



COUNTRY REPORT ON POLAND

A Bilateral Trade Analysis

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Executive Summary

Poland is the 8th largest economy of the European Union. It was the only country of the European Union that experienced the positive growth during the financial crisis of 2008. High growth during the last 20 years has shifted Poland's economy from middle-income to high-income economies. Services and industrial sectors are the major contributors in the nation's GDP. Poland is the biggest producer of copper, coal, silver, strawberries and apples.

Germany is the major trading partner of Poland with the trade volume of \$100 billion. Petroleum, motorcars and medium oils are the top imports of Poland while its top exports comprise of motorcars, reception apparatus, cigarettes and data processing machines.

The trade volume between Pakistan and Poland is very low. However, it is increasing with a Compound Annual Growth Rate (CAGR) of 18%. Trade balance of Pakistan is in surplus with Poland. From the top 15 exports of Pakistan rice, bed-linen, toilet-linen, medical instruments, sugar and leather have substantial demand in Poland. On the import side of Poland, petroleum, medicaments, medium oils and telephone for cellular are among the top 15 imports of Poland and Pakistan also has substantial exported value for these items. Products which Pakistan is not exporting to Poland at present but possess high potential are hosiery items, rice, medical instruments, cement and potatoes.

Poland applies high non-tariff barriers on food items. Bangladesh, China and Turkey are the major competitors of Pakistan in the export of textile. Germany is among major competitors for potential products of Pakistan. Pakistan export basket to Poland is confined to textile items only.

Pakistan needs to show its presence in the Polish market through agents, distributors, and representative offices to enhance its exports.

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Introduction

The Republic of Poland is located in central Europe. It is the sixth most populous country of the European Union with 38 million population. The neighbouring countries of Poland are Germany, Czech Republic, Slovakia, Ukraine, Belarus, Lithuania and Russia.

Poland is the 8th largest economy of the European Union and is considered as a developed market. The country is a member state of the European Union, Schengen Area, United Nations, North Atlantic Treaty Organization (NATO), Organization for Economic Cooperation and Development (OECD), Three Seas Initiative, and Visegrád Group. It is also the founding member of the World Trade Organization (WTO).

Poland was the only economy in the European Union to avoid a late 2000s financial crisis. It completely avoided the banking crisis and recorded positive growth in 2008. Over the last 20 years, the economy of Poland grew at an average rate of 6% which shifted it from middle income to high-income. The GDP has doubled since 1990, and it ranks 23rd in the world regarding GDP. After slow growth in preceding years, the growth rate improved to 4.6% which is the result of stimulus measures by the Government and booming domestic demand.

Economic Variables	2013	2014	2015	2016	2017
Population (Millions)	38.00	38.01	37.98	37.97	37.97
GDP Growth Rate	1.4%	3.3%	3.8%	2.9%	4.6%
Per Capita Income	\$13780	\$14340	\$12560	\$12410	\$13820
Unemployment Rate	10.3%	9%	7.5%	6.2%	4.9%
Inflation Rate	0.9%	0%	-0.9%	-0.6%	2%
FDI (USD Billion)	--	--	15.2	13.9	6.4

Table 1 Economic Variables/ Source: IMF & World Bank

The broad services sector of Poland contributed 62% in the nation's GDP; Industry is the second biggest sector. About 12% labor force is attached to the agricultural industry, but still, it has a low share of 3.2% in the GDP. Poland has a large number of private farms with an ability to become a more significant producer of food in the European Union. The economy of Poland showed a noticeable improvement of 5.4% regarding unemployment rate in 2017 which is consistently lower than the European Union since 2008. The opening of labour markets in the European Union resulted in the massive migration of \$2.3 million from Poland which increased the domestic average wage rates. Per capita income of Poland has also increased since 2015 it was maximum in 2014. Poland is an attractive country for investment. It ranks 7th in investment attractiveness and 24th in ease of doing business. Most Foreign Direct Investment comes from Germany, France and Netherland. After two years of persistent deflation, Consumer prices rose 2% on average in 2017, which is due to higher global commodity prices, food inflation, and rising domestic demand. Inflation is still below the target of 2.5% of the National Bank of Poland (NBP). Poland is among world's biggest producers of copper, coal, silver, rapeseed, cabbage, strawberries and apples. It manufactures buses, trams, electronics, planes, helicopters, ships, trains and chemical products. Intermediate goods dominate polish exports, but the share of final goods is also rising. Poland's exports crossed \$221 billion in 2017, and its imports were \$217 billion which resulted in a trade surplus with the world.

The bilateral relations between Pakistan and Poland are receptive. Poland was among top donors to Pakistan after the 2005 Kashmir earthquake. As of 2017, bilateral trade between the two countries reached \$357 million. Poland accounts for 2% of Pakistan's imports from the EU and 0.18% of total imports from the world. The countries signed a trade agreement on avoidance of double taxation in 1974, another agreement on maritime trade was signed on January 25, 1975. Poland is an open economy with imports of \$218 billion. Major imports of Poland include petroleum products, medicaments and motorcars. On the other hand, its top exports also comprise of motorcars and medicaments along with data processing machines and cigarettes. Pakistan's mainly exports textile and rice to Poland. The grant of Generalized System of Preference plus (GSP-Plus) status by the European Union allows Pakistan to export its products (6600 +) to the EU countries including Poland at zero per cent tariff rate. Rice is among top exports of Pakistan to Poland, but it is not considered as a zero-rated product under GSP plus status and charge with a

high tariff rate. Poland being a member of the European Union applies a common external tariff to goods imported from other countries.

Trade profile of Poland:

The following table outlines the details of Poland’s trade with the world. There is a persistent increase in the trade volume which shows the trade openness of the economy. The share of final goods is increasing in Poland’s exports which are earning higher revenue for the country. Compound Annual Growth Rate (CAGR) of imports is marginally higher than exports. Trade balance shows a surplus with the world.

Trade-World (USD Billion)	2015	2016	2017	CAGR
Poland Exports	194	196	221	4.4%
Poland Imports	190	189	218	4.6%
Trade Volume	384	385	439	5%
Trade balance	4	7	3	---

Table 2 Source: Trade Map

The graph below delineates the top import origins of Poland. Germany is the most prominent imports origin for Poland with \$49 billion imports. Poland mainly imports parts of tractors, motorcars and medicaments from Germany. China exports \$26 billion worth of products to Poland with the significant exports of telephone sets, transmission apparatus and data processing machines. Russia, Italy and France are also among the top five imports origins for Poland with the value of \$15 billion, \$11 billion and \$8 billion respectively.

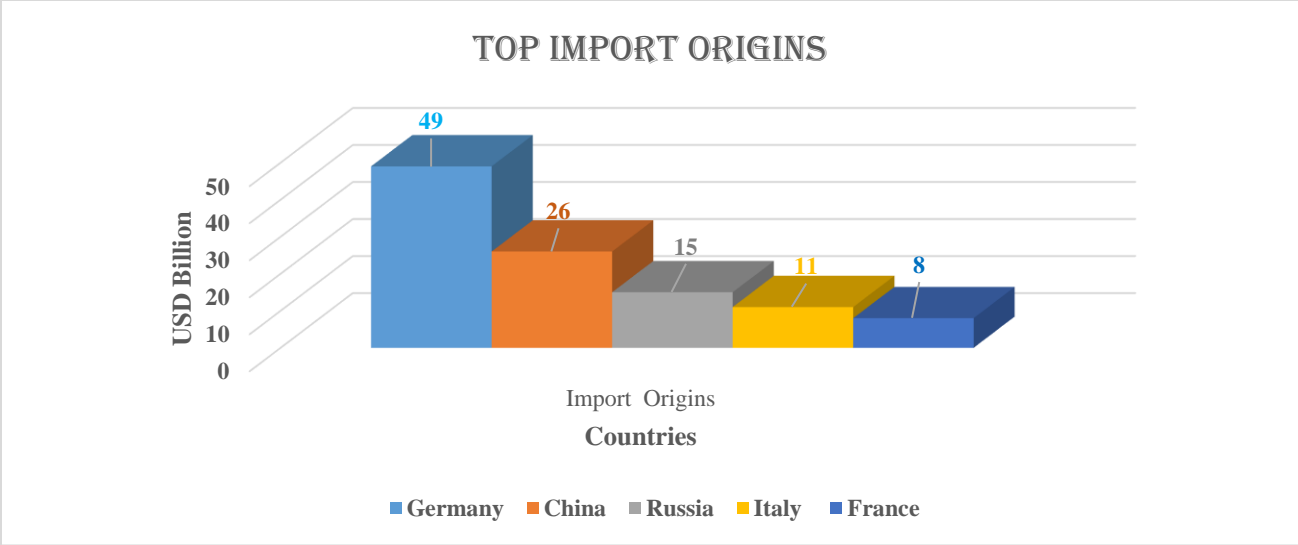


Figure 1 Data Source: Trade Map

Top export destination of Poland is also Germany with \$60 billion exports. Being the biggest trade partner, Poland has the highest trade volume with Germany. Its exports to Germany include nuclear reactors, vehicles and electronic machinery. Exports to UK and Czech Republic amounted to \$14 billion in 2017 while exports to France and Italy are \$12 billion and \$11 billion respectively. Being the part of Economic Union, Poland’s top five exports destinations are limited to European Union countries only.

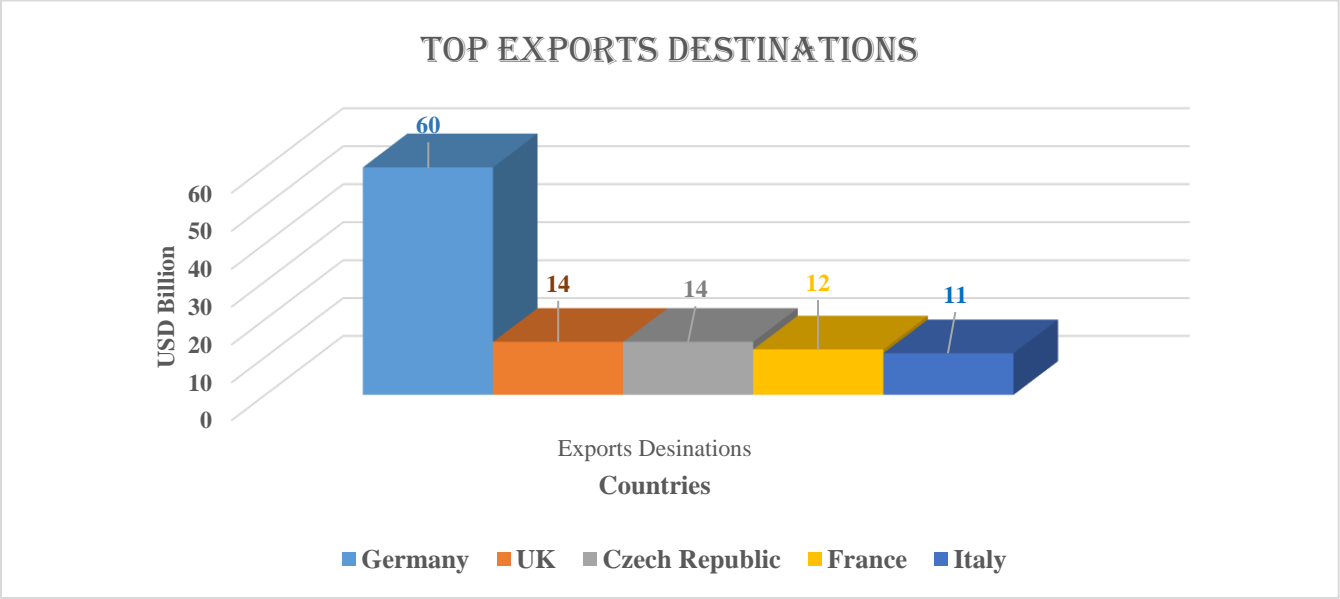


Figure 2 Data Source: Trade Map

Petroleum has the highest share in the top imports of Poland with \$8.9 billion imports. Other top imports at HS-6 level includes medicaments (\$3.5 billion), medium oils (\$2.9 billion,) motor cars (\$2.7 billion) and reception apparatus (\$2.5 billion).

