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CHANGES IN THE COMMODITY STRUCTURE IN POLAND'S FOREIGN TRADE IN THE YEARS 1992–1996

INTRODUCTION

Following the systemic change and the transition from the command to the free market economy, trade was the one sector of the Polish economy which experienced the fastest and most significant changes.

On January 1, 1990, the Polish foreign trade was liberalised. The relevant parliamentary act provided that commodity trade should be permitted to all economic entities on equal rights, and any formerly required licences were abolished. Thus, the monopoly of the state with regard to foreign trade

came to an end. Licensing was limited to trade in certain commodities, primarily related to the security of the state.

Since 1993, a dynamic increase in trade turnover, mainly imports, has been observed, which in turn has brought about a growing negative balance of trade. In the years 1992–1996, exports, calculated in current prices in American dollars, increased by 85.3 per cent, while imports — by 133.4 per cent. In 1996, the overall value of exports amounted to 24.4 billion USD (an increase by 6.7 per cent in comparison to 1995), and of imports — 37.1 billion USD (an increase by 27.8 per cent). The import surplus reached an unprecedented 12.7 billion USD and increased twofold as compared to 1995.

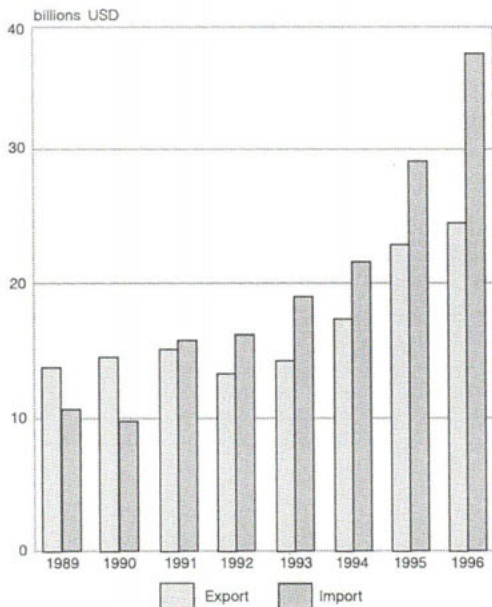


Fig. 1. Poland's foreign trade in the years 1989–1996.

The private sector plays a dominant role in foreign trade; its share in imports grew from 46.1 per cent in 1991 to 69.7 per cent in 1995, and in exports — from 19.8 per cent to 56.8 per cent in the same period.

Due to the collapse of the communist system in Central and Eastern European countries and the dissolution of the Council for Mutual Economic Aid, the foreign trade policies had to be reviewed. While in 1980s the Soviet Union and other socialist countries were Poland's major partners in trade, and the Federal Republic of Germany was the only significant partner among capitalist countries, currently the bulk of trade is done with European Union countries (in 1996 — 66.3 per cent of the aggregate exports and 63.9 per cent of imports).

Changes also affected the commodity structure. Starting with January 1992, a complex modernisation of the foreign trade statistics was embarked upon, which aimed at adapting it to the relevant practices of the highly-developed countries¹.

Statistical data relating to the goods structure of foreign trade is shown in Polish statistical yearbooks according to different, incomparable classifications, namely: the Systematic Nomenclature of Goods [SWW], the Polish Combined Commodity Nomenclature for Foreign Trade [PCN], and the Standard International Trade Classification [SITC]². Since the selection of any of them has its advantages and disadvantages, this paper outlines the changes according to the PCN standard, which is currently in force.

COMMODITY STRUCTURE OF EXPORTS

The economic crisis of 1980s, and subsequently starting the systemic changes in 1990, which was followed by the abandoning of the centralised model of economic management, revealed the lack of competitiveness of many Polish goods and relatively loose ties between the Polish economy and the international markets.

The years 1992–1996 saw the greatest increase in the exports of textiles and clothing (from 7.1 to 12.0 per cent), various finished products such as

¹ Currently the customs clearance document, called the SAD (Single Administrative Document), modelled on customs declaration documents used in EU and EFTA countries, is used as a source of statistical data for all purposes.

² In the past, commodity structure of foreign trade was shown taking into consideration the division of the economy into sectors according to SWW. This classification, emphasising the role of industrial goods in commodity trade, was used until mid-1990s. Now it has been abandoned due to the adoption of the European Community Classification of Economic Activities [EKD].

Since January 1, 1994, the PCN, following the classification used in the EU, has been the basis for the Polish customs tariffs and foreign trade statistics. Statistical data is also shown according to the methodology of the UN Statistical Bureau (SITC).

furniture, toys and prefabricated components for buildings (from 8.2 to 10.7 per cent). In the same period, there was a decrease in the exports of mineral products (from 13.8 to 8.3 per cent), base metals and products (despite a fall from 19.5 to 14.5 per cent they still remained the main export sector), plant produce (from 5.6 to 2.5 per cent), livestock and animal produce (from 5.3 to 3.1 per cent).

