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Influence of the European Union's and Poland's Trade Policies on Structural Adjustments in Polish Industry and Agriculture

1. Introduction

The goal of this paper is to analyse the influence which the trade instruments used in Poland's trade with the European Union in the process of association exert on structural changes in trade in industrial products and industrial production.

The paper consists of two basic parts. The first part presents the trade policy instruments resulting from the Europe Agreement between Poland and the EU, more specifically from its section pertaining to trade in industrial products. This analysis is presented against the background of the main principles of the common trade policy and the modifications to the EU trade policy instruments consequent on the WTO stipulations.

The second part analyses and evaluates structural changes in Poland's total exports and imports and in its trade with the European Union as well as structural changes in its industrial production and employment in industry.

2. Rules of the EU common trade policy

The introduction of a common commercial policy was foreseen already in the Treaty of Rome. The Treaty mentions the introduction of a common customs tariff and a common commercial policy towards third countries. The general rules of that policy were formulated in part three of the Treaty, in the chapter entitled Commercial Policy¹.

In article 110 the member states express their will to act towards development of world trade and liquidation of restrictions on international trade.

Articles 111 and 112 pertain to the transition period (i.e. until the end of 1969). They oblige the member states to co-ordinate their trade relations with third countries in order to create conditions allowing them to pursue a common trade policy after the transition period.

Article 113 assumed that after the transition period the common trade policy would be based on uniform rules, especially with regard to changes in customs rates, conclusion of customs and trade agreements, unification of liberalisation actions, export policy and trade protection measures including measures used in the case of dumping and subsidies.

Article 114 complements the summing up of articles 111 and 113 concerning the powers of the EEC bodies in concluding customs and trade agreements with third countries.

Article 115 is concerned with the so called protection measures. They can be introduced if diversified rules of trade policy towards third countries result in economic difficulties affecting particular member states and threatening the common external commercial policy. Protective measures require approval by the Commission and other member states.

However, neither the work on a single market nor the Treaty of Maastricht led to the lifting of article 115. The creation of a single market resulted merely in certain modifications to its use. Generally speaking, the modifications consisted in the adoption by the Commission of more stringent criteria for permitting the use of protection. Owing to the implementation of the single market programme, protection of the market under article 115 may have only an exceptional and temporary character. In emergency member states can apply to the European Commission for approval of protection measures in imports. The Commission is obliged to take an immediate decision. The concerned member state should next inform other EC members of the undertaken measures. The Commission is

¹ The treaty about establishment of the European Economic Union ("the Common Market"), Rome, 25 March 1957 (translation into Polish).

empowered to take a decision at any time on changing the measures or lifting them. When choosing protection measures, those that cause smaller disturbances in the functioning of the common market have a priority status. The formulations in article 115 concerning the transition period were lifted (Kawecka-Wyrzykowska, Synowiec, 1997, p. 88).

Article 116 closing the trade policy and treating of co-ordination of EC members' trade policy in the forum of international organisations was repealed under the Maastricht Treaty (Kawecka-Wyrzykowska, Synowiec, 1997, p. 88).

3. Instruments of trade policy within the single European market

The building of the single European market required that many of the existing barriers, mainly administrative and technical ones, to the movement of goods be overcome.

All goods crossing the borders of the EC member states were previously subject to border control. Such control was exercised for fiscal, economic and political, political and trading, sanitary, insurance and statistical reasons. Border control of goods burdened the economy with extra custom clearance and reloading costs which increased total costs and decreased competitiveness of a given product.

Much simplification of the formalities was foreseen in goods transport which was still subject to time-consuming border controls despite the existence of the customs union since 1967.

Instead of 70 different forms binding previously within the EEC, a single administrative document was introduced starting from January 1987, which allowed both producers and carriers to make substantial cuts in their time and costs. In the second stage starting from 1993 transport legislation was considerably co-ordinated, which led to total elimination of border control. This, however, required solving such problems as:

- unification of sanitary norms for transported animals and plants - e.g. the working out of a procedure consisting in mutual recognition of results of control and examination conducted in a given case by another member country before issuing a veterinary or phytopathology certificate at the dispatch place as well as further tests at a destination within the Community,
- unification of vehicle safety norms (vehicle weight, axis pressure, etc.),
- liberalisation and ultimate elimination of the transport quota system (Molendowski, 1991, pp. 11-12).

4. Changes in the trade policy regulations under the Maastricht Treaty

The Maastricht Treaty about the European Union introduced relatively small amendments - apart from the repeal of article 116 - to the stipulations regulating the common trade policy under the Treaty of Rome. The changes consist in:

- 1) annulling article 111 (which was concerned with the already completed transition period in which trade policy was to be introduced) and article 114 (which was about the way of entering into trade agreements);
- 2) introducing to article 113 a reference to international organisations as parties with which trade agreements can be concluded by the Community under Article 113 and a reference to Article 228 concerning the way in which trade agreements can be concluded by the Community as well as repealing the formulation concerning the transition period (the same was done in the case of article 115);
- 3) adopting article 228 as a general basis for international agreements concluded by the Community (with a third country, a group of countries or with international organisations); on this occasion, the role of the European Parliament was increased by empowering it to approve certain agreements (Kawecka-Wyrzykowska, Synowiec, 1997, p. 88).

The recent verdicts of the Tribunal restricted the regulations of article 113 exclusively to trade in products, extending them only onto transborder services and protective measures employed at borders against fake products (under the intellectual property protection).

Article 116 of the Treaty of Rome repealed under the Maastricht Treaty required that member states co-ordinate measures undertaken by them in the framework of international organisations with community actions. This article could not be used in areas where there was a division of powers between the EC and its member countries (Kawecka-Wyrzykowska, Synowiec, 1997, p. 89)

5. Adjustment of the common trade policy to the Uruguay Round of the GATT

The putting into force of the decisions of the Uruguay Round in the form of a package of agreements constituting the WTO system in trade in industrial products boils down to:

- reducing the customs rates (on average by about 30% in developed economies towards suppliers enjoying the most favoured nation status within 5 years starting from 1995) and to tying the customs rates. The customs reduction in the European Union amounted to about 37% (weighted in imports from areas covered by the rates of the most favoured nation clause). These reductions will be put into life gradually, on the whole in 5 equal annual instalments (the countries can effect the reductions in a shorter period of time). This process started on 1 January 1995, when the agreements on the World Trade Organisation came in life (Kaczurba, Kawecka-Wyrzykowska, 1995, p. 54);
- the ultimate extension of the GATT rules onto trade in textiles and clothing by lifting the selective voluntary limitations on exports by the year 2005;
- adapting the Community rules on dumping and subsidising countermeasures, protective clauses, technical barriers, licensing and customs value-setting to the Uruguay Round decisions;
- adjustments to the requirements contained in the agreements indirectly connected with goods exchange; exchange of services, commercial aspects of intellectual property rights and commercial measures of investment policy,
- facilitation in the decision-taking process in employment of trade protection instruments (among others, the Council of the EU will take decisions on final anti-dumping and anti-subsidy measures on the basis of majority voting instead of the previously required qualified majority voting) (Kawecka-Wyrzykowska, Synowiec, 1997, p. 90-91).

6. Structural changes in EU industry and agriculture

Owing to the high growth rate of the service sector continuing in the last decade in the EU economy, the highest growth was recorded in those areas which turned out products for the needs of the service sector development, mainly in such spheres as health protection, motorization, telecommunications and tourism. The industries with the highest growth rates (over 5%) included the production of pharmaceuticals (6.6%), railway equipment (6.2%), medical equipment (6.0%), wooden containers (5.4%), healthy food (5.4%). Growth rates ranging from 3.0% to 4.9% were registered in the following sectors of production: plastics (4.9%), semi-manufactures of wood (4.8%), domestic electrical appliances (4.5%), photographic and cinematographic equipment (4.4%), jewellery (4.3%), non-alcoholic drinks, juices and mineral waters (4.3%), butchering and meat processing (4.2%), telecommunications equipment (4.1%), fish processing (3.9%), production of paper and paperboard (3.6%), confectionery products

(3.6%), bakery products (3.3%), fruit and vegetable processing (3.3%), production of auto parts (3.3%).

The industries which recorded the lowest growth rates (below 1% or negative values) included the manufacture of transmission equipment, boilers and bathroom equipment, car bodies and car assembling, specialised instruments, cement, textiles, products of iron and steel, space equipment, textile machinery, agricultural machinery, ships, machine tools, leather products, spirits and alcohol, musical instruments, clocks and watches. Low growth rates were characteristic of those production areas which experienced a change in consumer tastes connected with a change in life style (e.g. a decrease in alcohol consumption in favour of an increase in the consumption of juices, mineral water and the so-called healthy food) or with the intensification of problems related to the natural environment pollution or destruction (e.g. abandonment of the production of natural furs). The third area which was characterised by a negative or a very low production growth rate (below 1%) were some high tech areas (such as the production of space equipment) or by foreign competition (e.g. the production of clocks and watches, and musical equipment) and the so-called sensitive sectors which encompass textiles and leather products, products of iron and steel and the production of ships)².

