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## Poland and Pakistan as Hubs of the Belt and Road Initiative

Orazio Maria Gnerre\*

### Abstract

*Poland and Pakistan are linked on various levels ranging from commercial to diplomatic. However, a factor that has attracted little consideration in the analysis of the relations between these two countries is the role that the aforementioned countries cover within the project promoted by the People's Republic of China namely, the Belt and Road Initiative. The two countries play different roles in very distant sectors, nevertheless, they can be considered key players at a macro-continental level due to the geographical and political position they play in their region. These factors of influence and prestige could raise with the increase in international relations of a commercial and human nature that would occur following the construction of a large Eurasian infrastructural network. This article intends to investigate this perspective. It leads to another question, the answer to which must be investigated in the context of the hypothetical future: is it possible that the Belt and Road Initiative also increase the existing relationships between these two countries? And – would trade between Poland and Pakistan be distorted to the advantage of other neighbouring countries or would it increase in volume?*

**Keywords:** Pakistan-Poland, history, Belt and Road, Eurasia, trade relations, diplomatic ties

Pakistan and Poland are two seemingly very different countries. They are inserted into relatively distant regional systems and share, at most, the fact that in both cases they are part of the great Eurasian landmass. Poland can be considered an integral part of Europe, while Pakistan is in South Asia. Their coexistence on the Eurasian continent, however, links their economic destiny in a particular way.

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\* Mr. Orazio Maria Gnerre is a Ph.D Scholar at the University of Perugia, Italy. Email: [oraziognerre@gmail.com](mailto:oraziognerre@gmail.com).

Recently, some projects of political, economic, and infrastructural integration have been developed that concern the extended space of the Eurasian continent beyond actual international relations (just like that between Pakistan and Poland). One of the most influential players in the Eurasian space is the People's Republic of China, which at the same time also has a great specific weight in the international market as well as a prominent position in the development of technology at various levels. China also promotes certain international economic organizations centred on an orderly use of the countries' trading capacities, and it explicitly opposes a diplomatic and political closure of the possibilities for economic exchange. As we shall see further on, this is not of little importance for the economic policies of the Eurasian countries, and in this case Poland and Pakistan. Both assume a particular role within the great infrastructural construction and integration planning of the so-called Belt and Road Initiative.

Returning to the case of these two countries, from a historical point of view, there are not many contacts that have linked the two countries. The intense bipolarity of the Cold War too complicated matters further. However, the opening of a diplomatic channel between the two countries dates back to the 1960s, and a whole series of cultural initiatives are linked to this which seek to build a bridge between the two nations.

Before talking about the current state of international trade between Pakistan and Poland, however, we must underline some elements of commonality between the two countries in question. Both Pakistan and Poland are two countries that are performing positively within the realm of possibility on the international scene. In both cases, they have not yet become the driving forces of their respective regional economies, but they are increasing the volumes of growth and modernizing their economies.

Poland's secret [is a] combination of factors that have followed one another since the fall of communism, starting with the exceptional management of the public budget by more or less all governments – a debt/GDP of around 40% and a deficit close to zero in the pre-pandemic [period]. It has allowed expansive manoeuvres in times of crisis, up to the excellent management of European funds – which went almost exclusively into infrastructure, passing through the university system – modern, innovative, and has focused heavily on internationalization in recent years. This facilitated the

bureaucracy and taxation for those who want to invest in the country.<sup>1</sup>

Poland's detractors very often say that cheap labour and European funds are the only reasons why the country grows economically, forgetting that there are other nations, even neighbouring ones, which enjoy similar circumstances but which have not managed to get the same results. Furthermore, European funds cannot be included in the balance sheet assets for legal reasons. The truth is, it was capital management and an excellent offering that produced the wealth and growth we see today.<sup>2</sup>

After the collapse of what the French economist Bernard Chavance called “the traditional system”,<sup>3</sup> referring to the economic planning order dictated by Stalinism, Poland sought its economic salvation in a liberalized world. Despite the contradictions that the market has certainly produced in its social system, it seems that a leading role of the state and institutions has been able to regulate the use of European funds and the distribution of public investments.<sup>4</sup> Although Poland was one of the first systems to distance itself from the planned economy, already through a series of reforms proposed by the intellectuals of its communist party,<sup>5</sup> it is evident

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<sup>1</sup> Jo Harper, Germany Eyes Polish Growth Miracle, *Deutsche Welle*, 23 February 2021, available at <https://www.dw.com/en/germany-eyes-polands-economic-miracle-for-post-covid-growth/a-56659483>.

