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Poland and the EU–Turkey Customs Union

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The project

The future of the EU's Customs Union with Turkey

Still a candidate for membership in the European Union, Turkey has outgrown the status of one-sided dependency on the EU. Ankara developed a more independent foreign policy that entails both areas for cooperation with Brussels but also for conflicts with the EU and its member states. Cases in point are the cooperation on migration on the one hand side and tensions with Greece and Cyprus in the eastern Mediterranean on the other. The EU needs working channels for communication and cooperation with Turkey. However, membership negotiations stall, talk on visa liberalization stuck, and the European Council blocks the opening of talks to re-negotiate the Customs Union.

To look for ways to overcome the deadlock, CATS and think tanks from five EU member-states are looking into the respective nation debates on the economic and political pros and cons of re-negotiating the Customs Union. We find an overall interest in the deepening of economic cooperation and a variety of political issues to be addressed once working relations with Turkey are established.

This report is part of this joint endeavour in which the Centre for Applied Turkey Studies (CATS) cooperates with Institut français des relations internationales (IFRI), Paris; Elcano Royal Institute (Elcano), Madrid; The Polish Institute of International Affairs (PISM), Warsaw; Istituto Affari Internazionali (IAI), Rome and Hellenic Foundation for European and Foreign Policy (ELIAMEP), Athens.

Polish incumbents voice their support for strengthening the economic cooperation with Turkey but they do not touch the topic of the customs union between the EU and Turkey. The Polish ministries are well informed about the debate on the customs union at the EU level. They also have well-defined interests in the modernisation of the customs union between EU and Turkey. Yet, they tend to regard the issue of the modernisation of the customs union as an EU matter and claim they accept the reality that the process is blocked due to political problems that need to be resolved. While Polish entrepreneurs would benefit from the modernisation of the customs union, they perceive the problem as a political issue between the European Union and Turkey and thus they focus on more pragmatic activities.

Key Takeaways

- In 2018, the value of import and export of goods between Poland and Turkey was 2.5bn EUR and 3.8bn EUR respectively.
- Although trade in goods between the two countries has been intensifying, Turkey is not a leading partner for Poland. Turkey provides just 1.7% of imported goods and is the recipient of 1.1% of exported goods, whereas the country is the 16th biggest importer of Polish products and the 20th provider of exported goods to Poland.
- Trade in goods between Poland Turkey focuses on four main groups of products: base metals and articles thereof; machinery and mechanical appliances, electrical and electro-technical equipment; plastics and rubber and articles thereof; and transport equipment. In 2018, these groups of products constituted 66% of total imports and 73% of total exports.
- Policy makers try to encourage greater trade volumes between Poland and Turkey, yet their political willingness does not translate into reality. State support is largely symbolic, and is not an incentive for Polish companies to lobby or strive to gain privileged access to Polish incumbents.
- Polish companies have been developing economic relations with Turkey for three reasons: to tap its growing internal market, to use the country's expertise, experience and resources in the production process and to strengthen Poland's position in the CEE region, in the Middle East and in Central Asia.
- Modernisation of the customs union between the EU and Turkey is not an issue of public debate in Poland – it is not mentioned in Polish party programmes or in the statements of Polish politicians.
- Polish incumbents voice their support for strengthening the economic cooperation with Turkey but they do not touch the topic of the customs union between the EU and Turkey.
- The Polish ministries are well informed about the debate on the customs union at the EU level. They also have well-defined interests in the modernisation of the customs union between EU and Turkey. Yet, they tend to regard the issue of the modernisation of the customs union as an EU matter and claim they accept the reality that the process is blocked due to political problems that need to be resolved.
- While Polish entrepreneurs would benefit from the modernisation of the customs union, they perceive the problem as a political issue between the European Union and Turkey and thus they focus on more pragmatic activities.

Introduction

Poland is one of the biggest economies in the European Union (EU). In 2018, its gross domestic product (GDP) totalled almost 500bn EUR. Turkey's economy is of a similar size – its GDP was over 650bn EUR. Both these economies have also experienced a dynamic GDP growth in recent years. During the last decade, they grew on average by 3.5% in the case of Poland, and by 5.3% as far as Turkey is concerned, much above the EU average.

Developing internal markets and a long history of friendly contacts – Poland and Turkey established diplomatic relations over 600 years ago and remained at peace for around 580 years¹ – provide a base for economic cooperation between countries.

The report analyses the volume and structure of trade between both countries (goods and services), the value and main directions of FDI and the potential for growth in these areas. Based on this data the study seeks to determine interdependences between Polish and Turkish economies, points to areas where economic actors may have privileged access to decision makers and assesses Turkey's role as a hub for regional markets. The report also analyses level of information and attitude towards the debate on the modernisation of the customs union between Turkey and the European Union, concentrating on the perspectives of Polish ministries, political parties and economic actors.

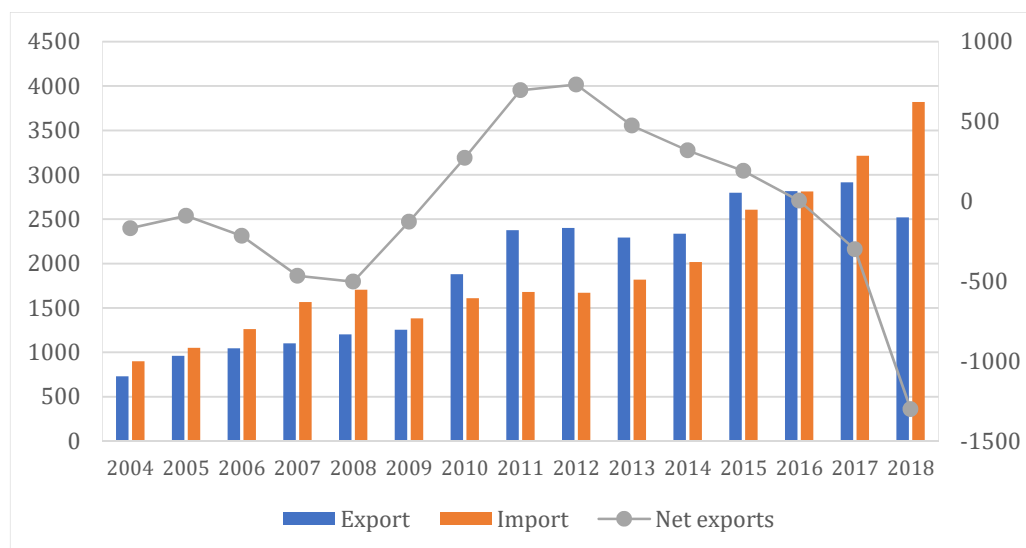
The report is based on various sources: official reports from Polish state institutions (e.g., the Polish National Bank – Narodowy Bank Polski, Statistics Poland, the Polish Investment and Trade Agency, the Ministry of Entrepreneurship and Technology), websites of media concentrating on economic affairs, and websites of local and private chambers of commerce and companies active in Turkey. Additionally, sections concerning attitudes of Polish ministries towards the debate on the customs union include information obtained from consultations undertaken by the author in the Ministry of Foreign Affairs and the Ministry of Development.