In the 1990s, six sectors dominated in the industrial and agricultural production of the European Union: 1) food, beverages and tobacco products, 2) chemicals (chiefly pharmaceuticals) and man-made fibres, 3) electronics machinery and equipment, 4) road vehicles, 5) mechanical machinery and equipment, 6) metals and end metal products.

The expanding sectors included the production of food, beverages and tobacco products, chemicals and man-made fibres, products of wood and furniture, road vehicles. Among areas at a higher technological level, the growing sectors were: the manufacture of office machines and computers, telecommunications equipment as well as medical and specialised instruments.

The above named production areas belonging to the growing sectors and additionally the industry of mechanical machinery and equipment were also characterised by a dominant position in external exports by the EU and surpluses in its balance of trade.

The areas in decline in the analysed period of time included: 1) sectors connected with the extractive industry (mining, extraction of petroleum and natural gas, extraction of metals and non-metallic materials, 2) the so-called labour-intensive sectors such as the manufacture of fabrics and clothing, and fur

² Compiled on the basis of the Panorama of EU Industry 95/96, Brussels, 1995, pp. 1-22.

tanning, 3) sectors connected with the manufacture of iron and steel products, that is to say the manufacture of metals and end metal products.

Among sectors which particularly strongly increased their shares in EC external imports were the manufacture of furniture, electronics machinery and equipment as well as road vehicles and other transport equipment. On the other hand, sectors which decreased their shares in EC external imports were related to food production (namely, agriculture and hunting, forestry, sea and inland fishing) and to oil and natural gas extraction as well as oil refining and coke manufacturing.

The structural changes in production and foreign trade were accompanied by a tendency towards employment reduction in the economic sectors in question in favour of the service sector.

7. Instruments of EU policy towards Poland consequent on the Uruguay Round stipulations concerning the creation of an area of free trade in industrial products

On 16 December 1991 an agreement on association between Poland and the European Communities was signed; it is officially called the Europe Agreement. It came into life on 1 February 1994 after the completion of a long ratification procedure which required its ratification by the European Parliament and by Poland's Parliament as well as by parliaments of all the member countries of the "Twelve".

Owing to the lengthy ratification process, the trading part of the Agreement (concerned with a free flow of goods between Poland and the European Communities) came into force already on 1 March 1992 as the so-called Interim Agreement. This agreement required to be ratified only by the presidents of both the contracting parties, i.e. by the President of Poland and by the Chairman of the EU Commission.

With regard to trade in industrial products, the Agreement assumes the establishment within a maximum of 10 years (of entry into force of the Interim Agreement) of a free trade area between Poland and the EU. The basic rule on which this process rests is the principle of asymmetrical liberalisation which means that the economically weaker partner, i.e. Poland will gain full access to the EU market earlier than the Community to the Polish market and that the EU will be lifting trade restrictions faster than the Polish side. For each good the basic customs rate to which customs cuts are applied is the customs rate used *erga omnes*, including the commodity agreements under the Uruguay Round of the

GATT; such lowered rates will replace the basic rates on the date of entry into force of these rates. This was effected at the beginning of 1995 when the customs reductions negotiated at the Round came into force. Since the time of entry into force of the Interim Agreement, the principle of standstill has been binding in trade between Poland and the Community. This principle means that no new import or export customs or any other charges of similar character can be imposed and the applied customs and charges cannot be raised. This principle also applies to quantitative restrictions in trade and other similar measures.

An essential principle of the Europe Agreement is the observance of the goods origination rules of which Protocol no. 4 of the Agreement treats. This protocol was modified in 1996 as a result of the entry into force on 1 January 1997 of the so-called pan-European rules of goods origination, which implied for Poland the replacement of the diagonal cumulation binding then in the CEFTA trade with the EU with cumulation within the three Agreements signed by Poland, namely that with the European Union, CEFTA and with EFTA. These rules were adopted by Poland in 1997.

On the entry into force of the Interim Agreement, i.e. on 1 March 1992 Poland gained free access to the EU market for about 47% of its industrial exports (in the 1990 prices). The process of liberalisation of the remaining part of Polish exports to the EU members is carried out gradually and its completion is foreseen for 1997 at the latest. In detail this means that

1. The so-called *medium sensitive products* mainly those listed in Enclosure II to the Europe Agreement (and to the Interim Agreement) including among others chemicals, pharmaceuticals, cement, tyres, leather and leather products, furniture and wood products, china and glass products, some copper products, radio and TV sets, lamps will get access to the EU market at the beginning of 1995.

In accordance with the Additional Protocol³ which Poland and the EU signed after the summit in Copenhagen, the quotas and tariff ceilings on goods covered by Enclosure III were increased according to the following timetable:

- by 20% on the entry into force of the Agreement,
- by further 20% on 1 January 1993,
- by further 10% on 1 January 1994,
- by further 30% on 1 January 1995.

³ Compare the Additional Protocol to the Interim Agreement on Trade and Trade-Related Matters between The European Community and the European Coal and Steel Community and the Republic of Poland and the Europe Agreement between the European Communities and their Member States and the Republic of Poland, Official Journal 1993, ser. L, no. 195.

Customs on products imported in excess of the foreseen quotas and tariff ceiling were decreased in the originally envisioned way, i.e. by 15% a year, but let us add that they were lifted altogether at the beginning of 1995.

2. The so called *sensitive products* - covering textiles (fabrics and clothing) and products of coal and steel - are to gain free access to the EU market by the end of 1997 at the latest. Starting from 1 March 1993 the quotas in direct export of textiles from Poland to the EU and in the so-called OPT will be raised by about 11% per year for each textile category in accordance with the Additional Protocol to the Europe Agreement on trade in textile products between Poland and the EU⁴. These quotas are to be ultimately lifted on 1 January 1998, which means full liberalisation by the EU of textile imports from Poland.

The liberalisation of customs in direct textile imports from Poland to the EU proceeded according to the following timetable:

- on the entry into force of the Interim Agreement the customs rates were cut to the level of 71% of the basic rates,
- at the beginning of third year of the functioning of the agreement, i.e. in 1994 they were lowered to 57% of the basic customs rates,
- at the beginning of 1995 to 43% of the basic customs rates,
- at the beginning of 1996 to 29% of the basic customs rates⁵,
- at the beginning of 1997 customs rates were to be lifted altogether (in accordance with the stipulations of the Council of Europe Summit in Copenhagen this process was accelerated by 1 year)⁵.

In accordance with the recommendations of the Council of Europe in June 1993, the task of the EU Commission was also to examine the possibilities of full lifting of customs in textile imports from Poland under the so-called OPT at the beginning of 1994.

Imports customs rates (in accordance with Protocol 3 of the Interim Agreement) applied in the Community on steel products imported from Poland are lifted according to the following schedule:

- each customs rate was lowered to 80% of the basic customs rate on the entry into force of the Agreement,
- further reductions to 60%, 40% and 20% of the basic rate were introduced respectively at the beginning of the second (i.e. 1993), third and fourth year of the operation of the Interim Agreement. At the beginning of 1996 customs rates were lifted in full.

⁴ Cf. Additional Protocol to the Europe Agreement on Trade in Textile Products between the European Community and the Republic of Poland, Official Journal 1992, Seer. Law, no. 410.

⁵ Cf. Additional Protocol to the Interim Agreement.

Quantitative restrictions applied in EC imports of steel products originating in Poland were lifted at the time when the Interim Agreement became operative.

Customs and quantitative restrictions on coal products imported from Poland to the EU were lifted within a year of the entry into force of the Interim Agreement with the exception of those applied by Germany and Spain - these two countries undertook to lift them on 1 January 1996 at the latest, i.e. within 4 years of the entry into force of the Agreement.

The presented timetable of access of Polish industrial exports to the EU market means that Poland will get full access to that market at the latest at the beginning of 1998.

Exports of industrial products from Poland to the EU have the following 6 basic groups covered by the trade liberalisation schedule:

- Group I covers mainly raw materials such as salt, silicon, calcium, iron, alloys, tungsten powders, silicates, cermets, etc. (Article 9, Section 2 of the Agreement, products listed in Enclosure IIa);
- Group II covers ferroalloys, non-ferrous metals, antimony, lead, zinc, manganese (Article 9, Section 2 of the Agreement, products listed in Enclosure IIb);
- Group III covers cement, chemicals, nitrogenous fertilisers, ceramics, leather, drawn glass, trunks, suitcases, manual tools, fibreboards, cars, tractors, clocks, radio and TV equipment, furniture, toys, rubber footwear, rolling bearings and others (Article 9, Section 3 of the Agreement, products listed in Enclosure III);
- Group IV covers textiles (Protocol no. 1 and the modifications consequent on the Uruguay Round of the GATT);
- Group V covers coal and steel (Article 16 of the Agreement, Protocol no. 2);
- Group VI covers industrial products other than those listed above (Article 9, section 1 of the Agreement).

When the Interim Agreement came into force, Poland liberalised access to its market for about 25% of the value of imports (in the 1990 prices) coming from the EU countries (mainly raw materials and investment equipment). The remaining part of industrial imports from the EU is covered by a five-year process of liberalisation of access to the Polish market; the process started in 1995 and it will end at the beginning of 1999 (reductions in customs rates will amount to 20% per year). The exception is import of cars for which the process of liberalisation to the Polish market will be completed in the year 2002.

