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# Latin America and the Caribbean countries and Central-Eastern Europe – Potential for economic cooperation: Polish case study

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Latin America and the Caribbean (LAC) occupy a marginal place in Poland's foreign policy. Although there are no contentious matters in Poland's relations with LAC, the region has never been an important area of interest for Polish decision makers.<sup>1</sup> Geographic distance and the lack of traditionally close ties are among the main causes of the relatively low intensity of dialogue.

## Political and diplomatic relations

### *LAC in Polish foreign policy: plus ça change...*

After Poland's democratic transformation of 1989, the country's foreign policy goals were redefined – including its policy towards the LAC region. Ideological issues, which determined bilateral relations during the Peoples' Republic of Poland (Cuba and Nicaragua were its principal partners) were put aside and the relations with LAC countries were seen primarily through the prism of economic interests.<sup>2</sup> Still, the region continued to take a back seat to other priorities, as foreign policy goals were naturally focused on NATO membership (achieved in 1999) and European Union accession (achieved in 2004).

As an ambitious, large and relatively new EU Member State, Poland has been striving to join the club of heavyweight players in the European Union. As a result, in the last decade there have been very few public declarations with detailed policy goals explicitly towards the LAC region. The "Strategy of the Republic of Poland towards Non-European Developing Countries," was published in 2004, which referred to Polish relations with LAC. The strategy pinpoints "priority partners" such as Brazil, Mexico and Argentina, and "important partners" such as Chile, Colombia and Venezuela. The publication of the document the same year as Poland's EU accession highlights the perception in Warsaw of European Union membership as a potentially valuable platform for developing Polish–LAC relations, which has provided new tools and opportunities to shape common EU policy towards the region.<sup>3</sup>

In the last decade, political dialogue between Poland and LAC countries has been characterised by low intensity high-level bilateral contact – largely within the framework of EU-Latin American relations and large multilateral summits (e.g., the UN General Assembly). For example, in 2008 Prime Minister Donald Tusk visited Peru and Chile on the occasion of the EU-LAC Summit in Lima (2008). During the summit, Mr Tusk also met with the Presidents of Brazil, Mexico and Colombia. However, the last official visit by a Polish President in LAC – to Brazil, Chile, Peru, Colombia – occurred in 2002. In fact, political-economic consultations at the deputy ministerial level or at the level of political directors have become the prevailing mechanism in Poland's relations with most Latin American countries.<sup>4</sup>

Today Poland maintains diplomatic relations with all 33 states in the LAC region, which are currently managed through eight embassies, located in Argentina, Brazil, Chile, Colombia, Cuba, Mexico, Peru and Venezuela, as well as one Consulate General in Curitiba (Brazil). Poland also has 47 Honorary Consulates, which cover most of the LAC countries except for Guyana, and some Caribbean islands.<sup>5</sup> In return, eleven Latin American countries have embassies in Warsaw: Argentina, Brazil, Chile, Colombia, Cuba, Ecuador, Mexico, Panama, Peru, Uruguay and Venezuela.

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<sup>1</sup> The issue of human rights protection in Cuba and Venezuela is the exception; in: *Poland-Latin America and Caribbean relations*, Ministry of Foreign Affairs of Poland, [http://msz.gov.pl/en/foreign\\_policy/other\\_continents/latin\\_america\\_and\\_caribbean/poland\\_latina\\_america\\_and\\_caribbean\\_1?searchCategory=Text&search=true](http://msz.gov.pl/en/foreign_policy/other_continents/latin_america_and_caribbean/poland_latina_america_and_caribbean_1?searchCategory=Text&search=true)

<sup>2</sup> L. Miodek, *Latin America in Polish Foreign Policy*, in: A. Dembiczy, *Latin America in Polish Politics*, The Center of Latin American Studies of the University of Warsaw, Warsaw 2009, p. 22.

<sup>3</sup> *Strategy of the Republic of Poland towards Non-European Developing Countries*, Ministry of Foreign Affairs (MFA), Warsaw, November 2004, [www.msz.gov.pl](http://www.msz.gov.pl); For a broader analysis see B. Wojna, *Polish Policy towards Latin America and Caribbean*, *Polski Przegląd Dyplomatyczny*, PISM, no. 4 (32), July–August 2006, pp. 49–65.

<sup>4</sup> *Poland-Latin America and Caribbean relations*, Ministry of Foreign Affairs of Poland, [http://msz.gov.pl/en/foreign\\_policy/other\\_continents/latin\\_america\\_and\\_caribbean/poland\\_latina\\_america\\_and\\_caribbean\\_1?searchCategory=Text&search=true](http://msz.gov.pl/en/foreign_policy/other_continents/latin_america_and_caribbean/poland_latina_america_and_caribbean_1?searchCategory=Text&search=true)

<sup>5</sup> A. Dembiczy, *Latin America in Polish Politics*, The Center of Latin American Studies of the University of Warsaw, Warsaw 2009, p.9.

Previously, Poland also had embassies in Uruguay, Costa Rica, and Panama – but these were closed in 2008. Two Polish Consulate Generals in Brazil (in Rio de Janeiro and São Paulo) were also closed, in 2008 and 2013 respectively. However, the decreasing number of Polish diplomatic missions does not mean that Poland's attention to LAC is shrinking. The closure of the embassies was a result of budgetary constraints but also due to new possibilities – including cooperation with other EU countries on the ground in terms of consular protection of Polish citizens or EU Delegations.