¹ Oficjalna strona Prezydenta Rzeczypospolitej Polskiej, *600 lat relacji między Polską a Turcją to zobowiązanie* (2014).

Volume of trade with Turkey

A long history of bilateral relations and significant economic development, which deepens internal markets' demand for foreign goods and services, constitutes a solid base for economic cooperation. Trade between Poland and Turkey focuses mainly on goods. Since Poland's accession to the EU, the country's volume of trade in goods with Turkey has been constantly increasing. In 15 years, the value of import and export of goods between these countries has increased over threefold and fourfold respectively. In 2004, the volume of goods exported to and imported from Turkey totalled 731m and 899m EUR respectively and in 2018 it was 2.5bn and 3.8bn EUR respectively (Chart 1).

Chart 1 – Poland's trade in goods with Turkey (million EUR)



Source: Statistics Poland database, 2019

Although trade in goods between the two countries has been intensifying, Turkey is not a leading partner for Poland. Turkey provides just 1.7% of imported goods and is the recipient of 1.1% of exported goods, whereas the country is the 16th biggest importer of Polish products and the 20th provider of exported goods to Poland. Poland has far more developed trade relations with the EU's leading economies; and as far as non-EU countries are concerned it cooperates mainly with China, Russia, the US, Ukraine and Norway (Table 1).

Trade in services between Poland and Turkey remains at a stable but low level. Although the volume of services delivered by Polish entities to Turkish ones has doubled over the

last decade,² in 2018 it totalled just 100m EUR, compared to 2,500m EUR of Polish goods exported to Turkey.

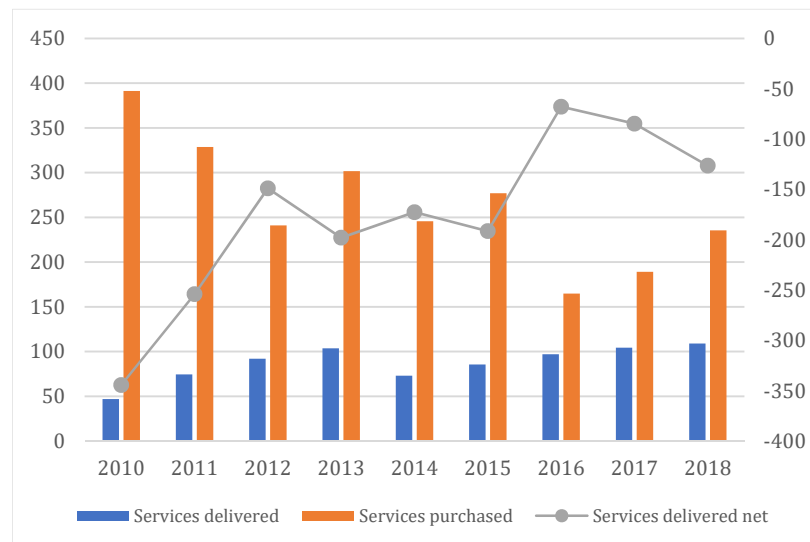
Volume of services purchased from Turkey has been more volatile with a general downward trend observed over the last decade. In 2010, services purchased from Turkey totalled almost 400m EUR, but in 2018 it decreased to around 250m EUR. In this direction also, the flow of purchased services is significantly lower than in the case of imported goods (4,000m EUR in 2018).

Table 1 – Poland's key trading partners in goods (2018)

Country	Export (% of total)	Country	Import (% of total)
Germany	28,21	Germany	22,55
Czech Republic	6,38	China	11,61
United Kingdom	6,24	Russia	7,14
France	5,58	Italy	5,13
Italy	4,61	France	3,67
Netherlands	4,52	Netherlands	3,63
Russia	3,03	Czech Republic	3,44
Sweden	2,79	US	2,84
US	2,75	Belgium	2,49
Hungary	2,67	United Kingdom	2,44
Slovakia	2,59	Spain	2,25
Spain	2,55	Sweden	1,82
Belgium	2,35	South Korea	1,81
Romania	2,03	Slovakia	1,80
Ukraine	1,99	Austria	1,71
Austria	1,99	Turkey	1,67
Denmark	1,75	Hungary	1,62
Lithuania	1,50	Japan	1,59
Norway	1,16	Ukraine	1,12
Turkey	1,12	Denmark	1,11

Source: Statistics Poland database, 2019

Chart 2 – Poland's trade in services with Turkey (million EUR)



Source: Statistics Poland database, 2019

² Data on the volume of traded services between Poland and Turkey is available starting from 2010.

Given low volumes of trade in services, it is easy to determine that Turkey is not a significant partner for Poland in this area. In terms of delivered services, in 2018 Turkey was Poland's 39th biggest partner, and as far as purchased services are concerned Turkey was Poland's 28th biggest partner (Table 2). Poland trades mainly with developed economies, especially with Germany, the UK, the Netherlands and the US.

Table 2 – Poland's key trading partners in services (2018, million EUR)

Country	Volume of delivered services	Country	Volume of purchased services
Germany	13 352	Germany	7 969
Switzerland	4 504	UK	3 029
UK	4 399	France	2 051
Netherlands	3 990	Netherlands	2 048
US	3 782	US	1 935
...
Turkey	109	Turkey	235

