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POLAND'S PLACE IN INTERNATIONAL TRADE: THE IMPORTANCE OF THE EUROPEAN UNION COMMON TRADE POLICY

This article appears in its original form in Polish in "Kwartalnik Kolegium Ekonomiczno-Społecznego Studia i Prace", no. 3(35)/2018. The following translation was prepared by an external translator.

Abstract

The aim of the article is to present Poland's position in international trade and the importance of the solutions applied in the common EU trade policy in increasing the role of Polish trade in international commercial exchange. The article discusses the factors determining the turnover of Poland's international trade: a change in the global economy, growing protectionism of some countries, competitiveness of the Polish economy, an increase in the number of new free trade agreements concluded by the European Union, and thus by Poland, as one of the Member States. The article presents the findings of qualitative and quantitative analyses. The future of Polish trade will be conditioned by the pursuit of liberalization of the European Union's foreign trade, the exit of the United Kingdom from the EU structures, individual labour inputs and the competitiveness of Polish foreign trade.

Keywords: international trade, the European Union, competitiveness of the economy, trade balance, the United States

Introduction

Owing to the processes of liberalisation of foreign trade, Poland occupies an increasingly higher position in international trade. The place of Poland in international trade is determined by diverse external and internal factors. The external factors are associated with the phenomena occurring in the global economy which lead to the increase in external demand for goods and services exported from Poland.

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The aspects such as: economic upturn, growing protectionism on the part of some trading partners, the changes in the currency exchange rate, the need to regulate the trade exchange between Poland and Great Britain after its exit from the European Union by concluding a trade agreement are crucial for Polish foreign trade, along with a constant need to strengthen the competitiveness of Polish exports.

The most significant internal factor influencing Poland's position in international trade is the implementation of the principles and the pursuit of objectives of the common EU trade policy, whose tools and trade agreements with third countries have a significant impact on Polish foreign trade. Hence, the great importance of the EU institutions, which adopt common assumptions for all the Member States and apply similar measures for the common trade policy, affecting the volume of foreign trade. Poland actively participates in the introduction of customs and non-tariff barriers as part of the EU common trade policy, within the Council of the European Union and the European Parliament. Poland does not currently conduct a national foreign trade policy. Similarly to the other Member States, the competence in this respect has been delegated to the institutions of the European Union, in particular the European Commission, the Council of the European Union and the European Parliament. The liberal solutions in the common EU trade policy resulted in the low level of tariffs in Poland, especially on industrial goods, and entering into many agreements on free trade zones with third countries. Other internal factors include: the competitiveness of the Polish economy resulting from low unit labour costs and the implementation of innovations in domestic production.

The aim of this article is to present Poland's position in international trade and the importance of solutions adopted as part of the common EU trade policy in increasing the role of Poland in international commercial exchange.

1. Liberalisation processes in Polish foreign trade and the openness of the economy

For almost two decades, Poland has been implementing the import liberalisation strategy, adopted in 1989 as the basic binding principle of foreign trade policy. Introducing the changes in economic policy, Poland has adopted the general strategy of opening the economy consisting in the de-monopolisation of foreign trade and opening to the inflow of foreign direct investment (FDI).

In the early 1990s, the representatives of the International Monetary Fund and numerous experts recommended Poland adopt neoliberal solutions. The strategy

of trade liberalisation pursued by Poland, concerned mainly opening to export in order to improve the competitiveness of the economy. This approach differed from the strategies of foreign trade adopted by other emerging economies, in particular in China, where the policy of export promotion has become the primary objective, and the idea of opening of the economy to competitive foreign import was promoted to a lesser extent.¹

Full liberalisation of trade with the EU countries in the single EU market and low level of customs duties imposed on the trade exchange with the EU partners from around the world was the result of the nearly 20-year process of foreign trade liberalization in Poland, conducted initially in the 1990s, and intensified on 1 May 2004, when custom unions with the Member States were created. The average customs duty imposed on all goods which are to enter the Polish market amounted to 5.2% in 2016, and in the case of industrial goods – 4.2%, and 11.1. % on agricultural produce.²

The effectiveness of Poland's activity in promoting the trade policy measures which help to accelerate the development of foreign trade is associated with Poland's initiatives in the EU institutions, which adopt the principles and goals of the common trade policy in the European Union. The abovesaid effectiveness is vital considering the great importance of trade in the Polish economy.

Poland belongs to a group of countries whose economic development depends on trade: in recent years the share of trade in Polish GDP was estimated at 48% (Figure 1). Such a strong correlation between the economy and commercial exchange means that Poland is more vulnerable to changes taking place in the global economy, the effects of supply and demand shocks, business cycles spreading across different countries in the world, the impact of protectionist regulations in other countries and the slowed down expansion of other countries in the global value chain, limiting Poland's export opportunities.³

Poland, similarly to other countries in Central and Eastern Europe, is characterised by a large dependence on exports and imports, which creates conditions for the development of production and the said exports to international markets. After the global economic crisis, these possibilities are vast, taking into consideration the fact that in Poland there has been no credit expansion, which would limit the possibilities regarding export growth.⁴ After 2016, a small increase in trade volumes in emerging

¹ F. Lemoine, *Trade Policy and Trade Patterns During Transition: A Comparison Between China and the CEECs*, CEPII, Document de travail Paris 1996, No. 96–02.

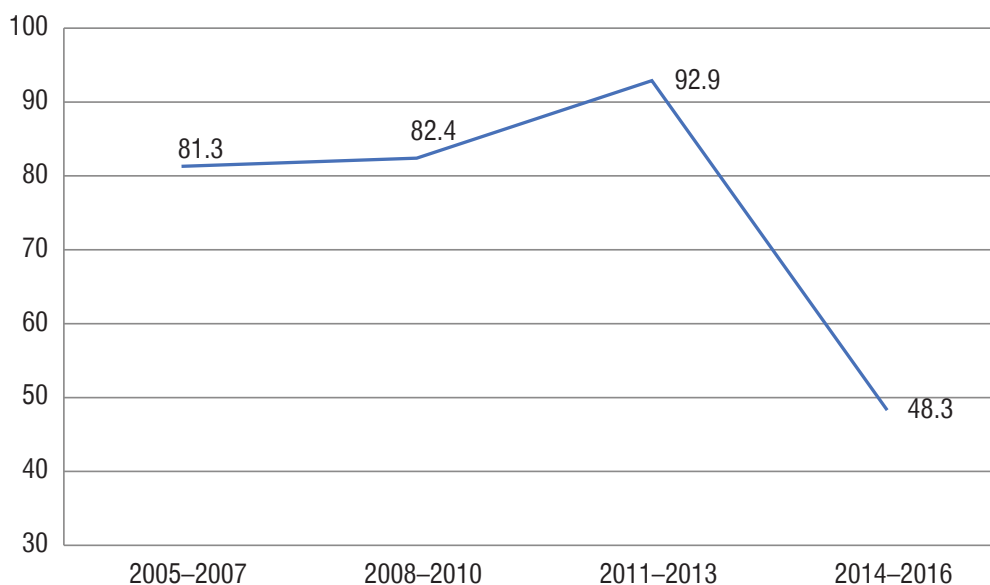
² World Trade Organization, ITC UNCTAD, *World Tariff Profiles 2017*, Genève 2017, pp. 8, 14, 20.