### *Motors of cooperation between Poland and LAC*

Broadly speaking, it was the latest global financial crisis that created the conditions for Poland to look at LAC with more interest. Increasing awareness of the difficulty to fully overcome the negative effects of the crisis in at least the medium term in Europe has led to a growing conviction that the emerging economies will be important poles of economic growth. In recent years the LAC region has been increasingly seen as one such pole.

In a document titled “Polish Foreign Policy Priorities for 2012-2016” published by Poland's Ministry of Foreign Affairs (MFA) in March 2012, Brazil, Argentina, Mexico, Chile and Peru were listed as priority partners in the region, indicating their potential for cooperation in climate change and energy policy as well as in developing trade and investment relations<sup>6</sup>. Despite the fact it is not mentioned in the document, Colombia is also an important partner for Poland. This is due to the increasing internationalisation of the Colombian economy, and its interest in developing relations with Poland – which is likely to be further boosted since the signing of an EU-Colombia trade agreement in August 2013.

The Polish diaspora (the so-called “Polonia”) in the region has always been an important element of the Polish-LAC relationship. An estimated 2 million people of Polish origin live in the region – with the biggest communities living in Brazil (ca. 80,000-3 million), Argentina (200-450,000), Mexico (10,000), Peru (10,000), Uruguay (10,000), Peru (5,000), Colombia (3,000), and Venezuela (3,000)<sup>7</sup>. Finally, it is worth noting is that in recent years defence has become an important area of cooperation. In 2009-2010, Poland concluded military-technological cooperation agreements with Peru, Colombia and Brazil. In 2010 a military attaché office was set up within the Polish Embassy in Brasilia. The increased interest in developing cooperation with LAC countries is due to Poland's intentions to exchange the experience and information with other democratic countries in the area of defense. In addition, it aims at exploring new export opportunities for Poland's defense industry. For example Brazil's long-term reform of the armed forces and defense industry that include the purchase of e.g. the air defense, night vision devices, mortars or missiles, coincides with the Poland's Polski Holding Obronny (PHO)'s goal to find new potential exports to and cooperation in third country markets, including the South American markets.<sup>8</sup> PHO is even interested in opening an office in one of the Brazilian cities.<sup>9</sup>

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<sup>6</sup> *Foreign Policy Priorities 2012–2016*, Ministry of Foreign Affairs of Poland, 29 March 2012, [www.msz.gov.pl/files/docs/komunikaty/20120329/pr\\_ang\\_final.pdf](http://www.msz.gov.pl/files/docs/komunikaty/20120329/pr_ang_final.pdf)

<sup>7</sup> The biggest group of Polish descendants in Central America lives in Costa Rica, including Polish Jews, who create positive atmosphere in bilateral relations, in: Association Polish Community, *Polonia in the World*, [http://wspolnota-polska.org.pl/polonia\\_w\\_liczbach.html](http://wspolnota-polska.org.pl/polonia_w_liczbach.html) (accessed 18 February 2014)

<sup>8</sup> The PHO is the biggest producer and supplier of arms in Poland and one of the biggest in Central and Eastern Europe. The majority shareholder in Polish Defence Holding is the Polish State Treasury, in: Polish Defense Holding, About Us, <http://www.pho.pl/about-us/>

<sup>9</sup> The Ministry of Economy of Poland, *Cooperation with Latin American countries, Brazil*, pp. 7 <http://www.mg.gov.pl/Wspolpraca+miedzynarodowa/Wspolpraca+gospodarcza+z+krajami+Afryki+Ameryki+oraz+z+Australia>

## *EU accession – what impact on Poland-LAC relations?*

EU accession did not result in a major breakthrough in Poland's general attitude towards the region.<sup>10</sup> Nevertheless, the need to adapt Polish foreign policy to EU policy towards LAC forced Poland to pay more attention to the region. For example, Poland's participation in the drafting of the EU strategy towards the region has provided Warsaw with current information about LAC. Similarly, participation in bi-regional talks has increased Poland's political contacts in LAC. Therefore, today apart from the typical foreign policy goals – such as maintaining bilateral political relations at the highest level, developing trade cooperation, and conducting public diplomacy – a key factor in Poland-LAC relations is Poland's active participation in drafting and implementing EU policy towards the region.

At the same time, the level of bilateral relations between Poland and LAC countries indirectly influences the Polish thinking on the formation of EU policy towards the region. For example, Poland is actively involved in shaping EU policy towards Cuba. Poland is in favour of the resumption of political dialogue and consolidation of existing relations with Havana but under some conditions, such as keeping the Common Position from 1996, and emphasising human rights and fundamental freedoms during the negotiations. In terms of relations with Cuba as well as Venezuela, Nicaragua, Ecuador and Bolivia, Poland underlines the importance of human rights and democracy – in the cases of Venezuela and Cuba, Poland is a proponent of dual track diplomacy (i.e., maintaining a dialogue with both the government and the democratic opposition).