Source: Statistics Poland database, 2019

Trade: sectors and branches

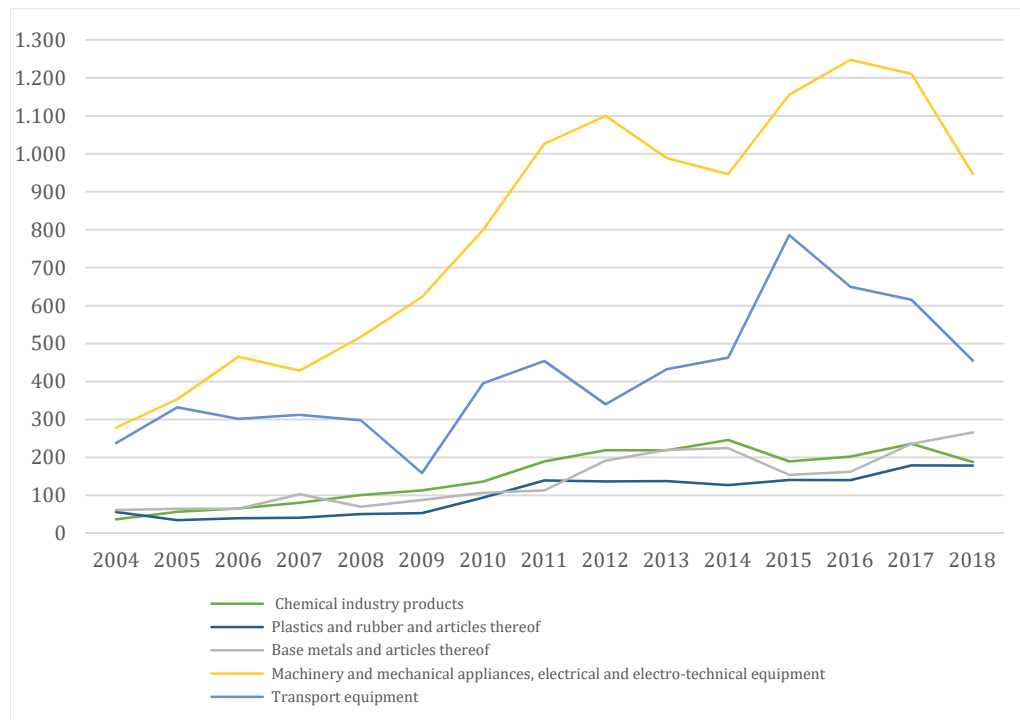
We analysed trade in commodities by sections and chapters, according to the Polish Statistical Office³ methodology.

Trade in commodities between Poland Turkey focuses on four main groups of products: base metals and articles thereof; machinery and mechanical appliances, electrical and electro-technical equipment; plastics and rubber and articles thereof; and transport equipment. Since 2004 these products have constituted most of the trade volume between Poland and Turkey, for both export and import. In 2018, they constituted 66% of total imports and 73% of total exports. In Poland's exports, chemical industry products (mainly cosmetics) also play a significant role; and textiles are one of the biggest components of its imports.

³ Its database is called Statistics Poland.

Chart 3 – Poland's export of goods to Turkey (million EUR)

Source: Statistics Poland database, 2019



Although Poland's imports from and exports to Turkey are similar based on their aggregated sections and chapters, the structure of these flows of trade is slightly different. Export to Turkey is dominated by machinery and mechanical appliances, electrical and electro technical equipment (in 2018 it accounted for 42% of export volume), mainly spark-ignition compression-ignition internal combustion piston engines and parts, turbojet engines and pumps. In Poland, a great number of companies manufacture such products, which are then imported by for example the mining industry and energy sector. One of the leading suppliers is Famur S.A., whose role in trade relations was mentioned by Poland's President Andrzej Duda during the Business Forum held in 2017.⁴ The company delivered its machinery products to the Turkish 'Amasya B' mine.⁵

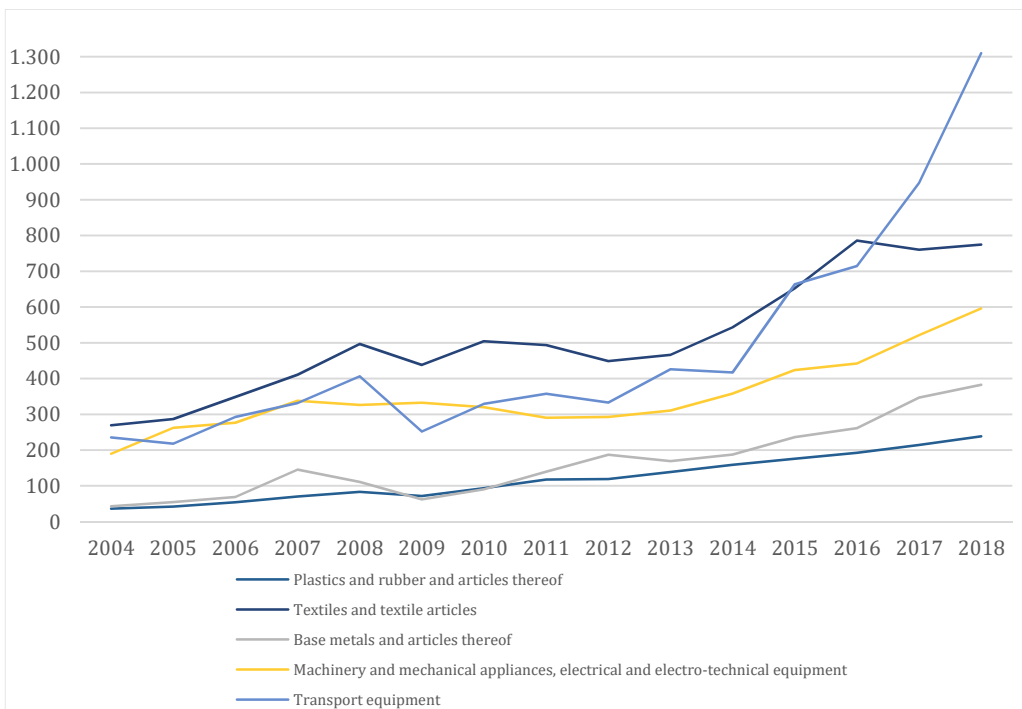
Turkish machinery products constitute over 25% of Poland's import. These are mainly household products such as fridges, dishwashers, washing machines, driers and spinners. They are produced under the brand name Beko, which is part of the portfolio of the Turkish company Arçelik, one of the leading producers of household products in Europe.⁶

⁴ Polish Investment and Trade Agency, *Polish-Turkish Business Forum: PAIH to Open Trade Office in Istanbul* (2017).

⁵ Ministerstwo Przedsiębiorczości i Technologii, *Turcja Informacja o stosunkach gospodarczych z Polską* (2019), 4–5.

⁶ J. Hernik and A. Smalec, "Beko – strategia tureckiej marki na polskim rynku", *Instytut Badań Rynku, Konsumpcji i Koniunktury. Handel wewnętrzny* 2, no. 4 (375) (2018): 17–28.

