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Poland's Trade Policy and its Changes in the Context of European Integration – Consequences for the Protective Clothing Market

Abstract

By accepting the EU's 'acquis communautaire' applying to common trade policy, Poland has become a party to all international customs and trade agreements concluded by the Community. The replacement of a national customs tariff with an integrated EU's tariff produced a range of fiscal, organizational, and financial consequences. The type, scope, and legal basis of trade preferences granted to non-EU countries were changed. This article aims to discuss the changes and their impact on Polish producers of protective clothing.

Key words: trade policy, Community customs tariff, protective clothing market.

Introduction

Poland joined the European Union on 1 May 2004, thereby accepting all instruments used within EU trade policies, as well as obligatory compliance with trade agreements concluded by the Community. At the same time, trade agreements that Poland had independently signed with other countries were terminated.

The common trade policy pursued by the EU is subordinated to uniform rules that especially apply to:

- changes in customs rates,
- the conclusion of customs and trade agreements,
- the harmonisation of liberalisation measures,
- export policies,
- measures intended to protect trade, when dumping occurs or products are subsidised.

The day Poland became an EU member, the Treaty establishing the European Union started applying to the country. The Treaty extensively changed the competence of the national government. In very broad terms, the Polish administration's powers to establish trade relations with third countries were taken over by pertinent Community authorities.

Numerous studies [1, 2] exist that analyse the necessary adjustments Poland had to implement, because some elements of its trade policy were to be taken over by the European Union and included in the common trade policy. This paper will therefore concentrate on the critical changes for the protective clothing market. In this context, a subject area of particular interest appears to be Poland's relinquished prerogative to enter into

customs and trade agreements with third countries that has been replaced by the relevant EU acquis.

Consequences of accepting the EU's customs tariff for the protective clothing market

The replacement of the national customs tariff with the Community's integrated tariff produced a range of fiscal, organizational, and financial consequences [3, 8]. The type, scope, and legal basis of trade preferences Poland granted to non-EU countries (i.e. third countries) also changed, compared with the situation before 1 May 2004.

By accepting the Community's acquis concerning the common trade policy,

Poland has become a party to all international customs and trade agreements concluded by the Community. The agreements combine a system of trade relations between the Community and its partners, which is commonly known as 'a pyramid of preferences' [4, 7]. The term illustrates the fact that individual countries, or their groups, are granted different preferences regulating their access to the EU market – starting from trade relations based on WTO rules, through unilateral (non-reciprocal) or reciprocal concessions for a specific group of goods, to regional preferences enabling the establishment of free trade zones or customs unions [2]. The preferences are reflected in the Community's Customs Tariff. The types of EU preferences are basically similar to their range known in the Polish practice (with the exception of

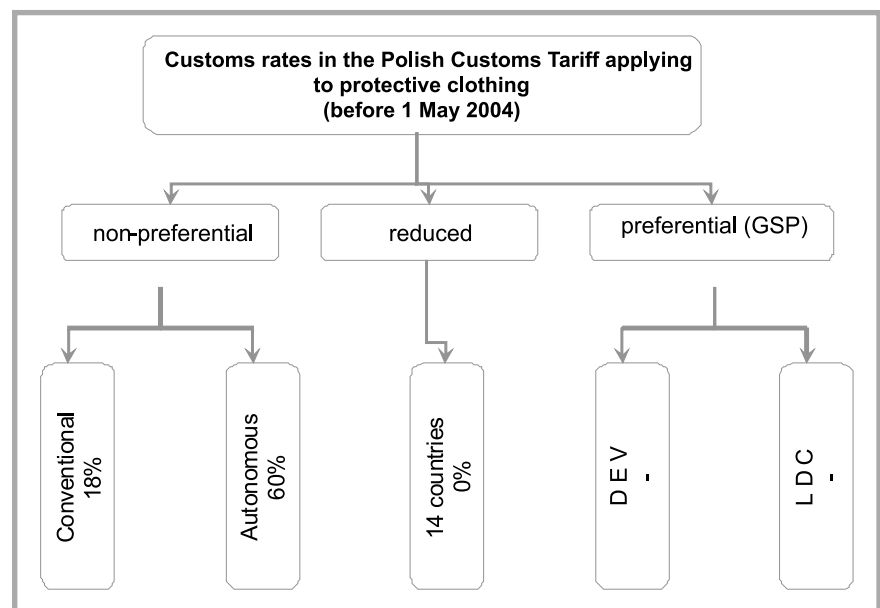


Figure 1. Structure of the Polish Customs Tariff; Source: developed based on the Polish Customs Tariff of 2001.