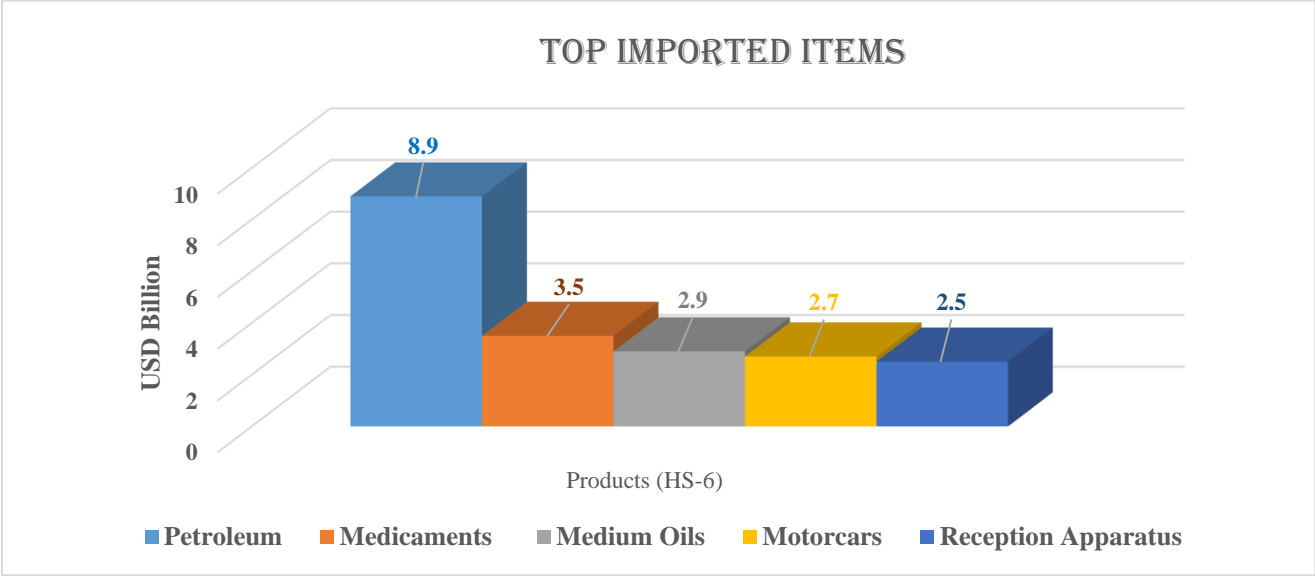
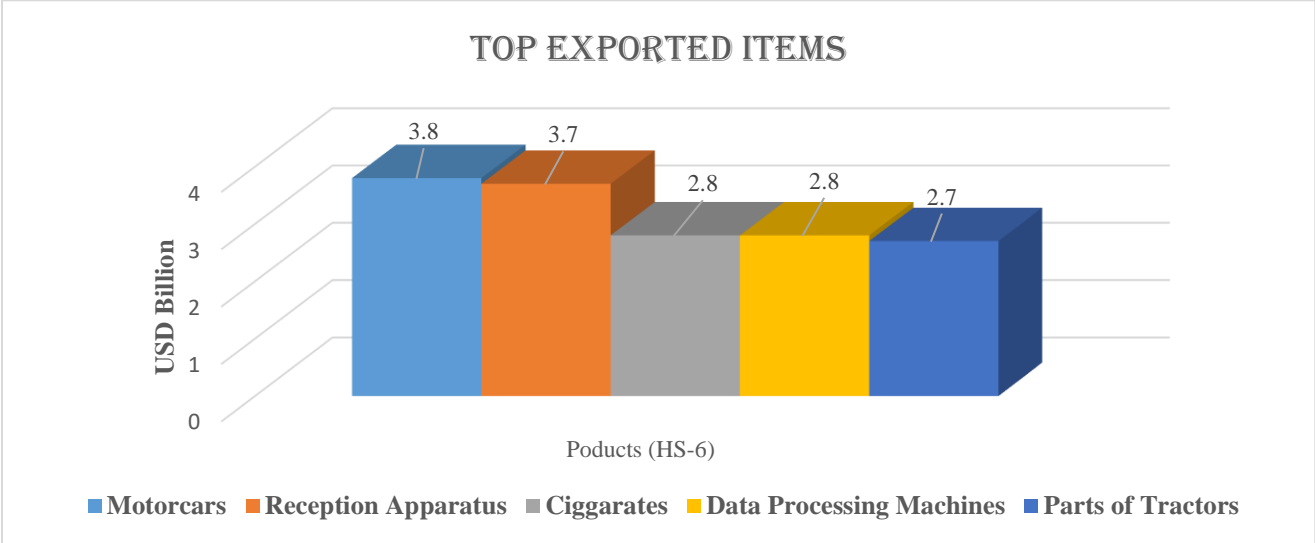


Figure 3 Data Source: Trade Map

Motorcars are also among top exported items of Poland in 2017. However, its exports are higher than imports with \$3.8 billion. Reception apparatus also has a higher value of exports than its imports. Poland buys the intermediate goods and resells them by adding value. Cigarettes, data processing machines and parts of tractors are among other top exports of Poland with the value of over \$2 billion for each item.

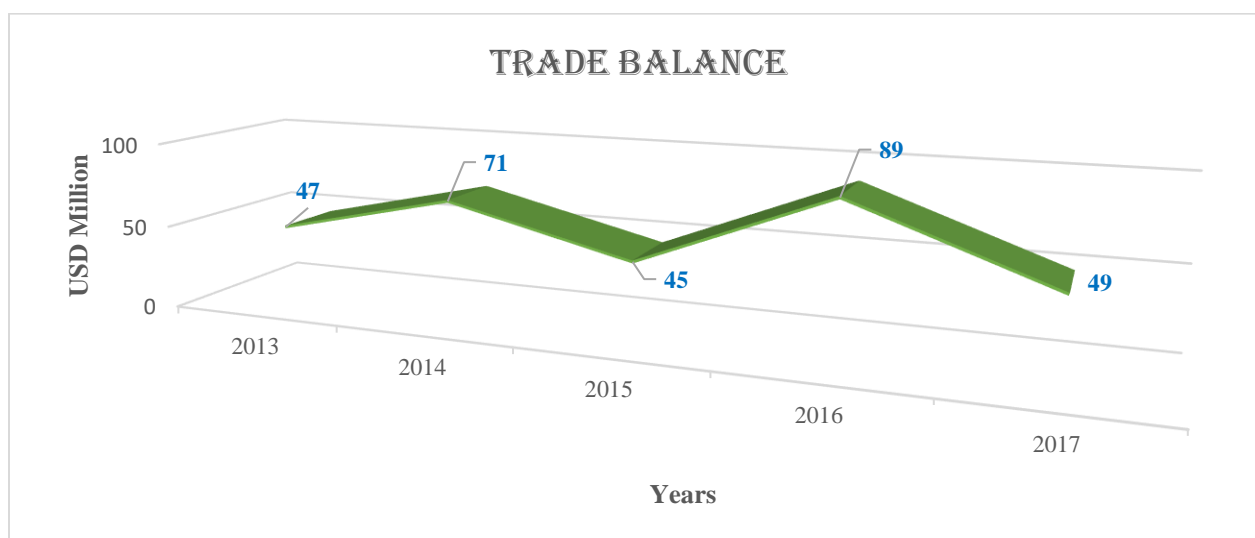


Pak-Poland Bilateral Trade Overview:

Trade volume between Poland and Pakistan is low. However, it is increasing and reached \$357 million in 2017. Trade relation between the countries improved when President of Pakistan paid a three-day official visit in 2007. Compound annual growth rate (CAGR) of imports of Pakistan surpassed its exports over the last five years. Nonetheless, the trade balance of Pakistan is in surplus.

USD Million	2013	2014	2015	2016	2017	CAGR
Exports by Pakistan	102	146	143	174	203	15%
Imports by Pakistan	55	75	98	85	154	23%
Trade Volume	157	221	241	259	357	18%

Pakistan has a trade surplus with Poland which is due to the reason that Poland mainly exports capital goods while Pakistan's most of the imports consist of consumer goods. However, the amount of surplus is fluctuating to \$40 million to \$90 million during the last five years. The market share of Pakistan is nearly zero percent in Poland.



Top 15 Imports (HS-6 Level) of Poland from world:

The table below describes top 15 imports of Poland from the world at the HS-6 level, growth rate over the year, Pakistan export of same product to the world and top three supplying market of the product to Poland. The table gives us information about Pakistan's ability to export the product which are the 15 major imports of Poland. It is ascertained that among top imports of Poland petroleum, medicaments, medium oils and telephone for cellular are the products at a HS-6 level for which Pakistan has worth mentioning exported value.

Poland's total imports are \$221 billion which is huge as compared to Pakistan's exports which are only \$21.8 in 2017 calendar year. It indicates that Poland is a big market and have high potential, but the concern is that most of the Poland's imports are motor cars and machines which Pakistan does not export. Additionally, Pakistan's export basket mainly limited to textile products only.

Sr#	HS Code	Name of the Product	Value USD Million (2017)	Growth Rate 2016-17	Pak export to World \$Million	Supplying Markets to Poland	
						Country	\$Million
1	270900	Petroleum oils	8,996	26%	114	Russia	6806
						Kazakhstan	693
						Saudi Arabia	670
2	300490	Medicaments	3,589	10%	71	Germany	772
						Ireland	336
						France	298
3	271019	Medium oils and preparations	2,912	54%	143	Russia	1224
						Germany	581
						Lithuania	385
4	870323	Motor cars	2,736	36%	0.03	Germany	675
						Japan	552
						UK	358
5	870332	Motor cars and other motor vehicles	2,579	16%	0.02	Germany	883
						Czech Republic	354
						Spain	225
6	852990		2,562	9%	0.17	China	1912

		Parts suitable for use solely or principally with transmission				Korea	419
						Viet Nam	72
7	851712	Telephones for cellular networks "mobile telephones"	2,368	22%	31	China	1326
						Viet Nam	654
						Germany	64
8	870322	Motor cars	2,138	35%	0.02	Germany	520
						Czech Republic	319
						France	309
9	847330	Parts of automatic data-processing machines	1,765	42%	1.2	China	962
						Korea	188
						Netherland	96
10	870120	Road tractors for semi-trailers	1,469	3%	2	Netherland	628
						Belgium	313
						Germany	266
11	870829	Parts and accessories of bodies for tractors,	1,456	0%	1.5	Germany	717
						Czech Republic	136
						Slovakia	104
12	950450	Video game consoles and machines	1,403	161%	0	China	792
						Japan	453
						Netherland	93
13	847130	Data-processing machines	1,368	6%	1.5	China	887
						Netherland	221
						Germany	67
14	854231	Electronic integrated circuits	1,359	-15%	0	Netherland	682
						Taipei	102
						China	89
15	270112	Bituminous coal	1,265	150%	0	Russia	522
						Australia	387
						USA	117

Table 3 Data Source: Trade Map

Top 15 Exports (HS-6 Level) of Pakistan to the world:

The following table summarize the top exports of Pakistan to the world at the HS-6 level, Poland's import of similar product from the world, Pakistan's exports of that product to Poland and top three supplying markets of the product to Poland. The table compares the supply side of Pakistan to the demand side of Poland considering top 15 exports of Pakistan. It is recognized that semi or wholly milled rice, bed linen, toilet linen, men's or boys' trousers, ethyl alcohol, medical instruments, sugar and article of leather have substantial demand in Poland. Among these items, boy's or men's' trousers is the only product which Pakistan is exporting to Poland in a bulk quantity. Exports of remaining items to Poland like the cane or beet sugar, medical instruments and articles of leather very low in value which show an untapped potential for Pakistan.