Four basic groups can be pointed out in industrial imports:

- **Group I** covers among others non-metallic minerals, metal ores, coal, gas, electricity, natural rubber, wood, textile crude materials, non-ferrous metals as well as agricultural machinery (except tractors), some chemicals, pharmaceuticals, vitamins and other pharmaceutical products, paper, stamps, etc., (Article 10, Section 1 of the Agreement, goods listed in Enclosure III).

A detailed timetable of liberalisation for products of coal and steel looks as follows: some of the products gained liberalised access to the Polish market on the entry into force of the Agreement, and the period of liberalisation for remaining products belonging to that group is spread over 1995-1999.

- **Group II** covers crude materials and industrial products not enumerated in groups I, II and V (Article 10, Section 2 of the Agreement).
- **Group III** covers cars (Article 10, Section 3, Enclosure V).
- **Group IV** covers products obtained from petroleum and textiles (Article 10, Section 1 of the Agreement; products listed in Enclosure V, as are products of group III).

7.1. Liberalisation of trade in textiles and clothing in detail

The timetable of liberalisation of customs rates in textile and clothing trade is specified in Article 15 and Protocol no. 1 of the Europe Agreement. The liberalisation timetable covers textiles and clothing included in section XXI of the CN classification (divisions 50-63) and envisions a gradual reduction by the Community of its customs rates on products exported by Poland within 6 years of the entry into force of the Interim Agreement (binding since 1 March 1992 and covering the trading part of the Europe Agreement and operative until the ratification of the Europe Agreement) in the following way: down to five-sevenths of the rate from the base period until the entry into force of the Interim Agreement and further reductions of customs rates by one-seventh per annum were to become effective starting from the third year of its operation. At the beginning of the seventh year, i.e. starting from 1 January 1998 the customs on Polish textile in the Community will reach the O level.

In accordance with the stipulation of the Copenhagen Summit in June 1993, the Community lifted customs on Polish textiles a year earlier than it had been envisioned in the Agreement⁶, i.e. already on 1 January 1997.

⁶ Official Journal of the EC L 195/93, 4 August 1993.

The average weighted customs rate in the Community on textiles amount to about 12.7% before the Agreement came into force and the rule is that the higher the degree of processing of the product, the higher the rate.

According to the initial estimations made in Poland, the benefit from the reduction in the EU customs duties on textiles exported to the EU amounted to about USD 34 million (Błaszczyk, Wysokińska, January 1992).

The stipulations of the Europe Agreement are concerned - beside direct exports - also with exports under OPT. The Community partners take advantage of Poland's comparative advantage in the manufacture of clothing and underwear resulting from its low labour costs.

Liberalisation of textile imports from the European Communities to Poland began - under the stipulations of the Agreement - on 1 January 1995, or 4 years later than the liberalisation by the Community side. The liberalisation schedule in that area envisions a reduction of customs by 20% p.a. starting from 1995 and thus customs on textiles imported from the EU will be fully lifted at the beginning of 1999. At the time the Interim Agreement came into life Poland lifted customs on such textile crude materials as silk waste, wool, cotton and cotton waste, crude flax and hemp.

Quantitative restrictions on Polish exports to the EU

Protocol no. 1 to the Europe Agreement (concerned with textile and clothing products) states that on the time of entry into force of the Agreement and depending on results of the multilateral negotiations of the Uruguay Round of the GATT quantitative restrictions on Polish exports to the EU will be regulated until the end of 1992 in accordance with the new protocol on quantitative restrictions negotiated by both the sides. It was also agreed that the quantitative restrictions with the most adverse effect on growth of Polish textile and clothing exports to the EU would be eliminated at half the time to be set by the Uruguay Round but within not less than 5 years starting from 1 January 1993.

Owing to the fact that the negotiations at the Uruguay Round of the GATT were not finished until end-1992, the Multifibre Agreement was renewed until 1993. Quantitative restrictions on Polish exports to the Community were regulated in that period by the Agreement between Poland and the EU on trade in textile products in force since January 1987 with the changes introduced under the new Protocol signed in Brussels on 15 October 1991. This Protocol made the Community market considerably more accessible to Polish textile and clothing products. Compared with 1991, the 1992 quotas in direct exports were raised on

average by 45% for categories set in tones and by 64% for categories set in separate pieces or pairs⁷.

On 11 December 1992, the Additional Protocol to the Second Europe Agreement about trade in textile products⁸ was signed in Brussels and it came into force on 1 January 1993. It set the level of import quota on the EU for 1993-1997. After that period all import restrictions on textiles imported from Poland will be lifted.

Tables no. 6 and 7 present quotas on direct and OPT exports from Poland to the EU in the years 1993-1997. Full liberalisation covered only 2 textile categories in direct exports (in comparison with 1992, i.e. category 36 (fabrics of continuous filament) and category 115 (flax yarn).

As it follows from the two tables the average annual quota increases in the years 1993-1997 are at level of about 11%⁵ per year both in direct export and in OPT exports. However, it is characteristic that the level of utilisation of quotas on export of textile and clothing products to the EU did not exceed 43% in 1990, 40% in 1991 and about 33% in 1992. High customs (in the case of clothing amounting to as much as 30% and to about 15% for crude materials) effectively protect from imports (as it was already noted a considerable part of imports covers OPT in which customs are imposed only on value added and which has a safeguarded re-export to the EU). After their lifting, imports can grow especially when account is taken of the fact that these customs protect mainly processed clothing products the demand for which has so far been partially satisfied by illegal import from the Far and Near East (Wysokińska, Wysokiński, 1992). Liberalisation of imports from the European Union to Poland may make imports much more profitable than hitherto.

The highest quota utilisation level (69-76%) was characteristic of the following commodity groups: sponge-cloth towels and fabrics, sweaters and pullovers, ropes and cords. The quotas were utilised to the lowest degree (8-24%) in the case of dresses, table linen, flaxen and man-made fibres, flaxen yarn, men's suits and outfits, crude cotton fabrics, shirts, socks and stockings.

As it follows from the presented data, Polish products are no longer as competitive as in the past owing to the increased labour costs in Poland although labour is still cheaper than in Western Europe. Polish products lost competition with even cheaper products from the Far East as well as with products from such

⁷ The above named categories and categories exempted from quantitative restrictions in 1992 are discussed in detail in K. Ostrowski, *Umowa Przejściowa Polska Wspólnoty Europejskie (The Interim Agreement between Poland and the European Communities)*, *Rynki Zagraniczne* no. 116 of 26 September 1992.

⁸ CF. Additional Protocol to the Europe Agreement on Trade in Textile Products between the European Community and the Republic of Poland, OJ L, 410/02.

countries as Ukraine, Byelorussia or Latvia. The further EU customs reductions on Polish products should somewhat improve the price competitiveness of Polish products although it will of course be dependent on the wage growth rate in the Polish textile and clothing industry (despite certain automation of production, labour costs are the most crucial element to price competitiveness of that group of products).

Polish producers are not always able to meet requirements of the Western market including the fast changing patterns and fashions. They cannot afford proper promotion of their products, either. For these reasons among others the share of OPT in our exports has been rising steadily (products sown to concrete orders according to patterns provided by the commissioner). This of course ensures better utilisation of productive capacity in the clothing industry (including utilisation of the work force, which is of much importance especially in the region of Łódź having a high unemployment rate) but in the long run it prevents Polish producers from developing their own pattern-designing and from sales under their own trade marks and in this way reduces long-term benefits from specialisation.

Poland's textile and clothing industry is protected from imports from the European Union only by means of customs. Poland does not apply quantitative restrictions on import of clothing undergoing processing in the countries of the EU and customs is levied only on value added of end products, i.e. labour and additions. Of course, this concerns the end product being the effect of outward processing. On 1 March 1992 (when the Interim Agreement came into force) Poland lifted customs on 43 products originating in the European Union, chiefly on textile crude materials such as silk waste, wool, cotton, wool and cotton waste, crude flax and hemp. The proper liberalisation of access to the Polish market was postponed by three years owing to the necessity to adapt Polish textile enterprises to increased competition on the part of the EU textile and clothing sector. Thus the customs reduction which began on 1 January 1995 has exposed the entire Polish textile and clothing industry to increased competition on the part of the EU enterprises.

