
ARGUMENTA O ECONOMICA

1 • 1995

Academy of Economics in Wrocław
Wrocław 1995

TABLE OF CONTENTS

Wacław Długoborski
THE EVOLUTION OF SOCIAL SECURITY SYSTEMS
IN FREE MARKET ECONOMIES • 7

Andrzej J. Baborski
INDUCTIONAL METHODS OF KNOWLEDGE DISCOVERY
IN SYSTEMS OF ARTIFICIAL INTELLIGENCE • 21

Andrzej Baniak
COMPETITION BETWEEN THE STATE AND THE PRIVATE
SECTOR AND THE EFFECTS OF PRIVATIZATION • 35

Zygmunt Bobowski, Zbigniew Buczyński
ENVIRONMENTAL CONDITIONS OF JELENIA GÓRA REGION
AND SELECTED KINDS OF OFFENCES • 45

Krzysztof Jajuga
FINANCE – CHANGE OF PARADIGM IN TEACHING
AND RESEARCH • 51

Bożena Klimczak
MAN OF INTEGRITY OR ECONOMIC MAN • 61

Rafał Krupski
SELECTION METHODS OF PRIVATIZATION VARIANTS
IN PUBLIC UTILITY ENTERPRISES. AN EXAMPLE. • 67

Mieczysław Kufel

THE ESSENCE OF INCOME APPROACH IN BUSINESS
APPRAISALS • 75

Marek Obrębalski, Danuta Strahl
THE CONCEPT OF THE METHOD FOR APPRAISING
THE ACTIVITIES OF COMMUNES • 81

Jan Rymarczyk

NON-TARIFF INSTRUMENTS REGULATING POLISH FOREIGN
TRADE • 91

Jerzy Rymarczyk

THE ECONOMIC EFFECT OF INTRODUCING IMPORT TARIFFS.
A MODEL OF GENERAL EQUILIBRIUM • 99

Maria Węgrzyn

NATIONAL INSURANCE IN THE ECONOMIC TRANSFORMATION
PROCESS OF POLAND • 107

Andrzej Wilkowski

THE COEFFICIENT OF DEPENDENCE FOR CONSUMPTION
CURVE • 117

Bolesław Winiarski

REGIONAL POLICY AND THE ADMINISTRATIVE TERRITORIAL
STRUCTURE OF POLAND • 127

Stefan Wrzosek

CHOSEN METHODOLOGICAL ISSUES OF COMPANY VALUATION • 137

Czesław Zajac

MEANING OF METHODOLOGICAL RATIONALITY OF DECISION
MAKING IN A PHASE OF STRATEGY FORMULATION
IN INDUSTRIAL ENTERPRISE • 143

HABILITATION MONOGRAPHS

1992–1993 (summaries) • 149

LIST OF PUBLICATIONS BY THE ACADEMIC STAFF
OF THE WROCLAW ACADEMY OF ECONOMICS 1992–1993 • 161

Jan Rymarczyk

NON-TARIFF INSTRUMENTS
REGULATING POLISH
FOREIGN TRADE¹

Attempts at reforming the system, both in foreign trade and the whole economy, have been made, with varying intensity, in the years proceeding the transition to the new political-economic system. Some enforced legal modifications which attempted to liberalize the system were usually accompanied by traditional bureaucratic methods which resulted in the 'drifting' of the system.

The experience of unsuccessful reforms of the commanding-distributive system certainly influenced the extremely liberal Polish foreign trade policy which was introduced after the change in our political system up until the middle of 1991. Some of its supporters even declared that the best policy was the lack of one – it was meant to show the openness of our economy. But there is a difference between 'opening the economy' for trade between countries and 'opening the borders' to allow the uncontrolled influx of foreign goods. The costs of the Balcerowicz reforms were thus probably burdened to a large extent by the lack of awareness of this difference. It could be said that the case of Poland verified in a negative way a famous remark of M. Friedman that 'The government does not have to interfere with everything for the economy to be endangered. Only a few interventions would be sufficient' (Domańska 1992, 5, 214).