Chart 4 – Poland’s import of goods from Turkey (million EUR)



Source: Statistics Poland database, 2019

Transport equipment is a second pillar of Poland–Turkey trade relations. In 2018 it constituted 20% of Polish exports and 46% of imports. In this case the structure of trade flow is more similar; it focuses on tractors, cars, buses and equipment for these vehicles. It should be noted that both Poland and Turkey host production and assembly lines for the global automotive industry.⁷ A number of different companies locate their production and assembly plants in both these countries – as a result the flow of transport machines includes a range of products. We elaborate on this topic in the next chapters of the report.

As far as trade in services is concerned, the Polish Statistical Office does not publish a structure of flows between countries. Yet given the low volume, we managed to assess which sectors of the Polish economy are recipients and providers of traded services.

In terms of delivered services, Turkey is an important market for leading Polish companies from the IT industry, namely Comarch and Asseco. Both these companies are listed on the Warsaw Stock Exchange and provide software services not only in Poland but also in Central and Eastern Europe. Turkey is also an important market for Amica, the biggest Polish manufacturer of household products; Turkish entities, which have experience and capacity in this field, provide some components and services used by the Polish company.⁸ Also Empik Media & Fashion, a company that operates in the media and clothing industries, has established a business venture in Turkey, opening several stores under the brand ‘Smyk’ with toys and other items for children.⁹ Polish companies advise

⁷ Poland: Polska Agencja Inwestycji i Handlu, *Sektor motoryzacyjny*.

Turkey: Presidency of the Republic of Turkey. Investment Office, *Automotive sector*.

⁸ Rzeczpospolita, *Wiceprezes Amiki: Chcemy robić nie tylko kuchnie* (2018).

⁹ Grupa Empik Media & Fashion S.A., *Analiza Finansowa Zarządu za IV kwartał i 12 miesięcy zakończonych 31 grudnia 2014 roku* (2015).

and provide services to the Turkish energy sector, which lacks expertise in this field; a history of cooperation between two countries dates back to the 1980s, when Polish companies built heat and power plants.¹⁰ Kopex, a producer of electric machinery, provided expert assistance for the 'Amasya B' mine, which was also supplied with products by the aforementioned Famur.

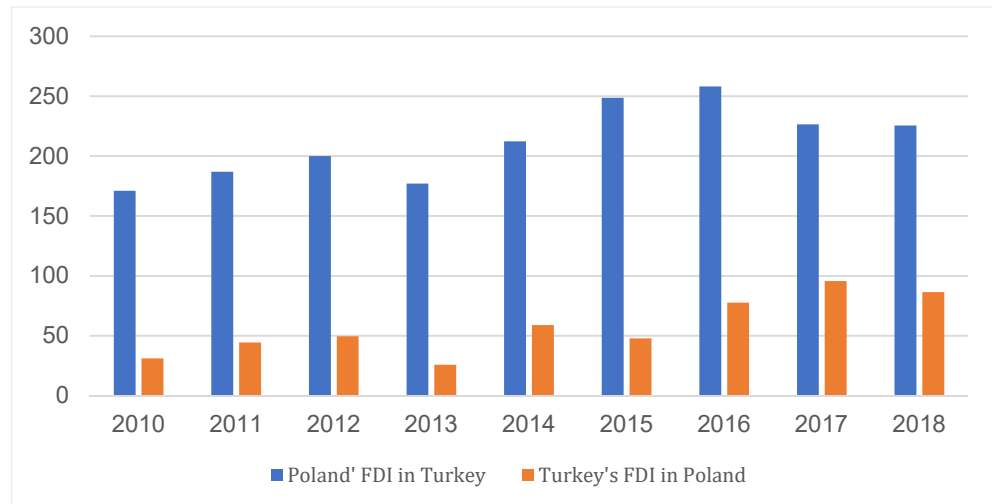
Turkey is a natural choice for expansion of dynamically developing Polish companies, which often decide to start operations in Central and Eastern Europe (CEE). There is no sector trend observed – simply, Turkey is a destination for companies that want to strengthen their role in the CEE region.

In terms of purchased services, the infrastructure and construction sector dominates. Poland has been developing its infrastructure and attracts foreign experts with experience in building roads, bridges and railway lines. Turkish companies successfully participate in infrastructure tenders. The company Gulermak is one such example; it has been developing Warsaw's metro line and constructing a bridge which forms part of the S2 motorway.¹¹

Investment in Turkey

Turkey is not a leading partner for Poland in terms of foreign direct investment (FDI). Poland's FDI remains low; although over the last decade¹² its value fluctuated with a slight upward trend, in 2018 FDI totalled only 225m EUR. Turkey's FDI in Poland is even lower. Although its value has doubled since 2010 it remains below 100m EUR (Chart 5).

Chart 5 – Foreign direct investment between Poland and Turkey (million EUR)



Source: Narodowy Bank Polski, 2019

¹⁰ Portal Promocji Eksportu, *Sektor energetyczny w Turcji* (2016).

¹¹ WNP.PL Portal Gospodarczy, *Tureckie firmy zainteresowane projektami kolejowymi i drogowymi* (2017).

¹² Data on FDI between Poland and Turkey is available starting from 2010.

FDI in Turkey: sectors and branches

A structural breakdown of FDI is not available. But given its low value, it is possible to determine which companies have expanded their operations in this way, namely the aforementioned brands Comarch, Asseco, as well as Polpharma (pharmaceuticals)¹³ and MaspeX (food and drink),¹⁴ all of which have established subsidiaries in Turkey.¹⁵

No sectoral trend is observed; investment decisions are made by the leading Polish companies that decide to expand their operations in the CEE region.

Potential for growth (trade and investment)

Policy makers try to encourage greater trade volumes between Poland and Turkey. During the Business Forum held in Poland in October 2017, Poland's President Andrzej Duda and Turkey's President Recep Tayyip Erdogan said that there is potential to double trade volume of goods between the countries to around 10bn EUR.¹⁶ This aim was also discussed during the Polish-Turkish Economic Forum in March 2019, when Ruhsar Pekcan, Turkey's Minister of Trade, emphasised that business contacts should be developed and facilitated. In her opinion, 'modernisation of customs union' is one of the ways to achieve this.¹⁷

Although trade in services plays a smaller role in economic relations between Poland and Turkey, policy makers also see a potential for its intensification. Andrzej Duda said that the energy sector holds great potential for bilateral cooperation – Poland's experienced engineers may help to develop Turkey's programme of conventional energy production.¹⁸ Furthermore, based on the success of Poland's leading companies, other entrepreneurs are deciding to expand their business in the CEE region, including Turkey. On the other hand, Poland is an attractive destination for Turkey's infrastructure experts and given the fact that Polish projects in this field will continue, this sector may play a significant role in trade in services.