³ E. Caselli, *What effect does trade openness have on GDP?*, World Economic Forum, <https://www.weforum.org/agenda/2015/10/what-effect-does-trade-openness-have-on-gdp> [retrieved: 22.06.2018].

⁴ R. Shurma, *The Next Economic Powerhouse? Poland*, "The New York Times" July 5, 2018.

economies was observed, and the rise stimulated the intensification of trade in other countries, including Poland, as a result of higher external demand.

Figure 1. The share of trade in GDP in Poland in 2005–2016 (in %)



Source: World Trade Organization, Trade Profiles 2017, Genève 2017, p. 286.

The large importance of Polish foreign trade in its GDP is evidenced by the considerable dependence of local enterprises on the export activity. The importance of foreign trade for the companies operating in international markets increased considerably.⁵

2. The role of Poland in the global trade

Poland belongs to the group of the twenty-five countries which are most important in international trade. In 2016, Poland took the twenty-second position among the most important global exporters.⁶ The value of its exports was estimated at over 184 billion euros, and Poland's share in global exports amounted to 1.27%, which was a much higher value than the 0.86% level indicated in 2005. However, the share of Poland in global imports amounted to 1.22% in 2016, and the value of imports did not exceed 181 billion euros.

⁵ A. Osiecki, *Program handlu zagranicznego: eksport szansą na rozwój*, "Rzeczpospolita" 22.04.2018.

⁶ World Trade Organization, *World Trade Statistical Review 2017*, p. 102

The significance of Poland in the international flow of services has been increasing systematically. Poland's share in the global movement of services in 2016 amounted to: exports – 1.02%, and imports – 0.72% (Table 1). Poland exports services primarily to the EU countries (68.9% of total service exports), and outside the EU to Switzerland (8.9%), the USA (5.8%), Russia (2%) and China (0.5%).⁷ Poland uses the services provided mainly by the EU countries (79% of the total service imports), and outside the EU, imported from the United States (5.4%), Switzerland (5.2%), Russia (1.1%) and China (1%).

Table 1. Poland's share in international trade in goods and services in 2005–2016 (in %)

	2000	2005	2010	2015	2016
Trade in goods					
Export	0.5	0.86	1.02	1.20	1.27
Import	0.9	0.94	1.13	1.15	1.22
Trade in services					
Export	0.7	0.67	0.88	0.91	1.02
Import	0.5	0.60	0.82	0.70	0.72

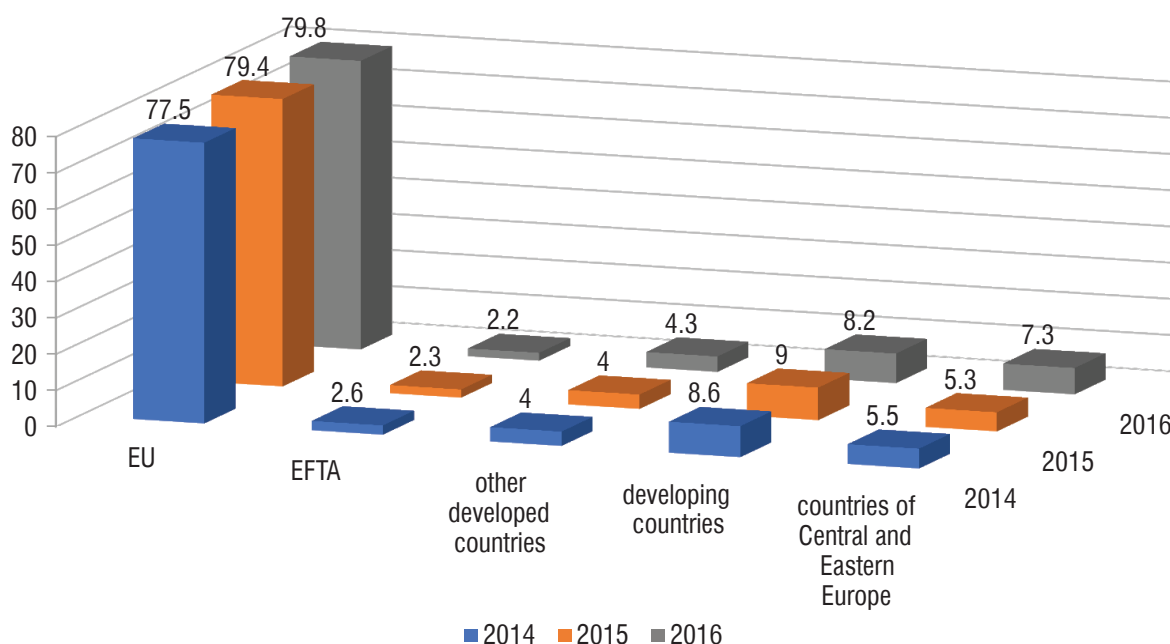
Source: World Trade Organization, Trade Profiles 2006, 2011, 2016, 2017, Genève, pp. 21–24.

After 2004, from the moment of accession to the European Union, there was an increase in Poland's share in international trade, resulting mainly from the increase in external demand for goods exported from Poland. The full liberalisation of Poland's foreign trade with the European Union, together with the establishment of a customs union, characterised by intrinsic abolition of trade barriers between Poland and the EU Member States and Poland's adoption of the EU external customs tariff led to the fact that Polish foreign trade was mainly focusing on the commercial exchange with Western European countries (Figure 2).

The group of the most important Polish trade partners includes developed countries, in particular the EU-28, whose share in Poland's exports in 2016 amounted to nearly 80% (Figure 2). The second place among Poland's most important export markets was occupied by EFTA countries, whose share in Poland's exports was estimated at 2.2% in 2016. The third place was taken by developing countries, at the level of nearly 8.2% of Poland's total exports as well as the countries of Central and Eastern Europe (7.3%).

⁷ World Trade Organization, Trade Profiles 2017, Genève 2017, p. 287.