Certainly, the lack of 'few cases of state interference' placed the Polish domestic economy in serious danger, because foreign goods were flooding the home market. The almost total absence of protection threatened the existence of even the alcohol industry, which in every country is considered to be the most profitable (due to the high discrepancy between production costs and the market price of the product). One has to point out the enthusiasm which was generally

¹ This paper was published firstly in: *Prace Naukowe AE [RW of WAE]* 1994, No 674.

felt in the West towards the liberalism of Polish economic policies – causing the fairly ironic comment from Nobel Prize winner L. R. Klein that ‘those who support rigorous changes in Poland usually wish for state interventionism in the USA!’ (Domańska 1992, 5, 214).

The necessity of protecting domestic production and the domestic market even in a liberal economy situation was also pointed out by Professor Ken Monta, of the University of Hiroshima. In his article published in ‘Życie Gospodarcze’ (‘Życie Gospodarcze’, 8). Prof. Monta wrote that the beginnings of the dynamic development of the Japanese car industry were connected with the government decision to support it and to protect the domestic market. Japan used such means as preferential credits for investment, subsidies, exemption from duties for imports of raw materials and spare parts, assistance with imports of modern technologies as well as levying duties and taxing foreign car imports, introducing currency limits for importers of foreign cars and limiting direct foreign investment in the Japanese car industry. Professor Monta contrasted those policies with the ideas and actions concerning the Polish car industry. In particular he voiced doubts if the Fiat and General Motors consortia, which dominate this industry in Poland, would protect the Polish factories’ interests and if these factories would not become only the internal elements of production programmes of these consortia, whose interests rest largely outside the own interests of the Polish factories.

The growing awareness of the dangers arising from the lack of proper policies protecting the domestic market and its production – accompanied by the protests of farmers, fuel producers and other professional groups threatened by sharp competition from outside – led to the gradual adoption, from the second half of 1991, of more intensive protection of the domestic market, as suggested by the increase in August 1991 of customs tariffs and the introduction of amendments to the Customs law (Decree from 20 July 1991...). These amendments mostly meant accepting the use of the so-called market defence clause in the GATT agreements. In practice it meant that in cases where there is a threat (or the possibility of one) of losses for domestic producers it is possible to protect the market by employing various non-tariff means. There was also some sharpening of the rigours of customs control, allowing for the customs control to take place outside the customs zone and for a period of up to two years from the time the goods entered the Polish customs area. Other highlights of the amended customs law were:

- possibility of questioning by the customs official the credibility of the documents which are the basis of establishing customs value,
- exclusion of private cars from the so-called temporary customs clearance which meant in practice not being able to import cars on the basis of leasing contracts,
- introduction of demands of financial security for Customs charges and taxes for goods in transit in the Polish customs area.

However, it was not compulsory and could not be required of goods in transit based on the transit documents. Among other non-tariff means introduced that year for protecting the domestic market was a duty to obtain (from 21 September) permission for the import of fuels and (from 15 November) a requirement for such importers to have at least 10 billion zloty as opening capital (Supplement... 1992, 1). The latter two requirements were also introduced for importers of tobacco goods from 1 January 1992. Also from this date these restrictions became binding for alcohol importers. Quotas and permits to import alcohol and the total ban on imports of spirit and white vodkas had already become law in 1990. However, it did not prevent the continuing mass illegal influx of alcohol into Poland, and the sales on the domestic market of alcohol intended for export. Because exported alcohol was not burdened by transaction tax, it was profitable to falsify customs clearance documents and sell it in Poland instead. A growing amount of customs and tax offences forced the introduction of other non-tariff means in order to regulate foreign trade. Among those introduced on 1 January 1992 was an obligation to complete a uniform administrative document SAD and SAD BIS by all the economic subjects.

The significant point in the introduction of non-tariffs as a means of market protection was the decree from the Ministry of Foreign Economic Cooperation (MWGzZ) dated 21 February 1992, which extended the list of goods and services for which special concessions are required, to include tobacco products and fuels, setting import quotas on them, and defining the rules of administering import quotas for methylated alcohol, some alcoholic beverages, tobacco products and fuels (Dz. U. 1992 No 27). At present there are obligatory concessions on the following goods and services:

- uranium and thorium ore, radioactive elements and isotopes, nuclear reactors, equipment and machinery for separating isotopes etc.,
- auxillary implements and equipment concerning active fire devices,
- weapons and ammunition,
- building assembly installation and repair services of military equipment and structures,
- wines with alcohol content exceeding 22%,
- vermouth with alcohol content exceeding 22%,
- other beverages which are products of fermentation, in which alcohol content exceeds 80% (such as vodkas, liqueurs etc.),
- cigars and cigarettes,
- oils refined from crude oil and oils obtained from bituminous materials, other than raw materials.