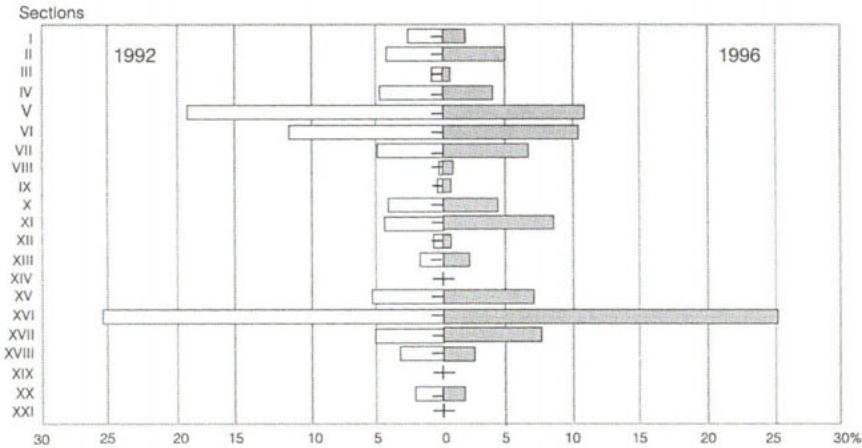


Fig. 2. Commodity structure of Polish exports in 1992 and 1996 according to PCN.

Classification of foreign trade according to the PCN: I — livestock and animal produce; II — plant produce; III — fats and oils; IV — processed foodstuffs; V — mineral products; VI — chemicals; VII — plastics and plastic products; VIII — leather and leather products; IX — wood and wooden products; X — wood pulp, paper, cardboard and related products; XI — textiles and textile products; XII — footwear, headgear etc.; XIII — stone products, ceramics, glassware; XIV — pearls, precious stones, noble metals and products; XV — base metals and products; XVI — machines and equipment, electrical and electrical engineering equipment; XVII — transportation equipment; XVIII — optical, photographic, monitoring devices; XIX — weapons and munitions; XX — various finished products; furniture, prefabricated building components, toys; XXI — works of art, antiques and collector's items.

To illustrate the changes in the commodity structure of export, the structure transformation ratio was used (W_p). Its value was 17.6, which demonstrates that the changes in exports were not significant³.

Changes in the export of specific goods can be regarded as interesting. Hard coal used to be the main export product for several decades, despite

³ It is calculated according to the formula: $W_p = \frac{1}{2} \sum_{k=1}^n (C_k^0)$; where: W_p — ratio of foreign

trade commodity trade transformation; C — share of sectors (sections) k in the overall value of exports (imports) in the final year; C — share of sectors (sections) k in the overall value of exports (imports) in the initial year; k — number of sectors (sections), 1, 2, ... n. If the trade commodity structure does not change, the ratio is zero, and if it changes entirely, the ratio is 100.

its varying share in the overall export volume. In 1980s, the share of chemical minerals (sulphur), fertilizers, water transportation facilities, non-ferrous metal products, automotive vehicles, rolled products and metal products was also significant.

In 1990s, many plants geared to production for the COMECON markets failed to cope with the challenge posed by the transition to the free-market economy and collapsed. In other industrial sectors, western investments allowed for plant modernisation and a considerable increase in export production. The furniture industry can serve as a very good example; having been revitalised by foreign capital, it now sells over 70 per cent of its production abroad. As a result of the above changes, currently the key export products include furniture and furniture components (primarily to Germany), clothing (Germany), hard coal (Ukraine, Finland, Germany), copper (Germany, Great Britain, Holland), ships (Germany, Finland) and passenger cars (Italy, Germany).

As regards the commodity structure of foreign trade, between the public and the private sector. In 1995, private sector enterprises exported mainly textiles and textile products (17.0 per cent of the value of private sector exports), machines and equipment, electrical and electrical engineering equipment (13.4 per cent), base metals and products (10.7 per cent), and foodstuffs (17.4 per cent, sections I — IV), while the public sector enterprises exported primarily: non-ferrous metals and products (23.4 per cent of the value of public sector exports), mineral products (18.3 per cent), transportation equipment (13.0 per cent) and chemicals (11.8 per cent).