Figure 2. Poland's main export partners in 2014–2016 (in %)



Source: GUS, Rocznik Statystyczny Handlu Zagranicznego 2017, Roczniki Branżowe (Central Statistical Office, Statistical Yearbook of Foreign Trade 2017, Series of Yearbooks on Trade), Warszawa 2017, p. 47.

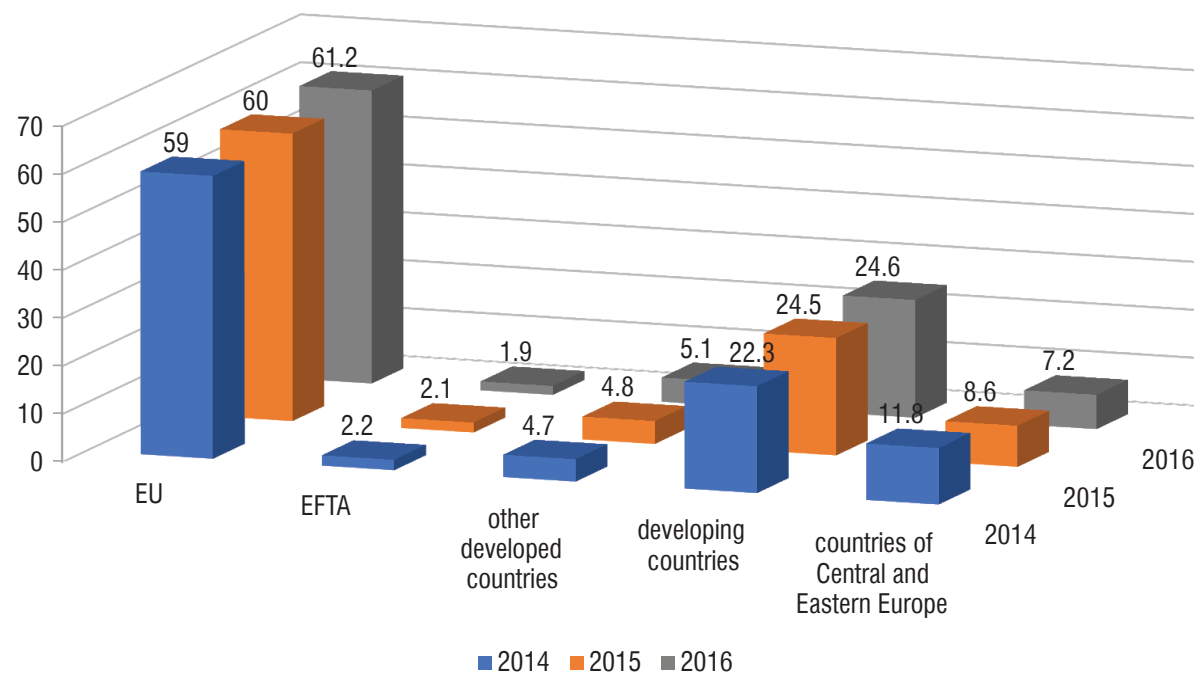
As in the case of exports, Poland's major trading partners are the countries of the European Union (61.2% of the total imports in 2016) and EFTA (less than 2%). The countries of Central and Eastern Europe also play an important role in Polish trade, their share in Polish imports in 2016 amounted to over 7% (Figure 3).

The group of Polish major trading partners include Germany, whose share in total Polish exports was estimated at 27.4%, and in the case of imports 23.3% of the total imports to Poland. As far as Polish exports are concerned, the second place was taken by Great Britain (6.7% of all exports), and the third position was occupied by the Czech Republic (6.6%). The goods imported to Poland came mainly from Germany (23.3% of the total imports), China (12%) and Russia (5.8%).⁸ Apart from the EU countries, the countries which played important roles in foreign trade included: Russia, whose share in the total exports in 2016 amounted to 2.9% and 5.8% in imports to Poland.⁹ the next position was taken by the United States (2.4%), Ukraine (2%) and Turkey (1.6%). As regards imports, apart from the first three countries, Poland's main partners were: the USA with 2.9% of the total imports, and the share of South Korea amounts to 1.8% of the total imports.

⁸ GUS, Rocznik Statystyczny Handlu Zagranicznego 2017, Warszawa 2017 (CSO, Statistical Yearbook of Foreign Trade, 2017), p. 43.

⁹ Ibidem, p. 46; and World Trade Organization, Trade Profiles 2017, p. 286.

Figure 3. Poland's main import partners in 2014–2016 (in %)



Source: as in Figure 2.

After 2004, the moment of Poland's accession to the European Union, there occurred a rapid growth in Polish foreign trade. The value of Polish exports increased from 60.4 billion euros in 2004 to over 180 billion euros in 2016. Similarly, Polish imports indicated an upward trend from 72.1 billion euros in 2004 to 180.9 billion euros in 2016. (Figure 4).

In recent years, there has been a general trend of reducing the deficit in the trade balance, which constitutes the major part of the current account balance. In 2016, the trade balance has reached a surplus of 3.9 billion euros. In comparison to the period of the global economic crisis, the trade balance improved significantly, and in 2008 the negative balance was estimated at 26 billion euros.

The positive balance was recorded in the case of the following types of goods: SITC 0 – food and live animals (EUR 6.4 billion); SITC 8 – miscellaneous manufactured articles (EUR 7.9 billion), SITC 7– machinery and transport equipment (EUR 5.5 billion).