Boosting economic cooperation with Turkey is a goal of the Polish-Turkish Chamber of Commerce, established in 2007. It encourages contacts between companies operating in both countries, by organising business tours and supporting companies during trade shows.¹⁹ Intensification of relations between Poland and Turkey is also a part of Poland's policy agenda. Following the meeting of the Polish and Turkish presidents in October 2018, a Foreign Trade Office of the Polish Investment & Trade Agency was opened in Istanbul. Its aim is to support Polish entrepreneurs, not only in selling goods and services

¹³ Polpharma, *Polpharma wchodzi na rynek turecki* (2011).

¹⁴ MASPEX, *Grupa MaspeX Wadowice utworzyła spółkę z turecką TAT KONSERVE SANAYII* (2014).

¹⁵ Ministerstwo Przedsiębiorczości i Technologii [see note 5], 4–5.

¹⁶ TVP INFO, *Prezydenci Polski i Turcji: celem podwojenie wzajemnych obrotów handlowych* (2017).

¹⁷ Polska Agencja Inwestycji i Handlu, *Polsko-Tureckie Forum Gospodarcze: Turcja pozostaje niedoszacowanym partnerem gospodarczym* (2019).

¹⁸ Polska Agencja Inwestycji i Handlu, *Polish-Turkish Business Forum: PAIH to Open Trade Office in Istanbul* (2017).

¹⁹ Polsko-Turecka Izba Gospodarcza, *Biznes forum z udziałem Prezydentów R. Erdogana i A. Dudy. Nowy impuls dla gospodarczej współpracy* (2018).

abroad, but also in the implementation of investment projects overseas. It also facilitates Turkish entities' efforts to develop relations with Polish business.²⁰

Balance of trade and payment with Turkey

Trade relations between Poland and Turkey focus on goods. Poland's net export of goods to Turkey has been fluctuating for the past 15 years: in the first years following Poland's accession to the EU, it was oscillating around zero; from 2010 to 2016 Poland's exports to Turkey surpassed its imports; and in 2017 and 2018 net export yet again entered negative territory totalling around 1 300m EUR (Chart 1).

Trade in services does not constitute a significant part of trade relations between Poland and Turkey. The volume of Poland's services delivered net remains negative – over the last decade Poland has been regularly purchasing more services than delivering.

The stream of FDI between the countries remains low. Poland provides more capital than Turkey; in 2018 the value of Polish FDI in Turkey totalled around 225m EUR, while the value of Turkish FDI in Poland was just 85m EUR. Leading Polish companies expand in the CEE region by establishing subsidiaries, which facilitates their operation. It should be noted however that the stream of capital coming from Turkey is slightly and gradually increasing.

Polish capital is invested in Turkey not only in the form of FDI, but also as portfolio investment. Asset management companies (Santander TFI, Quercus TFI, Investors TFI and Generali TFI) have launched mutual funds that focus on Turkey, managing to attract individual investors with assets totalling around 100m EUR.²¹

Structures of particular economic interdependence with Turkey

Import and export flows share some structural similarities: the trade in goods focuses mainly on transport equipment, machinery and mechanical appliances. This reflects the fact that to some extent these sectors' operations are interdependent.

Turkey's role in the supply chain

Trade in transport equipment between Poland and Turkey focuses on two main areas. The first is final products. These products are manufactured by local companies from both countries – including the Polish Solaris (buses ordered by ESHOT located in Izmir)²² and the Turkish DurmazlarPanorama (trams ordered by Olsztyn's tram operator)²³ – and by global automotive firms. Both Poland and Turkey have been chosen by global companies from the automotive industry as the location for production and assembly lines.²⁴ In 2017,

²⁰ Polska Agencja Inwestycji i Handlu, *Foreign Trade Office Istanbul*.

²¹ Analizy Online database.

²² Ministerstwo Przedsiębiorczości i Technologii [see note 5], 6.

²³ Raily News, *Turkey-Poland Trade Relations and Investments Rail System* (2019).

²⁴ Poland: Polska Agencja Inwestycji i Handlu, 'Sektor ...', [see note 7].

Turkey: Presidency of the Republic of Turkey. Investment Office, 'Automotive ...', [see note 7].

Turkey produced over a million passenger cars and Poland contributed around half a million.²⁵

The second area of transport equipment trade between Poland and Turkey includes components. As we read on the official website of the Investment Office of the Presidency of the Republic of Turkey, 'Turkey offers a supportive environment on the supply chain side' with around 1,100 component suppliers supporting the production of original equipment manufacturers.²⁶ Poland, as one of the prime locations for automotive industry assembly lines, is a leading importer of parts and accessories for motor vehicles. Components are traded mostly as part of a flow within automotive corporations located in both countries, as both Turkey and Poland are part of global supply chains.²⁷

Turkey's significance in the value chain

Both Poland and Turkey are producers of household items, manufactured by local companies Amica and Arçelik. The Polish brand Amica uses the experience and competencies of Turkish entities that participate in the production process (Arçelik and Vestel); they are responsible for development and production of certain products from Amica's offer.²⁸ Turkish entities develop their competencies thanks to R&D centres and because of cooperation with global players.²⁹ Turkey's entities participate in both in supply and value chains. Cooperation between these companies is treated as an exemplification of cooperation potential for other entities that operate in this segment of the economy.³⁰

Turkey's role as a hub for regional markets

Polish companies have been developing economic relations with Turkey for three reasons: to tap its growing internal market, to use the country's expertise, experience and resources in the production process and to strengthen Poland's position in the CEE region, in the Middle East and in Central Asia.

Success in Turkey is a way to establish a foothold in these regions by increasing the presence of Polish brands, first in the country and then also in neighbouring markets. Furthermore, as Poland's president Andrzej Duda mentioned during the meeting with Turkish president Recep Tayyip Erdogan, cooperation with Turkish entities may help to develop contacts with companies operating in the Caucasus and Central Asia.³¹ This strategy has been implemented by the previously mentioned companies. It is also very popular among companies from the cosmetics industry. As we discussed in the first chapter, Polish chemical products, mainly cosmetics, constitute the bulk of traded goods (Chart 3). Ingłot and Irena Eris are among the most active companies in this field. Turkish women's demand for beauty products is very strong, which benefits Polish companies.

²⁵ European Automobile Manufacturers Association, *Economic and Market Report EU Automotive Industry (Quarter 4 2017)* (2018).