<sup>2</sup> Emanuel Pietrobon, “Cosa c'è dietro il successo dell'economia polacca”, *InsideOver*, 29 May 2021. Visit at <https://insideover.ilgiornale.it/economia/la-polonia-un-modello-economico-da-imitare.html> [translated from Italian].

<sup>3</sup> Cf. Bernard Chavance, *The Transformation of Communist Systems: Economic Reform Since the 1950s*, (London: Routledge, 2020).

<sup>4</sup> “The secret of the Polish model [is that] the existential challenge represented by the pandemic has been transformed into a unique and unrepeatable opportunity to fatten the real economy with liquidity – the subject of an extraordinary and life-giving injection of one hundred billion zlotys (the equivalent of twenty-two billion euros), equal to 4.5% of GDP –, to reorganize the production chains in the direction of optimizing costs and flexibility, to give impetus to diversification and to speed up digitization processes in the public and private sectors. A life-saving package of 47 billion euros, the one launched by PiS during the pandemic, which, between liquidity injections, support for business, aid for families and the containment of unemployment, has safeguarded the resilience of the national economy”. Emanuel Pietrobon, “Cosa c'è dietro il successo dell'economia polacca”, in *InsideOver* [translated from Italian].

<sup>5</sup> “[In 1956] an Economic Council, which would function alongside the government, was created. It was headed by Oskar Lange and included some of the prominent economists in Warsaw (Czesław Bobrowski, Włodzimierz Brus, Michał Kalecki, and Edward Lipiński). It engaged in a dialogue in which the various positions in the ensuing public debate were already present, including the two extremes. On one side were advocates of markets such

that the countries of Eastern Europe have maintained a stronger executive role in economics, and, therefore, can guarantee economic formulas in which the role of State control is clearer.<sup>6</sup>

We must also underline the role – which will come in handy for our analysis later – that Polish governments have assigned to issues such as infrastructural development and the attraction of foreign investment. All these elements are hand in glove with the Polish-Chinese relationship.

As far as Pakistan is concerned, according to the World Bank, Pakistan, despite some endemic difficulties, has significantly decreased poverty in the country in the last two decades.<sup>7</sup> In October 2022, although it seems that the country is experiencing an economic slowdown, it is still growing.<sup>8</sup> If some sources spoke of the growth of around 6% in May 2022,<sup>9</sup> according to the World Bank, the country will close at only 2%.<sup>10</sup> These conditions can be modified by a whole series of adjustments, and, above all, by the economic relationships that the country will be able to develop in the next

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as Stefan Kurowski, who condemned centralized planning as contrary to democracy and the sovereignty of the consumer. On the other were defenders of the status quo. In the academic community, however, a consensus, which was expressed in part in the *theses* published by the Economic Council in April 1957, emerged. In this view, central management should be limited to overall macroeconomic objectives, primarily through control over investment. Decisions at the enterprise level, however, should be made more autonomous". See Bernard Chavance, *The Transformation of Communist Systems*, 37.

<sup>6</sup> In this sense, on the role of social policies promoted by the state in Poland, Giuseppe Adamo says: "PIS is accused of being 'leftist' in the economic field precisely because of its extensive social policy. I think that the 500 plus program - the government program which donates 500 zlotys (about 120 euros) a month for each child –, the forthcoming increase in the minimum wage to a thousand euros gross and the creation of the thirteenth pension scheme should be read as safeguard policies towards citizens of the lowest classes and to combat the falling birth rate. The Catholic inspiration and a certain attempt to apply the social doctrine of the Church seem very visible to me." See Pietrobon, "Cosa c'è dietro," *InsideOver*.