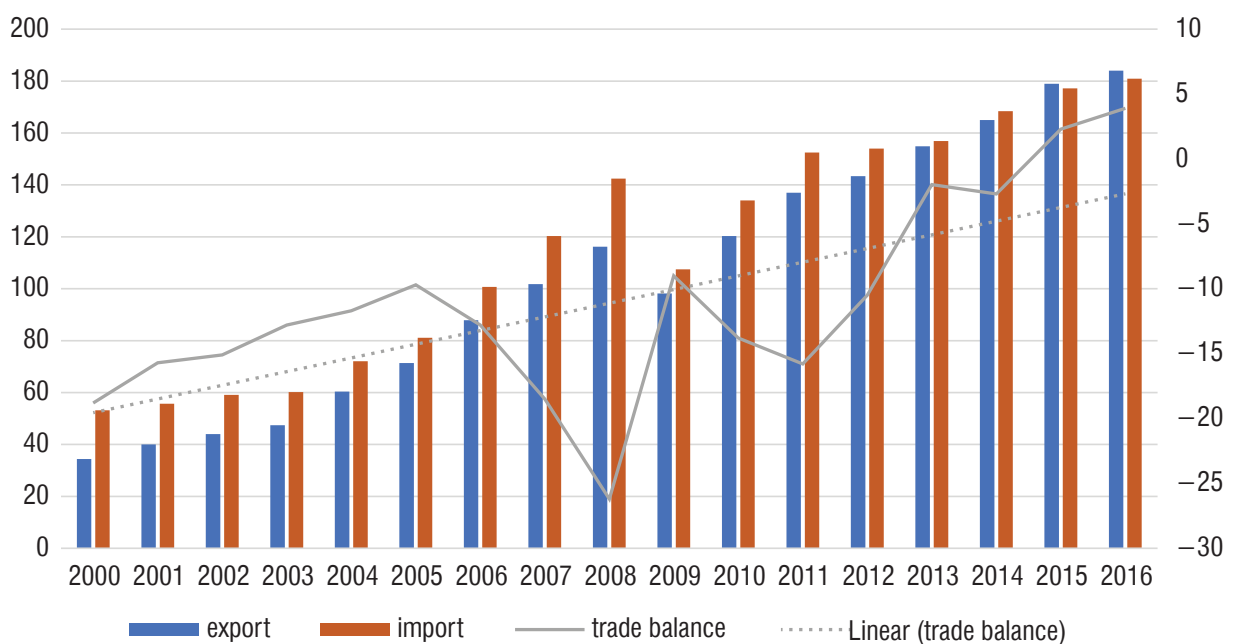
In 2016, the largest negative balance was indicated in the case of SITC 3 goods – mineral fuels, lubricants and related materials (–6.1 billion euros), SITC 5 – chemicals and related products (–9,7 billion euros).

Considering the most important part of the current accounts balance, i.e. the movement of international goods and services, the deficit in the current accounts balance in 2016 amounted to 0.3 of GDP, and in 2015 it was estimated at 0.6% GDP.

The deficit decreased as a result of the increase in exports caused by positive business cycles tendencies in the eurozone, in particular in Germany, as well as the weakening of the Polish currency. The improvement in the trade balance in recent years also occurred as a result of the reduction in the price of crude oil and an increase in external demand, mainly from Germany, Sweden and Russia.¹⁰ According to the forecasts of the International Monetary Fund, the current account deficit in Poland will deteriorate in the coming years due to the growing domestic demand leading to increased imports.¹¹

In this regard, scientific research appears to be of significance, since the studies show that in the period of the global crisis of 2008–2009, exchange rate policies had no significant effect on the volume of Polish foreign trade.¹² In many countries, including Poland, the share in the global value chain in 2000–2016 has significantly affected the volume of foreign trade. The increase of the added value in gross exports exerts a considerable influence on the process of internationalization of the Polish economy. Poland's share in the global value chain amounted to 55.5%.

Figure 4. The volume of Polish foreign trade in 2000–2016, trade balance (in bn euros)



Note: The right axis presents the size of the trade balance.

Source: GUS, *Mały Rocznik Statystyczny 2002* (CSO, Concise Statistical Yearbook 2002), p. 369.

¹⁰ World Trade Organization, Trade Policy Review, Report by the Secretariat, The European Union, WT/TPR/S/357/Rev.1, 13 October 2017.

¹¹ International Monetary Fund, *Republic of Poland*, Washington D.C. 2017, "IMF Country Report" No. 17/220.

¹² R. Kelm, *Eksport, import i kurs złotego: 2000–2014*, "Bank i Kredyt" 47(6), 2016, pp. 585–620.

According to the theory of new economic geography and its importance to trade, the role of agglomeration, which appears to confirm the increase of export possibilities for Poland, is growing. As the empirical studies carried out by J.M. Nazarczuk and S. Umiński suggest, the average level of exports per capita and openness of trade in Polish economy have increased.¹³

Corporate export activity leads to the appearance of new workplaces and reduced unemployment rates, and it is important to note at this point that approximately 31 million jobs in Poland are closely linked to exports.¹⁴ The unquestionable success as regards the competitiveness of the Polish economy, in the long-term perspective, is decreasing the negative trade balance. In 2017, Poland occupied the thirty-ninth position in the ranking assessing the competitiveness of global economies,¹⁵ advancing from the previous forty-third place it took in 2011.

The growing dynamics of Polish exports was influenced by the condition of international trade and the global economy, in particular a sharp downturn in global exports in 2009–2010. The effects of this sudden decline, mainly as a result of enhanced global value chains, the so-called *trade intask*, have spread to all countries, including Poland. In comparison with 2010, Polish exports increased by nearly 16%, while imports grew by over 12%. The slowdown of Polish trade occurred as a result of global tendencies. The weakening/decline in exports in Poland was the consequence of the global economic negative tendencies, mainly in the emerging markets, such as Russia or China.¹⁶

Poland, similarly to other countries of Central and Eastern Europe, intensified the cooperation within the GVC (global value chains) with other EU Member States.¹⁷ Germany is one of Polish major trading partners, both as regards the trade of intermediate goods and final goods. Poland supplies the intermediate goods of medium-level of advancement such as chemicals, machinery and equipment and components in the automotive industry.¹⁸

¹³ J.M. Nazarczuk, S. Umiński, *The geography of openness to foreign trade in Poland: The role of special economic zones and foreign-owned entities*, "Bulletin of Geography. Socio-economic Series" (39) 39, 2018, pp. 97–111.

¹⁴ European Commission – Speech, Poland: Free and Open Traders, EU Trade Commissioner Cecilia Malmström, European Economic Congress, Katowice, 14 May 2018, http://trade.ec.europa.eu/doclib/docs/2018/may/tradoc_156856.pdf

¹⁵ K. Schwab, X. Sala-i-Martin, *The Global Competitiveness Report 2017–2018*, World Economic Forum, Genève 2017.

¹⁶ *OECD Economic Outlook*, Vol. 2015, Issue 2, November 2015, 2nd ed., OECD Publ., Paris 2015, p. 197.

¹⁷ World Trade Organization, International Bank for Reconstruction and Development, The World Bank, *Global Value Chain Development Report 2017, Measuring and Analyzing the Impact of GVCs on Economic Development*, Washington D.C. 2017.

¹⁸ International Monetary Fund, *Republic of Poland*, op.cit., p. 61.

3. Changes in the exports and imports structure of Polish trade

Polish foreign trade is dominated by industrial products (Figure 5), and there has been considerable growth in the dynamics of exports of some goods, including chemical products (SITC 5), and wood products, mainly furniture. Access to the EU markets and the adoption of the protectionist common agriculture policy with a wide range of instruments supporting agricultural producers led to growing exports of agricultural produce (SITC 0).