Rank	HS Code	Name of the Product	Pak Export to World \$ Million	Poland Import from the world \$ Million	Pak export to Poland \$ Million	Top Supplying Market to Poland \$ Million	
1	100630	Semi-milled or wholly milled rice	1,512	48.4	1.5	Cambodia	12
						Myanmar	9
						Italy	8
2	620322	Men's or boys' ensembles of cotton	1,291	0.779	0.13	China	0.43
						Pakistan	0.13
						Bulgaria	0.05
3	520512	Single cotton yarn, of uncombed fibres	811	16	1.4	Turkey	8
						Uzbekistan	4
						Pakistan	1.4
4	630231	Bedlinen of cotton	810	31	12	Pakistan	12
						Turkey	6
						Bangladesh	4
5	630260	Toilet linen and kitchen linen	805	66	12	Bangladesh	14
						Pakistan	12
						Turkey	11
6	630239	Bedlinen of textile materials	670	4	0.02	China	3
						Lithuania	0.19
						Portugal	0.15

7	630210	Bedlinen, knitted or crocheted	665	24	9	Pakistan	9
						Germany	8.7
						China	1.3
8	520942	Denim, containing	482	23	2.8	Turkey	7.6
						China	3
						Bahrain	2.9
9	620342	Men's or boys' trousers	410	518	110	Bangladesh	183
						Pakistan	110
						China	48
10	630710	Footcloths, dishcloths	407	31	0.30	China	15
						Germany	9
						Turkey	0.77
11	220710	Un denatured ethyl alcohol	362	112	0	Germany	43
						Hungary	29
						Slovakia	15
12	901890	Instruments and appliances used in medical, surgical	361	392	1.1	Germany	90
						USA	74
						France	33
13	170199	Cane or beet sugar	343	48	0	Germany	10
						UK	9.3
						Lithuania	8
14	610590	Men's or boys' shirts of textile materials	311	0.39	0	Germany	0.11
						Italy	0.1
						Netherland	0.04
15	420310	Articles of apparel, of leather	276	38	5	India	7
						Germany	7
						Pakistan	5

Table 4 Data Source: Trade Map

Top 15 exports of Pakistan to Poland:

The table below lists the top 15 exports of Pakistan to Poland, growth rate over the year, the market share of Pakistan for the certain product and tariff rate faced by Pakistan.

Top 15 exports of Pakistan to Poland consist of textile related products and rice only which shows an overall trend of Pakistan's exports to Europe. Pakistan being a holder of the Generalized System of Preference (GSP) plus status, faces zero per cent tariff rates on all of its exports except rice. The tariff rate is high on rice, i.e. 18%. Some of the items show a market share of more than 100% which is due to the difference in data reporting by both countries.

Men's or boys' trouser is the top export of Pakistan. The export of men's or boys' trousers increased by three times in 2017. However, the value of export is low as total exports of Pakistan to Poland are small. Five textile products showed a decline in 2017 which is due to the competition which Pakistan is facing from its low-cost rival Bangladesh. Additionally, Everything But Arms (EBA) status also give more inclination to Bangladesh concerning tariff rate.

On the other hand, the exports of rice have shown a significant uptick. The potential reason for this increment is the ban on the import of Indian rice in the European Union due to pesticides issues. Pakistan faces heavy competition from India over rice in different markets.

Sr #	HS Code	Name of the Product	Value USD Million (2017)	Growth Rate 2016-2017	Market share of Pakistan	Tariff faced by Pakistan
1	620322	Men's or boys' ensembles	47.913	305%	6150.6%	0%
2	630231	Bedlinen of cotton	19.573	6%	63.3%	0%
3	630260	Toilet linen and kitchen linen	14.05	-6%	21.2%	0%
4	630210	Bedlinen, knitted or crocheted	12.633	28%	53.2%	0%
5	420329	Gloves, of leather or composition leather	7.133	22%	21.7%	0%
6	620342	Men's or boys' trousers breeches and shorts	7.108	-59%	1.4%	0%
7	620462	Women's or girls' trousers,	4.865	-68%	1.4%	0%
8	551341	Plain woven fabrics	4.035	46%	83.5%	0%
9	521021	Plain woven fabrics of cotton	3.978	-8%	368.7%	0%
10	100630	Semi-milled or wholly milled rice	3.5	43%	7.2%	18%
11	630251	Table linen of cotton	3.241	-15%	59.1%	0%
12	520821	Plain woven fabrics of cotton,	3.157	20%	116.5%	0%
13	611595	Full-length or knee-length stockings	3.056	9%	3.5%	0%
14	420321	Specially designed gloves	3.04	32%	166.4%	0%
15	100620	Husked or brown rice	2.92	897%	12.3%	3%

Table 5 Source: Trade Map

Potential Products:

Potential products are identified at the HS-6 level which is determined on the basis of the supply side of Pakistan and demand side of Poland. A criterion has been developed for the products to be selected as potential items. According to the criteria, a product has to fulfil three conditions. Firstly, its exports to the world by Pakistan should be higher than \$20 million, second its import from the world by Poland should be higher than \$20 million and finally, Pakistan's market share for that product in Poland should be less than 10%. The products are extracted by using the bilateral trade data of the year 2017 between Pakistan and Poland. The following five products are the Potential items for the Polish market.

Sr#	HS Code	Name of the Product	Poland's Import from World \$ Million	Pakistan's Export to World \$ Million	Market Share of Pak in Poland	Tariff faced by Pakistan
1	611595	Full-length or knee-length stockings	87	200	3%	0%
2	100630	Semi-milled or wholly milled rice	48	1512	7%	18%
3	901890	Instruments and appliances used in medical	392	361	0%	0%
4	252329	Portland cement	33	208	0%	0%
5	070190	Fresh or chilled potatoes	27	80	0%	0%

Table 6 Source: Trade Map

Analysis of Potential Products:

Competitors' analysis has been carried out to scrutinize the potential products. The variables which are considered for the analysis include the export value of competitors, their market share, one-year growth rate, average unit price, tariff faced by competitors, the ranking of competitors in the world for the export of that particular product and export competitive index (ECI).

The ECI has been calculated by the two variables, i.e., trade indicator and capacity indicator. Trade indicator is the ratio of country's export of specific product to the world's export of that product while the capacity indicator is the ratio of country's export of particular product to the population of that country. The capacity indicator tells us per capita export value of the particular product. Average of trade indicator and the capacity indicator makes the export competitive index. Export Competitive Index ranks countries with the highest value listed at the top. The ranking of the countries for a specific product is compared with 2013 to monitor if there is any improvement or deterioration in the country's position.

611595- Full-length or knee-length stockings, socks and other hosiery, incl. footwear.

Pakistan is the world's 5th largest exporter of hosiery products with the exports value of \$200 million in 2017 while Poland's import from the world is \$87 million during the same period. Pakistan's exports to Poland are limited to \$9 million only with the market share of 10%. China has captured the maximum market share while Turkey is in second position. Pakistan, being the holder of GSP-Plus status faces zero per cent tariff in the European Union. On the other hand, China is charged with 12% tariff still it has the highest market share. China is also the top exporter of textile to the world while Pakistan ranks 5th for its exports of hosiery product.

Rank	Suppliers	Value \$ Million	Market Share in Poland	Tariff faced by suppliers	Ranking in world exports
1	China	32	36.8%	12%	1
2	Turkey	13	14.8%	0%	2
3	Germany	12.7	14.6%	0%	4
4	Pakistan	9.2	10.6%	0%	5
5	Indonesia	4.3	5%	9.6%	17

Table 7 Source: Trade Map

Average Unit Price (AUP) charged by China is the lowest among other competitors which is also the reason for high market share. Price of Pakistani product is higher than China but still competitive as compared to other exporters in terms of price. Turkey earns the highest average unit price in the Polish market due to its high-quality products.

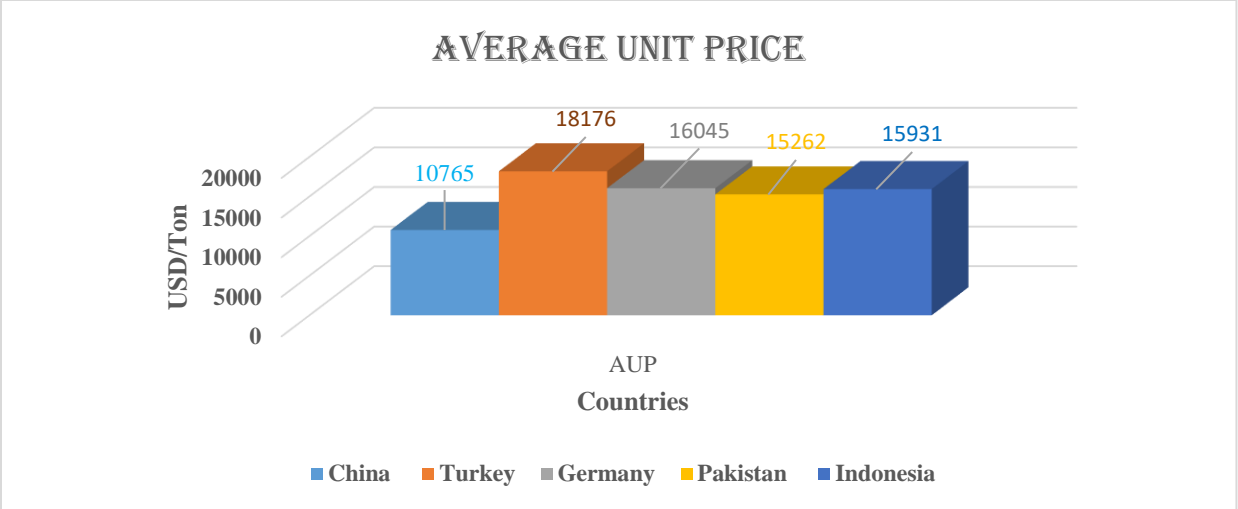


Figure 4 Source: Trade Map

There is an increase of 46% in the exports of Pakistan. The reason for this growth is the graduation of India status from GSP-Plus to GSP which resulted in limitation in quota and high tariff rates for India. Contrary to Pakistan, exports of Turkey are declined by 6%.