However, from the Polish perspective, the most important aspect of EU-LAC cooperation is economic, given the European Union's extensive trade relations with the region. Poland's adoption of EU trade policy instruments and rules has improved conditions for market access into Poland, but also improved access for Polish exporters and investors for several LAC countries: chiefly Mexico, Chile, Colombia and Peru, with which the EU has active trade agreements in force (since October 2000, February 2003, and August 2013 respectively). In Brussels, Poland advocates for EU-Mercosur and EU-Cuba trade agreements. It is worth noting however, that the Polish Ministry of Agriculture takes a rather dim view of these potential deals, given the relative importance of Poland's agricultural sector (Poland is among the EU countries reluctant to open the agricultural market to Mercosur) and Latin American countries' criticism of EU agricultural subsidies.<sup>11</sup> This scepticism has only been exacerbated by recent trade negotiations, such as the EU-Canada Comprehensive Economic Trade Agreement (CETA), which is perceived to have got a poor deal for Polish agriculture.<sup>12</sup>

## **Economic cooperation**

Poland's trade with LAC has grown steadily since 2000. LAC export to Poland has remained largely constant since the latter's EU accession. Polish export to LAC, on the other hand, was boosted by EU membership and began to grow in 2005. Although it suffered a slight dip in 2010 as a delayed impact of the global financial crisis, it increased once again in 2012, with Polish exports to LAC growing by 18% y-o-y (cf. Figure 1). In terms of investment, the trend is much stronger: Polish FDI in LAC was practically non-existent until a burst in 2009, when Polish companies, spurred by the European slowdown, discovered an interest in investing in the region – particularly in Brazil, Mexico, Argentina and Chile – which has continued since (cf. Figure 2). LAC investment in Poland was largely negative in the 2000s – mostly due to Brazilian loans. It rebounded somewhat in 2010, but LAC investment levels in Poland remain very low (cf. Figure 3).

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<sup>10</sup> B. Wojna, *op.cit.*, pp. 49–65.

<sup>11</sup> K. Brudzińska, B. Znojek, *Poland and Brazil: Narrowing the Distance, Exploring Mutual Potential*, PISM Policy Paper no. 46, November 2012, <http://www.pism.pl/Publications/PISM-Policy-Paper-no-46>, pp. 5.

<sup>12</sup> CETA will not contain the increases quotas all dairy products, poultry and eggs that Poland hoped for, and achievements in terms of a three-fold increase in cheese quotas and a victory for Geographical Indications will affect Poland less than other Member States such as France and Italy.

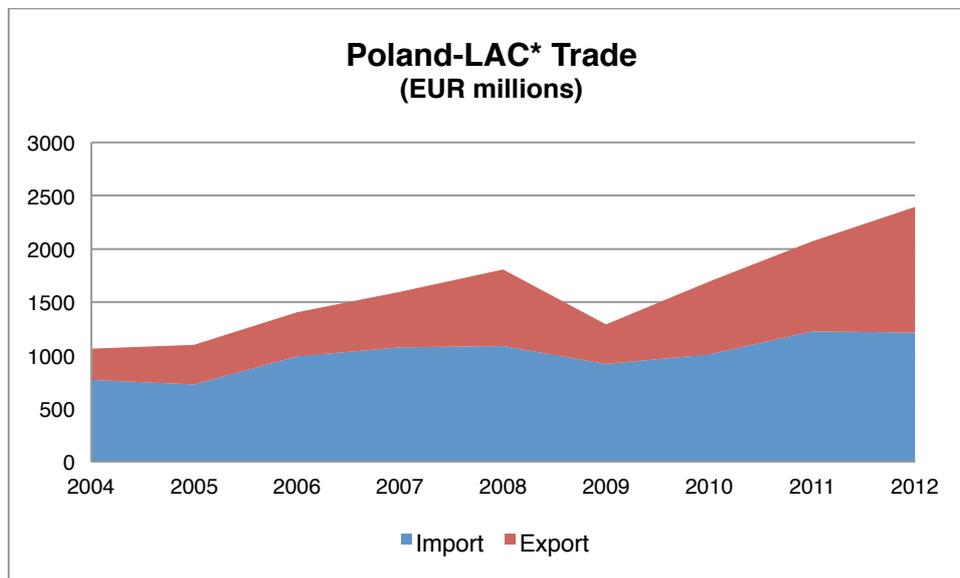
## Trade

Joining the European Union in 2004 improved Poland's access to LAC markets, particularly Mexico and Chile, with which the EU already had functioning trade agreements. It also allowed Polish companies to invest in LAC through consortiums with firms from other EU Member States.

The 2007-2008 global financial crisis had a delayed effect on EU-LAC trade. Although imports from LAC were relatively constant, Polish exports to the region suffered a slight dent in 2009. However, they soon recovered and by 2011 were at an unprecedented level of €850 billion.

The crisis motivated Polish companies to export beyond the European Union. Indeed, although Poland was largely unaffected by the crisis, its main export market – the EU, which is the destination of ca. 80% of Polish exports – suffered a big blow. This motivated Polish companies to seek new export markets. Although most have sought to expand into Asia, increasing numbers are looking towards LAC.

**Figure 1**



Source: Eurostat, authors' calculations.