Mineral, chemical and base metal products still dominate imports in the structure of Polish foreign trade (Figure 6).

The increase in the importance of Poland in international trade was influenced by various factors, primarily by the implementation of innovations. Empirical studies presented in the literature indicate that there is a positive relationship between the growth of exports and expenditures on innovations. Enterprises investing in innovations can reduce their production costs; and the size of the export market increases the benefits obtained from the expenditure on innovation, and thus encourages further development of innovations.¹⁹

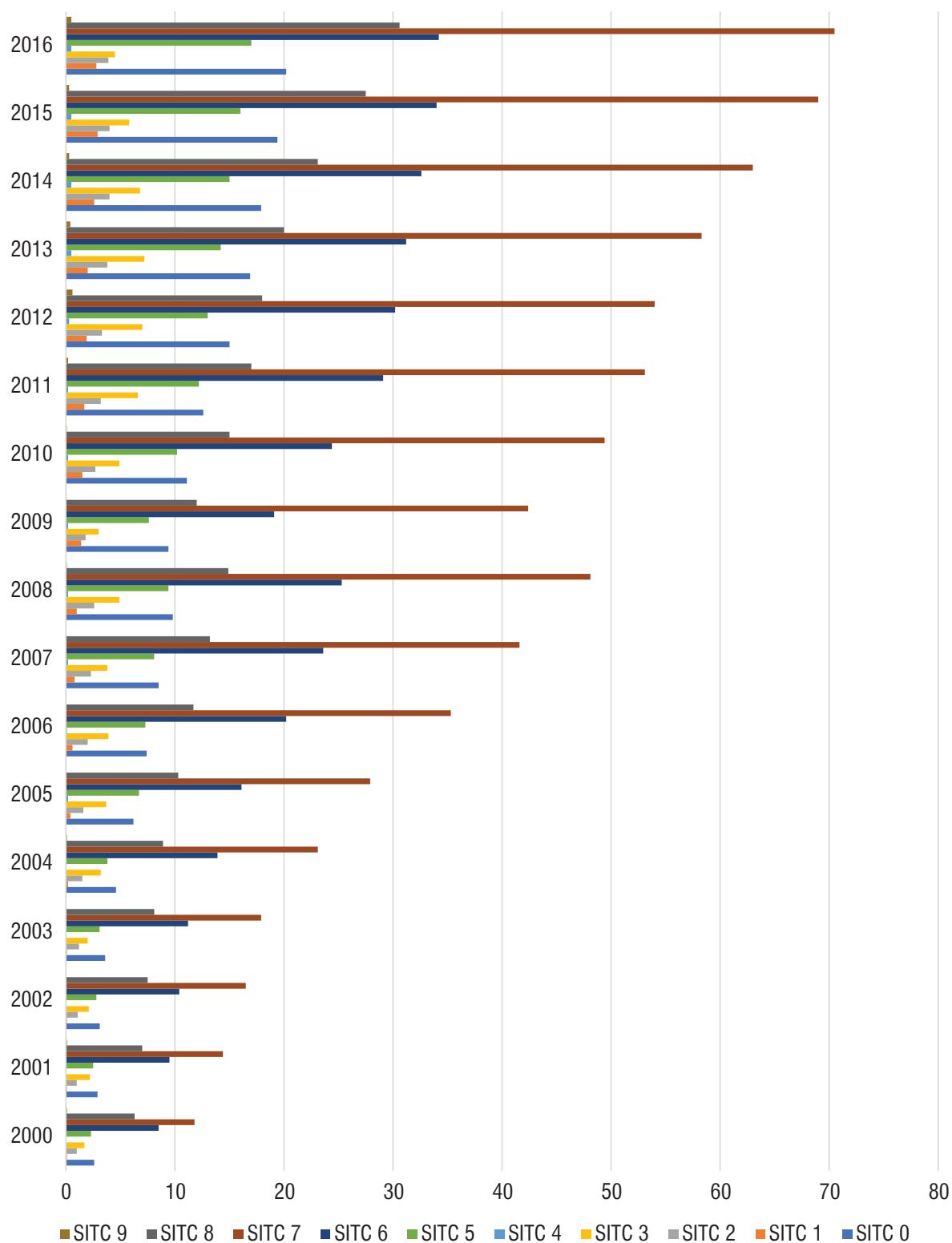
In Polish scientific literature, the authors presented the findings of numerous studies concerning the relations between innovations and the competitiveness of Polish exports. The market share of companies from the Central and Eastern Europe countries is smaller due to limited use of innovation.²⁰ Increased investment in innovations poses a challenge for Polish enterprises; and the companies which implement innovations and employ well-qualified and skilled workers, perceived as high-quality human capital, are more likely to engage in export activity. Mutual positive relations between the expenditure on research and development and exports growth are clearly indicated in subsequent studies carried out by A. Cieřlik and J.J. Michałek.²¹

¹⁹ Ph. Aghion *et al.*, *The Impact of Exports on Innovation: Theory and Evidence*, "NBER Working Paper Series" 24600, Cambridge, May 2018; M.J. Melitz, S.J. Redding, *Heterogeneous Firms and Trade*, [in:] *Handbook of International Economics*, E. Helpman, K. Rogoff, G. Gopinath, (Eds.), Vol. 4, Elsevier, Amsterdam 2014, pp. 1–54.

²⁰ A. Cieřlik, J.J. Michałek, K. Szczygielski, *Innovations and Export Performance: Firm-level Evidence from Poland*, "Entrepreneurial Business and Economics Review" 4(4), 2016, pp. 11–28, <http://dx.doi.org/10.15678/EBER.2016.040402> [retrieved: 22.06.2018].