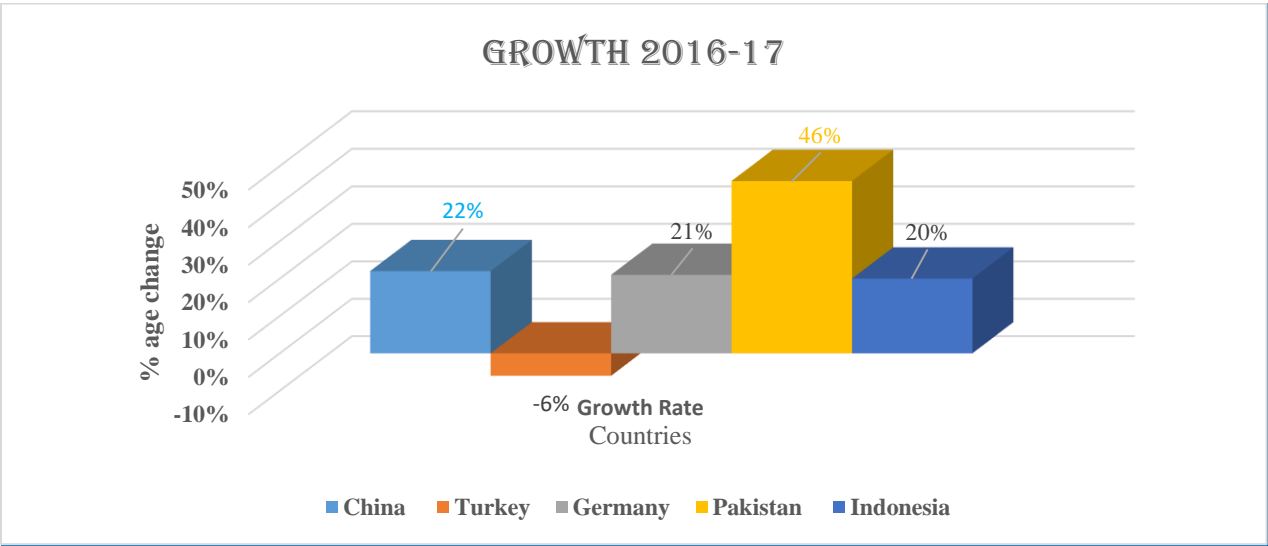


Figure 5 Source: Trade Map

The ECI ranking of Pakistan has improved which mainly due to high growth of Pakistan’s exports of the product to Poland. Ranking of China, Turkey and Germany stayed the same.

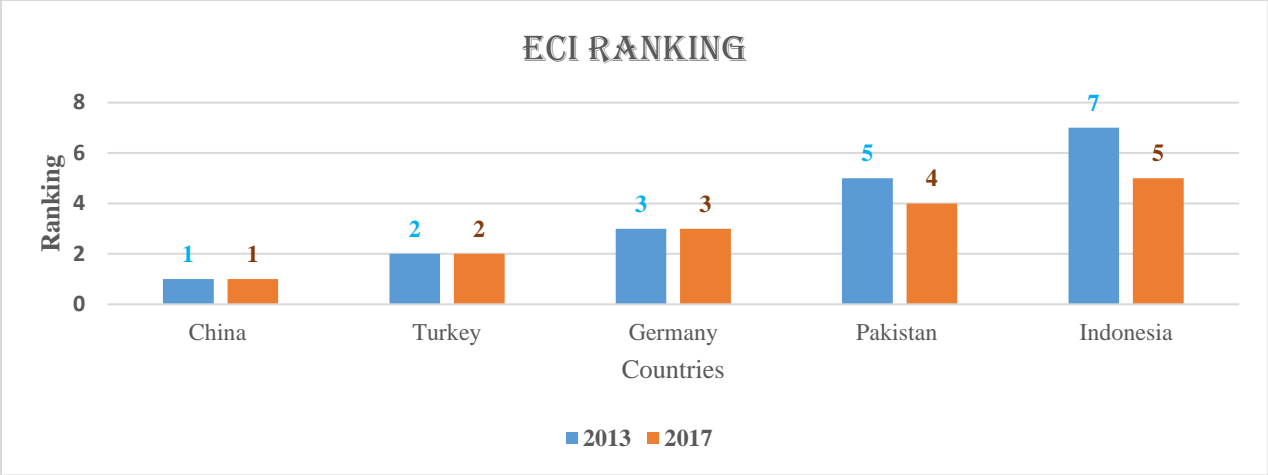


Figure 6 Source: Trade Map

Why is China leading exporter?

China is also the top exporter of textile products in the world. It has a modern infrastructure and technology which is the result of \$2.5 billion foreign direct investment received in 2005 by Chinese textile sector. As textile is a labor intensive sector, China has advantage over other developing countries due to productive labor as well. China is selling its products at lowest average unit price as compared to other top suppliers which shows that China faces comparatively low cost.

Why is Turkey leading exporter?

Turkey is the second top exporter to Poland and also to the world for hosiery products. Turkey’s export to the world is over \$ 1 billion and major export destinations are European Union countries. Textile sector is technologically very advanced and continually invest in technologies to grow their industry which results in fast production and short delivery time. Turkey has a strategic location and is gateway to European markets. Turkish government launched Turquality program to assist their domestic producer to remain competitive by targeting higher income groups.

Non-Tariff Barriers:

Pakistani exporters has to fulfill following requirements as a non-tariff barriers for the exports of hosiery products to Poland.

- i. Labelling requirements
- ii. Marking requirements
- iii. Product quality or performance requirement
- iv. Testing requirement
- v. Certification requirement
- vi. Inspection requirement

100630-Semi-milled or wholly milled rice, whether or not polished or glazed:

Rice is the dominant export of Pakistan with \$1.5 billion exported value in 2017 while Poland imported rice of worth \$48 million in 2017. Currently, Pakistan's exports to Poland is just over \$1 million which is insufficient to earn considerable revenue. Cambodia, Myanmar and Italy are Poland's leading suppliers of rice with exports of \$12 million, \$9 million and \$8 million respectively. Except for Pakistan and Thailand, all the top suppliers face a zero per cent tariff rate. Pakistan has been granted with GSP-Plus status by the European Union, but rice is not granted as a zero-rated product under this award. Pakistan ranks third in the world for the exports of rice while Thailand is in the second position. As compared to all other suppliers, the ranking of Pakistan and Thailand is higher in the world's exports, but still, they have captured meagre market share. Tariff is the primary reason for creating the difference.

Rank	Suppliers	Value \$ Million	Market Share in Poland	Tariff faced by suppliers	Ranking in the world's exports
1	Cambodia	12	25%	0%	9
2	Myanmar	9	18%	0%	31
3	Italy	8	17%	0%	6
4	Germany	7	14%	0%	18
5	Thailand	4	8%	18.4%	2
6	Pakistan	1.5	3%	18.4%	3

Table 8 Source: Trade Map

The average unit price (AUP) of Pakistani rice is lowest among other suppliers which makes it competitive in the market. Even with the highest AUP, Cambodia has captured the highest market share in Poland. The reasons include the EBA status which allows it to export rice at zero per cent tariff rate without any quota limit and it's long grain rice that is different from the species produced in Europe. The same is the story for Myanmar, its AUP is also high, but due to EBA status, it has also captured significant market share.

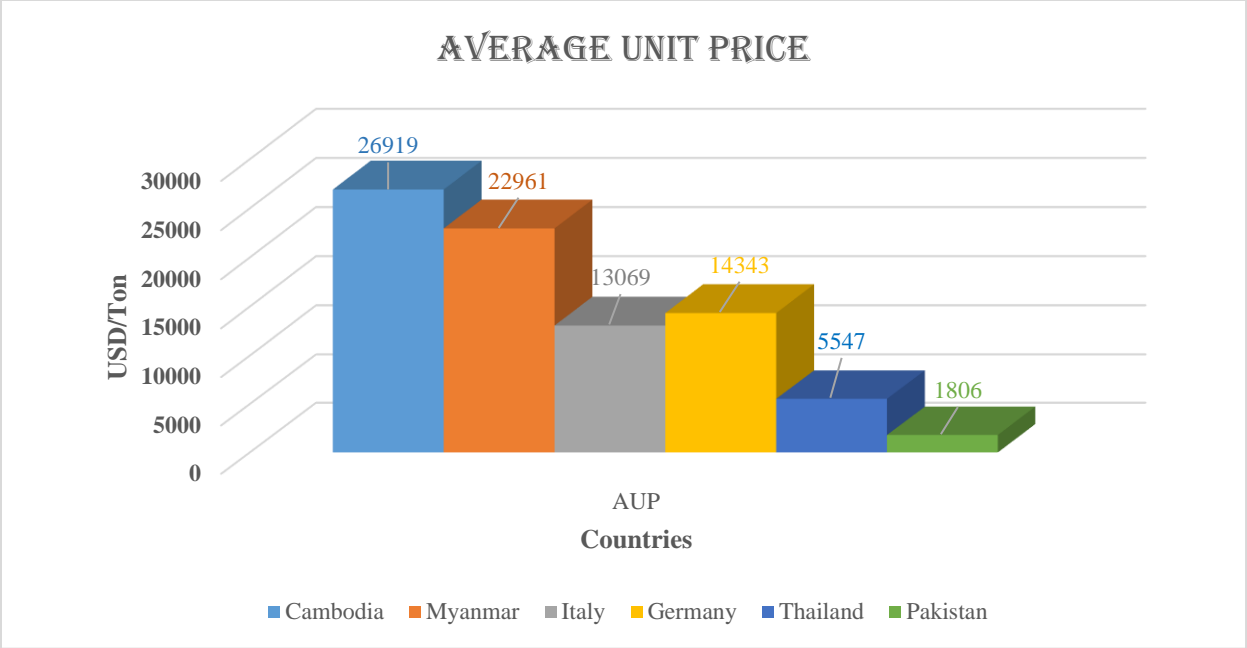


Figure 7 Source: Trade Map

The exports of Cambodian rice has experienced a decline in 2017 which is due to the concern of the EU, notable from Italy that rice imported from Cambodia are creating difficulties for domestic farmers to remain competitive in the market. The rival is opposing duty-free access of Cambodian rice in the European markets. There is a 1% decline in Italy’s exports of rice to Poland. Pakistan’s exports are increased by 18% in 2017. The ban on Indian rice in EU due to pesticides issue gives an opportunity to Pakistan to enhance its exports in the market.