²⁶ Turkey: Presidency of the Republic of Turkey. Investment Office, 'Automotive ...' [see note 7].

²⁷ Portal Promocji Eksportu, *Branża motoryzacyjna w Turcji* (2015).

²⁸ Amica, *Jednostkowy raport Amica S.A. za 2018 rok* (2018).

²⁹ Portal Promocji Eksportu, *Sektor AGD i elektroniki użytkowej w Turcji* (2015).

³⁰ Turkey-Poland Business Meetings 23–25 May 2016, *Home Appliance Industry*.

³¹ TVP INFO [see note 16].

This trend is observed across the Middle East and especially in the Gulf, furthering expansion in the region.³²

Currently the expansion of Polish companies is achieved without broader political support. Yet Poland's 'Three Seas Initiative' may be a useful tool that would strengthen Turkey's role as a hub for Polish business. Although Turkey is not part of the group per se, it is included as a partner country in many projects designed to enhance transport, energy and digital infrastructure in the Three Seas region.³³ Developing relations in the region may help Polish companies to reach other markets.

Economic actors seeking privileged access to decision makers

Economic cooperation between Poland and Turkey has developed significantly, but the countries are not strategic partners. As is explained in further sections of the report, despite a number of political declarations during economic forums and meetings, development of Polish-Turkish economic relations is not part of the agenda of Polish policy makers. Furthermore, only a handful of Polish entities have committed to commence trade and investment expansion in Turkey. Given the low interest in Polish-Turkish economic relations, as exemplified by the largely symbolic nature of state support, and lacking a strategic role for Turkey as an economic partner for Poland, a lobby among Polish companies is almost non-existent. This report describes areas where both Polish and Turkish economic actors might be interested to gain privileged access to Polish decision makers. Yet given that Turkey is not a strategic partner for Poland in the economic field, Polish incumbents have not taken any steps that would bring tangible results.

Defence industry

Despite the potential of the Polish and Turkish defence industry, cooperation in this field is literally non-existent. Turkey is one of the leading producers of military equipment in the world, and Poland has significant modernisation needs in this field. Both countries have tried to encourage trade in military equipment; high-level contacts have been established, including meetings between Polish and Turkish incumbents and participation in international trade shows. In 2015, Turkey was encouraging Poland to buy the T-129 ATAK helicopter, which is produced by Turkish Aerospace Industries, Inc. According to the company's president Muharrem Dörtkaşlı, this would establish grounds for cooperation between Polish and Turkish entities.³⁴ However, these efforts have not yielded any tangible results.³⁵

Conversely, Polish companies have endeavoured to sell to Turkey some of their most innovative equipment. In 2016 WB Electronics, which designed and produced the Warmate drone, provided Turkey with sample equipment, yet further relations have not been developed. Similarly, PZL Mielec, owned by American company Lockheed Martin,

³² Portal Promocji Eksportu, *Branża kosmetyków* (2014).

³³ The Three Seas Initiative, *Priority Interconnection Projects. Three Seas Initiative Summit* (Bucharest 17–18 September 2019).

³⁴ M. Miłosz, *Turcy proponują Polsce swój śmigłowiec ATAK. "Mamy dobry miecz i świetną tarczę"* (2015).

³⁵ Canan Uslu and Murad Cinoğlu, "Potencjalne obszary współpracy Turcji i Polski w zakresie przemysłu lotniczego kosmicznego i obronnego", in *Relacje polsko-tureckie z perspektywy bezpieczeństwa narodowego*.

delivered one of its prototypes to Turkey, but there is no information available concerning current cooperation with Turkey. In 2018 media reported that Turkey is looking for a supplier of engines for the T-129 ATAK, which is supposed to be delivered to Pakistan.³⁶

Despite some efforts, then, cooperation between the two countries is barely noticeable. In 2018 Poland issued 'defence licenses' for Turkey totalling 24m EUR, but provided Turkey with defence equipment worth just 1.5m EUR. Turkey is the 23rd biggest partner for Polish defence industry exports.³⁷

Too-big-to-fail industries

The term 'too big to fail' is usually employed in relation to the finance industry, yet it may also aptly refer to the automotive industry. This industry plays a big role in the economies of both Poland and Turkey – sector's output contributes significantly to GDP and is an important factor in the employment market which accounts for 300,000 jobs in Poland and around 400,000 jobs in Turkey.³⁸ Most of the production comes from plants that are part of the global automotive industries, but both countries also have local providers of transport equipment. Poland is continuously modernising its public transport and some Turkish companies have participated successfully in organised tenders.

Industries of particular national interest

Poland and Turkey have developed a number of economic ties in the infrastructure and energy sectors. Both these sectors are of significant national importance, which may encourage providers of goods and services to contact policy makers. Our consultations in the Ministry of Development (until recently the Ministry of Entrepreneurship and Technology) showed that Polish authorities would be very much interested in changing Turkey's public procurement law so as to allow foreign companies to directly enter the Turkish market. They believe this would, firstly, ease market conditions for Polish companies from the transport sector, such as Solaris for instance, to enter the Turkish market with the intent to cooperate directly with municipalities needing public transportation; and secondly, it would allow Polish energy companies to bid on renovation projects for Turkish powerhouses (as we learnt from the representatives of the Ministry, some of these companies are keenly interested in such projects since they originally built the powerhouses in the 1980s).

Other branches of particular interest to Polish ministries include cosmetics, medicine and the food sector (especially meat, which currently cannot be exported to Turkey unless frozen).

Level and degree of bilateral communication between business organisations

Level and degree of bilateral communication between business organisations corresponds to the trade volume between the two countries and thus is relatively low. There are three

³⁶ A. Domański, *Polskie silniki w tureckich śmigłowcach dla Pakistanu?* (2018).

³⁷ K. Janoś, *Turcja kupuje polską broń. Sprawdzamy skalę eksportu i pytamy o embargo* (2019).

³⁸ Poland: Polska Agencja Inwestycji i Handlu, 'Sektor ...' [see note 7].