a customs union), but the Community applies them to different countries and goods, and sometimes the conditions for granting them are different (a case in point is tariff quotas) [3]. Besides, TARIC contains a much larger number of regulations than the Polish customs tariff provided before 1 May 2004.

The new EU tariff is therefore a much more complex solution than the national tariff was and it includes many encoded elements (compare chart 1 illustrating the Polish customs tariff and Table 1 with the EU customs tariff).

Analysis of customs rate changes after Poland's entrance to the European Union

The analysis below examines changes in customs rates on individual types of protective clothing that were introduced after Poland joined the European Union. The calculations were based on the Polish Customs Tariff of 2001 and on TARIC database of 2004 and 2007. Table 1 presents the collective results of the analysis.

Data in Table 1 will be analysed in the context of changes affecting the type, scope and legal framework of trade preferences granted to non-EU countries against preferences that Poland applied not so long ago. The section below discusses major regulations underpinning the preferences and the expected effects on the Polish market for protective clothing.

The Most-Favoured Nation clause¹⁾

Because of the GATT/WTO General Agreement on Customs Tariffs and Trade, the EU and Polish MFN rules are identical as regards the range of countries that are eligible for the clause. However, they are different in respect of the values of some rates negotiated during the Uruguay Round and the periods for bringing rates down to the target values.

An interesting observation is that Polish and EU customs tariffs treat non-preferential goods in different ways. The Polish Customs tariff operated before 1 May 2004 applied autonomous rates to goods originating in:

- WTO member countries and regions, as well as other countries and regions covered by the Polish MFN clause, if the conventional rate was higher than the autonomous rate,

- countries and regions not benefitting from the MFN clause and not belonging to the WTO ,
- developing or the least developed countries and regions being neither WTO members nor MFN beneficiaries, if the preferential rate had not been established for them.

Conventional customs rates were applied to goods originating in WTO countries

and regions, as well as countries and regions to whom Poland granted the MFN. In the Polish customs tariff of 2001 protective clothing was covered by an autonomous rate of 60% and a conventional rate of 18%. The Community customs tariff also uses the two types of customs rates and the rules underlying their application are similar. In practice, however, imports from every third country (including protective clothing)

Table 1. Analysis of changes in customs rates on protective clothing after Poland joined the EU; * 18% for WTO members, otherwise 60%, ** only some types of clothing, *** as regards the analysed group of clothing, customs rates provided in the EU Customs Tariff have not changed considerably in the period 2004-2007. **Source:** developed by the author based on [9] and [10].

TARIC country codes	Geographical distribution of customs rates by EU preferences	TARIC*** 2004/2007, %	Polish customs tariff 2001, %	Difference
-	All third countries	12	18 conventional 60 autonomous	- 5% - 48%
-	e.g. China	12	18	-5
SPGA SPGL	General System of Preferences (GSP)			
	- GSP (LDC)- Myanmar	0	*	
	- GSP (DEV) (-China, Sri Lanka, Moldova,	9,6		
LOMA	Multilateral preferential agreements			
	1. ACP (Africa, Caribbean, Pacific)	0	*	
ABH	2. BALKANS -			
	Albania, Bosnia and Herzegovina, plus Serbia and Montenegro	0	18 60	-18 -60
	Croatia	0	0	0
	Former Yugoslav Republic of Macedonia	0	18	-18
CEFTA EOG25	3. Romania, Bulgaria, Croatia	0	0	0
	4. European Economic Area with EU member states and three EFTA countries: Iceland, Lichtenstein and Norway	0	0	0
	Switzerland	0	18	-18
Association agreements	5. Mediterranean countries			
	Maghreb - Morocco, Algeria, Tunisia	0	18	-18
	Palestinian Autonomy		60	-60
	Israel	0	0	0
	Jordan, Lebanon		18	-18
	Syria (Mashrek) and Egypt - cooperation agreement	0	18	-18
LOMB	6. Overseas Countries and Territories (OCTs)	0	*	
	BILATERAL PREFERENTIAL AGREEMENTS			
Customs unions	Andorra	0	60	-60
	Turkey	0	0	0
	San Marino	0	18	-18
Association agreements	Chile	0	18	-18
	Macedonia-EU agreement Former	0	18	-18
	Syria	0	18	-18
	Mexico	0	18	-18
	Republic of South Africa - TDCA	3	18	-15
	Faroe Islands	0	0	0
	BILATERAL TRADING AGREEMENTS			
-	Belarus	9,6	18	-8,4
	Russia	9,6	18	-8,4
	Ukraine	9,6	18	-8,4
	OTHER REGULATIONS OF TRADING RELATIONS			
-	Ceuta and Melilla	0	60	-60
-	ADDITIONAL DUTIES in the import of certain goods from the USA to EU	.12 %+ 9%**	18%	+3