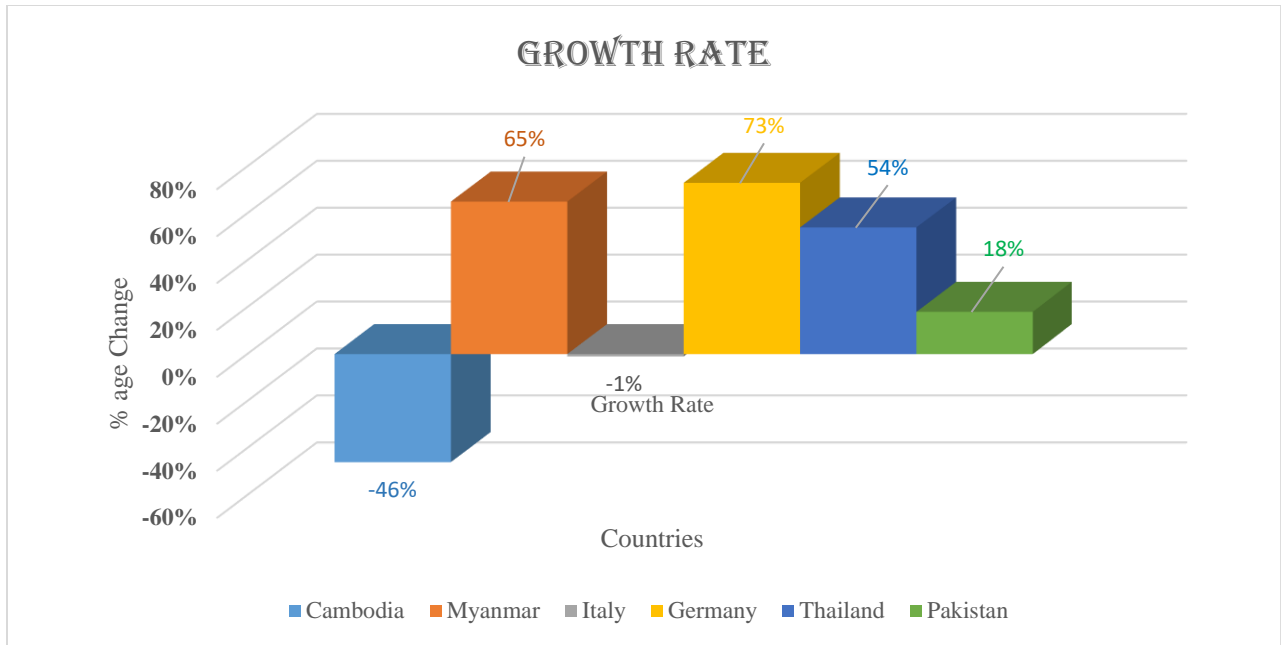


Figure 8 Source: Trade Map

Export competitiveness of Myanmar improved immensely from 17th to 2nd position. The reason for this massive improvement is its increase in exports of rice to the world which was \$425 million in 2013, but now it has crossed \$1 billion. Cambodia and Germany also improved their competitiveness although the ranking of Pakistan remained unchanged.

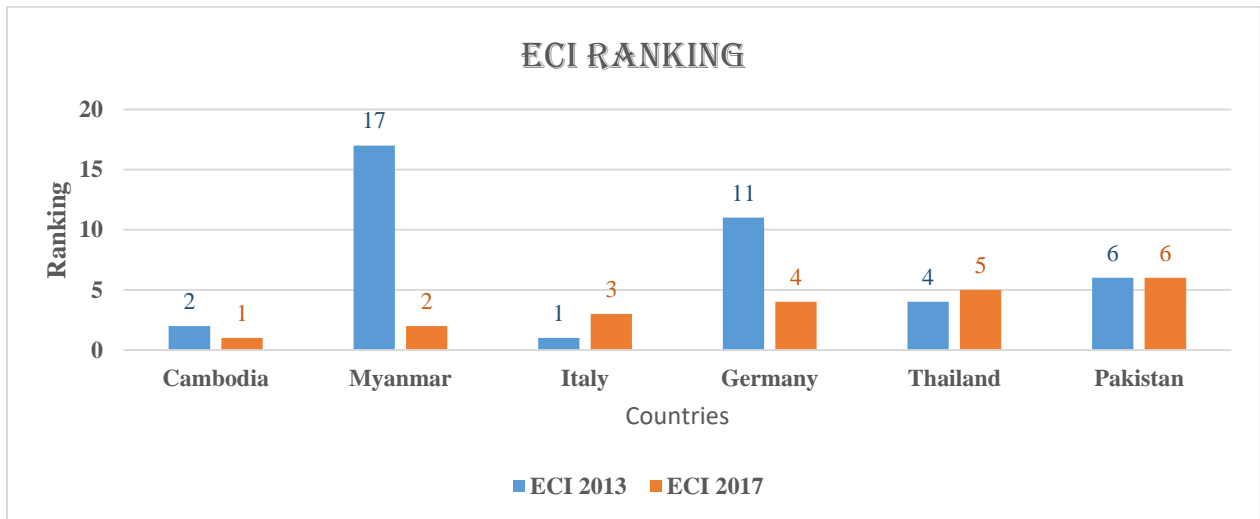


Figure 9 Source: Trade Map

Why is Cambodia leading exporter to Poland?

Cambodia is among the least developed countries of the world and carries the Everything But Arms (EBA) status from the European Union. It has an advantage regarding tariff rate as it has to pay a 0% tariff rate while Pakistani rice is charge with the hefty rate of 18%. The rice industry of Cambodia is equipped with modern milling capacities both in terms of volume and quality. The introduction of the Food Safety Certification program is playing a vital role in penetrating in the international markets.

Why is Myanmar leading exporter to Poland?

Europe has opened import from Myanmar at a 0% tariff rate. Myanmar also has Everything But Arms status which enables it to face zero per cent tariff rates on all its exports to Europe except arms. The exports of the country have risen 65%. It has improved the quality of its rice and agricultural productivity. Promoting rice exports is the top priority of the Government. Myanmar has a target of exporting four million tons of rice in 2020. It has opened its rice industry for foreign direct investment, and is also improving infrastructure and reducing export procedure cost.

Non-Tariff Barriers:

Non-tariff barriers are high in Poland regarding the import of food items. Therefore, rice exporter has to fulfil a number of requirements which are listed below.

- i. Geographical restriction on eligibility.
- ii. Systems approach
- iii. Registration requirements for importers
- iv. Tolerance limits for residues of or contamination by certain (non-microbiological) substances.
- v. Restricted use of certain substances in foods and feeds and their contact materials.
- vi. Marking requirements.
- vii. Packaging requirements.
- viii. Traceability requirement.
- ix. Origin of materials and parts.
- x. Processing history
- xi. Distribution and location of products after delivery
- xii. Authorization requirement.
- xiii. Labelling requirements.
- xiv. Non-automatic import licensing procedures other than authorizations for SPS or TBT reasons.
- xv. Advance import deposit.

901890-Instruments and appliances used in medical, surgical or veterinary sciences.

Pakistan's exports of the medical instrument to the world is \$363 million whereas Poland's import is \$392 million. Poland has the most rapidly ageing society in Europe, 35% of the population will be over 65 by 2030. This demographic shift will create a high demand for healthcare products. Germany and the US are the biggest suppliers of medical devices to Poland, as they are the top exporter to the world as well. Germany is the leading suppliers of medical instruments to the European Union. It is also the major importer of this product from Pakistan and resells instruments to other European countries at higher prices by adding value to the products. Pakistan's exports to Poland are mere \$1.1 million with almost zero per cent market share. The Current low market share of Pakistan and massive imports of medical instruments by Poland reveals the high untapped potential for Pakistan. All the top suppliers are facing zero per cent tariff rate. Pakistan stands at 25th position regarding exports of medical instruments to the world which is lowest ranking compared to top five suppliers to the Polish market.

Rank	Suppliers	Value \$ million	Market Share in Poland	Tariff faced by suppliers	Ranking in world exports
1	Germany	90	23%	0%	2
2	USA	75	19%	0%	1
3	France	33	8%	0%	10
4	China	32	8%	0%	8
5	Japan	25	6.3%	0%	11
36	Pakistan	1.1	0%	0%	25

Table 9 Source: Trade Map

There is a huge variation in the Average Unit Price (AUP) of the top suppliers. China has earned the lowest AUP while Japan charged the highest AUP. The price difference is due to the type of instruments which a country is supplying to Poland. As compared to generic products, the value-added products deserve more price. Germany, USA and Japan are providing the advanced medical instruments which made them gain high margins.

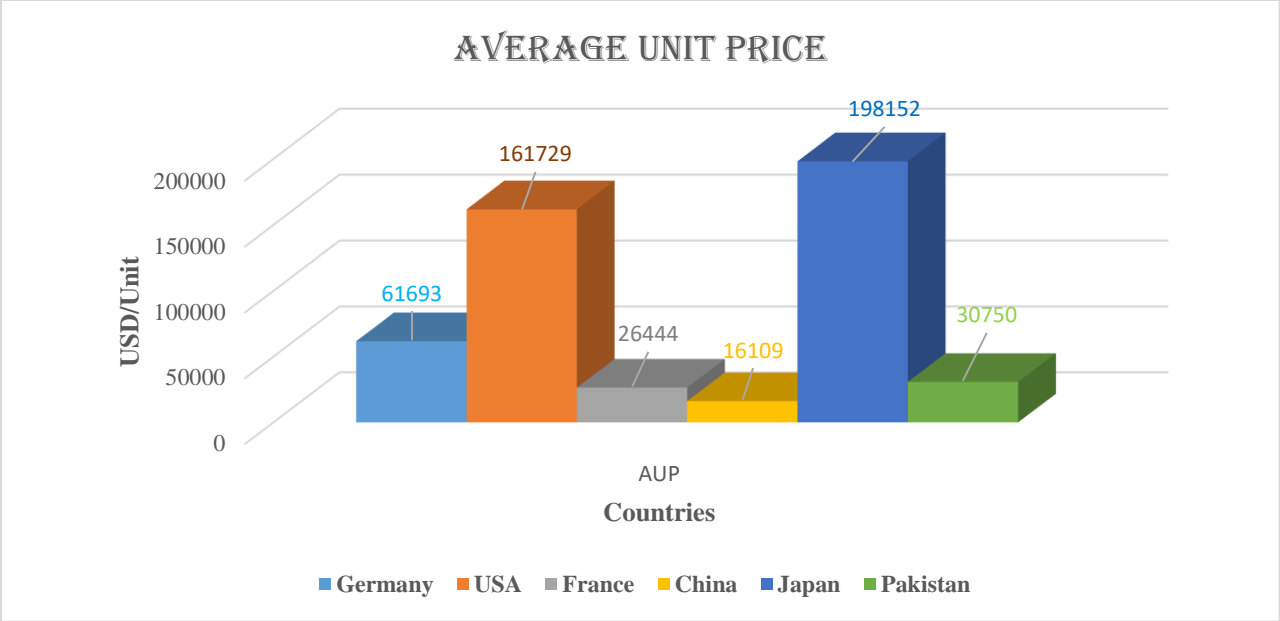


Figure 10 Source: Trade Map

Pakistan’s exports of medical instruments increased by 11%. As total exports of Pakistan in 2016 were very low so even a small increase in the value in 2017 shows a high percentage change. Germany and USA’s exports increased by 15% and 10% respectively. China experienced a decline in the exports of medical instruments to Poland.

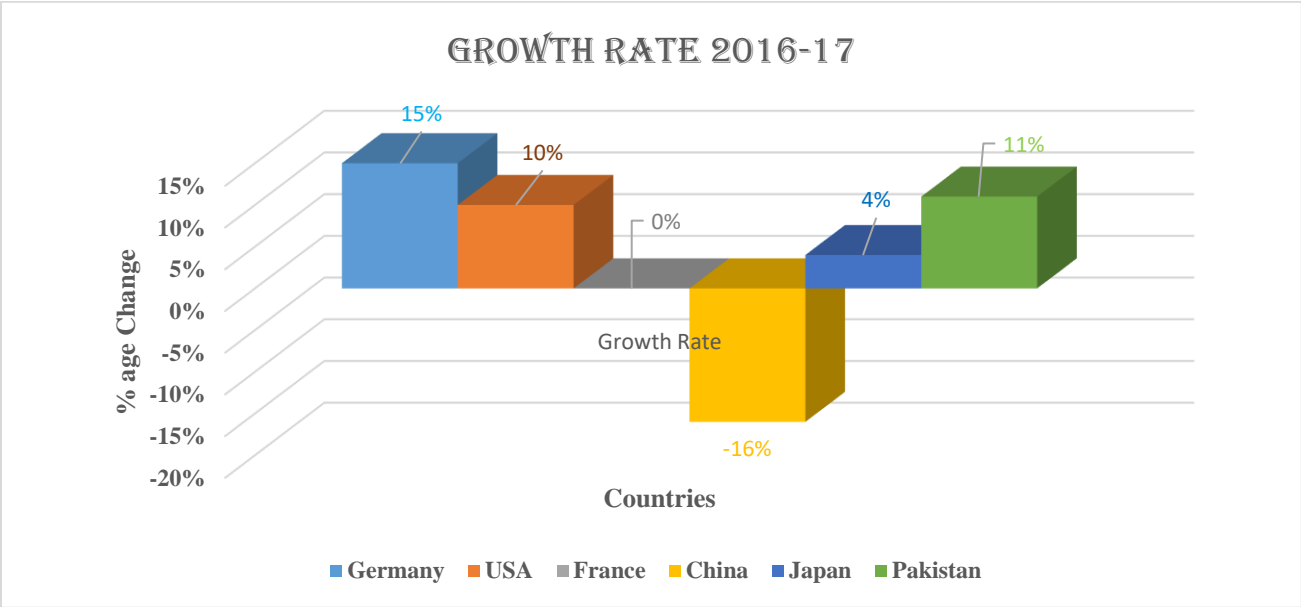


Figure 11 Source: Trade Map

Competitiveness of top five suppliers to the Polish market remained unchanged. On the other hand, competitiveness of Pakistan further worsened from 29th to 33rd position, due to lack of research and development and low demand in Poland.

