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Will Polish Goods Be Crowded Out by American Ones?

In this study,¹ we analyse the potential substitution of Polish goods exported to the EU with American ones after tariffs are eliminated within the framework of TTIP (the so-called trade diversion effect). The survey covers the year 2014. Statistics (HS2 classification) come from TRAINS (tariffs) and COMTRADE (exports) databases.

POLISH AND AMERICAN EXPORTS OF THE EU'S MOST TARIFF-PROTECTED PRODUCT GROUPS

In this section, we examine the Polish and American shares of exports to the EU of 10 of the Union's most tariff-protected HS2 commodity groups (Table 1). It may show that TTIP's entry into force will negatively affect the competitive position of Polish products that were previously tariff-protected.

In the EU, the highest tariffs are imposed on agricultural products (meat, sugar, tobacco, dairy products). All 10 product groups with the highest level of EU tariff protection belong to this category, with the majority being processed food products. The highest tariffs are imposed on meat, which also comprise the biggest share of Polish EU exports in the analysed sample (group 2; 2.05 percent in 2014). Shares exceeding 1 percent were recorded in groups 4 and 24 (dairy products, tobacco). Those three groups are among the EU's

most tariff-protected, each carrying more than a 35 percent tariff.

The US shares of exports in those three product groups (as well as in all the other products listed in Table 1) are considerably lower (respectively: group 2 at 1.29 percent; 24 at 0.11 percent; and 4 at 0.45 percent). However, although meat is highly protected, it also has a relatively high share in American EU exports. When TTIP is concluded, Poland can expect tough competition in the EU meat market.

Next, we look at how the EU's most tariff-protected product groups are represented in American exports to non-EU countries. This helps eliminate the relatively weak position of some groups in American exports elsewhere as a reason for their lack of success in the EU. Moreover, a comparison of the respective US shares with Poland's reveals the position of Polish goods from the analysed groups in third markets where no preferences are granted, as they are in the European Single Market (Table 2).

Shares of Polish exports to non-EU markets in seven out of 10 of the EU's most tariff-protected product groups are higher than for the USA. The relatively better position of Poland than that of the USA in the markets for tobacco and dairy products (groups 24 and 4) is of special importance, as these goods comprise relatively large shares of Polish exports. Moreover, dairy products, which amount to 1.73 percent of non-EU trade, are the leading group of Polish exports among the analysed commodities, and their share is over three times that of the comparable US trade. The share of Polish meat exports to non-EU countries is lower than that of United States (1.26 percent compared to 1.53 percent), but with the second-highest share among the analysed groups, Poland's position in this market is relatively good. However, this data shows a



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Table 1
Product groups most protected on the EU market (average tariff in %) in the year 2014 and their share of exports to the EU from Poland and the US, respectively, in %, in 2014

HS	Product groups	Average* tariff** on US products	Polish share of exports to the EU-27***	US Share of exports to the EU-28
2	Meat and edible meat offal	37.12	2.05	1.29
17	Sugars and sugar confectioneries	36.88	0.32	0.16
24	Tobacco and manufactured tobacco substitutes	36.23	1.20	0.11
4	Dairy produce; birds' eggs; natural honey; edible products of animal origin not included elsewhere	35.07	1.29	0.45
11	Milling industry products; malt; starches; inulin; wheat gluten	31.17	0.10	0.07
16	Preparations of meat, fish or crustaceans etc.	23.08	0.66	0.17
20	Preparations of vegetables, fruit, nuts or other parts of plants	22.77	0.63	0.37
10	Cereals	14.91	0.62	1.67
19	Preparations of cereals, flour, starch or milk; pastry products	14.58	0.83	0.31
23	Residues and waste from the food industries; prepared animal fodder	14.34	0.42	0.88

* Simply average (to highlight the role of the highest tariffs in each product group)

** Non-tariff measures are not included

*** EU-28 minus Poland

Source: <http://databank.worldbank.org/data/views/variableselection/selectvariables.aspx?source=UNCTAD--Trade-Analysis-Information-System-%28TRAINS%29> and <http://wits.worldbank.org> (both accessed on 28 February 2015).

Table 2

Shares of the EU's most tariff-protected product groups in Polish and US exports to non-EU countries, in %, in 2014

HS	Share of Polish exports	Share of US exports
2	1.26	1.53
17	0.41	0.19
24	0.45	0.11
4	1.73	0.54
11	0.11	0.08
16	0.23	0.20
20	0.63	0.40
10	1.08	1.97
19	0.98	0.37
23	0.29	0.97

Source: <http://wits.worldbank.org> (accessed on 28 February 2016).

possible US challenge to Poland in the EU market for meat under TTIP as well.