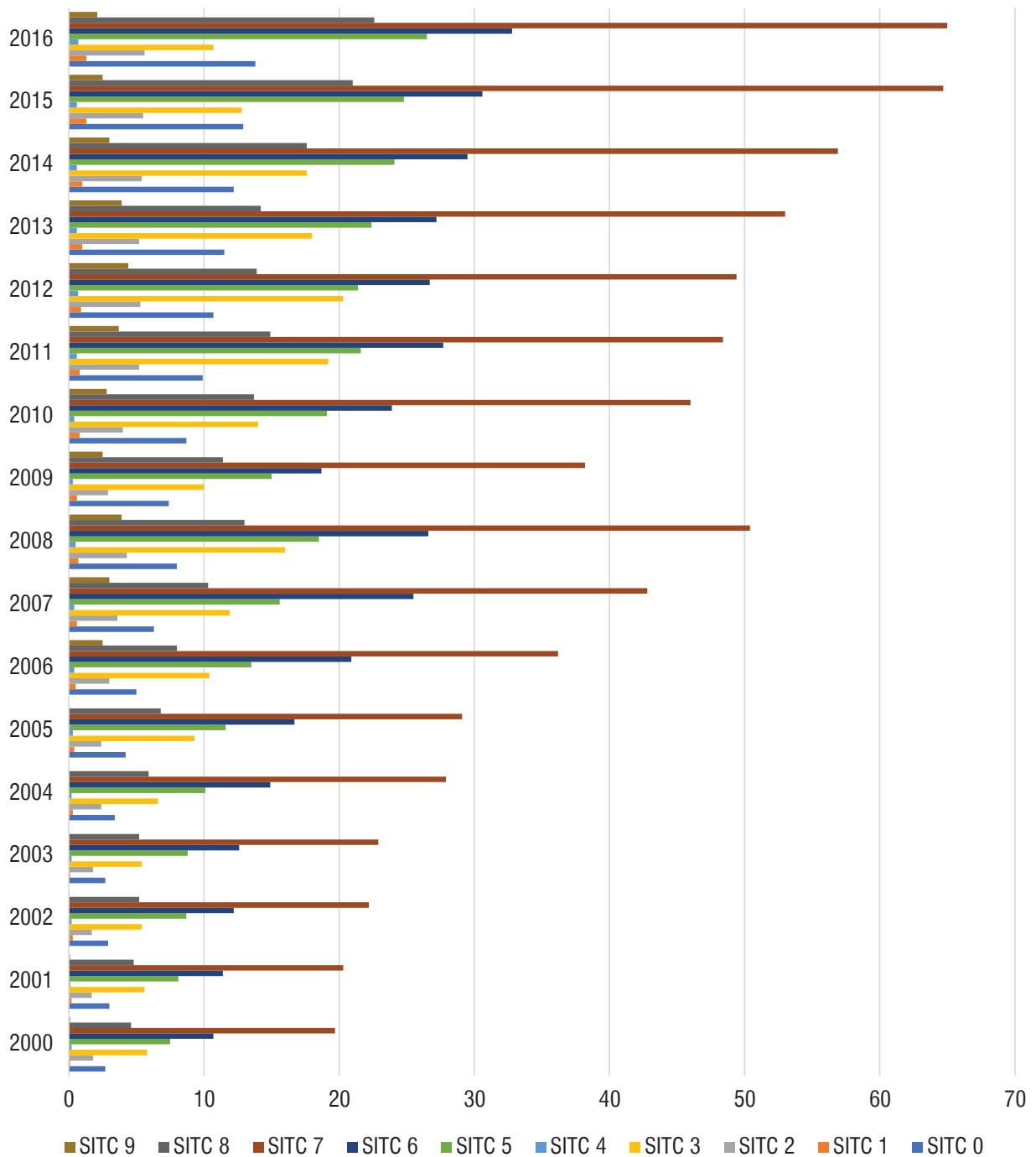
²¹ A. Cieřlik, J.J. Michałek, *Innovation Forms and Firm Export Performance: Empirical Evidence from ECA Countries*, "Entrepreneurial Business and Economics Review" 5(2), 2017, pp. 85–99, <http://dx.doi.org/10.15678/EBER.2017.050205> [retrieved: 7.07.2018].

Figure 5. Polish exports according to SITC classification in 2000–2016 (in billion euros)



Source: GUS, Rocznik Statystyczny Handlu Zagranicznego, Roczniki Branżowe (CSO, Yearbook of Foreign Trade Statistics of Poland 2008, Series of Yearbooks on Trade), Warszawa 2009, pp. 46–47; GUS, Rocznik Statystyczny Handlu Zagranicznego, Roczniki Branżowe (CSO, Yearbook of Foreign Trade Statistics of Poland 2008, Series of Yearbooks on Trade), Warszawa 2008, pp. 44–45; GUS, Mały Rocznik Statystyczny 2001 (CSO, Concise Yearbook of Statistics), Warszawa 2001, p. 369.

Figure 6. Polish imports according to SITC classification in 2000–2016 (in billion euros)



Note: Data for the years 2000–2004 were calculated on the basis of the data on the currency exchange rate of PLN to EUR/ECU available on the Eurostat website: <http://appsso.eurostat.ec.europa.eu/nui/submitViewTableAction.do>; GUS, Mały Rocznik Statystyczny (CSO, Concise Yearbook of Statistics), Warszawa 2004.

Section 0: Food and live animals; Section 1: Beverages and tobacco; Section 2: Crude materials, inedible, except fuels; Section 3: Mineral fuels, lubricants and related materials; Section 4: Animal and vegetable oils, fats and waxes; Section 5: Chemicals and related; Section 6: Manufactured goods classified chiefly by material; Section 7: Machinery and transport equipment; Section 8: Miscellaneous manufactured articles; Section 9: Goods and transactions not classified in SITC.

Source: <http://appsso.eurostat.ec.europa.eu/nui/submitViewTableAction.do> [retrieved: 7.07.2018].

Polish export opportunities resulting from the increase in the competitiveness of the Polish economy were enhanced as a result of low production costs, participation in global value chains and, as emphasized in the European Union analyses, the continued stability of the currency exchange rate.²² The main products which dominate Polish exports include mainly: computers, electronic and optical goods, motor vehicles, trailer and semi-trailers and furniture, whose export dynamics has increased in 2010–2016.²³

Poland, similarly to other countries in Central and Eastern Europe, still maintains its competitive position in international trade due to its unit labour costs (defined as a relation of the average wage to GDP *per capita*). Unit labour costs remain at a low level in Poland. Germany, Polish main trade partner, from 2014 has no longer been so competitive as regards unit labour costs.²⁴

Labour costs in the European Union are subject to considerable differentiation between the Member States depending on the pace of economic development of individual economies. The highest production costs per hour are recorded in Denmark (43.60 euro/hour.), in Sweden (41.70 euro/hour) and in Belgium (41.70 euro/hour). Poland and the remaining countries in Central and Eastern Europe indicate the lowest production costs, attracting foreign direct investments, which, by establishing manufacturing plants in this region in Europe, increase export opportunities of these countries. Thus, in Poland the cost of labour in 2017 amounted to 9 euros/hour, in Latvia 8.60 euro/hour, in Lithuania 8.20 euro/hour, in Romania 8.10 euro/hour and in Bulgaria 4.90 euro/hour. (Fig. 7).²⁵ Labour costs in Poland rose in 2017 in comparison to the level of 2016, which was estimated at 8.40 euro/hour²⁶.

