These actions should be supplemented by activity in education, such as developing scholarship exchanges, and cultural and development aid for the poorest states in the region, such as Myanmar.

Table 1. Trade in Goods between Poland and ASEAN Member States in 2016

ASEAN member state	Exports from Poland (million €)	Share of exports from Poland (%)	Imports to Poland (million €)	Share of imports to Poland (%)	Poland's Balance of Trade in Goods (million €)
Brunei Darussalam	1.5	0.00	0.4	0.00	1.2
Cambodia	8.0	0.00	243.2	0.13	-235.1
Indonesia	98.9	0.05	581.1	0.32	-482.3
Laos	1.4	0.00	0.9	0.00	0.5
Malaysia	138.0	0.07	590.3	0.33	-452.3
Myanmar	32.1	0.02	39.2	0.02	-7.1
Philippines	56.3	0.03	303.0	0.17	-246.7
Singapore	568.5	0.31	636.5	0.35	-68.0
Thailand	170.8	0.09	682.9	0.38	-512.1
Vietnam	212.9	0.12	1,511.2	0.84	-1,298.2
ASEAN	**1,288.4**	**0.70**	**4,588.5**	**2.50**	**-3,300.2**

Source: Polish Ministry of Economic Development, based on data from the Ministry of Finance and the Central Statistical Office of Poland (GUS).

Figure 1. Trade in Goods between Poland and ASEAN in 2012–2016 (million €)



Source: Author's work, based on data from the Polish Ministry of Economic Development.