<sup>7</sup> The World Bank, *The World Bank in Pakistan*, available at <https://www.worldbank.org/en/country/pakistan/overview>.

<sup>8</sup> The World Bank, World Bank: Pakistan's Economy Slows Down While Inflation Rises Amid Catastrophic Floods, 6 October 2022, available at <https://www.worldbank.org/en/news/press-release/2022/10/06/world-bank-pakistan-s-economy-slows-down-while-inflation-rises-amid-catastrophic-floods>.

<sup>9</sup> Shahbaz Rana, "With 6% growth rate, Pakistan's economic size jumps to \$383 billion", *The Express Tribune*, 19 May 2022, visit <https://tribune.com.pk/story/2357283/with-6-growth-rate-pakistans-economic-size-jumps-to-383-billion>.

<sup>10</sup> World Bank: Pakistan's Economy Slows Down.

period with other growing players, and by how much it will be able to fit into the mechanisms of new large projects of international connectivity. This does not detract from the existence of a whole series of endemic problems which should be dealt with in a structured way, such as the climate issue and its dramatic consequences, specifically, the episodes of disastrous floods.<sup>11</sup>

As for the current conditions of Pakistan-Poland trade, the volume of trade has been constantly growing.

According to the Trade Development Authority of Pakistan:

The bilateral relationship between Pakistan and Poland is non-traditional and the trade volume has remained below \$370 million over the years. In 2020, Pakistan exported goods worth \$265.5 million and the bilateral trade balance over the years favours Pakistan. The trade volume has increased by compound annual growth rate of 5% from \$258 million in 2016 to \$ 359 million in 2020.<sup>12</sup>

Furthermore, as the same agency notes, the fact that Poland is located in Europe testifies to the power of the international market in this historical period,<sup>13</sup> credit goes to new transport technologies. This is another factor we will return to when discussing China's Belt and Road Initiative. However, it is a fact that goods transport technologies have made giant strides and that the international market can proceed between countries even at

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<sup>11</sup> Pakistan has been experiencing heavy monsoon rains since June 2022 leading to catastrophic and unprecedented flooding. Almost 15% of the country is underwater and just over 33 million people are affected. More than 2 million houses have been damaged or destroyed. Loss of life has also been considerable with 1,700 fatalities reported. Loss of livestock is also significant with more than 1.1 million animals estimated to have perished, while over 25,000 animal shelters have been damaged. More than 13,000 km of roads are reported to have been affected and 440 bridges have been damaged or destroyed, with these numbers expected to rise. Economic impacts are concentrated in the agricultural sector, with over 9.4 million acres of cultivated land destroyed, resulting in significant losses to cotton, date, wheat, and rice crops. See details at <https://documents1.worldbank.org/curated/en/099523112072218789/pdf/IDU09bc63666052fe041af08d8d0cbd7862b0c65.pdf>.

<sup>12</sup> Trade Development Authority of Pakistan, *Pakistan-Poland Trade Relationship*, available at <https://tdap.gov.pk/wp-content/uploads/2022/03/Pak-Poland-Wrap.pdf>.

<sup>13</sup> Ibid.

considerable distances on the world map.

In January 2022, Polish Ambassador to Islamabad Maciej Pisarski underlined the fact that the volume of trade between the two countries now exceeded \$500 million and that relations between Pakistan and Poland were diversifying, including (but not limited to) in the field of technology. He also added that the European Union was, to date, the most important destination for Pakistan's exports, and this only increased the economic ties between the two countries.<sup>14</sup>

In this context of international exchanges, the variable of infrastructural planning emerges from the advanced globalization of the markets. One of these, whose role is fundamental for understanding the economic issues of the 21<sup>st</sup> century, is that of the Chinese Belt and Road Initiative. This project can be defined as a potential infrastructural and commercial backbone of Eurasia even if in Chinese planning it also extends to Africa. Specifically, this project consists of the construction of railway routes, maritime commercial lines, and air connections to coordinate international trade on a very large scale. China has been moving in this direction for a long time for the development of bilateral relations with the countries with which it intends to cooperate on this project.