8. Protective clauses in the Europe Agreement

The Europe Agreement contains protective clauses allowing the parties to reintroduce some of the trade restrictions or to impose new protective measures in strictly defined situations. These provisions are based on the rules of the General Agreement on Tariff and Trade (with the exception of the so-called restructuring

clause). Most of them has a bilateral character, i.e. they may be used by either side. The protective clauses include:

- the antidumping clause (Article 29 of the Europe Agreement); it allows the parties to apply suitable measures against imports at dumping prices which must be in agreement with the antidumping code of the GATT. After the entry into force of the Interim Agreement, antidumping proceedings were undertaken by the EU against Poland in the case of hematite pig iron (1992), artificial fertilisers (1993), Portland cement (1994, discontinued in January 1996), zinc (1995) and wooden boards (1995);
- the general protective clause based on Article 19 of the GATT and Article 30 of the Europe Agreement allowing protection against excessive imports causing disturbances in the importing economy and detriments to domestic producers. This clause was applied by Poland against the EU on the erga omnes principle as:
 - a ban on imports of more than 3 year-old utility motor vehicles (1994-1997); Diary of Acts (DA) no. 148/96, item 691;
 - a ban on imports of second-hand harvesters in the years 1994-1994, DA no. 151/95, item 749;
 - increased customs on utility motor vehicles in the years 1994-2001, DA no. 77/94 item 352;
- the clause on prevention of shortages in the domestic market (or a threat of such shortages) and re-export to third countries (Article 31 of the Europe Agreement). It was applied by Poland on the erga omnes rule in the following cases:
 - a ban on exports of hide and skin wastes in the years 1993-1996;
 - a export quota on hides introduced in 1994 of, DA no. 101/96, item 472;
 - a ban on export of non-ferrous metal scrap and waste from 1994 onwards, DA no. 151/95, item 748;
 - restrictions on export of scrap and waste of cast iron and steel from 1994 on (in 1997 an export quota of 510,000 tons), DA no. 155/96, item 770;
 - a clause allowing the imposition of bans or restrictions on import, export or transit in cases justified by public safety, health and life protection reasons, etc. (Article 35 of the Europe Agreement);
 - a clause of counteracting corporate monopolistic practices and subsidising of enterprises by the state in a manner infringing the competition rules (Article 63);
 - a clause of counteracting disturbances in the balance of payments (Article 64 of the Europe Agreement); if either party finds itself in a difficult

situation owing to the balance of payments, it may apply measures restricting trade. Poland applied this clause in the period 1992-1996 in the form of a border tax reduced gradually from 6% to 3%.

The Agreement also has unilateral protective clauses designed for Poland as the weaker partner; only the first of them is concerned with restrictions on trade. The unilateral clauses include:

1. The restructuring clause (Article 28 of the Europe Agreement); Poland can raise customs rates on industrial products originating in the Community if import of these goods endangers its infant industries or sectors undergoing restructuring or struggling with serious difficulties especially in the social sphere owing to a threat of occurrence of unemployment. The extent and duration of these raises are subject to important restrictions:
 - customs on particular products covered by that raise cannot 25% ad valorem and should maintain a preferential element for products coming from the Community;
 - the total value of imports of products covered by that raise cannot exceed 15% of total imports of industrial products;
 - these measures can be in force longer than 5 years unless the Association Council extends that period, and the clause can be applied only until the completion of the transition period;
 - a rise in customs on a given product can be imposed only within 3 years of the lifting of customs and quantitative restrictions.

The restructuring clause was applied by Poland in 2 cases:

- 1) in the period 1994-1996, the so-called extra customs were levied on imports of telecommunications equipment, DA no. 94/94, item 449;
 - 2) in the period 1996-2000, the so-called extra customs are binding on the erga omnes basis in the case of imports of petrochemical products, DA no. 151/95, item 744.
2. A clause concerning the use of restrictions on foreign exchange turnover (Article 62). Until its currency becomes fully convertible, Poland can apply - on a non-discriminatory basis - foreign exchange restrictions when giving or taking short- and medium-term credits to the extent they are allowed under Poland's status with the IMF⁹

⁹ Cf. also E. Synowiec, *Polityka handlowa u progu i w trakcie stowarzyszenia* (Trading Policy At the Threshold and in the Course of the Association Process) in: J. Kotyński (ed.) *Stowarzyszenie i integracja z WE a rynek dóbr* (Association and Integration with the EU and the Goods Market), White Book Poland-the European Union, Council of Ministers Office, Warsaw, 1993, pp. 257-259.

The further sections of the paper will present structural changes in industrial production in Poland and in foreign trade in industrial products and in trade with the European Union. The above mentioned changes will be analysed in the period starting from 1992, i.e. when the Interim Agreement concerning the creation of an area of free trade in industrial products between Poland and the European Union came into force.

9. Structural changes in industrial production in Poland

The main sectors **dominating** in Poland's industrial production in the period 1992-1995 were - as it follows from Table no. 8: supply of electricity, gas and water (a share of about 12-14% in total industrial production), mining (about 10-12%), manufacture of chemicals and man-made fibres (about 7-8%), manufacture of metals (about 7-8%), manufacture of road vehicles (about 3-4%), manufacture of products of rubber and plastics (about 3-4%), manufacture of electrical machinery and equipment (a share of about 3%).

The analysis at the second level of data disaggregation according to the European Classification of Activities shows the following areas which recorded an increased share in total industrial production:

- manufacture of wood and products of wood (a rise from the level of 2.85% in 1992 to 3.41% in 1995),
- manufacture of cellulose and paper (an increase from 1.67% to 2.271 respectively),
- publishing and printing (from 2.58% to 3.24%),
- manufacture of chemicals and man-made fibres (from 7.29% to 8.38%),
- manufacture of products of rubber and plastics (from 3.09% to 3.93%),
- manufacture of metals (from 7.56% to 8.05%),
- manufacture of mechanical machinery & equipment (from 6.48% to 6.86%),
- manufacture of office machinery and computers (from 0.15% to 0.24%),
- manufacture of electrical machinery and equipment (from 2.84% to 3.10%),
- manufacture of telecommunications equipment (from 1.36% to 1.68%),
- manufacture of medical and specialised instruments (from 0.95% to 1.10%),
- manufacture of road vehicles (from 3.40% to 4.36%),
- utilisation of waste (from 0.35% to 0.39%),
- manufacture of furniture (from 3.17% to 3.82%).

Among the above named industrial sectors, the industries with the strongest rises were the manufacture of road vehicles, furniture, wood and products of wood as well as chemicals and man-made fibres.

The industries which recorded a fall in their share in total industrial production in the period 1992-1995 included:

- mining (a fall in the share in the analysed period of time from the level of 12.41% in 1992 to the level of 9.80% in 1995), including coal mining (a fall from 7.48% to 7.18%),
- manufacture of fabrics (a fall from 3.68% to 3.21% respectively),
- manufacture of clothing and furriery (a fall from 3.99% to 3.18%),
- tanning and manufacture of leather products (a fall from 1.67% to 1.34%),
- manufacture of coke and petroleum products (a fall from 8.29% to 6.82%),
- supply of electricity, gas and water (a fall from 14.39% to 12.30% respectively).

The sectors with the strongest downward trend in their share in total industrial production were mining, manufacture of fabrics, clothing and furriery, manufacture of coke and petroleum products and supply of electricity, gas and water.

The structural changes in industrial production were also accompanied by changes in the employment structure (cf. Table no. 9). The highest share in employment in industry was characteristic of the following sectors:

- mining (about 15.5%-12.5%, of which coal mining about 12-10%),
- manufacture of mechanical machinery and equipment (about 11-10%),
- electricity, gas and water supply (about 8-9%),
- manufacture of clothing and furriery (about 8-9%),
- manufacture of fabrics (about 6%),
- manufacture of chemicals and man-made fibres (about 4.7%),
- manufacture of products of non-metallic materials (about 5.7%),
- manufacture of furniture (about 5.5%),
- manufacture of end metal products (about 5-5.4%).

The sectors which had upward trends in their employment structure were:

- manufacture of clothing and furriery (a rise from the level of 7.14% in 1992 to 9.24% in 1995),
- manufacture of furniture (an increase from 7.14% to 9.24% respectively),
- manufacture of wood and products of wood (from 3.20% to 3.66%),
- publishing and printing (from 1.98% to 2.24%),

- manufacture of end metal products (from 5.04% to 5.44%),
- manufacture of electrical machinery and equipment (from 2.91% to 3.05%),
- electricity, gas and water supply (from 8.12% to 9.36%).

It should be noted that the increased share in employment in the case of the last sector was accompanied by a fall in its share in the structure of industrial production, which may point to a lowered labour productivity in that industry.

The branches which recorded a **decreased employment share in total employment in industry** were:

- mining (a fall from the level of 15.28% in 1992 to 12.63% in 1995, including a fall in coal mining from 12.34% to 10.38%),
- manufacture of fabrics (a fall from 6.13% to 5.55%),
- manufacture of products of non-metallic materials (a fall from 5.75% to 5.60%),
- manufacture of mechanical machinery and equipment (a fall from 10.96% to 10.10%),
- manufacture of office equipment and computers (a fall from 0.22 to 0.14%),
- manufacture of telecommunications equipment (from 2.05% to 1.52),
- manufacture of road vehicles (from 3.70% to 3.34%),
- manufacture of other transport equipment (from 4.10 to 3.83% respectively).

Decreased shares in total employment in the case of sectors representing higher technological advancement such as the manufacture of office equipment and computers and telecommunications equipment as well as road vehicles was accompanied by rises in their shares in industrial production, which may show an increased labour productivity in these sectors.

10. Structural changes in Poland's total industrial imports and in industrial imports from the European Union

The analysis of structural changes (according to the PCN commodity classification) which occurred in total Polish imports in 1992-1995 (cf. Tables nos. 10 and 11) permits drawing the following conclusions on dominant groups as well as on rising and falling groups in the structure of imports.