In spite of the positive changes in the structure of the Polish export, the present situation cannot be considered as fully satisfactory. In comparison

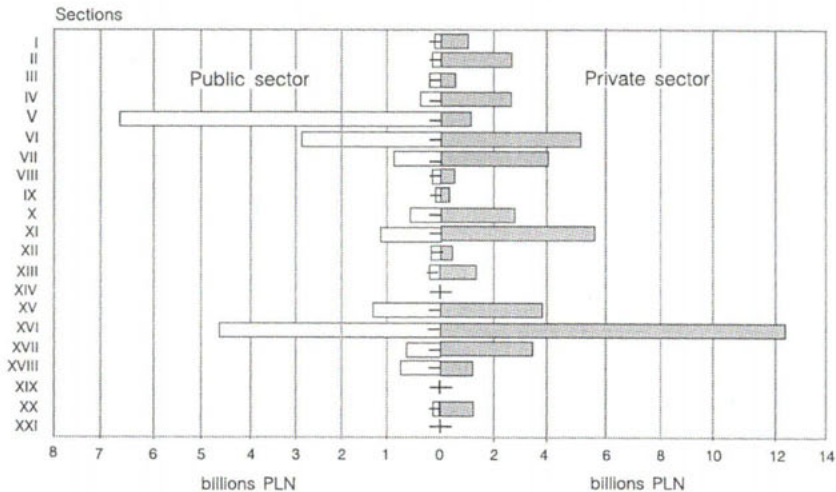


Fig. 3. Commodity structure of Polish exports in 1995 by sectors (classification of foreign trade according to the PCN as Fig. 2).

with European Union countries, products with large material, labour and capital consumption — that is, products with a low degree of processing — still play an important role in export. As regards products exported to the EU, they mainly include (in terms of export value) clothing, furniture, copper, coal, textile products, livestock, fruit, vegetables, steel and iron products, footwear, paper products, while the only technologically advanced products are ships and motor cars (respectively 4.6 and 1.1. of the Polish exports to the EU). Falling dynamics of the Polish export in 1996 was due not only to institutional and economic factors (a slump in EU countries in the years 1995/1996 and protectionist policies), but primarily to a small share of technologically advanced products in the overall export structure. A recession in the EU adversely affected the export of Polish minerals such as coal, coke and steel. Other reasons for the falling dynamics of export include depleting of the so-called simple reserves of the Polish economy and decreasing competitiveness of Polish manufacturers and exporters, resulting from a high inflation in Poland (several times higher than in West European countries). Inflationary increase of production costs raises prices, which foreign customers refuse to accept. Institutional and economic factors as well as the exchange rate policies add to the structural problems of the Polish export.

A high share of products with a large material (23 per cent) and labour (43 per cent) consumption, that is, low-processed and supply products significantly affected the diminishing dynamics of the Polish export in 1996 (in 1995 exports grew by 32.8 per cent, and in 1996 — by 6.7 per cent) and the increased trade deficit. Raw materials, foodstuffs, textiles and clothing are the products which are "sensitive" to a collapse of economic performance.

COMMODITY STRUCTURE OF IMPORTS

According to the PCN, the years 1992–1996 saw a biggest increase in the import of textiles and clothing (from 4.3 to 8.4 per cent) and transportation equipment (from 5.0 to 7.6 per cent). At the same time, the share of mineral products decreased (from 19.2 to 10.7 per cent). Machines and equipment, electric and electrical engineering equipment (with a fall from 25.4 to 25.3 per cent) remained the major imports.

However, the changes in the import structure were not so great as in the structure of exports. The Wp ratio was lower than in the case of exports, and amounted to 12.7.

In 1980s, the main imports were oil and natural gas. Falling prices of oil in world markets and the increasing significance of import of supply and investment goods considerably influenced the decrease in the share of fuel and energy in the imports structure. Nonetheless, oil and oil-derived products remained the key import commodities. They are imported mainly from Russia, Great Britain and Norway. Import of parts to automotive vehicles

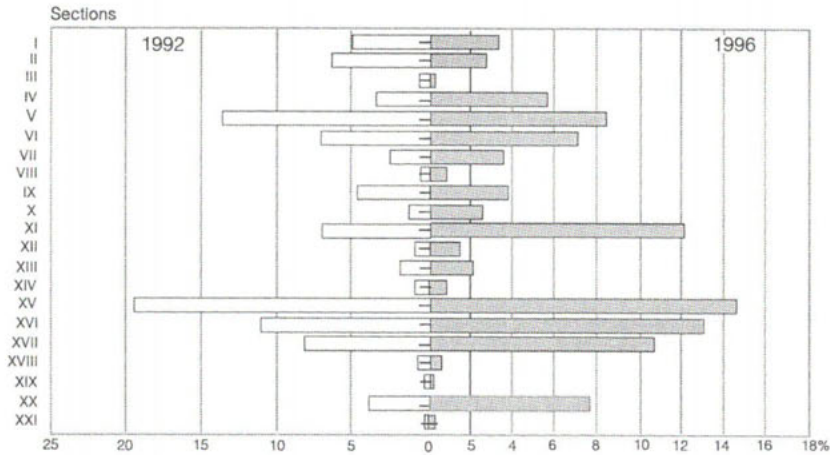


Fig. 4. Commodity structure of Polish imports in 1992 and 1996 according to PCN (classification of foreign trade according to the PCN as Fig. 2).