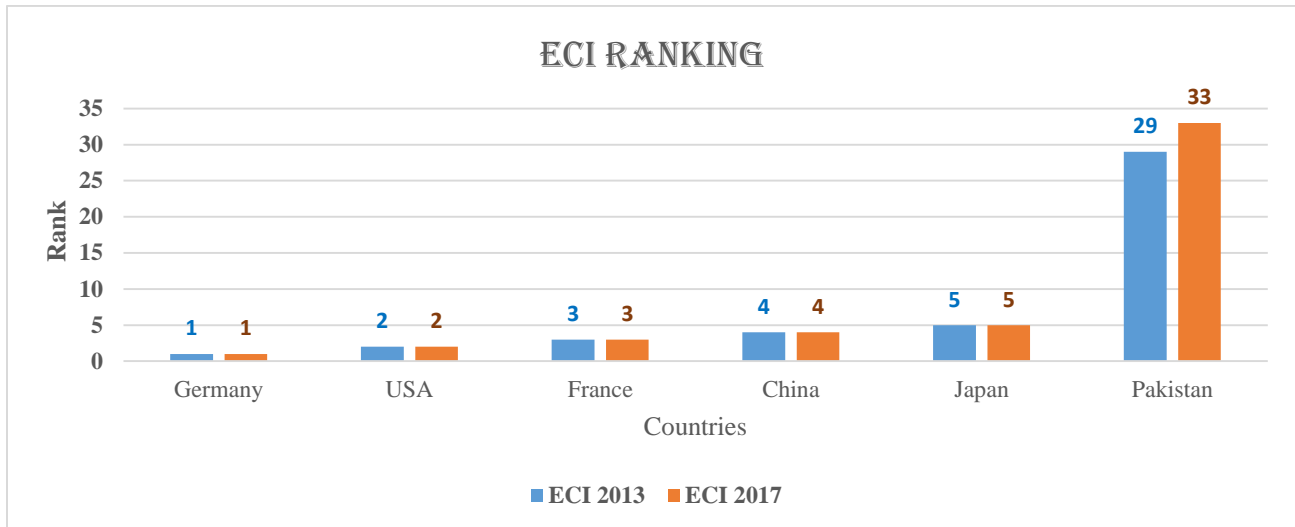


Figure 12 source: Trade Map

Why is Germany leading exporter to Poland?

Germany is the top exporter of medical instruments to Poland and also to the European Union countries. Medical technology "Made in Germany" is highly valued globally. Most of the revenue from the exports of medical instruments comes from Europe. Many institutions like the German Joint Federal Committee (JFC), TÜV and DEKRA are responsible for ensuring the safety and reliability of medical technology products and services produced in Germany. It is common practice to implement essential industry norms like ISO 13485 (regulation of quality management systems) and ISO 14155 (clinical evaluation of medical technology). Germany is home to more than 30 specialised cluster networks focusing on medical technology, which aims to achieve continuous innovation in research and development as well as in manufacturing by connecting companies, hospitals, universities, and other research institutions.

Why is the USA leading exporter to Poland?

The USA has facilitated the industry by providing easy access to capital. Modern technology is being used with the help of experts to manufacture high quality and value-added instruments. As research and development play a vital role in the medical industry, so there is a lot of technical research and development is undertaken by American companies, and they are in contact with key

markets. Due to the use of efficient technology and being the top exporter of the product in the world, American manufacturers enjoy the benefits of economies of scale.

Non-Tariff Barriers:

The non-tariff barriers which Pakistani exporter has to face regarding the exports of medical instruments to Poland are listed below.

- i. Registration requirement for importers for TBT reasons.
- ii. Restricted use of certain substances.
- iii. Labelling requirements.
- iv. Packaging requirements.
- v. Product quality or performance requirement.
- vi. Conformity assessment related to TBT.
- vii. Testing requirement.
- viii. Certification requirement.
- ix. Inspection requirement.
- x. Import monitoring and surveillance requirements.

252329-Portland cement (excluding white, whether or not artificially colored):

Pakistan's total export of portland cement is \$208 million which is mainly exported to Afghanistan, India and Sri Lanka. Poland imported \$33 million worth of portland cement in 2017. Germany is the top supplier to Poland with 39% market share while Lithuania and Belarus are at second and third position respectively. Currently, there is no presence of Pakistani cement in the Polish market. In the European market, Pakistan is exporting cement to France only. Pakistan is the 7th biggest exporter of cement worldwide. However, recent overall exports of cement fell due to an increase in domestic demand. Pakistani cement is considered as good quality and may help to earn high foreign exchange for the country. Tariff rate is zero per cent for the EU members and Pakistan because it has GSP-Plus status by the EU. Germany ranks at 4th place regarding exports of Portland cement to the world.

Rank	Suppliers	Value \$ Million	Market Share in Poland	Tariff faced by suppliers	Ranking in world exports
1	Germany	13	39%	0%	4
2	Lithuania	9.7	29%	0%	51
3	Belarus	5.7	17%	1.7%	19
4	Slovakia	2.5	7.5%	0%	15
5	Czech Republic	2	6.1%	0%	39
--	Pakistan	0	0%	0%	7

Table 10 Source: Trade Map

As Pakistan does not export cement to Poland so direct Average Unit Price (AUP) is not available that's why AUP to France has been used as a proxy to compare AUP, which is higher. Belarus earns the lowest Average unit price among other top suppliers while Slovakia earns the highest. However, its market share is very low. As top exporter, Germany's AUP is \$50 per ton.

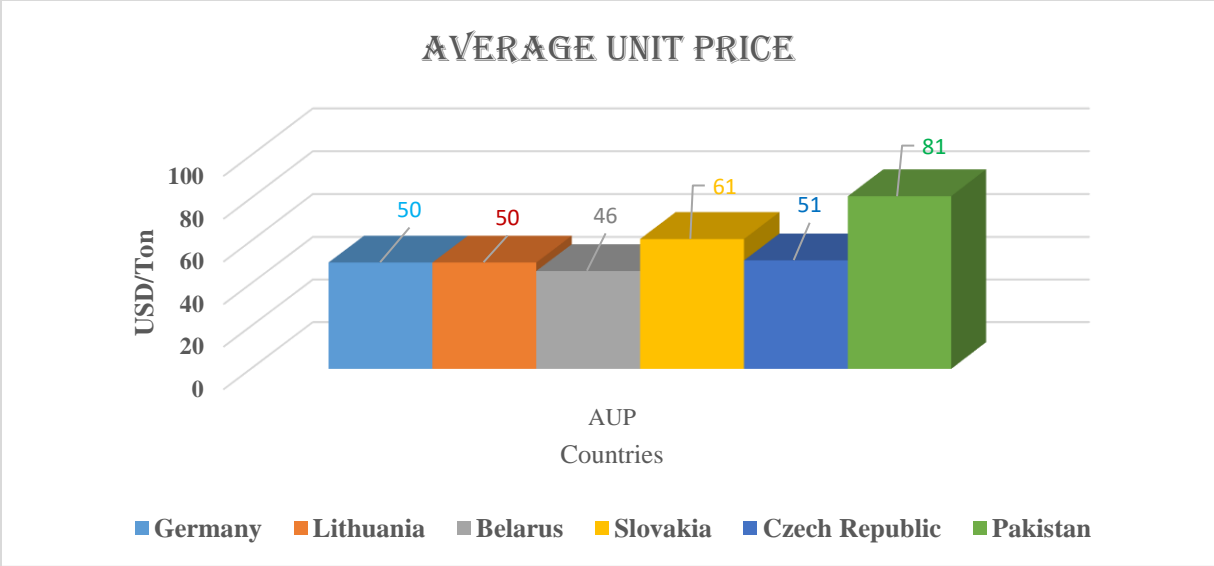


Figure 13 Source: Trade Map

Germany’s exports of cement decreased by 8% which is due to an overall decrease in the exports of cement by Germany. There is a slight decrease in the imports of Poland as well. Only Lithuania’s and Belarus’ exports are increased among the top five exporters.

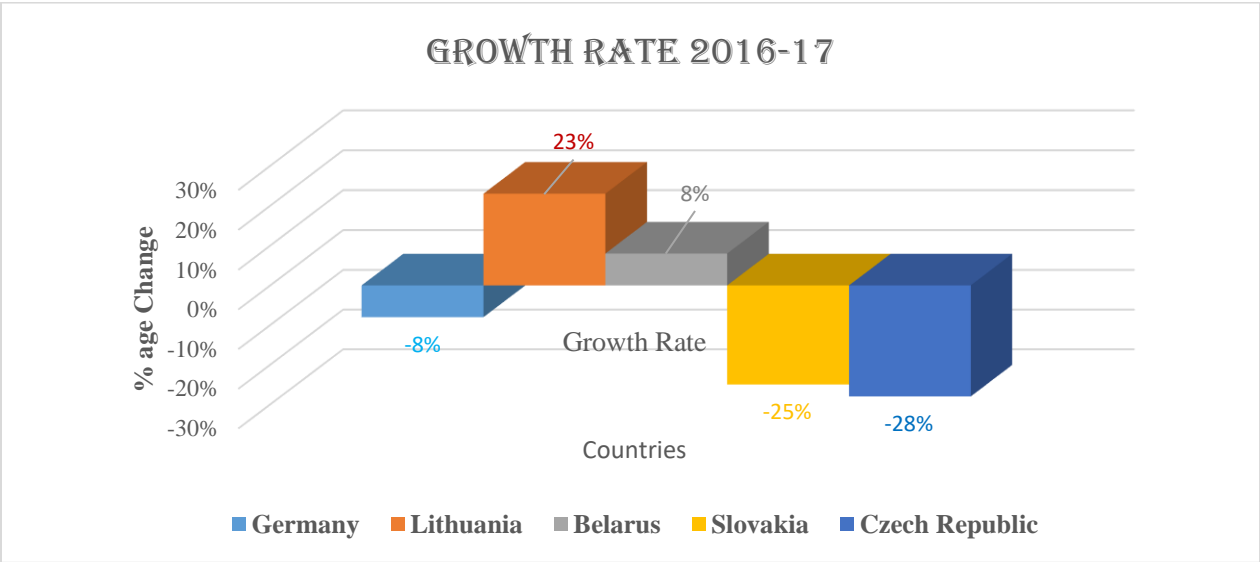


Figure 14 Source: Trade Map

Germany maintained its competitiveness as a top exporter. Czech Republic moved from 2nd to 5th place. As Pakistan is not exporting cement to Poland so its competitiveness in Poland cannot be measured.