The main **dominant groups** in both total imports and in imports to the European Union included:

- machinery and equipment,

- products of the chemical industry,
- plastics, rubber and products of plastic and rubber,
- textiles and clothing,
- metals and products of metals,
- transport equipment.

In 1995, the above named groups of products had between them a share of over 70% in total Polish imports and a share of 80% in imports from the European Union.

The analysis of the **rising groups** in total Polish imports and in imports from the European Union in 1992-1995 shows that the main of them were:

- plastics, rubber and products of plastics and rubber; their import share increased from the level of 5.84% to 7.61% in total imports and from the level of 7.13% to 8.59% in imports from the EU,
- leather and leather products; the respective gains in this group were from 0.22% to 1.02% in total imports and from 0.92% (in 1993) to 1.06% in imports from the EU;
- wood and products of wood; their share in total imports rose from 0.37% to 0.70% and in imports from the EU from 0.40% to 0.56%;
- cellulose, paper and products of paper; the rises were from 4.77 to 5.15% and from 5.76 to 6.33% respectively in total imports and in imports from the EU;
- textiles and clothing - the rises were from 5.15% to 10.81% in total imports and from 3.33% to 12.02% in imports from the EU. However, the particularly strong upward trends in that group was affected -in addition to the intensified flow of imports - by the change in the way of classifying materials undergoing processing under OPT which since 1993 have been included by the Central Statistical Office into the value of imports, which considerably affected the obtained results, especially in that group of products.
- products of non-metallic crude materials whose share in total imports rose from the level of 1.94% to 2.34% in total imports and from 2.35% to 2.71% in imports from the EU;
- metals and products of metals - the rises were from 6.19% to 8.14% in total imports and from 6.97% to 8.95% in imports from the EU; this group had the strongest growth tendency of all the commodity groups;
- transport equipment whose share rose more strongly in imports from the EU than in total imports, for the respective figures were from 6.0% to 6.36% in total imports compared with a rise from 6.03% to 8.95% in imports from the EU.

As regards the groups of products covering the so-called sensitive products (fabrics and clothing, iron and steel), a tendency towards their steadily rising shares can be observed in imports from the EU to Poland. Such a tendency is also very conspicuous in imports of cars from that direction.

The analysis of **falling** groups of products in the structure of total Polish imports and in imports from the European Union also points to high convergence of trends, which is significantly affected by a high share of imports from the EU in total Polish imports (exceeding 65%).

Downward tendencies were noted in the following groups of products:

- mineral products - a fall in the share from the level of 22.96% in 1992 to 12.31% in 1995 in total imports and from the level of 10.28% down to 3.77% in imports from the EU;
- products of the chemical industry - a fall in the share in the examined period of time from the level of 13.83% to 12.48% in total imports and from 15.15% down to 12.48%% in imports from the EU;
- machinery and equipment - falls in the shares from 30.38 to 26.80% and from 35.39 to 29.86% respectively in total imports and in imports from the EU;
- medical and specialised instruments - falls in the shares from 3.75% to 3.06% in total imports and from 3.85% to 2.83% in imports from the EU;
- furniture and other industrial products - falls from 2.30% to 2.05% in total imports and from 2.45% to 2.18% in imports from the EU.

Additionally, downward trends occurred also in groups of products with lesser significance for imports such as footwear, headgear and others, pearls, precious stones and pieces of art.

From the point of view of the falling tendencies in imports outlined above, it is disconcerting that falls occurred in the shares of machinery and equipment, specialised instruments and raw materials for production and restructuring of industry. A large increase is shown by the share of sensitive products, i.e. iron and steel as well as textiles and clothing, though raw and other materials used for processing constitute a serious item in imports. On the other hand, the lowered share of consumer products especially such as furniture, footwear or headgear does not give rise to concern.

11. Structural changes in Poland's total industrial exports and industrial exports to the European Union

The analysis of structural changes in Poland's total exports shows high convergence with structural changes in exports to the European Union (cf. tables no. 12 and 13) owing to a high share (over 65%) of that direction in trade. The only group of products which recorded divergent trends was that of plastics, rubber and products of plastic and rubber, for this groups recorded an increased share in total Polish exports in the period 1992-1995 while a decreased share in exports to the EU (from 3.78% to 3.35%). The main groups of products (according to the Polish National classification) **dominating** both in total exports and in exports to the EU in the examined period of time were:

- metals and products of metals,
- mineral products,
- textiles and clothing,
- machinery and equipment,
- transport equipment,
- products of the chemical industry,
- furniture and other industrial products.

In 1995, the above mentioned groups of products between them exceeded the level of 60% both in total Polish exports and in exports to the EU.

The analysis of the chief **rising** groups in total exports and in exports to the EU in 1992-1995 shows that the leading products were:

- transport equipment whose share in total Polish exports rose from 9.59% to 11.33% and much more considerably in exports to the EU, namely from 8.46% to 12.57%;
- furniture and other industrial products; these products increased their share more strongly in total exports (from 4.53% to 7.62%) than in exports to the EU (from 6.22% to 8.49%);
- cellulose, paper and products of paper - rises in the shares were from 1.64 to 2.76% in total exports and from 1.39% to 2.21% in exports to the EU;
- textiles and clothing- their share in total exports rose from 8.39% in 1992 to 15.29% in 1993 and next went down to 13.93% in 1995. In exports to the EU, their share showed a similar trend - from 9.59% in 1992 up to 18.9% in 1993 and next down to 17.15% in 1995. The big differences in the level of their share in 1992 and 1993 resulted - as noted earlier - from the changed method of including by the CSO of raw and other material used in outward processing to the value of trade.

The analysis of **declining** groups of products in the structure of total Polish exports and in exports to the EU also points to a big convergence of trends with the exception of products of the chemical industry because since this group recorded a marked fall from 8.51% down to 7.65% in its share in total exports but its exports to the EU fell only in 1993 compared with 1992 while in 1995 chemicals recorded a slight increase in their share from 4.71% to 5.32%.

Concordant downward trends in the share in total exports and in exports to the EU were outlined in all the groups of products dominating in exports with exception of transport equipment and furniture. These groups are:

- mineral products - a decline from the level of 16.14% in 1992 to 11.22% in 1995 in total exports and from 14.94% to 9.27% in exports to the EU;
- leather and leather products - a fall from 1.15% to 0.96% in total exports and from 1.56% to 1.23% in exports to the EU;
- wood and products of wood - a fall from 5.49% to 4.66% in total exports and a more conspicuous decline in exports to the EU from 7.85% to 5.97%;
- products of non-metallic materials - a decline from the level of 2.22% to 2.13% in total exports and from 2.39% to 1.99% in exports to the EU;
- metals and products of metals - a drop from 22.82% to 18.2% in total exports and from 23.83% to 18.3% in exports to the EU;
- machinery and equipment - a drop in the share from 13.02% to 12.89% in total exports and from 10.83% to 11.12% in exports to the EU;
- medical and specialised instruments - a decline in the shares in total export from 0.77% to 0.64% and in exports to the EU from 0.67% to 0.51%.

Also products with small shares in total exports and in exports to the EU registered declines, e.g. guns and ammunitions and pieces of art. The so-called sensitive products experienced drops in their shares in exports to the EU; it was so with coal, iron and steel and the shares of textiles and clothing chiefly under OPT rose in 1995 compared with 1992 but went down compared with 1993 and 1994.

12. Conclusions

1. The industrial production structure in the years 1992-1995 was dominated by extractive industries related mainly to coal mining, power generation, metals and chemicals. The combined share of the manufacture of mechanical machinery and equipment, electrical machinery and equipment and road machinery and equipment was similar to the share of mining.

2. The industries with the strongest gains in their shares in the production structure were the manufacture of road vehicles, furniture, wood and products of wood as well as chemicals and man-made fibres.
3. The industries with the strongest downward trends in their share in industrial production were: mining, the manufacture of fabrics, clothing and furs, the production of coke and oil products and supply of electricity and water. In most cases, they were industries turning out products included in the Europe Agreement into the so-called sensitive sectors whose access to the EU market was covered by a delayed liberalisation process.
4. Polish industrial imports, both total and from the EU, were dominated by machines and equipment, products of the chemical industry, textiles and clothing, plastics, metals and products of metals and transport equipment. However, the strongest gains were observed in the shares of mostly labour-intensive products (textiles and clothing as well as leather, wood and products of wood) and resource-intensive products (of metallic materials) as well as cellulose, paper, plastics, rubber and products of plastics and rubber. A big increment was recorded in the import share of transport equipment, chiefly cars. On the other hand, investment goods such as machines and equipment showed a downward trend, which is particularly unfavourable.
5. Industrial exports to Poland, both total and from the European Union, were dominated in the examined period of time by metals and products of metals, textiles and clothing, furniture, mineral products as well as machinery and equipment, transport equipment and chemicals. The strongest increments in exports were recorded in the case of cars, furniture, textiles and clothing as well as cellulose, paper and products of paper, that is to say products belonging mostly to labour-intensive areas with the exception of cars and other transport equipment. Downward trends in both total exports and in exports to the EU was observed in the shares of machinery and equipment and medical and specialised instruments (which is a very unfavourable tendency) and in the group of sensitive products - coal, iron and steel. In the case of textiles and clothing, an upward trend occurred in their share in exports to the EU compared with 1992, which was largely influenced by exports under the so-called OPT.