\*LAC here indicates the following countries: Argentina, Bolivia, Brazil, Chile, Colombia, Costa Rica, Dominican Republic, Ecuador, El Salvador, Guatemala, Honduras, Mexico, Peru, Paraguay, Panama, Suriname, Trinidad and Tobago, Uruguay, Venezuela.

Poland's main trade partners in LAC are Brazil (with bilateral trade of \$1.4 billion in 2012), Argentina (\$1 billion) and Mexico (\$900 million). Although Poland has been running a trade surplus with Mexico (\$225 million) since 2011, it has significant trade deficits with Brazil (\$430 million) and Argentina (\$791 million). In fact, out of the 30 countries with which Poland has the worst trade deficits, seven are in LAC.

The bulk of Poland's trade with LAC countries is intra-branch trade in auto and electrical parts, as part of global value chains. As a result, much of Poland-LAC trade occurs within large non-Polish global corporations, such as Volkswagen, Cargill or Flextronics. Moreover, the statistics are skewed by categories such as ship repair, which accounts for as much as \$1.3 billion of Polish exports to LAC (principally to the Bahamas, Antigua and Barbuda, and Panama) – bringing the total down to \$900 million for 2012. On the other hand, some Polish exports bound for LAC are not accounted for in the data, as they go through "middlemen" (e.g., Polish powdered milk exports go to LAC via Holland, and so are counted as EU exports).

Despite these questions surrounding trade data, the figures provide some picture of the trends, which indicate a steady rise in trade between Poland and LAC. However, exports to the entire LAC region account for ca. 1.5% of total Polish trade – around the same as Polish trade with Hungary.

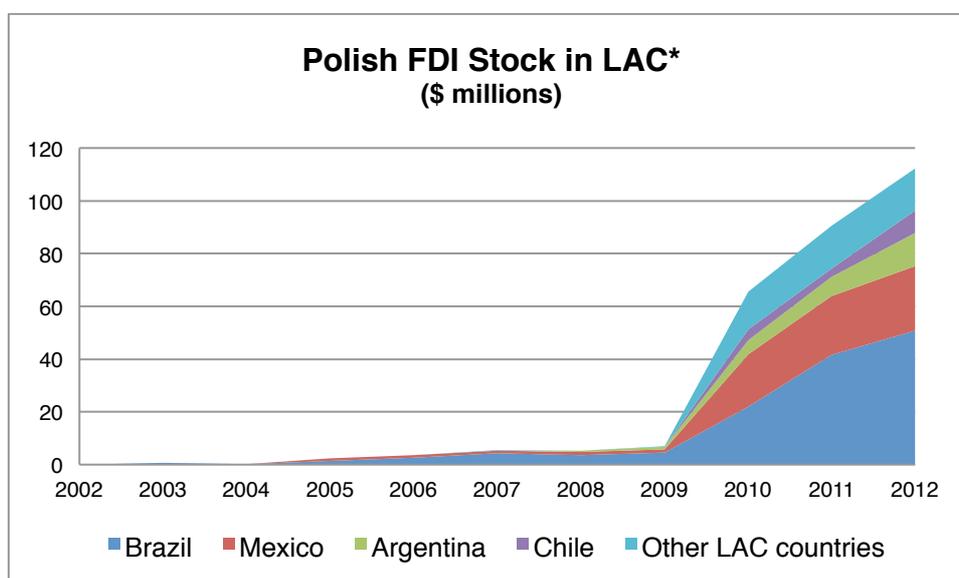
## Investment

Although it is slowly diversifying away from Europe, Polish FDI remains disproportionately focused on the EU (over 70%). LAC is no exception: only 1.7% of Polish FDI is LAC-bound. Nevertheless, despite the large distances involved, LAC is an attractive investment destination for some Polish companies, given the potential economies of scale, improving productivity, access to public procurement and cultural similarities involved.

Polish investment in LAC is focused on Chile and Brazil, and is carried out by a small number of large companies such as eSKY (ICT sector), Selena (construction chemicals producer), LUG (electrical equipment manufacturer), Medcom (manufacturer of equipment for power supply systems), InPost (postal services) and Kulczyk Investments (mineral resources, energy, infrastructure and real estate investor). These companies largely focus on acquiring positions in global value chains. In 2012, Polish mining giant KGHM Polska Miedź invested ca. \$3 billion in Chile. Although this is a unique example of a substantial investment, it has also attracted the attention of the Polish business community to LAC, and there are hopes that more FDI will follow. There is also some Polish investment in Argentina, Mexico, and Panama, through companies such as Komandor (furniture manufacturer), Boryszew (auto, chemical and metal parts producer), Inglot (cosmetics), Comarch (ICT) and FMWorld (cosmetics).