are covered by the conventional rates. The EU tariff applies a single conventional rate of 12% to goods from the third countries and the autonomous rate is not established²). Consequently, variations in the customs rates range from -5% do -48% depending on the country.

The General System of Preferences - GSP³

The present Community's GSP was introduced by Council Regulation No. 2501/2001 of 10 December 2001 applying a scheme of generalised tariff preferences for the period from 1 January 2002 to 31 December 2004, amended afterwards by Council Regulations 815/2003 of 8 May 2003 and 2331/2003 of 23 December 2003 – the latter was made effective on 1 January 2005. The list of countries granted the Community's GSP (otherwise GSP beneficiaries) can be found in Annex I to the regulation in force. Currently, the list contains 179 countries, among which 49 are termed the least developed countries (LDCs). The LDCs are indicated in column H of Annex I to EC Regulation No. 2501/2001 [6].

Variations in GSP rates are larger in the EU than in pre-accession Poland, regarding both the group of countries and the levels of customs rates. Comparing Polish and EU rules regulating the application of GSP rates, we can find that:

- in 2002, the list of the least developed countries was the same in Poland and the EU,
- the EU list of developing countries is now much longer than the Polish one. Therefore, an importer based in such a country and covered by the MFN clause can apply the more favourable GSP rates.

It is also worth stressing that the Polish customs tariff of 2001 did not have any specific preferential rate for protective clothing imported from the developing countries (DEV) and the least developed countries (LDC). Consequently, these were covered by autonomous or conventional rates, respectively. Rates on protective clothing originating in the countries and regions provided in the EU customs tariff are definitely lower – the LDC is assigned a 0% rate and the developing countries 9.6 %.

The free trade zones

Many agreements establishing free trade areas, some of which were converted into

association agreements, were terminated when the partner-countries joined the European Union. Others, however, are still in use, for instance:

- the agreement between the EU and the Swiss Confederation,
- the agreement between the EU and the EFTA countries, establishing the European Economic Area,
- the association agreement between the EU and Bulgaria,
- the association agreement between the EU and Romania.

Given Poland's international trade relations, only the agreement with Switzerland may affect the volume of Poland's foreign trade with that country [3], because the customs rate of 18% applied to protective clothing in the Polish tariff dropped to 0%, as used in the Community tariff (see Table 1).

Customs unions

The European Union has signed agreements establishing cooperation and customs unions with the following countries: the Duchy of Andorra, the Republic of San Marino, and the Republic of Turkey (see Table 1). The agreements abolished customs barriers impeding trade with those partners. The largest customs rate changes occurred in the case of Andorra (a drop from 60% to 0%) and San Marino (from 18 to %). However, an analysis of the volume of imports from these countries (2001 data) allows to formulate a conclusion that the changes will not affect the operational environment of Polish enterprise, including manufacturers of protective clothing (see Table 2).

Preferences granted under other agreements or by the EU's unilateral decisions

The colonial past of the EU member states and their interest in economic cooperation with the Mediterranean countries made the Community sign agreements intended to establish the **Euro-Mediterranean Partnership** in order to facilitate cooperation in the re-

Tabela 2. Poland's import from countries party to EU customs unions in 2001; **Source:** [3], p 42.