Table 1. Structural changes in EC agricultural and industrial production, 1990-1995
(in %)

Economic sectors according to NACE	Code	1990	1992	1993	1994	1995
European Union (12) - total		100.00	100.00	100.00	100.00	100.00
Agriculture and hunting	01	6.61	6.51	6.28	6.20	6.00
Forestry	02	0.35	0.32	0.32	0.32	0.30
Sea and inland fishing	05	0.58	0.50	0.62	0.67	0.70
Coal mining	10	0.32	0.34	0.32	0.25	0.24
Petroleum and natural gas extraction	11	1.43	1.35	1.35	1.24	1.22
Extraction of metal ores and non-metallic materials	13,14	0.60	0.57	0.59	0.60	0.58
Manufacture of food, beverages and tobacco	15,16	13.75	14.42	15.05	15.03	14.87
Manufacture of fabrics	17	3.43	3.22	3.01	3.03	3.00
Manufacture of clothing, fur tanning	18	2.55	2.64	2.49	2.37	2.28
Leather tanning and dressing	19	0.27	0.22	0.23	0.23	0.23
Manufacture of wood and products of wood (excl. furniture)	20	1.13	1.14	1.17	1.23	1.24
Manufacture of cellulose, paper and products of paper	21	2.45	2.43	2.41	2.48	2.52
Publishing and printing	22	2.78	2.89	2.98	2.95	2.97
Petroleum refining, coke production	23	3.82	4.34	5.42	4.45	4.37
Manufacture of chemicals and man-made fibres	24	9.45	9.27	9.45	9.85	9.91
Manufacture of products of rubber and plastics	25	3.35	3.44	3.43	3.50	3.51
Manufacture of products of other non-metallic materials	26	2.88	2.85	2.84	2.94	2.96
Manufacture of metals	27	4.52	3.79	3.60	3.80	3.69
Manufacture of end metal products	28	5.84	5.84	5.58	5.50	5.45
Manufacture of mechanical machinery and equipment	29	7.43	7.02	6.93	6.95	7.09
Manufacture of office machinery and computers	30	1.54	1.55	1.48	1.65	1.70
Manufacture of electronics machinery and equipment	31	8.13	8.15	8.28	7.97	8.11
Manufacture of telecommunications equipment	32	0.61	0.60	0.61	0.62	0.63
Manufacture medical and specialised instruments	33	0.76	0.82	0.83	0.83	0.79
Manufacture of road vehicles	34	6.71	7.67	8.36	8.79	8.83
Manufacture of other transport equipment	35	4.34	3.74	2.01	2.19	2.31
Manufacture of furniture	36	2.16	2.22	2.24	2.23	2.37
Supply of electricity, gas and water	40	0.22	0.19	0.18	0.17	0.16

Source: Calculated on the basis of EUROSTAT Yearbook 1996, EUROSTAT National Accounts ESA Aggregates 1970-1994, EUROSTAT Panorama of EU Industry 95/96.

Table 2. Structural changes in EC external exports of agricultural and industrial products, 1990-1995 (in %)

Economic sectors according to NACE	Code	1990	1992	1993	1994	1995
European Union (12) - total		100.00	100.00	100.00	100.00	100.00
Agriculture and hunting	01	5.60	5.73	5.57	5.37	5.15
Forestry	02	0.32	0.32	0.26	0.27	0.23
Sea and inland fishing	05	0.29	0.29	0.26	0.24	0.24
Coal mining	10	0.04	0.03	0.02	0.02	0.02
Petroleum and natural gas extraction	11	0.49	0.56	0.49	0.42	0.10
Extraction of metal ores and non-metallic materials	13,14	0.35	0.36	0.31	0.32	0.29
Manufacture of food, beverages and tobacco	15,16	6.10	6.43	6.33	6.19	6.14
Manufacture of fabrics	17	3.81	3.73	3.52	3.40	3.35
Manufacture of clothing, fur tanning	18	2.66	2.54	2.35	2.32	2.27
Leather tanning and dressing	19	0.29	0.29	0.31	0.26	0.21
Manufacture of wood and products of wood (excl. furniture)	20	0.50	0.46	0.45	0.58	0.56
Manufacture of cellulose, paper and products of paper	21	1.33	1.39	1.34	1.41	1.48
Publishing and printing	22	0.93	0.96	0.91	0.89	0.93
Petroleum refining, coke production	23	2.63	2.35	2.56	1.82	1.49
Manufacture of chemicals and man-made fibres	24	11.05	11.53	12.19	12.40	12.74
Manufacture of products of rubber and plastics	25	2.57	2.59	2.53	2.73	2.85
Manufacture of products of other non-metallic materials	26	1.74	1.66	1.62	1.70	1.73
Manufacture of metals	27	5.20	4.44	4.72	4.54	4.39
Manufacture of end metal products	28	3.28	3.23	3.14	3.17	3.02
Manufacture of mechanical machinery and equipment	29	16.77	15.88	16.91	15.27	15.32
Manufacture of office machinery and computers	30	2.25	2.30	2.92	2.64	2.79
Manufacture of electronics machinery and equipment	31	9.73	10.52	12.05	10.88	11.33
Manufacture of telecommunications equipment	32	1.12	1.35	1.78	1.61	1.64
Manufacture medical and specialised instruments	33	1.93	1.95	2.45	2.21	1.50
Manufacture of road vehicles	34	7.66	9.13	9.39	8.48	7.91
Manufacture of other transport equipment	35	4.98	3.81	5.49	4.95	5.65
Manufacture of furniture	36	4.38	4.18	4.78	4.31	4.65
Supply of electricity, gas and water	40	0.04	0.4	0.04	0.04	0.05

Source: Calculated on the basis of EUROSTAT Yearbook 1996, EUROSTAT National Accounts ESA Aggregates 1970-1994, EUROSTAT Panorama of EU Industry 95/96.

Table 3. Structural changes in EC external imports of agricultural and industrial products, 1990-1995 (in %)

Economic sectors according to NACE	Code	1990	1992	1993	1994	1995
European Union (12) - total		100.00	100.00	100.00	100.00	100.00
Agriculture and hunting	01	6.87	6.84	6.48	6.78	6.79
Forestry	02	1.14	1.17	1.11	0.93	0.91
Sea and inland fishing	05	1.36	1.41	1.28	1.28	1.22
Coal mining	10	0.87	0.86	0.99	1.01	1.01
Petroleum and natural gas extraction	11	12.97	11.27	10.45	9.09	8.08
Extraction of metal ores and non-metallic materials	13,14	1.71	1.43	1.23	1.54	1.60
Manufacture of food, beverages and tobacco	15,16	4.14	4.15	4.27	4.36	4.33
Manufacture of fabrics	17	3.40	3.72	3.84	3.61	3.50
Manufacture of clothing, fur tanning	18	3.56	4.10	4.45	4.38	4.49
Leather tanning and dressing	19	0.25	0.16	0.15	0.13	0.14
Manufacture of wood and products of wood (excl. furniture)	20	2.15	1.96	2.01	2.22	2.18
Manufacture of cellulose, paper and products of paper	21	3.86	3.39	3.07	3.33	3.41
Publishing and printing	22	0.34	0.37	0.39	0.38	0.39
Petroleum refining, coke production	23	3.43	2.81	2.68	2.23	1.88
Manufacture of chemicals and man-made fibres	24	7.04	7.18	7.07	7.35	7.65
Manufacture of products of rubber and plastics	25	1.53	1.74	1.81	1.75	1.75
Manufacture of products of other non-metallic materials	26	0.64	0.76	0.78	0.79	0.83
Manufacture of metals	27	6.21	5.55	4.77	5.87	4.84
Manufacture of end metal products	28	1.58	2.74	1.93	2.05	2.08
Manufacture of mechanical machinery and equipment	29	6.55	6.31	6.02	6.17	6.46
Manufacture of office machinery and computers	30	4.51	4.77	4.9	5.12	5.45
Manufacture of electronics machinery and equipment	31	9.48	9.92	10.49	11.14	11.70
Manufacture of telecommunications equipment	32	0.89	1.00	1.08	1.13	1.17
Manufacture medical and specialised instruments	33	2.09	2.25	2.53	2.48	1.94
Manufacture of road vehicles	34	3.89	4.55	4.20	4.26	4.53
Manufacture of other transport equipment	35	3.88	3.95	4.65	3.91	4.22
Manufacture of furniture	36	3.55	4.37	5.23	4.64	5.40
Supply of electricity, gas and water	40	0.12	0.11	0.11	0.11	0.10

Source: Calculated on the basis of EUROSTAT Yearbook 1996, EUROSTAT National Accounts ESA Aggregates 1970-1994, EUROSTAT Panorama of EU Industry 95/96.