It is worth noting that the majority of Polish FDI in LAC countries other than Chile, Brazil, Mexico and Argentina is investment directed at Panama's offshore banking sector. This kind of investment first appeared in 2010, and stocks have remained at around USD 10 million since then (USD 9.5 million in 2010, USD 10.2 million in 2011, USD 9.7 million in 2012).<sup>13</sup>

**Figure 2**



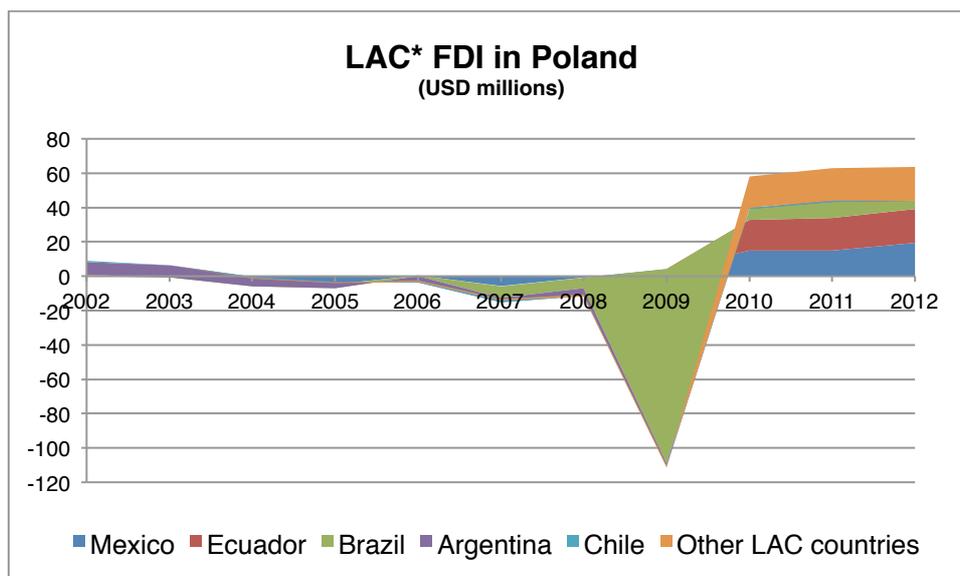
Source: OECD, authors' calculations.

\*LAC here indicates the following countries: Argentina, Bolivia, Brazil, Chile, Colombia, Costa Rica, Dominican Republic, Ecuador, El Salvador, Guatemala, Honduras, Mexico, Peru, Paraguay, Panama, Suriname, Trinidad and Tobago, Uruguay, Venezuela.

LAC investment in Poland is also very limited, and Poland is the recipient of only a fraction of the region's overall outward FDI of ca. \$49 billion. Currently, only a handful of LAC companies invest in Poland – including several Mexican companies (e.g., auto industry firms Katcon and Nemark and building materials producer Cemex), a couple of Argentinian firms (from the ICT and pharmaceutical industries) and a Brazilian ICT company (Stefanini IT Solutions).

<sup>13</sup> OECD Statistical Database, <http://stats.oecd.org/#>

**Figure 3**



Source: OECD, authors' calculations.

\*LAC here indicates the following countries: Argentina, Bolivia, Brazil, Chile, Colombia, Costa Rica, Dominican Republic, Ecuador, El Salvador, Guatemala, Honduras, Mexico, Peru, Paraguay, Panama, Suriname, Trinidad and Tobago, Uruguay, Venezuela.

### *Potential for further economic cooperation*

Polish exporters likely to succeed in LAC are companies from those particularly competitive sectors of the Polish economy that are compatible with the demands of LAC markets. These include: chemicals (especially fertilisers); agri-food; medical equipment and pharmaceuticals; construction, farming and mining machinery; furniture; and defence.

Just like in the case of political relations, in terms of economic cooperation, some LAC countries are more attractive to Poland than others. Given its large domestic market and economy, Brazil is an appealing export destination, despite the market access challenges (like bureaucracy) it presents. Mexico, which already imports a very diverse range of Polish goods, is another. Chile's liberal and business-friendly market also makes it an attractive partner for Polish exporters – and awareness of the country has been boosted by KGHM's high-profile investments there. However, Argentina – which until recently was Poland's second-largest trading partner in LAC – has been losing part of its share given its more restrictive government policies. Conversely, political progress in Colombia is making it an increasingly attractive partner for Polish exporters. The development of Poland's trade relationship with Venezuela will likewise depend on the country's internal politics. In the event of a normalisation of relations with the EU, Cuba will likely become an attractive market for Polish companies (e.g. delivery of aircraft engines or agricultural aircrafts).

Similar considerations affect the prospects for Polish investments in LAC. As a result, the most likely potential destinations for Polish FDI in the region are: Brazil (particularly in energy and infrastructure development); Mexico (food processing, auto industry, medical services); Chile (extractive industries, mining supply services); Colombia (agri-business, manufacturing, ICT); and Peru (agribusiness, ICT and mining). Again, Cuba – with its huge potential for development – could become a very attractive destination for Polish FDI.

## Official Support

Polish government support for the foreign ambitions of national companies has been steadily growing in the last few years. When the “Polish Foreign Policy Priorities for 2012-2016” were published in 2012, the Polish MFA launched a programme to reinvigorate political and economic relations with LAC partners. This included tours of Brazil, Chile, Colombia, Mexico, and Peru by Ministers and Deputy Ministers, accompanied by business representatives interested in establishing trade or investment relations in LAC markets (as many as 80 Polish companies were involved).<sup>14</sup>

The Ministry of the Economy (MoE) also provides Polish companies with support for increasing their activities on foreign market. Companies can receive so-called *de minimis* financial support for purposes as varied as covering the costs associated with customs requirements or purchasing flights to attend trade shows abroad. In 2012, a new MoE programme titled “Priority Directions for Poland’s Economy” was developed – including initiatives such as representing key Polish industries at trade fairs, organising official visits with the participation of Polish business and promoting Poland in the press. Two LAC countries have been added to the programme (Brazil in 2013 and Mexico in 2014), which currently covers a shortlist of just seven states.