In the words of Huping Shang:

The Belt and Road Initiative is a systematic project, which should be jointly built through consultation to meet the interests of all, and efforts should be made to integrate the development strategies of the countries along the Belt and Road. According to Vision and Actions on Jointly Building Silk Road Economic Belt and 21st Century Maritime Silk Road, the Belt and Road run through the continents of Asia, Europe and Africa, connecting the vibrant East Asia economic circle at one end and developing European economic circle at the other, and encompassing countries with huge potential for economic development. The Silk Road Economic Belt focuses on bringing together China,

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<sup>14</sup> The Nation editorial board, *Poland keen to enhance trade with Pakistan in IT, agri sectors: Envoy*, on *The Nation*: <https://nation.com.pk/09-Jan-2022/poland-keen-to-enhance-trade-with-pakistan-in-it-agri-sectors-envoy>.

Central Asia, Russia and Europe (the Baltic), linking China with the Persian Gulf and the Mediterranean Sea through Central Asia and West Asia, and connecting China with Southeast Asia, South Asia and the Indian Ocean. The 21<sup>st</sup> century Maritime Silk Road is designed to go from China's coast to Europe through the South China Sea and the Indian Ocean in one route, and from China's coast through the South China Sea to the South Pacific in the other.<sup>15</sup>

Both Pakistan and Poland are included in this large-scale project. As far as Pakistan is concerned, it is considered a strategic factor by China, and, therefore, it will be a real central hub for the planning of the Belt and Road. Relations between Pakistan and China have been very important, especially in the last period, and for this project, according to 2018 data, China has allocated \$63 billion (for the China-Pakistan Economic Corridor).<sup>16</sup> The commercial relations between these two countries thanks to the Belt and Road are especially anticipated in the energy sector, in particular, oil and gas.<sup>17</sup> This, in light of the recent crisis in the international order, could be of huge importance for the restructuring of the international energy market. There is also an element to take into consideration, which is that of regional stabilization, an objective for China as it believes that only international peace guarantees business predictability. China has repeatedly reiterated that the introduction of the Belt and Road and the increase in trade volumes not only between China and the countries involved in the project but also states in the proximity will increase regional stability.<sup>18</sup> Jacob Mardell writes that "Chinese wisdom holds that state-driven investment in infrastructure creates economic growth, social stability, and an improved security environment".<sup>19</sup>

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<sup>15</sup> Huping Shang, *The Belt and Road Initiative: Key Concepts* (New York: Springer, 2019), 2.

<sup>16</sup> Lars Erslev Andersen and Yang Jiang, *China's Engagement in Pakistan, Afghanistan and Xinjiang: Will China's Root Cause Model Provide Regional Stability and Security?* (Danish Institute for International Studies, Copenhagen 2018), 21.

<sup>17</sup> Ibid.

<sup>18</sup> Mohamad Zreik for example, speaking of the Central Asian case, notes how China's project is that of the rapprochement of the nations that make up the regional framework through mutual trade, in "Contemporary Geopolitics of Eurasia and the Belt and Road Initiative", in *Eurasian Research Journal* 4, no. 1 (2022): 16.

<sup>19</sup> Jacob Mardell, "The BRI in Pakistan: China's Flagship Economic Corridor", MERICS, 20 May 2020. Visit <https://merics.org/en/analysis/bri-pakistan-chinas-flagship-economic-corridor>.

As for Poland's role in the Belt and Road, this would have been, in the wishes of the Poles themselves, a hub between Europe and China. Poland would be part of the arm of the Belt and Road called "New Eurasia Land Bridge",<sup>20</sup> which connects Central Europe to Russia, Central Asia, and, finally, to China.