Apart from granting concessions, the widely used non-tariff method of regulating foreign trade is setting quotas. At present, Poland has the following types of quotas:

A. **EXTERNAL EXPORT QUOTAS**, which include products where Poland has signed agreements restricting Polish exports:

- textiles and clothing to EU, USA, Canada and Norway,
- fruit to EU.

B. **DOMESTIC IMPORT QUOTAS**, set by the Minister of Foreign Economic Cooperation (MWGzZ) and the Ministers of Commerce and Industry. They have been fixed for the following products limited by concessions (Decree of the Minister... 1992),

- alcohol – approx 200,000 hectolitres per annum,
- cigarettes – 8 billion units,
- oil and petrol – 2,700,000 tonnes.

There is no quota for crude oil.

C. **CUSTOMS QUOTAS**, setting preferential zero custom rates for:

1) parts for industrial assembly of new passenger cars based on the licence obtained by the foreign producer (Decree of the Cabinet. 24 December 1992, item 513),

2) imports up to 30 June 1993 (Decree of the Cabinet. 24 December 1992, item 514):

- 300,000 to 800,000 tonnes of wheat,
- 200,000 tonnes of rye,
- 900,000 tonnes of barley,
- 100,000 tonnes of oats,

3) import of cars from EU countries (Decree of the Cabinet. 24 December 1992, item 515):

- 26,250 passenger cars without catalytic converter,
- 5,500 passenger cars with catalytic converter,
- 110 lorries,

4) electronic parts (Decree of the Cabinet. 25 January 1993) at the moment there is preferential (but not zero rated) customs duty rates on paper and fuels imported from EFTA countries and Finland.

A more drastic device for protecting the domestic market is the use of embargoes – a total ban on the imports and exports of certain products/trade with certain countries. In Poland, these apply to:

A. The import (as mentioned previously) of white spirits (Decree of the Cabinet. 24 July 1990), two-stroke engines (Decree of the Cabinet. 7 November 1990), passenger cars more than ten years old, and lorries more than six years old.

As far as dealing with certain countries is concerned, embargoes apply to:

- Iraq; except for imports of foodstuffs from Poland and the import of fuels from Iraq. (Permission is required for importing and exporting these goods.)

- Yugoslavia (Serbia and Montenegro); except for exports from Poland of medication, food and other products catering for humanitarian needs. Permission is not required for export.

B. Exports of rye and cattle-feed (up to 30 June 1993) (Decree of the Cabinet. 24 December 1992).

Another important non-tariff instrument of foreign trade policy is the temporary restriction that can be placed on exports and imports, which will require special permission to be obtained. At present these are applied to (Decree of the Cabinet. 24 December 1992):

- 1) the import of dairy products, beer, wine and natural gas,
- 2) the export of dairy products, alcohol, spirits, liqueurs, vodkas and other alcoholic beverages. Cigars, oil and petrol, natural gas, scrap-metal (steel and others) and grain until 30 June 1993 (Decree of the Cabinet. 24 December 1992) and coal (Decree of the Cabinet. 5 January 1993).

Among the basic non-tariff methods of restructuring foreign trade is the granting of licences, i.e. the introduction of permits to import and export. The possibility of using this method stems from the 'Decree on Principles of Economic Activities', which introduces objective restrictions and in particular defines kinds of economic activities requiring a licence from the Ministry of Foreign Economic Cooperation (MWGzZ) and its Board of Engineering or other institutions and on the basis of the customs law.

According to customs law, permits for export and import apply to the following goods:

- a) those requiring licencing,
- b) those subject to quota restriction in relation to their quantity, value and time limits,
- c) those which are the subject of international contracts where the fees have been paid in the clearance units used in foreign trade,
- d) scientific/technical records if exported,
- e) temporary imported or exported means of transport and equipment (except passenger cars) leased or given for use in business undertakings,
- f) high-technology goods, dual-purpose chemical substances, nuclear goods and technologies, as well as dual purpose materials and equipment, the exchange of which is subject to special contracts and limitations set out by international agreements or bilateral arrangements between countries or should follow certain conditions.