Polish exporters are also supported by other public institutions. The National Economy Bank (*Bank Gospodarstwa Krajowego*, BGK) provides exporters with loans. The Export Credit Insurance Corporation (*Korporacja Ubezpieczeń Kredytów Eksportowych*, KUKE) provides insurance products and guarantees. Other bodies, such as the Polish Agency for Enterprise Development (*Polska Agencja Rozwoju Przedsiębiorczości*, PARP), distribute state and EU funding for specific projects.

## Beyond economics

### People-to-people

Although people-to-people relations have formed the basis for fruitful cooperation elsewhere, Poland and Latin American Countries have only just started in this endeavour. A 2004 Latinobarómetro public opinion survey conducted in 18 Latin American countries showed Poland to be one of the least-known EU Member States in the region.<sup>15</sup> For many years one of the key contact elements between the people of Poland and LAC was Polish Pope John Paul II, who travelled extensively in LAC and shaped the region’s perception of Poland.

However, bilateral societal cooperation has not advanced much further, partly as a result of the low level of people-to-people contacts between Poland and LAC. Cooperation in “track-two” diplomacy, especially in the field of culture, research and education, or tourism has been largely overlooked in Poland-LAC relations. It should be noted however that Poland’s accession to the EU had a positive impact on increasing the country’s involvement in promotional activities in LAC. For example, Poland is regularly represented in film, literary, music and theatre festivals in the framework of the EU outreach in LAC. Polish Universities have also started applying for joint research projects, including through consortiums with other European universities.

It should be noted that the majority of ‘partner city’ cooperation agreements between Poland and LAC were signed prior to EU accession – such as Cracow-Cuzco (Peru) in 1989, Cracow-Curitiba (Brazil) Elbląg-Coquimbo (Chile) in 1995; Wrocław-Guadalajara (Mexico) in 1995, and Jelenia Góra-Tequila (Mexico) in

<sup>14</sup> In early 2013, there were also consultations in Argentina and Uruguay.

<sup>15</sup> Just 7% of Mexican, and 6% of Chileans recognised “Poland” as the name of a country, in: Latinobarómetro, The image of the European Union in Latin America 1995-2010, p. 4 <http://www.fundacioncarolina.es/es-ES/cealci/actuaciones/Documents/Marta%20Lagos.pdf>

2002. These agreements were signed as a result of the change of the regime in Poland, which encouraged Polish cities to start international cooperation beyond the Iron Curtain. However, the potential benefits of these twinings have largely not been taken advantage of, due to geographical distance and budgetary constraints.

## Culture

Latin America and Caribbean countries have a marginal place in the Polish cultural policy. Not one of the 23 Polish Institutes that function abroad is in the LAC region<sup>16</sup>. The Adam Mickiewicz Institute (IAM), which has conducted promotional projects in 26 countries between 2001-2013, does not include LAC in its mission statement.<sup>17</sup> Nevertheless, IAM will soon implement his first project in Latin America: “Brazil 2016”, which will aim at fostering joint projects between artists from the two countries.

As a result of this limited activity by Poland’s public cultural institutions, it is Polish Embassies in the region in cooperation with the MFA’s Department of Public and Cultural Diplomacy that are the most active in terms of enhancing bilateral cultural links. They conduct activities such as the promotion of Polish education and science, art, music, theatre, and sometimes film. They also organise study tours for professionals including journalist and artists – in the last decade representatives from Argentina, Bolivia, Brazil, Chile, Cuba, Ecuador, Uruguay and Venezuela have visited Poland in the framework of such tours.

Broadly speaking, the promotion of Polish culture in LAC is not adapted to the region, but rather follows the broad priorities of Polish public diplomacy, such as the Year of Frederic Chopin or the Year of Marie Curie Skłodowska. It is worth noting that in terms of organising promotional events, priority is given to those countries with the largest Polish diasporas (Brazil, Argentina, Peru, Mexico) and Chile.<sup>18</sup> The exception is the particularly active Polish Embassy in Havana.<sup>19</sup>

## Research and education

Cooperation between Poland and LAC in the areas of research and education also leaves much to be desired. Even though the number of LAC students in Poland has more than doubled in the last decade, their number is still very small, having increased from just 73 in 2004 to 166 in 2012 (compared to 466 Canadian students).<sup>20</sup> Polish students, meanwhile, tend not to study in Latin American and Caribbean countries at all, as other European Union countries offer much more competitive scholarships and are closer to home. This trend is exacerbated by the fact that until 2014 Mexico was the only LAC country to have a scholarship agreement with Poland.<sup>21</sup> It is worth noting that Poles are more likely to take advantage of available scholarships than their counterparts in LAC, largely due to the language barrier.