Turkey: Presidency of the Republic of Turkey. Investment Office, 'Automotive ...' [see note 7].

main institutions/initiatives that aim at facilitating contacts between Polish and Turkish entrepreneurs:

- Polish-Turkish Chamber of Commerce – established in 2007 with the aims to:
 1. Support its members in establishing and organising cooperation between Polish and Turkish companies;
 2. Promote an economic cooperation between the two countries by publishing information about specifics of the Turkish market, as well as its legal and cultural conditions;
 3. Facilitate B2B contacts between entrepreneurs from Poland and Turkey.³⁹

Currently the Chamber has 34 members.⁴⁰ During its 13 years of operation the Chamber has implemented various initiatives. For example, between 2014 and 2018 it organised a series of seminars with the aim to promote Polish-Turkish economic cooperation in the biggest Polish cities, attracting around 2,000 entrepreneurs. Members of the Chamber have also participated in similar seminars in Turkey. Moreover, the Chamber has signed Memorandums of Understanding (MoUs) with a few regional chambers from Turkey, among them the Chamber of Industry and Commerce in Adana, the Chamber of Industry and Commerce in Tarsus, the Chamber of Industry and Commerce in Mersin, the Chamber of Commerce in Izmir and the Chamber of Industry and Commerce in Bursa. The Chamber has also signed a MoU with the Polish-Turkish Businessmen's Association (POTIAD), which lately has been active mainly in social media or as a participant in events organised by the Turkish Embassy in Warsaw.

- Polish-Turkish Economic Forum – a periodic event co-organised by the Polish Investment & Trade Agency and the Economy Department of the Polish Embassy in Ankara in cooperation with the National Chamber of Commerce and the Ministry of Development. It serves both as a forum for entrepreneurs looking for support in their plans to move their economic activity to Turkey, and as a contact point for Polish and Turkish companies. In 2019, the fourth edition of the Forum was held. Although the event is supposed to be organised annually, in reality it is held every two or three years.
- Polish Investment & Trade Agency's Foreign Trade Office in Istanbul – the Foreign Offices of the Polish Investment & Trade Agency, located around the world, aim to facilitate economic operations with given countries and regions. Polish representatives serving their term in those offices participate in fairs where they promote the Polish economy in their countries of operation or help Polish companies in foreign expansion by playing an advisory role or by checking the creditability of local contractors. The Foreign Office in Istanbul was established very recently, in October 2018, and thus has not yet been very active; it has not had a chance to publish any public statement on the level of support extended to Polish entrepreneurs. Yet, its representatives participated in the abovementioned Polish-Turkish Economic Forum and organised a Polish booth during the Minex Fair 2019 where five Polish companies from the mining sector also participated.

³⁹ Polsko-Turecka Izba Gospodarcza.

⁴⁰ Full list of the Chamber's members.

Level of information about and structure of debate over the customs union

When it comes to the Polish ministries,⁴¹ there are two institutions particularly interested in the debate on modernisation of the customs union with Turkey. The Ministry of Foreign Affairs is mainly responsible for the political dimension of discussions and thus is familiar with the political stage of the debate at the EU level. The Ministry of Development, which has participated in, inter alia, negotiating the European Commission's mandate, is much more knowledgeable on the technical details of the debate on the customs union. Yet, the bureaucrats from both ministries acknowledge that the debate over modernisation of the customs union between Turkey and the European Union mainly concerns the EU as a bloc. This can be understood from claims by Ministry representatives that currently the debate is blocked due to political issues, and while Poland is interested in the modernisation of the customs union, it is accepting the reality.

Generally Polish political parties do not seem to be concerned about the debate over the customs union with Turkey, as the issue is not at all present in the Polish public debate. Polish parliamentarians rarely even comment on Polish-Turkish relations, and when they do it is to voice their support for strengthening economic cooperation between the two countries, without touching the topic of the customs union.⁴²

It might be assumed that the Polish MPs in the European Parliament are much more aware of the level of the debate on modernisation of the customs union. While this may be true, it is hard to find any tangible evidence to support this thesis. All in all, if Turkey is present in the speeches of Polish parliamentarians it is usually in the context of the Syrian civil war, NATO or humanitarian help.

Polish economic actors interested in cooperation with Turkey are familiar with the topic of the EU-Turkey customs union and its modernisation needs, thanks to the media or the abovementioned Polish-Turkish Economic Forums. They perceive the problem of customs union as a political issue between the European Union and Turkey and thus they focus on more pragmatic problems from the point of view of their economic activities. A conference organised in March 2018 by the Polish-Turkish Chamber of Commerce with participants from the Polish parliament, the Turkish Embassy in Warsaw and the Turkish Agency of Investments Promotion is one example attesting that cooperation is encouraged to some extent. Although the discussions concentrated on the prospects for Poland and Turkey to achieve the goal of 10bn USD in trade volume, declared by Presidents Duda and Erdogan in October 2017, none of the participants addressed the topic of modernisation of the customs union between Turkey and the EU.⁴³

Attitude towards modernisation of the customs union

The official stance of the Polish Ministry of Foreign Affairs is that although Poland supports the modernisation of the customs union between Turkey and the European

⁴¹ Information on the topic was gathered during consultations with the abovementioned ministers.

⁴² Podwojenie dwustronnych obrotów gospodarczych pomiędzy Polską a Turcją. Możliwe i potrzebne. *Information from the Conference.*

⁴³ Podwojenie dwustronnych obrotów gospodarczych pomiędzy Polską a Turcją. Możliwe i potrzebne. *Information from the Conference* [see note 42].

Union, it is constrained by the bloc position. As far as we know, such stance is transmitted to Turkish interlocutors every time the issue is discussed between representatives of Poland and Turkey.

The Polish Ministry of Development presents a similar stance. Yet, when its representatives speak about modernisation of the customs union, they offer more economy-centred and specific arguments. Poland is interested in an updated customs union because of Turkey's protectionism, which recently has been hurting both bilateral trade and Polish companies. According to the Ministry's representatives, the negative trend began after Turkey's current economic problems started. Suddenly, Turkey was implementing various barriers to protect its own entrepreneurs. One example of such a barrier, particularly painful for Poland, is additional licensing requirements (so-called prelisting) for, inter alia, Polish producers of cosmetics. They require such strict information on the product to be introduced to the Turkish market that fulfilling all criteria would equate to revealing the production formula. As a result, Polish exports of cosmetics to Turkey dropped abruptly from 45m EUR to 8m EUR. Similar requirements are applied to medicines.

All in all, the Ministry of Development claims Poland is interested in modernisation of the customs union for three main reasons:

- to introduce an effective trade dispute settlement mechanism;
- to establish a symmetry between the markets by, for example, granting European companies access to Turkey's public procurements (currently they must act through a local partner which means they act as a subcontractor);
- to end Turkey's protectionism practices and thus increase the potential for boosting trade and cooperation, also for Polish companies from such sectors as cosmetics, public transportation or the food industry.