Table 4. Polish exports from the European Communities in 1990

Commodity group	Total value of Polish exports (USD million)	Value of Polish exports to EC (USD Million)	Share of the group in exports to EC (in %)	Estimated cost of customs duty or levy covered by the Agreement before liberalisation (USD million)	Liberalisation timetable
Raw materials & industrial products I	23.4	8.7	0.1	0.5	A 50% reduction of customs rates in the first year (1992) and total lifting of customs in the next year (1993)
II	131.8	69.1	1.2	3.6	Customs reductions in the period 1992-1994
III	989.0	510.0	8.5	35.7	Customs reductions in the period 1992-1994
IV (textiles)	687.8	340.5	5.7	34.0	Reductions of customs rates in the period 1992-1996. Quota increases of about 11% p.a. in 1993-1997. Full lifting of quotas on 1 Jan. 1998.
Va (coal)	1129.4	487.3	8.1	34.9	Lifting of quotas and customs on coal in 1992, except for exports to Spain and Germany (which will lift them on 1 Jan. 1996)
Vb (steel)	961.2	440.0	7.4	26.9	Customs reductions in the period 1992-1995
VI (industrial products)	7971.0	3031.4	50.7	106.1	Customs lifted on the entry into force of the agreement.
Total	11893.6	4887.0	81.7	241.7	

Source: Calculated on the basis of the Europe Agreement EC - Poland of 22 November 1991.

Table 5. Polish imports from the EC in 1990

Commodity group	Total value of Polish imports (USD million)	Value of Polish imports from EC (USD Million)	Share of the group in imports from EC (in %)	Estimated cost of customs duty or levy covered by the Agreement before liberalisation (USD million)	Liberalisation timetable
Raw materials & industrial products I	2582.2	1191.7	37.2	130.5	Customs lifted on the entry into force of the Agreement, or in 1992.
II	3202.3	1488.5	46.4	223.3	Starting from 1995, a customs reduction of 20% p.a.
III	127.4	22.8	0.7	5.5	Liberalisation period from 1992 until 2002. From 1992, a customs-free quota for 25,000 motor-cars increasing by 5% per year, for 100,000 utility vehicles and for 5000 cars with catalyts, increasing by 10% per year.
IV (products from petroleum and textiles)	1624.1	168.4	5.3	25.3	Partial lifting of customs on putting the Agreement into force, and the ultimate liberalisation process spread over 5 years, 1995-1999.
Total	7534.0	2871.4	89.6	413.8	

Source: As in Table 4.

Table 6. Quotas in direct exports of textiles to the EU in the years 1993-1997

Category textiles	Unit of measurement	1993	1994	1995	1996	1997
2	tonne	7,000	7,140	7,283	7,428	7,557
of which:2a	tonne	2,000	2,040	2,081	2,122	2,165
3	tonne	3,720	2,869	4,024	4,184	4,352
4	thousand pcs	210,000	21,840	22,741	23,622	24,567
5	thousand pcs	7,400	7,733	8,081	8,445	8,825
6	thousand pcs	4,500	4,725	4,961	5,209	5,470
8	thousand pcs	3,800	3,933	4,071	4,213	4,361
9	tonne	2,500	2,625	2,756	2,894	3,039
12	thousand pcs	20,500	21,730	23,034	24,416	25,881
14	thousand pcs	1,500	1,590	1,685	1,787	1,894
15	thousand pcs	2,350	2,491	2,640	2,799	2,967
16	thousand pcs	1,725	1,829	1,938	2,055	2,178
20	tonne	2,600	2,730	2,867	3,010	3,160
24	thousand pcs	5,500	5,830	6,180	6,551	6,944
26	thousand pcs	4,500	4,770	5,056	5,360	5,681
90	thousand pcs	4,000	4,200	4,410	4,631	4,862
117	tonne	2,600	2,756	2,921	3,097	3,282
118	tonne	2,000	2,120	2,247	2,382	2,525

Source: Additional Protocol to the Europe Agreement on Trade in Textile Products between the European Community and the Republic of Poland, OJ L 410/92.

The key to textile categories is presented in the Annex.

Table 7. Quotas for textile exports from Poland under OPT in the years 1993-1997

Category textiles	Unit of measurement	1993	1994	1995	1996	1997
4	thousand pcs	8,000	8,840	8,989	9,528	10,100
5	thousand pcs	9,250	9,874	10,541	11,252	12,100
6	thousand pcs	18,500	19,888	21,379	22,982	24,706
8	thousand pcs	17,250	18,250	19,109	22,982	21,168
12	thousand pcs	7,000	7,630	8,317	20,112	9,881
14	thousand pcs	4,550	4,960	5,406	9,065	6,423
15	thousand pcs	11,000	11,990	13,069	14,245	15,527
16	thousand pcs	3,550	3,870	4,218	4,597	5,011
24	thousand pcs	2,500	2,725	2,970	3,228	3,529
26	thousand pcs	4,000	4,360	4,752	5,180	5,646

Source: As for Table 6.

Annexe

Key to categories in trade in textile and clothing articles

Category	Products included in the category
2	Cotton fabrics, excluding fabrics with gas weave, velvet, sponge-cloth, velour, tulle, plush, and other netting fabrics
2a	As above, finished or bleached.
3	Fabrics of man-made cut fibres, excluding haberdashery, velour, plush (including velvet)
4	Knitted or crocheted articles: shirts, T-shirts, thin golfs, polo shirts, pullovers (except woollen), waistcoats, etc. vests
5	Sweaters, pullovers, twin cardigans, cardigans and jumpers, wool blouses (excluding jackets and blazers), sleeveless sweaters, etc., knitted and crocheted.
6	Men's and boys' breeches and trousers of fabrics, excluding bathing-trunks; women's and girls' trousers of wool and cotton or man-made fibre.
8	Men's and boys' shirts of wool, cotton or man-made fibres (not knitted or crocheted).
9	Cotton sponge cloth and similar cotton fabrics; bathroom and kitchen linen of cotton sponge cloth and similar cotton fabrics (not knitted or crocheted).
12	Stockings, socks, knee-socks, tights and the like, knitted and crocheted, not elastic and not rubberised (excepting infants' articles), excluding women's stockings of man-made fibres.
14	Men's and boys' overcoats, including waterproofs, capes and other coats of wool, cotton and man-made fibre (excluding those in category 21).
15	Women's and girls' overcoats and jackets as well as capes and waterproofs; jackets and blazers of wool, cotton and man-made fibres (excluding those in category 21)
16	Men's and boys' outfits and suits of wool, cotton and man-made-fibres, excluding scouting garb.
20	Bed linen (of fabrics, not knitted or crocheted).
24	Men' and boys' night-gowns, pyjamas, bathing wraps, etc., knitted and crocheted. Women's and girls' night-dresses, pyjamas, bathing wraps, etc., knitted and crocheted
26	Women's and girls' frocks of wool, cotton and man-made fibres.
36	Fabrics of man-made fibres, other than listed in category 114.
90	Strings, lines, cables, cords, ropes of man-made fibres.
115	Yarn of hemp and ramie.
117	Fabrics of hemp and ramie.
118	Bed, table, bathroom, office and kitchen linen of hemp or ramie, not knitted or crocheted

Table 8. Structural changes in Poland's industrial production in the years 1992-1995 (in %)

Industrial sectors according to European Classification of Activities	1992	1993	1994	1995
<i>Total</i>	<i>100.00</i>	<i>100.00</i>	<i>100.00</i>	<i>100.00</i>
Mining	12.41	10.47	11.06	9.80
Coal mining	7.48	8.03	8.39	7.18
Manufacture of fabrics	3.68	3.62	3.59	3.21
Manufacture of clothing, furriery	3.90	3.89	3.63	3.18
Tanning and manufacture of products of leather	1.67	1.52	1.43	1.34
Manufacture of wood and products of wood	2.85	2.83	3.21	3.41
Manufacture of cellulose, paper products of paper	1.67	1.65	1.88	2.71
Publishing and printing	2.58	2.83	3.00	3.24
Manufacture of coke and petroleum products	8.28	9.09	7.54	6.82
manufacture of chemicals and man-made fibres	7.29	7.20	7.64	8.38
Manufacture of rubber and plastics	3.09	3.42	3.61	3.93
Manufacture of products of non-metallic materials	4.53	4.50	4.78	4.56
Manufacture of metals	7.56	7.38	7.79	8.05
Manufacture of end metal products	4.69	4.54	4.54	4.69
Manufacture of mechanical machinery and equipment	6.48	6.52	6.45	6.86
Manufacture of office machines and computers	0.15	0.18	0.12	0.24
Manufacture of electrical machinery and equipment	2.84	2.98	2.80	3.10
Manufacture of telecommunications equipment	1.36	1.55	1.63	1.68
manufacture of medical and specialised instruments	0.95	1.02	1.00	1.10
Manufacture of other equipment	3.40	4.18	4.02	4.36
Manufacture of other road equipment	2.73	2.85	3.13	2.85
Waste utilisation recycle reprocessing	0.35	0.32	0.33	0.39
Supply of electricity, gas and water	14.39	14.27	13.37	12.30
Manufacture of furniture, etc.	3.17	3.20	3.45	3.82

Source: Calculated on the basis of the Statistical Yearbook of Industry, Central Statistical Office, Warsaw, for the respective years.