However, efforts are being made to counter these disappointing results. In 2014, up to 250 students from Brazil are due to study in Poland as part of the “Science without Borders” (*Ciência sem Fronteiras*) programme launched by the Brazilian government in June 2011. Under this scheme, Polish students will also

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<sup>16</sup> “Polish Institutes”, Ministry of Foreign Affairs of Poland, [http://www.mfa.gov.pl/en/foreign\\_policy/public\\_diplomacy/polish\\_institutes/](http://www.mfa.gov.pl/en/foreign_policy/public_diplomacy/polish_institutes/)

<sup>17</sup> Adam Mickiewicz Institute, Projects, <http://iam.pl/pl/o-nas#misja-cele-dzialalnosc>

<sup>18</sup> E.g., between 2010-2012 the Polish Embassy in Argentina, which covers also Uruguay and Paraguay organized 272 events in the framework of the public and cultural diplomacy, including 73 in Brazil and 70 in Mexico.

<sup>19</sup> The number of Polish descendants decreased from 35,000 between 1962-1988, to 200 today, in: Polish Embassy in Havana, Polonia, [http://www.hawana.ms.gov.pl/pl/wspolpraca\\_dwustronna/poloniam/informacje\\_o\\_polonii\\_kubanskiej/](http://www.hawana.ms.gov.pl/pl/wspolpraca_dwustronna/poloniam/informacje_o_polonii_kubanskiej/)

<sup>20</sup> The largest number of students has traditionally been from Brazil, Mexico, Colombia, Peru, and Argentina. More in: “Students and Graduates by Continent and Country”, The Official Statistical Office of Poland, Warsaw 2012, p.138, [http://www.stat.gov.pl/cps/rde/xbcr/gus/E\\_szkoly\\_wyzsze\\_2012.pdf](http://www.stat.gov.pl/cps/rde/xbcr/gus/E_szkoly_wyzsze_2012.pdf)

<sup>21</sup> The office of Recognition of Diplomas and International Exchange of Poland, <http://www.buwim.edu.pl/wym/intro.htm>

be able to apply for scholarships for study in Brazil.<sup>22</sup> Additionally, two Polish universities are the only Central and Eastern European participants of *Fellow Mundus*, an EU project allowing students and academics to undertake a mobility period or a full degree in countries including Bolivia, Brazil, Colombia, Ecuador, Panama, Paraguay, Peru, and Uruguay.<sup>23</sup> Finally, although there is no official scholarship programme for Polish students to study in Chile, the Polish mining company KGHM has launched its “Go Global Internships” project offering fellowships in Chile for 24 students from three Polish universities.<sup>24</sup>

Despite the low level of student exchanges between Poland and the LAC region, research cooperation between universities and institutes has improved over the last two decades. This has been particularly striking in areas such as archaeological and ethnographic research (e.g., the Andean Archaeological Mission led by the University of Warsaw in Peru, Ecuador and Bolivia since 1986). In the near future, the Polish Academy of Science and the University of Warsaw’s first ever permanent scientific station for archaeological and conservationist work will be established in Cusco (Peru). Polish astronomers have also conducted research in Las Campanas in Chile.

### *Tourism*

Despite institutional arrangements conducive to tourism – such as agreements on cooperation in tourism (with Mexico and Peru) and visa-free travel (with Mexico, Brazil, Chile, Costa Rica, Panama, Honduras) – the number of LAC tourists visiting Poland is still low. In 2001 not one of the LAC countries was among the top 30 countries of origin of tourists visiting Poland. Later, Poland’s accession to the EU somewhat encouraged tourism from LAC, mainly from those countries with the largest Polish diasporas. In 2005, 3,400 tourists from Argentina and 11,400 each from Brazil and Mexico visited Poland. In 2008, in the wake of the financial crisis, the numbers decreased, as Poland saw only 3,600 tourists from Brazil, and 2,000 from Mexico. This trend has largely continued, with 3,500 tourists from Brazil, and 1,400 from Mexico visiting Poland in 2012.<sup>25</sup>

By comparison, Poles visit the LAC region much more often. For example, the average number of Polish tourists visiting Mexico each month between 2005 and 2012 was 1,809 – i.e. more Poles went to Mexico in one month than Mexicans visited Poland in the whole of 2012. This is easily explained by the attractiveness of the LAC region for tourists, and the growing appetite among Poles – particularly of the younger generation – for travel (the number of annual foreign visits by Poles grew by almost 1 million to 7.1 million in the years 2005-2010).<sup>26</sup>

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<sup>22</sup> Official signature of the agreement between the Conference of the Polish Rectors of the Polish Universities and Brazilian Council of the Development of Science and Technology, 3 February 2014  
[http://www.krasp.org.pl/pl/wydarzenia/podpisanie\\_porozumienia\\_cnpq](http://www.krasp.org.pl/pl/wydarzenia/podpisanie_porozumienia_cnpq)

<sup>23</sup> Wrocław University of Technology, and University of Warsaw, in: Mobility Scholarships Erasmus Mundus Programme 2014-2017, <http://fellow.unl.pt/index.php/19-noticias/4-article-in-english>

<sup>24</sup> AGH, the Technical University of Silesia, and the Technical University of Wrocław, in: Mobility Scholarships Erasmus Mundus Programme 2014-2017, <http://fellow.unl.pt/index.php/19-noticias/4-article-in-english>

<sup>25</sup> All data from “Tourism in Poland in 2012”, Official Statistical Office,

[http://www.stat.gov.pl/cps/rde/xbcr/gus/KTS\\_turystyka\\_w\\_2012.pdf](http://www.stat.gov.pl/cps/rde/xbcr/gus/KTS_turystyka_w_2012.pdf)

<sup>26</sup> Tourism Institute, <http://www.intur.com.pl/polacy.php?o=1&t1=13>

## Challenges

Despite the notable improvement in relations – particularly in economic exchange and especially in investment – several challenges still prevent optimal cooperation between Poland and the LAC region. The first and greatest challenge is the very limited knowledge that each side has of the other – compounded by a lack of sufficient incentives to boost genuine mutual interest. This is accompanied by infrequent bilateral visits at the high level, and no clearly defined Polish government strategy toward LAC that would address opportunities and define measurable policy goals towards the main Latin American countries (or vice versa).