Among all the countries of Central and Eastern Europe, it appears that the decline in trade brought about serious consequences for Poland. The fall in Polish exports resulted from the limited internal demand and the declining demand of other countries in the eurozone.²⁷

²² OECD Economic Outlook, Vol. 2015, Iss. 2, November 2015, op.cit., p. 195.

²³ GUS, Rocznik Statystyczny Handlu Zagranicznego 2017 (CSO, Statistical Yearbook of Foreign Trade), op.cit., p. 263.

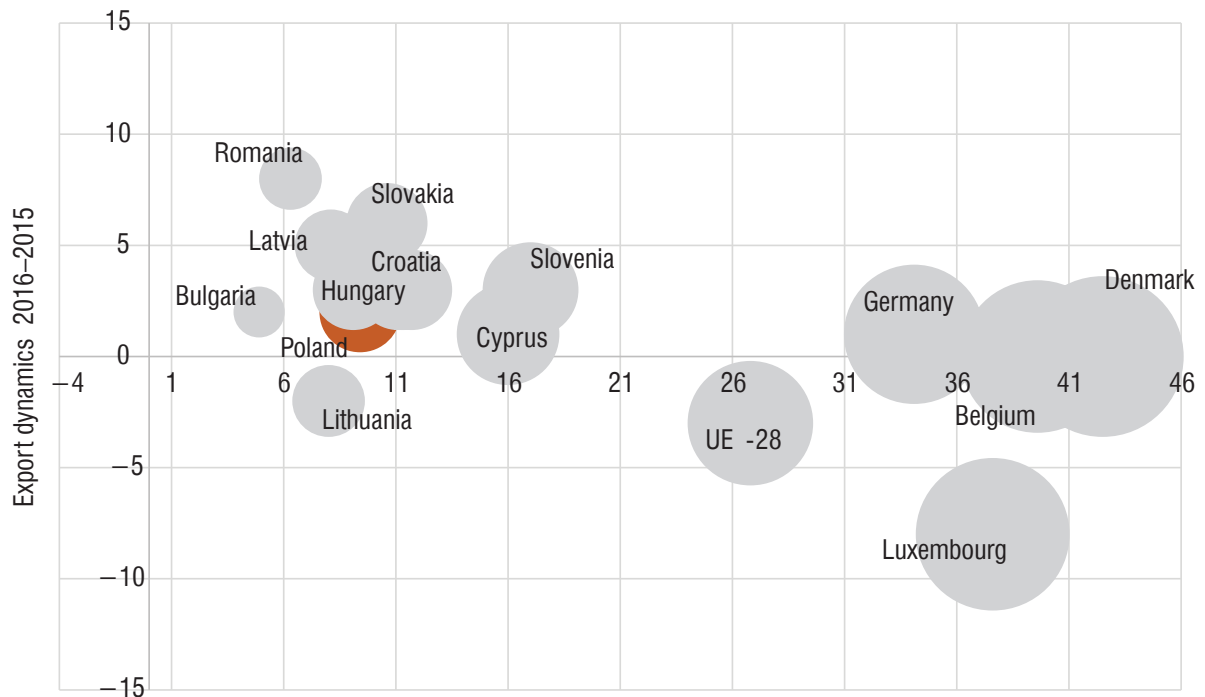
²⁴ EEAG Report on the European Economy. The European Economic Advisory Group, *What now, With Whom, Where To – The future of the EU*, CESifo Group, Munich 2018, p. 17.

²⁵ *Europe in figures*, <https://www.destatis.de/Europa/EN/Topic/PopulationLabourSocial/LabourMarket/EuropeanLabourCostComparison.html> [retrieved: 21.06.2018].

²⁶ Destatis, Statistisches Bundesamt, *Comparison of 2016 labour costs between EU countries: Germany ranks seventh*, https://www.destatis.de/EN/PressServices/Press/pr/2017/04/PE17_125_624.html [retrieved: 21.06.2018].

²⁷ Carlson M. et al., *Should Poland Join the Euro? An Economic and Political Analysis*, Graduate Policy Workshop, Woodrow Wilson School of Public and International Affairs, Princeton University, February 2016.

Figure 7. Diversified labour costs per hour (in euros)



Source: *Eurostat Statistics Explained*, http://ec.europa.eu/eurostat/statistics-explained/index.php?title=File:Hourly_labour_costs_in_euro_CORR.png

The negative phenomena in the global economy in the future may limit Polish exports due to the occurrence of financial shocks, which limit the external demand for trade partners. The economic growth in the EU countries will contribute to the increased demand for Polish products. The economic situation in China is of great importance for Poland due to Germany's commercial exchange with China, while Germany is a very important partner for Poland as far as supply chains are concerned.²⁸

4. The role of the European Union's common trade policy in Poland's foreign trade

In the future, the turnover of Polish foreign trade will be influenced mainly by the growing protectionism in international trade, new trading agreements concluded by the European Union and the regulation of Polish trade with Great Britain after its exit from the EU structures.

²⁸ International Monetary Fund, *Republic of Poland*, op.cit.

In the future, the growing protectionism of other countries, in particular Poland's main trade partners and the major trade partners of other Member States, may slow down the export growth in Poland. Protectionist measures employed by the USA, imposing customs duties on steel due to the spread of economic downturn may lead to the decrease in German exports to the USA. It is important to indicate that Germany is Poland's main trade partner.

Poland, as the EU Member State, is also a party to the EU trade disputes. One of the examples of the difficulties which may appear in trade relations is a commercial dispute related to the imposed customs duties on steel imports from the European Union. On 8 March 2018, President Donald Trump announced that the USA shall impose customs duties at the level of 25% on steel imports and 10% tariffs on aluminium. The US government claimed that the decision was made on the grounds of the national security threat and cited Section 232 of the Trade Expansion Act of 1962.

The issue of the production of steel is important both for the industry of the United States and for the EU economy, and consequently for Poland, as its Member State. Steel production is one of the frequently disputed matters in international trade in the case of many countries due to the increase in global production and demand for steel since 2000. The production of steel increased from 1.05 billion tons in 2000 to 2.39 billion tons in 2016. In 2014, the global production of crude steel reached a record level of 1.67 billion tons. In recent years, China has begun to play a dominant role in the production of steel. In many countries, including Poland, the full capacity with regard to steel producers has not been used. In the case of steel products, the most common measures applied to protect the market have been anti-dumping procedures.²⁹ Poland belongs to the group of the largest steel importers in the world. The major suppliers of steel to the Polish market include Germany, Slovakia and the Czech Republic. The largest steel producers in Poland are: ArcelorMittal, Celsa Group and CMC Poland.³⁰ The effects of the protectionist measures applied by the United States, consisting in imposing tariffs on steel exported by the European Union, will be distributed unevenly among the EU Member States, depending on their exports capacity and their present position in international trade.