(primarily from Germany, Italy and Sweden), chemical fabrics (from Germany), medicines (from Germany, France, Great Britain), as well as paper and cardboard (from Germany, Finland, Sweden) also account for a large share of overall imports value.

The volume of import of automotive parts and accessories may seem surprising, since its value in 1995 (752.6 million USD) was higher than the value of imported passenger cars (466.6 million USD) and vehicles for transport of goods (113.0 million USD). This was mainly due to the private import of a large number of second-hand cars and car wrecks from West European countries.

In 1995, the major imports of the private sector included machines and equipment, electrical and electrical engineering equipment (25.2 per cent of the overall value of private sector imports), textiles and textile products (11.3 per cent) and chemicals (10.1 per cent), while the key imports of the public sector were mineral products (31.2 per cent of the value of public sector imports), electrical and electrical engineering equipment (21.4 per cent) and chemicals (13.7 per cent).

The basic problem of the Polish imports lies not in its commodity structure, but in its increasing dominance over exports, which results in the negative balance of official foreign trade. It should be stressed, however, that the dynamics of imports is significantly influenced by companies with foreign capital. In the years 1994–1996, the share of foreign companies in Poland's foreign trade increased from 18 to 38 per cent, and in imports from 42 per cent in 1995 to 48 per cent in 1996. A high propensity to import on the part of foreign investors is explained by the need to buy modern investment goods, which are supposed not only to technologically modernise, but even to *ärevolutioniseö* the Polish economy. In reality, however, investment

imports account only for 14.4 per cent of the overall imports of companies with foreign capital, while 21.7 per cent account for consumer goods, and the bulk are supply goods, i.e. packagings, raw materials, semi-products and subassemblies used for current production. It should not be expected therefore that such a commodity structure of imports will improve the technological advancement of the Polish economy.

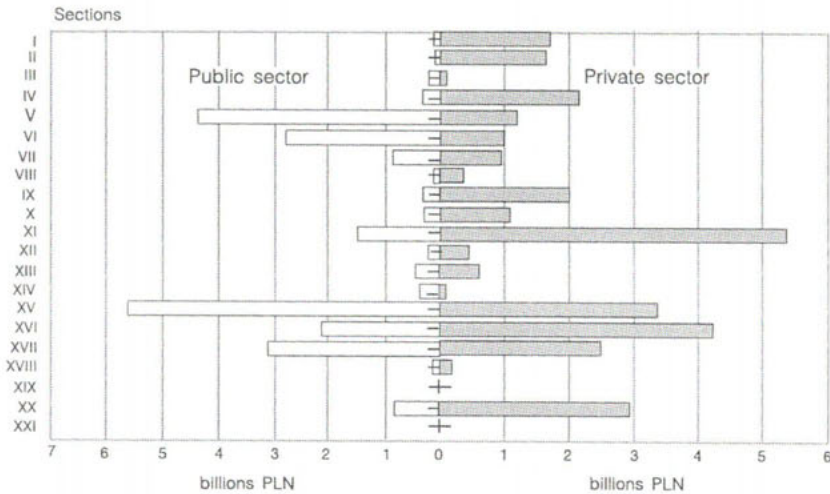


Fig. 5. Commodity structure of Polish imports in 1995 by sectors (classification of foreign trade according to the PCN as Fig. 2).

Such a big volume of supply imports results from the fact that domestic potential suppliers of foreign companies cannot meet the demands in terms of the quality of their products. In addition, the more foreign companies focus on the assembly of components entirely manufactured abroad, the bigger the dependence on supply imports. This applies mainly to the car industry.

A large share of consumer goods in the imports structure is a result of a high demand for consumer goods, mainly those from Western Europe. This demand is satisfied foremostly by private enterprises which aim for quick and high profits, and avoid incurring risks.

As a result of further development of assembly plants in Poland, technological backwardness of domestic manufacturers as well as a growing increase in the import of consumer goods, the current significant dependence of foreign enterprises from import may turn out to be a permanent, not a momentary phenomenon.

The influx of foreign investment capital to Poland is one of the fundamental prerequisites for the success of the ongoing economic transformation. Nevertheless, efforts should be made to alter the imports structure; investment imports should be increased at the expense of supply and consumer goods imports.

CONCLUSIONS

In the years 1992–1996, observable changes in the commodity structure of Poland's foreign trade took place. However, owing to the fact that substantial changes occurred only in several sectors, the overall changes in the structure were not great, and affected exports rather than imports. The most favourable changes include increased exports of goods manufactured in enterprises which grasped the opportunities offered by the economic transformation (e.g. furniture, clothing). On the other hand, the share of machine and electrical engineering industry products alarmingly decreased; the share of material- and labour-consuming — that is, low-processed — products, which are often sold at dumping prices, in exports remains too high.