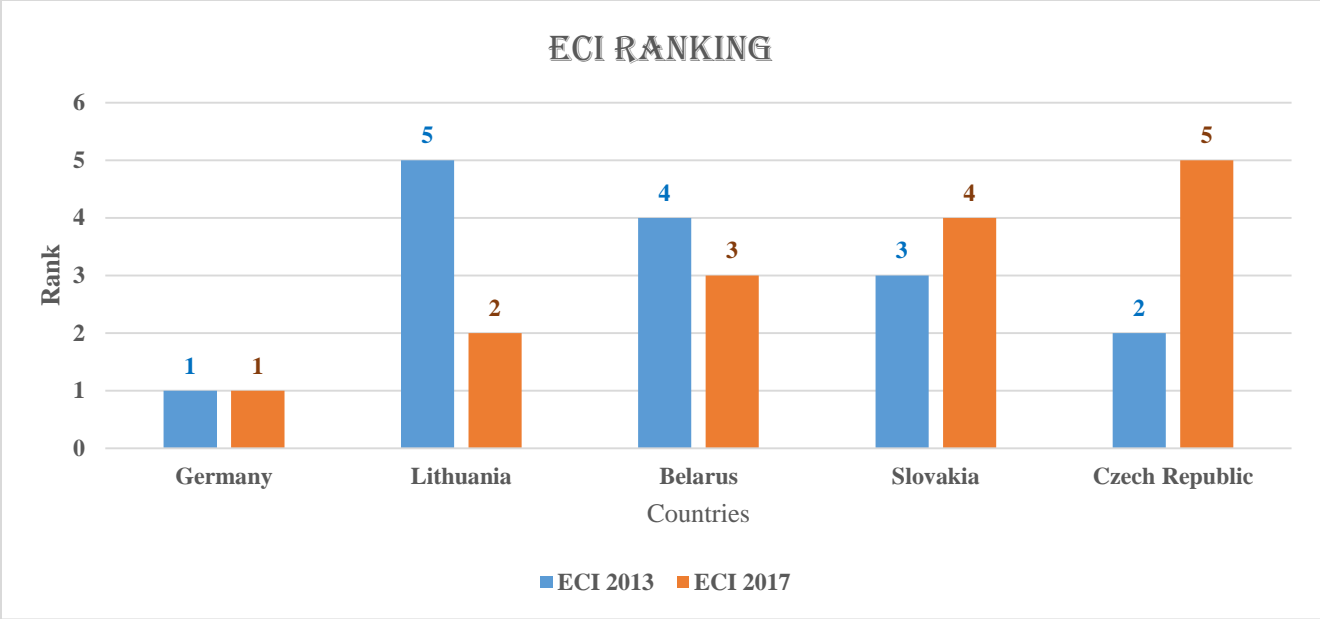


Figure 15 Source: Trade Map

Why is Germany leading exporter to Poland?

Germany is the world’s 4th top exporter of cement and ranks 16th regarding the production of cement. It is the largest producer in Europe. There are 55 cement plants in Germany. It roughly produces 31 million tons of cement for a turnover of 2.5 billion Euros. Cement is a capital-intensive industry, around 1.2 billion Euros invested in German’s cement industry between 2008 and 2014. Material transfer processes are highly automated, production is overseen by process control systems and product quality is assured by stringent laboratory procedures. The freight cost is also very low.

Why is Lithuania leading exporter to Poland?

Lithuania exports increased by 23% to Poland. Pakistan does not export cement to Poland, so its average unit price is not available for Poland. Therefore, for comparison purpose, we consider Pakistan’s AUP to France which is \$81 and the highest compared to all the exporters. The major reason for the highest average unit price is the freight cost. Germany earns \$50 as average unit price while Belarus AUP is the highest.

Non-tariff Barriers:

The list of non-tariff barriers is as under.

- i. Prohibition for TBT reasons.
- ii. Authorization requirement for TBT reasons.
- iii. Registration requirement for importers for TBT reasons.
- iv. Labelling requirement.
- v. Packaging requirements.
- vi. Inspection requirement.

070190 Fresh or chilled potatoes (excluding seed):

Pakistan's export of fresh potatoes to the world is \$80 million while Poland's imports this product of worth \$27 million. Currently, Pakistan does not export fresh potatoes to Poland. Afghanistan, UAE and Sri Lanka are the major export destinations of Pakistan. Potatoes are a perishable commodity and require specific storage and transportation facilities. The quality and shelf life of Pakistani potatoes is better than Indian product. However, potatoes have a potential to earn significant foreign exchange from Poland and other European countries as well. Local farmers of Pakistan does not earn high margins on potatoes. The reason is that a substantial chunk of potato seed is imported from countries like Netherland and India which escalate production cost and make the product susceptible to market exposures. The storage cost of Potatoes is around Rs.400 per bag. Due to low cold storage facilities in Pakistan the potato price decreases which hurts the profits of growers. Excess production can be traded to Poland which can earn high prices for Pakistani exporters. In Poland, the supply market of potato is well diversified with no supplier have a monopoly over the market. Germany has a high market share of 19%. Germany is the second top exporter of Potatoes in the world while Pakistan ranks at 10th position. Tariff rate is zero per cent for all the suppliers. Pakistan can exploit this opportunity of low tariff by penetrating in the Polish market.

Rank	Suppliers	Value \$ million	Market Share in Poland	Tariff faced by suppliers	Ranking in world exports
1	Germany	5	19%	0%	2
2	Cyprus	3.7	13%	0%	15
3	Greece	3.2	12.8%	0%	28
4	Spain	3.3	12%	0%	9
5	Italy	2.7	9.6%	0%	14
-	Pakistan	0	0	0%	10

Table 11 Source: Trade Map

As Pakistan does not export potatoes to Poland; therefore Average Unit Price (AUP) for this market is not available. Moreover, Pakistan does not export potatoes to any of the European countries. To compare the AUP, the price which Pakistan earns in Canada is adopted as a proxy because Canada is also a developed country. Germany's AUP is the lowest as compared to the

other four suppliers because Germany is the neighbouring country to Poland and its cost of exporting potatoes is low. Cyprus charges the highest AUP in Poland.

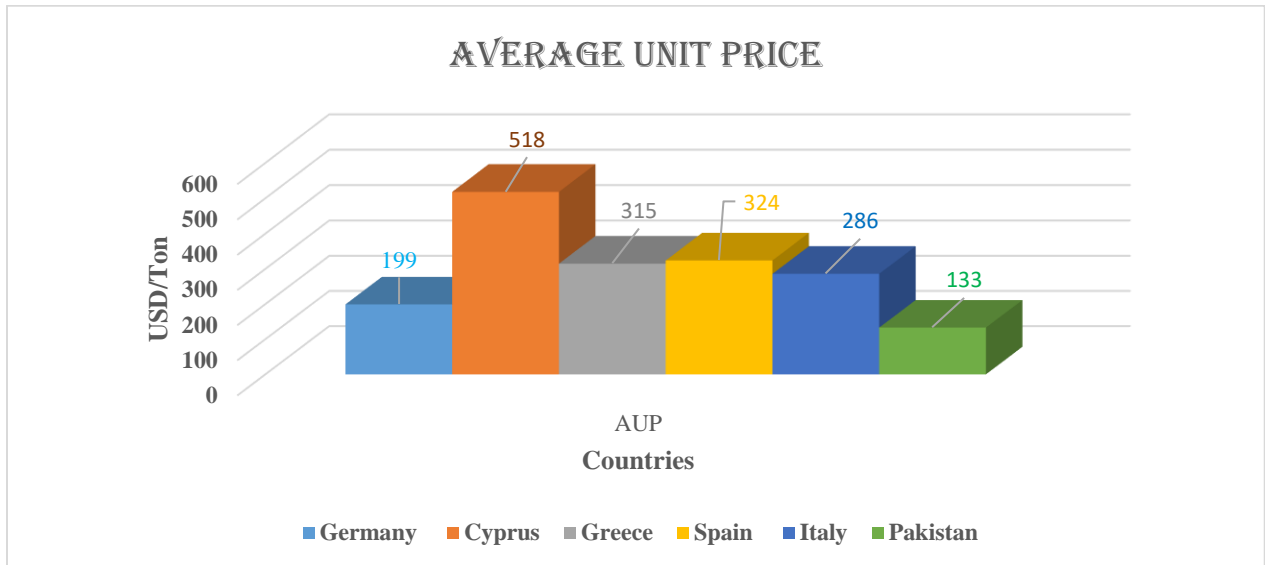


Figure 16 Source: Trade Map

Germany’s exports of Potatoes declined by 41% in 2017 which is due to an increment in domestic consumption. Three of the five top exporters experience a decline in their exports in 2017. As Pakistan does not export to Poland, therefore, its growth rate is not available.

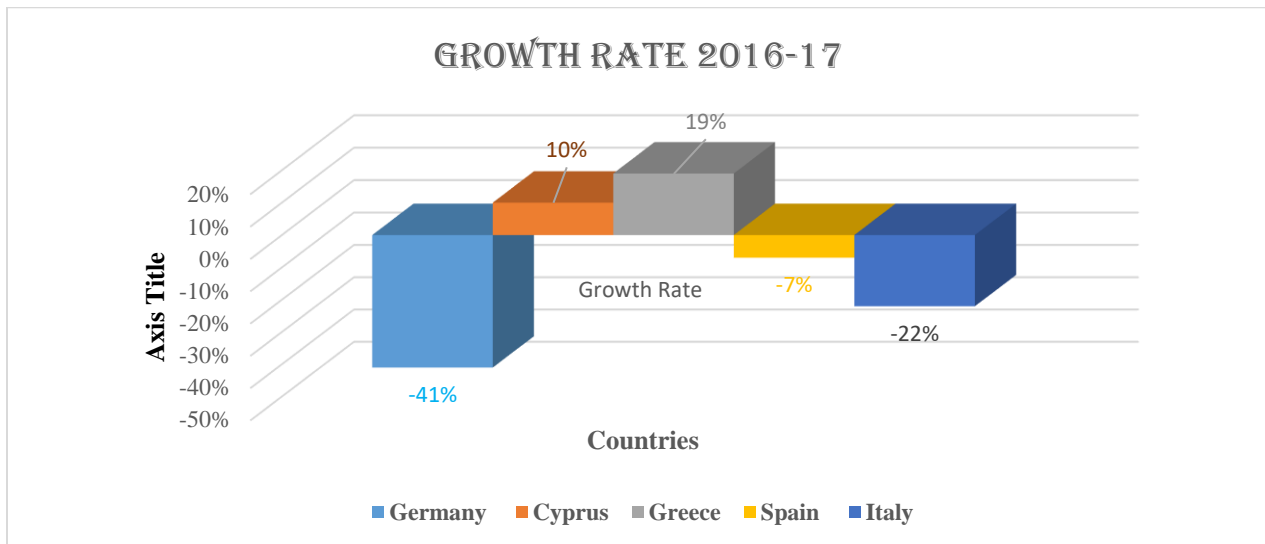


Figure 17 Source: Trade Map

Germany consistently maintained its top ranking. Ranking of Cyprus considerably improved from 7th to 2nd position. On the other hand, Greece and Spain lost their ranking in 2017.