Polish political parties generally do not refer to modernisation of the customs union. None of the parties currently sitting in parliament even mention Turkey in their official programme. Their attitude towards the customs union can be deduced from public appearances of their representatives. When it comes to the ruling Law and Justice Party (PiS), its stance can be represented by current Minister of Foreign Affairs Jacek Czaputowicz who claims that Poland supports the modernisation of the customs union as some Turkish citizens are pro-European oriented and thus require the EU's support.⁴⁴ Speaking of the biggest opposition party, the Civic Platform (PO), one can say that although its stance towards the customs union has not been publicly presented, it can be inferred from the position of its influential member Donald Tusk. He seems to believe that any talks on the modernisation of the deal are dependent on Turkey's progress in the human rights issue and its willingness to stop its provocative actions towards EU members such as in the Eastern Mediterranean. Surprisingly, a similar stance is presented by one of the leaders of Confederation, a far-right party. Robert Winnicki claims that strengthening economic cooperation with Turkey would amount to submission.

When it comes to business actors, their stance is pretty clear and very pragmatic. While they agree that modernising the customs union may be beneficial for their economic activity – echoing reasons mentioned by the Ministry of Development – they do not concentrate on it, as they are familiar with the political processes that have blocked the

⁴⁴ Minister Czaputowicz o problemie migracji: UE powinna skoncentrować się na pierwotnych przyczynach, a nie redystrybucji osób.

customs union from being modernised. As a result, they do not exert any pressure on the Polish ministries to unblock or speed up the issue on the European level. They concentrate instead on the practical barriers constraining their economic activity, such as the abovementioned protectionism on the part of Turkey, and their complaints to Polish bureaucrats refer mostly to these issues.

Level of trust in and degree of attribution of competence

The Poles have a solid trust in the EU's institutions. This stems from the fact that traditionally Polish society has been one of the most euro-enthusiastic in the EU. Recent data show that 87% of Poles appreciate the benefits of EU membership and 54% trust the EU.⁴⁵ Moreover, 74% of Polish society believes the EU is heading in the right direction. This positive view of the EU translates into the trust of Polish citizens towards Union institutions.

Since Poland's accession to the EU in May 2004, the European Commission has been the second most trusted institution after the European Parliament. (For example, between Spring 2004 and Autumn 2007 trust towards the EC rose from 49% to 61%. Thus, in Autumn 2007 the trust towards the EC was even bigger than trust towards the EP.⁴⁶) Although the most recent European data concentrates on the European Parliament, showing that the trust of Poles towards this institution reaches 54%,⁴⁷ making it probably the most trusted EU body, surveys conducted in Poland suggest the old trend is still valid. A survey carried out by IPSOS for OKO.press in December 2018 (the most recent data) shows that 51% of Poles believe that the EU should be more integrated and that the EC should be strengthened.⁴⁸ This is even more persuasive when one takes under consideration that a similar survey carried out in January 2018 showed support for the European Commission at the 43% level. At the same time, support for limiting cooperation in the EU to the economic sphere and strengthening the member states dropped from 43% to 35%. This may be interpreted as strong support for the European Commission and a high level of trust towards it, as simultaneously the Polish government was engaged in a controversial dispute with European institutions concerning rule of law.

Chart 6 – IPSOS survey for OKO.press (%)

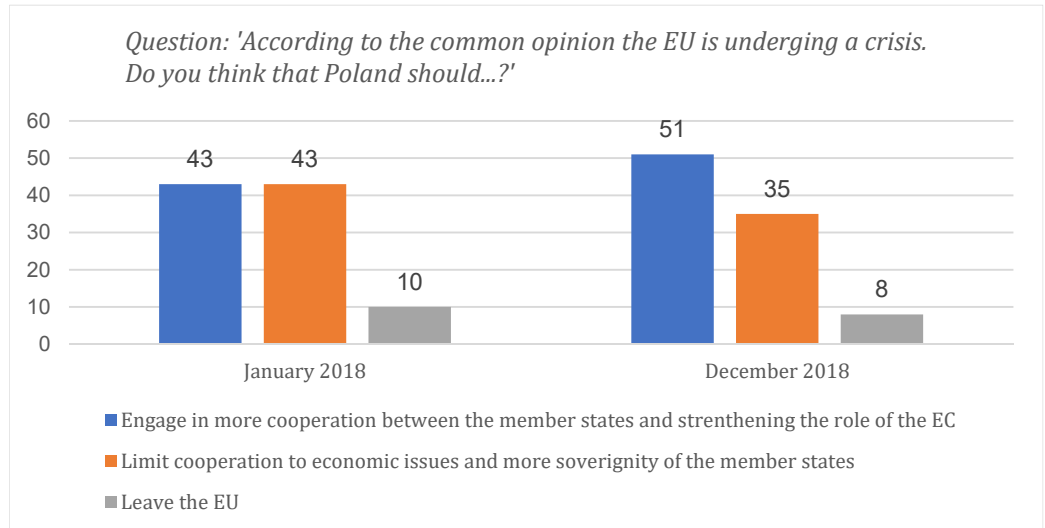
⁴⁵ Eurobarometr: 87% Polaków docenia korzyści z członkostwa w UE.

Spring 2019 Standard Eurobarometer: Europeans Upbeat About the State of the European Union – Best Results in 5 Years.

⁴⁶ Eurobarometr 68. Opinia publiczna w Unii Europejskiej (Autumn 2007), 16.

⁴⁷ Standardowy Eurobarometr 90. Opinia publiczna w Unii Europejskiej (Autumn 2018), 4.

⁴⁸ P. Pacewicz, 51 proc. Polaków chce integracji UE i wzmocnienia KE, a tylko 35 proc. Europy Kaczyńskiego i Orbana.



Source: IPSOS survey for OKO.press, <https://oko.press/51-proc-polakow-chce-integracji-ue-i-wzmocnienia-ke-a-tylko-35-proc-europy-kaczynskiego-i-orbana/>

It seems that the level of trust towards the European Commission is also high among Polish bureaucrats. This can be understood from our interviews in which they acknowledged the EU's leading role in the eventual process of negotiations about the modernisation of the customs union between Turkey and the EU.

Unfortunately, there is no data on the trust of Polish society towards the Delegation of the European Union in Ankara. Since the institution is literally absent from the Polish media, it is safe to assume that most of Poles wouldn't even know it exists, let alone identify its rationale or recognise the difference between the functioning of the Delegation and the Polish Embassy.

Abbreviations

CEE	Central and Eastern Europe
FDI	Foreign Direct Investment
GDP	Gross Domestic Product
MoU	Memorandum of Understanding
PiS	Law and Justice Party
PO	Civic Platform
POTIAD	Polish-Turkish Businessmen's Association

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