Country	Share in total import
Turkey	0.79
Andorra	0.00
San Marino	0.02

gion. Agreements were concluded with the following countries:

- Morocco, Algeria and Tunisia, i.e. Maghreb countries,
- Egypt, Jordan, Libya, Syria, i.e. Mashreq countries,
- Israel and Occupied Palestinian Territories.

Similarly, colonial ties between some EU member states and countries in **Africa, the Caribbean and Pacific (ACP)** inspired the European Union to conclude cooperation agreements with countries in these regions. Relevant examples are the Jaude Convention, the Lomé Convention, or the partnership agreement with ACP countries that made it possible to sustain unilateral preferences for ACP countries and to develop a schedule of negotiations concerning economic partnership agreements aimed at establishing free trade zones.

With a view to stabilisation, welfare, and peace in Europe, the European Union established a '**Stabilisation Pact for South-Eastern Europe**' covering Albania, Bosnia and Herzegovina, Croatia, Macedonia, and the Federal Republic of Yugoslavia. The Pact provides the countries with better conditions than those offered by the GSP rates.

An analysis of the three groups of countries (ACP, South-Eastern European countries and Mediterranean countries) provides arguments in support of the opinion that the introduction of the EU customs tariff has not considerably affected the operating conditions of Polish producers of protective clothing, because in 2002 none of the countries accounted for more than 0.1% of Poland's total import (excluding Israel with its 0.2% share).

To support transition in former USSR countries, the EU has signed a range of partnership and cooperation agreements with post-USSR states, such as Russia, the Ukraine, Moldova, Kazakhstan, Kirgizstan, Armenia, Azerbaijan, Georgia, and Uzbekistan, which have abolished many non-tariff restrictions, while granting the countries preferences under the GSP. However, the volume of import from the countries that the EU covered by her GSP rates (excluding the Ukraine and Russia) does not represent a substantial portion of Polish imports. Customs rates applicable to imported protective

clothing from Russia and Belarus were reduced from 18% to 9.6%.

Final comments

Levels of customs rates have basically not changed for most countries that are significant for Polish import (EEA countries, CEFTA countries). For minor exporters to Poland, the customs barriers have been reduced, with the exception of the Ukraine, Russia, and Belarus. Chinese imports have been granted easier access as well – here the customs rate was lowered from 18 to 12%. The USA is the only country for which the customs rate on some types of protective clothing has been raised (from 18 to 21%).

Poland's entrance to the European Union also removed other barriers impeding the free movement of goods between it and other member states⁴). In addition, the economy had to accept EU rules of competition. Because Poland had had to adjust her market competition rules to pertinent Community legislation in the pre-accession period, the country becoming a EU member should not substantially modify either a manufacturer's operating environment or consumer rights. However, a considerable increase in competitive pressure has taken place as well as accelerated demonopolisation, deregulation, and liberalisation processes in some areas.

Considering that no formal barriers exist that might hinder the free movement of goods, the main factor deciding an enterprise's visibility and viability in the Single Market is its competitiveness.

Editorial notes

- ¹) *The most-favoured nation clause is the basic principle that must be obeyed by the countries-signatories to the General Agreement on Customs Tariffs and Trade of GATT and WTO. According to the clause, all privileges and benefits that a country offers to one member should be granted to all other members unconditionally and automatically. The principle has some exceptions. The key one is the possibility of establishing regional preferential trade groupings, such as free trade zones and customs unions.*
- ²) *An autonomous rate is applied rather rarely, for instance, when the rates have to be lower than conventional, or when a conventional rate does not exist, which is the case of some agricultural products; see [5].*

- ³) *The Community's GSP was established in 1968. Its underlying principle is that the member states shall grant customs preferences to all developing and least developed countries in line with the motto "Development Through Trade". Preferences awarded under the system are not reciprocal, but autonomous.*
- ⁴) *The Single European Market with its free movement of goods puts product safety and quality on the first place. Many requirements laid down in international standards, directives and other legal documents must be implemented to make the Polish market of protective clothing part of the SEM. Especially important are laws applying to standardization, quality assurance systems, attestation, and certification.*

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