**Table 9. Structural changes in Polish industry in the years 1992-1995
(in %)**

Industrial sectors according to European Classification of Economic Activities	1992	1993	1994	1995
<i>Total</i>	<i>100.00</i>	<i>100.00</i>	<i>100.00</i>	<i>100.00</i>
Mining	15.28	14.93	13.55	12.63
Coal mining	12.34	12.06	11.28	10.38
Manufacture of fabrics	6.13	5.91	5.91	5.55
Manufacture of clothing, furriery	7.14	7.86	8.20	9.24
Tanning and manufacture of products of leather	2.96	2.76	2.66	2.57
Manufacture of wood and products of wood	3.20	3.25	3.31	3.66
Manufacture of cellulose, paper products of paper	1.24	1.23	1.37	1.28
Publishing and printing	1.98	2.00	2.04	2.24
Manufacture of coke and petroleum products	0.77	0.80	0.82	0.79
manufacture of chemicals and man-made fibres	4.66	4.67	4.86	4.77
Manufacture of rubber and plastics	2.38	2.64	2.95	3.01
Manufacture of products of non-metallic materials	5.75	5.76	5.53	5.60
Manufacture of metals	5.55	5.67	5.32	5.06
Manufacture of end metal products	5.04	4.85	5.06	5.44
Manufacture of mechanical machinery and equipment	10.96	10.69	10.31	10.10
Manufacture of office machines and computers	0.22	0.16	0.13	0.14
Manufacture of electrical machinery and equipment	2.91	2.90	3.04	3.05
Manufacture of telecommunications equipment	2.05	1.82	1.68	1.52
manufacture of medical and specialised instruments	1.48	1.36	1.42	1.43
Manufacture of other equipment	3.70	3.34	3.51	3.34
Manufacture of other road equipment	4.10	4.03	4.01	3.83
Waste utilisation recycle reprocessing	0.20	0.19	0.23	0.21
Supply of electricity, gas and water	8.12	9.31	9.53	9.36
Manufacture of furniture, etc.	4.17	4.37	4.57	5.17

Source: Calculated on the basis of the Statistical Yearbook of Industry, Central Statistical Office, Warsaw, for the respective years.

Table 10. Structural changes in Polish industrial imports in the years 1992-1995
(in %)

Commodity sections of Polish National Classification	1992	1993	1994	1995
<i>Total industry</i>	<i>100.00</i>	<i>100.00</i>	<i>100.00</i>	<i>100.00</i>
<i>(USD million)</i>	<i>(13303.6)</i>	<i>(16627.6)</i>	<i>(19158.3)</i>	<i>(26062.6)</i>
Mineral products	22.96	16.29	13.86	12.31
Products of the chemical industry	13.83	12.52	13.27	12.48
Plastics & natural rubber & products of them	5.84	5.84	6.97	7.61
Leather and products of leather	0.22	0.79	0.96	1.02
Wood and products of wood	0.37	0.43	0.50	0.70
Cellulose, paper and products of paper	4.77	4.45	4.62	5.14
Textiles and clothing	5.19	10.96	11.68	10.81
Footwear, headgear and others	0.77	0.72	0.74	0.69
Products of non-metallic crude materials	1.94	1.84	2.07	2.34
Pearls, precious stones and products of them	0.09	0.06	0.08	0.07
Metals and products of metals	6.19	6.55	7.08	8.14
Machinery and equipment	30.38	26.64	26.60	26.80
Transport equipment	6.00	6.54	5.83	6.36
Medical and specialised instruments	3.75	3.52	3.05	3.06
Guns and munitions	0.06	0.06	0.04	0.05
Furniture and other industrial products	2.30	2.14	2.10	2.05
Masterpieces of art, etc.	0.09	0.02	0.01	0.01

Source: As for Table 6.

Table 11. Structural changes in Polish industrial imports from the European Union (15) in the years 1992-1995 (in %)

Commodity sections of Polish National Classification	1992	1993	1994	1995
<i>Total industry</i>	<i>100.00</i>	<i>100.00</i>	<i>100.00</i>	<i>100.00</i>
<i>(USD million)</i>	<i>(8710.6)</i>	<i>(10949.7)</i>	<i>(12832.4)</i>	<i>(17321.5)</i>
Mineral products	10.28	6.25	4.70	3.77
Products of the chemical industry	15.13	13.35	13.36	12.48
Plastics & natural rubber & products of them	7.13	7.34	8.42	8.59
Leather and products of leather	1.81	0.92	1.04	1.06
Wood and products of wood	0.40	0.43	2.48	0.56
Cellulose, paper and products of paper	5.76	5.52	5.86	6.33
Textiles and clothing	3.33	12.67	12.99	12.02
Footwear, headgear and others	0.50	0.47	0.46	0.43
Products of non-metallic crude materials	2.35	2.24	2.41	2.71
Pearls, precious stones and products of them	0.08	0.06	0.08	0.07
Metals and products of metals	6.97	7.39	7.88	8.95
Machinery and equipment	35.39	28.86	29.52	29.86
Transport equipment	6.03	8.28	7.27	7.91
Medical and specialised instruments	3.85	3.59	2.93	2.83
Guns and munitions	0.04	0.03	0.02	0.03
Furniture and other industrial products	2.45	2.38	2.26	2.18
Masterpieces of art, etc.	0.12	0.02	0.72	0.01
including sensitive products	8.05	18.95	18.46	18.13
Textiles and clothing	3.33	12.67	12.99	12.02
Coal	0.00	0.01	0.00	0.00
Iron and steel	2.84	2.86	2.91	3.76
Cars	1.88	3.41	2.56	2.35

Source: As for table 6.

**Table 12. Structural changes in Polish industrial exports in the years 1992-1995
(in %)**

Commodity sections of Polish National Classification	1992	1993	1994	1995
<i>Total industry</i>	<i>100.00</i>	<i>100.00</i>	<i>100.00</i>	<i>100.00</i>
<i>(USD million)</i>	<i>(11255.0)</i>	<i>(12497.1)</i>	<i>(15155.7)</i>	<i>(20384.2)</i>
Mineral products	16.14	13.70	12.78	11.22
Products of the chemical industry	8.51	6.80	6.86	7.65
Plastics & natural rubber & products of them	3.14	2.58	2.87	3.63
Leather and products of leather	1.15	1.04	0.94	0.96
Wood and products of wood	5.49	4.67	5.10	4.66
Cellulose, paper and products of paper	1.64	1.54	1.81	2.76
Textiles and clothing	3.38	15.29	14.94	13.93
Footwear, headgear and others	1.21	1.56	1.36	1.34
Products of non-metallic crude materials	2.22	2.07	2.16	2.13
Pearls, precious stones and products of them	0.5	0.88	1.28	0.90
Metals and products of metals	22.82	19.72	19.09	18.20
Machinery and equipment	13.02	11.49	11.42	12.89
Transport equipment	9.59	12.33	11.50	11.33
Medical and specialised instruments	0.77	0.56	0.76	0.64
Guns and munitions	0.26	0.09	0.18	0.09
Furniture and other industrial products	4.53	5.64	6.91	7.62
Masterpieces of art, etc.	0.16	0.03	0.05	0.04

Source: As for Table 6.

Table 13. Structural changes in Polish industrial exports to the European Union (15) in the years 1992-1995 (in %)

Commodity sections of Polish National Classification	1992	1993	1994	1995
<i>Total industry</i>	<i>100.00</i>	<i>100.00</i>	<i>100.00</i>	<i>100.00</i>
<i>(USD million)</i>	<i>(7353.0)</i>	<i>(8752.8)</i>	<i>(10753.4)</i>	<i>(14668.7)</i>
Mineral products	14.94	13.83	12.35	9.27
Products of the chemical industry	7.92	4.71	4.91	5.32
Plastics & natural rubber & products of them	3.78	2.84	2.67	3.35
Leather and products of leather	1.56	1.35	1.21	1.23
Wood and products of wood	7.85	6.18	6.61	5.97
Cellulose, paper and products of paper	1.39	1.38	1.64	2.21
Textiles and clothing	9.54	18.97	18.51	17.15
Footwear, headgear and others	1.30	1.76	1.42	1.33
Products of non-metallic crude materials	2.39	1.92	2.05	1.99
Pearls, precious stones and products of them	0.45	0.44	1.38	1.14
Metals and products of metals	23.83	17.33	18.12	18.30
Machinery and equipment	10.83	8.89	9.52	11.12
Transport equipment	8.46	12.82	10.74	12.57
Medical and specialised instruments	0.67	0.47	0.67	0.51
Guns and munitions	0.04	0.02	0.02	0.01
Furniture and other industrial products	6.22	7.05	8.13	8.49
Masterpieces of art, etc.	0.17	0.04	0.05	0.04
including sensitive products	28.78	38.16	36.15	32.58
Textiles and clothing	9.54	18.97	18.51	17.15
Coal	9.97	9.43	8.25	5.95
Iron and steel	5.81	3.67	4.70	5.07
Cars	3.46	6.09	4.69	4.41

Source: As for table 6.

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