Among some other non-tariff barriers used in Polish foreign trade, one should mention the introduction of the 6% tax on the value of imported goods which is going to stay in use until the end of 1994, even after the introduction of VAT. There have also been prepared projects of:

- a) the introduction of excise, i.e. an additional tax on highly profitable goods, which will be set much higher for imports than for the equivalent domestic products,
- b) the introduction of compensation for certain imported goods as practised in EU countries.

However quickly the illusion of 'trade without frontiers' has been dispelled, the Polish market is still poorly protected. It is the result of, firstly, the legislative weakness in this area: the delayed implementation of regulations, often after the damage has been done, their haphazard and changeable nature and their lack of consequence and logic; and secondly, from the actual practice of market protection.

Despite the existence of various limitations in alcohol imports, it is still possible to find on the market the spirit 'Royal', and other white foreign vodkas, brandy and whisky at surprisingly low prices. The wholesale price of 'Johnny Walker' in 1992 was approximately 180,000 zł. At such a price on the domestic market the price abroad should not have exceeded US \$1.35 per 0,75l bottle if legally imported. In fact, the minimum cost for foreign producers amounts to approximately US \$5 which means that the Polish price should not be less than 470,000 zł. It has been calculated that in whisky smuggling operations, the state loses 414,000 zł per bottle, which with a typical lorry load equals around 5 billion zł (Supplement... 1992, 1).

It has been estimated that in 1992 there was a nine-fold increase in car smuggling and a four-fold one in cigarette smuggling ('Rynki Zagraniczne' 1993, 2). What seems peculiar is the fact that smuggled cigarettes are sold even in the Central Customs Office (GUC). Certainly such things could happen only with some form of cooperation by customs officials; in 1991 alone, 180 employees were dismissed for various breaches of conduct ('Rynki Zagraniczne' 1992, 6). Based on evidence deposited in the prosecutor's office, it has been estimated that customs officials receive at least 200 mn zł for letting through one TIR lorry without subjecting it to the usual customs control ('Gazeta Bankowa' 1993, 17). Many cases of illegal imports of goods have been discovered while examining warrants. In many cases, companies who were supposed to pass on warrants for domestic dealers did not exist. Often, of course, such sales were conducted without any documentation ('Gazeta Bankowa' 1993, 17).

These cases have been helped by not only the compliance of customs officials, staff shortages, low qualifications, lack of the necessary equipment and computer systems adjusted to Polish regulations and tariffs, but also the growing number of importers, estimated at 100,000. However, the weak protection of our domestic market does not suggest the necessity of a radical slow-down in importing western goods. Such a move would only mean a lack of competition for domestic monopolies, leading to the familiar consequence of selling goods past their sell-by date, products of inferior quality, unattractive goods at prices covering the lack of expertise of its producer. Moreover, it would not be possible at all bearing in mind Poland's temporary arrangements with the EU, the free-trade zone agreement with EFTA, GATT regulations etc.

The way out of the existing impasse could be based on the improving of the legislation and the practice of protecting the domestic market within the possi-

bilities outlined by international agreements. There is a wealth of methods and means available; examples of their implementation could be drawn from those practised by western countries which, despite preaching the principles of free trade, effectively defend their own markets with the use of arguments that are not always rational from the point of view of the other parties involved ('Gazeta Wyborcza' 1993, 12). An example here is the recent ban by the EU on meat imports from Poland under the guise of suspected foot-and-mouth disease.

REFERENCES

- Decree of the Cabinet. 24 July 1990 (Dz. U. No 47).
Decree of the Cabinet. 7 November 1990 (Dz. U. No 77).
Decree from 20 July 1991 (Dz. U. No 73).
Decree of the Cabinet. 24 December 1992 (Dz. U. No 101).
Decree of the Cabinet. 5 January 1993 (Dz. U. No 1).
Decree of the Cabinet. 25 January 1993 (Dz. U. No 8).
Decree of the Minister of Foreign Economic Cooperation (WGZZ). 31 December 1992 (Dz. U. No 2).
Domańska E. (1992): *Wokół interwencji państwa w gospodarke* [*State Interventionism in Economy*].
Dz. U. 1992 No 27.
'Gazeta Bankowa' 1993 No 19.
'Gazeta Wyborcza' 1993 No 37.
'Rynki Zagraniczne' 1992 No 49.
'Rynki Zagraniczne' 1993 No 51.
Supplement to 'Rynki Zagraniczne' 1992 No 61.
'Życie Gospodarcze' 1993 No 8.