As Gabor Debreczeni noted, "many slightly different routes have been labelled under the umbrella term of the New Eurasian Land Bridge – some link Chongqing to Duisburg, while others link Beijing to Hamburg, however, it is the middle section of the route, from Kazakhstan to Poland, which seems to define it".<sup>21</sup>

The following has been written about Poland's interest in the Belt and Road project:

The presentation of the concept of the Belt and Road Initiative was positively received and met with broad interest in Poland. Initially, the public discussion was dominated by the optimistic vision of Poland as the "land bridge" or "gateway" for China to the European Union. Poland was framed as a country that, owing to its beneficial geopolitical location at the boundary of two systems—the European Union (EU) and the Eurasian Economic Union (EEU)—could fulfil a key role in the implementation of the Chinese project and derive specific economic benefits from the initiative. If we consider the Silk Road Economic Belt as an intercontinental transport corridor, Poland could probably become a critical European hub through the development of infrastructure, and the development of the internal market could be stimulated by establishing intermodal reloading and logistics centres on its territory.

On the one hand, Poland's increasing interest in

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<sup>20</sup> Cf. Richard Pomfret, "The Eurasian Land-Bridge: Linking Regional Value Chains along the New Silk Road", in *Cambridge Journal of Regions, Economy and Society* 12, no. 1 (2019): 45-56. See also Andrzej Jakubowski, Tomasz Komornicki, *at al.* "Poland as a Hub of the Silk Road Economic Belt: Is the Narrative of Opportunity Supported by Developments on the Ground"? in *Asia Europe Journal* 18 (2020): 375-376.

<sup>21</sup> *Ibid.*, 44.



cooperation with China results from increased Chinese engagement in Central and Eastern Europe under the 16+1 framework. On the other hand, it ties into Poland's efforts to diversify its economic links with countries outside the EU, motivated by the search for new economic partners and outlets for Polish entrepreneurs, as well as [...] by the changing role of the EU on the international scene. The intensification of political linkages with China came in tandem with an increase in economic relations, including the initiation of direct commercial connections—by sea from Shanghai to Gdańsk in 2010, and by land (railway) from Chongqing to Małaszewicze in 2011.<sup>22</sup>

The Belt and Road Initiative, when implemented according to pre-established plans, will certainly favour an increase in the volume of global trade, creating new geographies of value and, as we have already identified, further possibilities for partnerships, especially at the regional level. According to the World Bank, "If completed, BRI transport projects could reduce travel times along economic corridors by 12%, increase trade between 2.7% and 9.7%, increase income by up to 3.4% and lift 7.6 million people from extreme poverty". Also, "BRI transport projects have the potential to substantially improve trade [and] foreign investment".<sup>23</sup>

However, the question we should ask is this: how is Belt and Road going to affect the Polish-Pakistani commercial ties? In other words, will the Belt and Road only serve to develop commercial relations between the individual signatory countries and China, and between neighbouring countries, or would it also increase the volume of trade between geographically distant countries such as Poland and Pakistan?

This question is of great importance for several reasons: it would not only affect the long-term relations between Pakistan and Poland that we are investigating, but it would have long-term effects on diplomacy and international relations; this would also be important as a case study to understand the real functioning of international structures such as the Belt and Road Initiative. The question would, therefore, bring us back to the

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<sup>22</sup> Andrzej Jakubowski, Komornicki, Karol, 369-370.

<sup>23</sup> The World Bank, *Belt and Road Initiative*, 29 March 2018, available at <https://www.worldbank.org/en/topic/regional-integration/brief/belt-and-road-initiative>.

study of a very important problem in the development of the infrastructural and commercial architectures of the new globalized world: can this type of structure also increase, speed up, and tighten relations between the states that are part of it, regardless of the geographical location? Obviously, in this sense, we are supposed to assess the previous relationships between these states and their specific role within the aforementioned architectures. We can certainly try to give a theoretical answer to these questions based on what we already know, trying to build a preventive evaluation.