As the EU Member State, Poland adopted a common trade policy pursued by the European Union, the largest trading entity in the world. The European Union is still pursuing the common trade policy applying largely liberal solutions whose

²⁹ S.-A. Mildner *et al.*, *External Economic Policy, Position, External Economic Policy, U.S. Tariffs on Steel and Aluminum What Measures Should the EU Adopt?*, 23 May 2018, http://www.globalbusinesscoalition.org/wp-content/uploads/2018/06/Position_BDI_US_Tariffs_on_Steel_and_Aluminum.pdf [retrieved: 22.06.2018].

³⁰ International Trade Administration, *Steel Imports Report: Poland, Global Steel Trade Monitor*, May 2018, <https://www.trade.gov/steel/countries/pdfs/imports-Poland.pdf>

objectives focus on the increase of employment and exports. The abovesaid liberal solutions lead to the improvement in the market functioning, the development of innovation, research and economic growth. The European Commission is negotiating trade agreements on behalf of the EU Member States.

As a result of the fragmentation of the global production, the role of the European Union connected with its participation in trade plays an increasingly important role in global operations, hence the great interest in the EU's new trade agreements. The European Union carries out several trade agreements with trading partners from around the world, and it focuses mainly on the cooperation with third countries: the United States, Canada, Japan and BRICS countries.

The European Union has finalised negotiations with many trading partners, including Japan. However, some important consultations have been suspended due to the importance of the entity in international trade, including the EU's negotiations with the USA, as part of the Transatlantic Partnership in Trade and Investment. In the case of the currently negotiated TTIP and full liberalisation of trade between the EU countries and the USA, the benefits for Poland would be limited in comparison to the remaining, old EU countries. It is estimated that the increase in GDP would not exceed 0.2%. Its impact on exports would be largely insignificant, i.e. it would amount to 0.5%.³¹ In other scientific studies, the estimates concerning the GDP increase in Poland turned out to be higher: the Bertelsmann's³² report expected the GDP to rise by 3.6% and Felbermayr's scientific study forecasted the GDP to grow by 1.2%.

According to Havemeier's simulation concerning the effects of executing the TTIP agreement, it is expected that Polish exports of food, clothing and metal products to the USA would increase slightly. The above-indicated study by G. Felbermayr presents somewhat less optimistic forecasts of the commercial effects of the potential emergence of a free trade zone under the TTIP: in this publication the author points out negative effects for Polish exports of agricultural produce resulting from this arrangement.³³

Liberal tendencies in the common trade policy pursued by the EU, implemented by Poland since 2004, will strengthen the competition from foreign producers and increase sales opportunities for products in the international trade. The European Union has entered into new agreements as part of the Eastern Partnership of the

³¹ J. Hagemeyer, *Liberalization of Trade Flows under TTIP From A Small Country Perspective. The Case of Poland*, University of Warsaw, Faculty of Economic Sciences, "Working Papers" No. 17(165), 2015, p. 16.

³² M. Myant, R. O'Brien, *The TTIP's impact: bringing in the missing issue*, European Trade Union Institute, "Working Paper" 2015.01, Brussels 2015.

³³ J.C. Bureau *et al.*, *Risks and opportunities for the EU agri-food sector in a possible EU-US trade agreement*, "Study for the European Parliament's Committee on Agriculture and Rural Development" 2014, IP/B/AGRI/IC/2013-129, p. 41.

free trade zone with Armenia, Moldavia, Georgia, as well as the countries of South America, that is Peru and Colombia (2012). In 2002, the EU also signed the so-called Association Agreement with Chile, which allowed for the adoption of the provisions on the establishment of a free trade zone. As far as the Asian region is concerned, in July 2011, an agreement on the emergence of a free trade zone with South Korea entered into force, and in 2017 the EU successfully completed negotiations of a new trade agreement with Japan.

The Brexit issue and trade with Great Britain after its exit from the European Union are of considerable significance for Polish export activity. Establishing trade relations between the UK and the EU countries in accordance with WTO principles means that the importance of trade barriers between Poland and Great Britain will increase. Trade cooperation between the UK and the EU Member States in accordance with the binding regulations of the European Economic Area is difficult to achieve and appears unlikely, since the latter would require movement of the workforce, and that very issue was a decisive factor which determined the UK's decision to exit the EU structures. Poland is one of the UK's major trading partners among the EU Member States.³⁴

The increased importance of the European Parliament in establishing the common trade policy in the European Union will influence the emergence of protectionist initiatives of the EU Member States, mainly NGOs, which influence the way MEPs form their opinions.

The competence of the European Parliament with regard to adopting regulations of the common trade policy of the EU and imposing trade barriers has increased. The European Parliament and the Council of the European Union under the ordinary legislative procedure shall continue to adopt resolutions concerning the introduction of the measures supporting the common trade policy (Article 207 TFUE), including customs duties, anti-dumping proceedings, anti-subsidy measures necessary to protect the Polish market against foreign competition.

The European Parliament has been given the power to express consent to accept trade agreements which are to be signed by the European Union. The importance of the International Trade Committee (INTA) increased with regard to establishing trade barriers. The INTA Committee is the organization which considers and analyses the national interests and postulates voiced by the individual EU Member States.³⁵

³⁴ P. Krugman, M. Obstfeld, M.J. Melitz, *International Economics. Theory and Policy*, Pearson Education, Boston–Edinburgh 2018, p. 686.

³⁵ S. Woolcock *The Treaty of Lisbon: Implications for EU trade policy*, 15 December 2009, Vol. 8, No. 10, ICTSD, <http://www.ictsd.org/bridges-news/trade-negotiations-insights/news/the-treaty-of-lisbon-implications-for-eu-trade-policy> [retrieved: 15.06.2018].

Conclusion

Poland has a huge potential with regard to the accelerated growth of foreign trade due to its membership of the European Union, and a resultant access to the large, single EU market, the growing innovativeness of the economy of our country, in particular, in the area of raw materials (coal), as well as increasing access to the third countries' markets following the execution of trade agreements with both developed and emerging economies. Poland's participation in the global value chain and an increasingly greater dependence of the Polish exports on the import of components are extremely important aspects of the development of Polish trade. The change related to the decision-making processes of establishing the common EU trade policy and a greater role of the European Parliament in this regard will support the EU's protectionist activity aimed at protecting the local markets against increasing competition from foreign partners or protectionist measures of third countries, including the United States.

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