TARIFF PROTECTION OF TOP POLISH EXPORT PRODUCTS AND THEIR POSITIONS AGAINST US EXPORTS

The last part of the study refers to the 10 product groups with the highest shares of Polish exports to the EU. We analyse the EU tariff protection of these products and their shares of Polish exports (Table 3), and subsequently compare them with the respective shares of US exports.

The most important items in Polish exports to the EU are processed goods (groups 84, 85, 87, 94 and 39, i.e. nuclear reactors, electrical machinery, vehicles, furniture and plastics). They are followed by less-proces-

sed commodities (e.g. mineral fuels and oils, iron, steel, and rubber as well as articles thereof).

EU tariffs imposed on the majority of the top 10 Polish export product groups coming into the EU market are low. The highest are tariffs on plastics (6.2 percent) and vehicles (5.86 percent). As the share of US exports to the EU of plastics is only slightly lower than the respective shares of Polish exports (0.71 p.p.) and a higher share of US exports than Polish exports go to non-EU markets (by 0.27 p.p.), this product is a potential rival to Polish plastics on the EU market. The situation is not much different with vehicles. Although their share in US exports to the EU is considerably lower than the respective share of Polish vehicles (by 2.82 p.p.), the difference between these shares in exports to non-EU countries is much smaller (2.12 p.p.) and the American share is bigger than the Polish one. It may make American vehicles an effective competitor to their Polish counterparts. This confrontation will not deprive Poland of opportunity, however, as these product groups account for a relatively large share of Polish exports to third countries too (respectively: 4.38 percent and 7.85 percent).

To conclude, we may say that the reasons for the smaller shares of the EU's 10 most highly protected product groups in US exports to the EU could be the Union's efficient protection of its products, the long distance between the trading partners, which prevents the transport of (often) perishable food products, and the weak position of some groups in overall US exports. It should be remembered that agri-food products will keep some degree of EU protection even after TTIP takes effect. Due to the fact that many of these pro-

Table 3

Product groups with the highest shares of Polish exports to the EU, Polish shares of exports of these products to the non-EU countries, and shares of these goods in US exports to the EU and to the non-EU countries (all in %), in 2014

HS	Product groups	Average* tariff** imposed on US products	Share of Polish exports to the EU-27 in 2014	Share of Polish exports to non-EU countries in 2014	Share of US exports to the EU-28 in 2014	Share of US exports to non-EU countries in 2014
84	Nuclear reactors, boilers, machinery and mechanical appliances; parts	1.71	14.87	19.17	12.88	13.13
85	Electrical machinery and equipment; sound recorders and reproducers, television image and sound recorders and reproducers; parts and accessories	2.57	13.51	12.38	8.01	8.42
87	Vehicles other than railway or tramway	5.86	12.07	7.85	9.25	9.97
94	rolling stock; parts and accessories	2.10	6.40	4.54	0.71	0.79
39	Furniture; bedding, mattresses, etc.	6.20	5.14	4.38	4.43	4.65
27	Plastics and articles thereof	0.61	4.76	4.13	11.35	11.66
73	Mineral fuels and oils and distilled products, etc.	1.67	3.79	3.65	1.49	1.64
89	Articles of iron or steel	1.12	3.02	10.37	0.23	0.24
40	Ships, boats and floating structures	2.44	2.80	2.29	0.99	1.03
72	Rubber and articles thereof	0.26	2.46	1.27	1.32	1.50

* Simply an average (to highlight the role of the highest tariffs in each product group).

** Non-tariff measures are not included.

Source: <http://databank.worldbank.org/data/views/variableselection/selectvariables.aspx?source=UNCTAD---Trade-Analysis-Information-System-%28TRAINS%29> and <http://wits.worldbank.org> (both accessed on 28 February 2016).

ducts are perishable or have relatively low value per weight unit (especially unprocessed ones), they are impossible or too expensive to transport, thus meaning that the EU market grants a long-lasting advantage to Polish products over American ones.

Plastics and vehicles are among those goods with the highest shares of Polish exports to the EU that are most at risk under TTIP. In other groups most important for Polish export, the tariffs are relatively low (not higher than 2.51 percent) and Poland's exports to non-EU countries perform as well as, or better than, the US exports (except for mineral fuels and oil, but these are not good candidates for the leadership of Polish exports).