These type of questions requires very careful analysis, especially by national decision-makers and technicians. The answer would seem to be positive for certain reasons: first of all, it has been noted that “BRI economies are increasingly integrated with the rest of the world and with each other. BRI countries’ contribution to global exports has nearly doubled in the last two decades. But a handful of BRI economies, most notably China, are responsible for the lion’s share of these exports”.<sup>24</sup> This is even more true for countries that are developing their infrastructure network and that would be helped in this by Chinese capabilities. Pakistan is investing in infrastructure.<sup>25</sup> It could take advantage of this type of operation. Secondly, again, according to Michele Ruta, “improving the capacity and network of railways and other transport infrastructure could lead to more cross-border trade, increased investment, and improved growth in BRI economies. Regional cooperation on infrastructure improvements is needed to solve this challenge. If successful, BRI projects stand to make trade easier in some of the world’s most important economic corridors”.<sup>26</sup>

Polish demand for imports from Pakistan is unlikely to cease during the period of construction of the Belt and Road infrastructure network, so there is great potential for increased trade between the two countries. Indeed, the trend of trade between the two countries is growing. As we have already discussed, in the diplomatic discussions between the two

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<sup>24</sup> Michele Ruta, Three Opportunities and Three Risks of the Belt and Road Initiative, WB Blogs, May 2018, see <https://blogs.worldbank.org/trade/three-opportunities-and-three-risks-belt-and-road-initiative>.

<sup>25</sup> Faseeh Mangi and Khalid Qayum, “Pakistan to Spend ‘Bare Minimum’ \$6 Billion to Boost Growth”, *Bloomberg*, 6 May 2021, at <https://www.bloomberg.com/news/articles/2021-05-06/pakistan-to-spend-bare-minimum-6-billion-to-boost-growth>.

<sup>26</sup> Ruta, Three Opportunities and Three Risks.

countries, the will to deepen not only the cultural and political, but also the economic and commercial relationship was very clearly expressed.<sup>27</sup>

To this end, the Belt and Road could guarantee greater interchange capacities based on the fastest and cheapest connection.

If trade between the two countries is the goal, the BRI could be one means by which to achieve it. Furthermore, if trade relations between Pakistan and Poland are mutually beneficial despite the already existing distance between the two actors, it is unlikely that the Belt and Road will distort this type of relationship to the advantage of other closer trade partners.

Indeed, according to the Trade Development Authority of Pakistan,<sup>28</sup> some of the limits in trade between Poland and Pakistan to be overcome would undoubtedly be import tariffs and regulations. It is not unlikely that a greater connection due to the BRI could favour greater trade liberalization between member countries.

This is another effect out of many that Chinese planning could guarantee. The commercial relationship between these two nations will increase the volume of trade soon.

To conclude, when it comes to trade relations between the states there are many variables to take into account, especially if there is a lot of geographical space to divide the countries in question: political issues must be taken into account (which in this case involve many more actors than a simple neighbourly relationship), market, and technology changes. An accurate forecast is always very difficult to make. Nonetheless, it is possible to speculate that, in the event of the Belt and Road being built and linking up Pakistan with Poland, both countries could benefit not only from the project itself and from their role as major hubs in their specific sectors but also from the increase of the exchange capacities between them.

We reiterate that this type of analysis could be adapted to other specific cases to understand the mechanics of new modes of commercial relationships that could arise from this type of infrastructural and commercial planning.

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<sup>27</sup> Editorial, "Poland keen to enhance trade with Pakistan in IT, agri sectors: Envoy", *The Nation*, 9 January 2022, at <https://nation.com.pk/09-Jan-2022/poland-keen-to-enhance-trade-with-pakistan-in-it-agri-sectors-envoy>.

<sup>28</sup> TDAP, at <https://tdap.gov.pk/wp-content/uploads/2022/03/Pak-Poland-Wrap.pdf>.