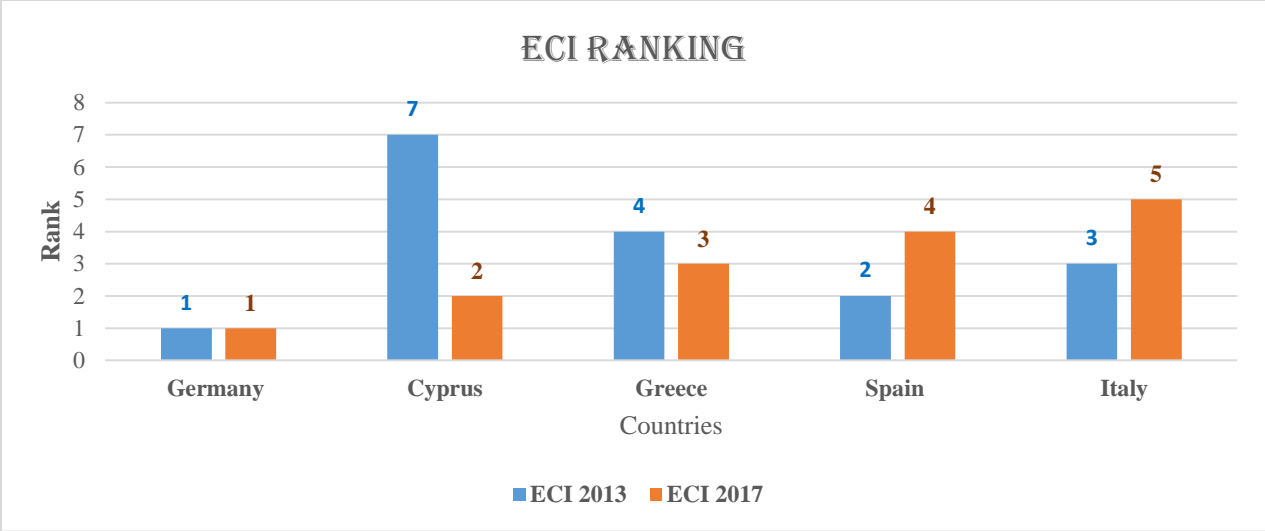


Figure 18 Source: Trade Map

Why is Germany leading exporter to Poland?

Germany is the leading producer of Potatoes in Western Europe and second-biggest producer of said product in the world. It exports potatoes to a number of European countries. A fund of EUR 6.2 billion has been allocated for agricultural support. Under this program, direct payments will be made to farmers to hedge against price risk. As Potato is a perishable commodity, being a neighbouring country, it is convenient for Poland to import potatoes from Germany.

Why is Cyprus leading exporter to Poland?

Cyprus is the 15th biggest exporter of potatoes to the world and second biggest to Poland. Cyprus does not produce potatoes in large quantity but due to taste and quality potatoes are the most important agricultural export of Cyprus. Significant investment is helping to renovate the agricultural sector, with a rural development programme jointly funded by the EU and Cyprus with the contribution of 52% and 48% respectively. Around €485 million is anticipated through the Common Agricultural Policy (CAP) between 2014 and 2020, with further funds for transformation and development from 2021 to 2027. The programme is open to all sectors for investment in the primary and secondary areas, including training, promotion, organic farming, agro-tourism and applying for Protected Designation of Origin (PDO) or Protected Geographical Indication (PGI) status.

Non-Tariff Barriers:

The following non-tariff barriers are to be faced by the exporter of fresh potatoes to Poland.

- i. Geographical restriction on eligibility.
- ii. Special Authorization requirement.
- iii. Registration requirements for importers.
- iv. Tolerance limits for residues of or contamination by certain (non-microbiological) substances.
- v. Restricted use of certain substances in foods and feeds and their contact materials.
- vi. Microbiological criteria of the final product.
- vii. Hygienic practices during production.
- viii. Food and feed processing.
- ix. Certification requirement.
- x. Inspection requirement.
- xi. Traceability requirements.
- xii. Origin of materials and parts.
- xiii. Processing history.
- xiv. Distribution and location of products after delivery.
- xv. Authorization requirement for TBT reasons.
- xvi. Labelling requirements.

Issues faced by the Pakistan

Demand Side Issues:

- Rice has a high potential in the Polish market. But it faces severe competition from Cambodia due to its Everything But Arms (EBA) status which allows Cambodia to export rice in Poland at zero per cent tariff rate. On the other hand, Pakistani exporter has to pay 18% tariff rate. Non-tariff barriers are also very high on food items in Poland.
- Poland is the market for high quality and branded medical instruments. Additionally, there are strict requirements on certification and registration for its imports which makes it costly and difficult for exporters. Pakistan also has to face Germany as a competitor whose medical industry is highly valued globally.
- There is income disparity in Poland. Affluent customers demand new designs, fashion styles and quality labels. Turkey is among the major suppliers of textile in Poland, and its products better serve the demands of the customers in this context. On the other hand, low-income customers are targeted by the Chinese brands whose average unit price is the lowest which give fierce competition to Pakistani exporters. Overall the nature of competition is on the basis of quality and innovation.
- Major imports of Poland does not match with the major exports of Pakistan. Top imports of Poland include Motorcars, data processing machines and electronic circuits. On the contrary, top exports of Pakistan consist of agricultural and textile products.
- Despite the GSP-Plus status of Pakistan, EU countries prefer to trade within the bloc which makes it challenging for other exporters to penetrate in the market.
- EU's stringent Sanitary and Phytosanitary Standard (SPS) requirements have hindered entry of Pakistan's agricultural goods into the EU market.
- GSP-Plus status of Pakistan allow Pakistan to export products at zero per cent tariff rate but it does not give any considerable competitive edge as most of the competitors like EU members, Bangladesh, and India are also facing zero per cent duty.

Supply Side Issues:

- Export basket of Pakistan is confined to few items, and most of them are the generic products which shows the inability of the Pakistani industry to develop international brands. As a result, Pakistani exporters are unable to earn high revenue.
- Due to the absence of research and development, Pakistani products lack innovativeness. Consequently, Pakistan is losing competitiveness in Poland.
- Currently, a significant portion of Potato seed is being imported from other countries like the Netherlands and India this escalates the production cost. Due to the lack of appropriate storage facilities, the domestic price of potatoes falls which ultimately hurt the local farmers and demotivate them for further production.
- Pakistan's export targeted destinations in Europe are not well diversified because 80% of Pakistan's textile exports are limited to six destinations which include UK, Germany, Spain, Italy, Netherland and Belgium. There is less focus on the Polish market from Pakistani exporters.
- For most of the potential products, Pakistan has to face competition from developed countries including Germany, Italy and the USA. The supply side of Pakistan is not advanced enough to counter the competition regarding quality and efficiency and innovativeness.
- Pakistan's top exports to the world are from the textile sector which is cotton-based. However, in Poland demand is shifting from cotton based textile to synthetic fiber.
- Major supplies of medical instruments from Pakistan consist of disposable instruments which earn low prices. Additionally, there is a lack of precision and branding which makes it difficult to sell products in Poland.

SWOT analysis

Strengths:

- The devaluation of Pak Rupee is making Pakistani product competitive in Poland regarding the price. Now the buying power of the Polish consumer has increased for imported products from Pakistan which can increase the demand for Pakistani products.
- GSP-Plus status of Pakistan gives access to 6600 plus Pakistani products in the European Union including Poland at zero per cent tariff rate.
- Poland is the country where Pakistan have positive trade balance. Increase in the trade between both countries can favor more to Pakistan.

Weaknesses:

- Major exports of Pakistan to the EU countries is 79% in textile, but the market share of Pakistan in EU textile is only 4% which is poor against regional competitors China 36% (no tariff preference), Turkey 13%, Bangladesh 12.9%, India 7.1%
- Due to the lack of innovation, quality and branding Pakistani products have less demand in the Polish market.
- The limited export basket of Pakistan does not allow it to fulfil the demand of Poland as major imports of Poland are capital goods while Pakistan exports consumer goods especially from textile sector only.
- The trade relation between Pakistan and Poland started to develop in 1974 but still after passing so many years trade volume between both countries is very low.
- Poland is an ignored market by Pakistan as 80% of Pakistan's textile exports are going to only 6 countries which include the UK, Germany, Spain, Italy, Netherland and Belgium.

Opportunities:

- India has graduated from GSP-Plus to GSP status which has limited its quota and tariff lines for exports to the European Union. On the other hand, Pakistan is holding GSP-Plus status and have a wide range of products at reduced tariff and more quota limits.
- Indian rice has been banned in Europe including Poland due to pesticides issues which gives Pakistan an opportunity to capture the market share.
- Poland has the most rapidly ageing society in Europe, 35% of the population will be over 65 by 2030. It will create more demand for the instrument used in medical sciences which Pakistan can exports to Poland.
- Poland's import of articles of apparels and clothing is higher than \$3 billion which shows the big size of the market. Presently, Pakistan is exporting \$160 million worth of product to Poland. There is an opportunity for Pakistan to capture untapped potential.
- Imports of Poland are more than \$217 billion which shows that the size of the market is very big. Moreover, a current low market share of Pakistan indicates high untapped potential.

Threats:

- Pakistan may face barriers to trade with Europe due to inclusion in Finance Action Task Force (FATF) list. In addition to that Pakistan has to fulfil specific requirements for the continuation of GSP plus status. Noncompliance of requirements may put GSP-plus status in danger.
- A shift in demand from cotton-based products to synthetic fibre is the serious threat to Pakistan's exports in Poland.
- Rice is the major export of Pakistan. It requires a lot of water to grow but water resources in Pakistan are continuously depleting which may result in a decline of the production of rice.

Conclusion and Recommendations

Bilateral trade between Pakistan and Poland is only \$203 million. However, Pakistan has a positive trade balance with Poland. The exports are limited to textile items only while Pakistan mainly imports gas turbines and coke of coal from Poland. The products which have high export potential in Poland are hosiery items, rice, medical instruments, potatoes and cement. The following recommendations can help Pakistan to improve its exports to Poland.

- Pakistani exporters lack the presence in the Polish market. As personal contacts with the customers are critical and final purchasing decisions require a business to consumer linkages, therefore, Pakistani exporters should show their presence in the Polish market through agents, distributors and representative offices.
- Currently, a considerable portion of potato seed is imported from other countries including the Netherlands and India. It intensifies the production costs and makes the business more sensitive to market exposures. Research institutes and agricultural universities should be tasked with producing high quality and affordable potato seed which can eventually reduce the cost and make the product competitive. Additionally, the government should also invest in providing appropriate storage facilities to the growers of potatoes because the price of the product suddenly decline with the increase in the supply.
- Presently, there is no single country exhibition in Poland. It is recommended that Pakistan should arrange exhibitions of multiple products in Poland; additionally it can also participate in exhibitions which are hosted by Poland.
- Surgical instruments prepared in Pakistan have good quality and are exported in different markets of the world including Europe. However, Pakistani exporter is not getting the high margins because of lack of branding and certifications. Germany and the US buy these instruments from Pakistan and resale them in other markets after adding precision and certifications. For electro-medical devices there are certain certifications which exporter needs to avail before they export, these certifications are very expensive which adds to the cost. It is recommended that exporter should be facilitated by the government for the certification, and the marketing campaign is needed to promote the products in Poland.