Second, despite the depth and speed of the trade-in-goods liberalisation process in LAC, some barriers to trade still remain. For instance, Brazil is still a relatively closed economy with a number of protectionist measures in place as well as an excessive bureaucracy and complex tax system and regulations. Bilaterally, in Polish–Brazilian relations there is still a lack of useful instruments, such as a double-taxation agreement that could facilitate direct business engagement. Mexico, in turn, is known for its poor infrastructure and powerful monopolies, but also for its excessive bureaucracy and complex regulations, which result in non-tariff barriers. The outlook for the Argentine economy is uncertain in 2014 due to various factors including economic disruptions caused by foreign exchange and import restrictions. As a result, LAC is still a relatively difficult market for Polish companies, 96% of which are microbusinesses, many of them with no experience abroad.

Third, the attractiveness of third partners is problematic for the development of Polish-LAC relations. For instance, the Pacific Alliance created by the most open LAC countries (Chile, Colombia, Mexico, Peru) has a special emphasis on the Asia-Pacific region. This heralds a reduction in these countries' interest in the EU in general and in Poland in particular. The same is true of the Transpacific Partnership (TPP), a trade deal that is now set to include 12 Asian and North and American and LAC states (including Chile, Mexico, and Peru). The TPP's trade-boosting provisions, coupled with trade and investment opportunities in Asia, could leave European countries such as Poland out in the cold. Even when LAC companies are tempted to cooperate with the EU, they are more likely to turn to their traditional trade and investment partners among the "older" European countries (Spain, Portugal, France, Germany), or at least towards those new Member States that have already adopted the euro (e.g., Brazilian investment in Eurozone member Slovakia far exceeds its investment in the much larger Poland).

Similar temptations exist for Polish companies, which tend to be more comfortable trading with and investing in their Eastern neighbours – particularly given the good reputation Polish brands enjoy in the former Soviet states. Moreover, those Polish companies that are tempted to go further afield are mostly drawn to Asia in general and China in particular (the Polish MoE even has a dedicated "Go China" programme, which helps Polish companies looking to export and invest there). This direction is likely to be boosted by improved market access thanks to EU trade agreements with Korea (already in place) and Japan (in talks) and the planned investment deal with China.

## Recommendations

Steps towards better fulfilling the vast potential for improved cooperation between Poland and LAC can be made in several areas.

### *Trade and investment*

- A significant barrier to further economic cooperation with LAC is a lack of awareness of Polish products and companies in the region. For example, Polish powdered milk exported to the region goes through Holland, where it is stamped with Dutch labels. With the help of the public administration, Polish exporters should seek to get rid of such “middlemen”. This would improve the recognisability of Polish products and brands in LAC, thus improving the chances for other Polish products and companies to establish a presence in the region.
- Poland could attract more LAC investment by selling itself as a jumping board to Eastern markets – particularly the Former Soviet Republics – where LAC companies have a very limited presence. It should highlight this advantage it presents to LAC investors at trade fairs and during official visits in the region.
- Members of Polonia and graduates of Polish universities often occupy prestigious and influential professions in LAC. Polish diplomatic missions in the region should create a database of such contacts, which could prove particularly useful for Polish companies seeking to export or invest in LAC that do not have contacts on the ground. Moreover, the Polish government should create the conditions for more LAC students to study in Poland.

### *Track-two diplomacy*

- Poland and LAC countries should consider supporting research and education cooperation through “track-two” diplomacy, in order to enliven societal relations. Poland should focus primarily but not exclusively on cooperation with those countries that already have some basis in historical and cultural traditions. This could be achieved through activities run by Poland’s Honorary Consulates and their counterparts in Poland, student exchanges and joint research projects. There is still room for both the government and private companies to invest in and stimulate academic exchanges, create traineeships or even “work and travel” summer programmes (an idea that has already been discussed with Argentina). Closer cooperation on the societal level through, e.g., culture, research and education could, in the long term, lead to intensification of political relations.

### *Tourism*

- Tourism displays potential for increased cooperation, especially for Polish firms operating in LAC. In particular, tourist agencies should cooperate with Poland’s 47 Honorary Consuls in the region, who know the local market and could advise on promotional campaigns. Agencies should highlight cultural similarities between the two sides (e.g., their common Catholic heritage), and harness the groundwork already done by the V4, which in April 2013 launched the common initiative “European Quartet – One Melody” in Brazil to jointly promote the region. However, the key hurdle remains flight cost (currently a roundtrip to LAC from Poland costs double the price of a return trip to the U.S.).

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