




Liberalizing and harmful interventions in international trade: case of Poland

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Abstract

Motivation: As there is a need to track and analysis — with its practical implications — the responsibility for actions affecting international trade, therefore exploration of trade interventions implemented by Poland has its justification.

Aim: The aim of the paper is to reveal direction, scale and dynamics of both liberalizing and harmful interventions in international trade implemented by Poland. The goal to achieve is to answer crucial question: to what extent, EU protectionism is shaped by EU bodies only — and to what extent by Poland by itself.

Results: An analysis reveals both country-specific direction of interventions as well as country-specific sectors affected by liberalizing and harmful interventions. Although part of all interventions is those of EU bodies, Poland uses for instance state aid to stimulate national businesses as not all kinds of state aid are forbidden by EU law (types listed on not so short list in Article 107 of TFEU). Thus, as member states differ in their economic interests, one can observe differentiation in state interventions in scope of international trade.

Keywords: protectionism; international trade; Poland; interventions

JEL: F13; F15; F50

1. Introduction

Evidence from many studies — both theoretical and empirical — indicate clearly that the costs of trade protectionism exceed the benefits and that protectionism results in inter alia output to fall, inflation to rise in the short run (Barat-

tieri et al., 2021), aggregate income loss, losses to consumers (Fajgelbaum et al., 2020, pp. 1–55), rise in domestic price that stifles economic growth and depresses investment, and that numbers of jobs saved is offset by job losses in export-oriented industries (Abboushi, 2010, pp. 384–394). Although findings raise serious doubts about the utility of the argument in favour of protectionism, it still persists. Furthermore, the rationale behind protectionism analysis is both dynamics and changing nature of the phenomenon. After few decades of widespread liberalization and growth within the world economy, the first decade of XXI century witnessed rise in protectionism that has been termed ‘global protectionism’. With global protectionism, one of the key concerns is the idea of economic nationalism, which underpins recent protectionist sentiment. As Enderwick (2011, pp. 326–336) explains: in an era when many domestic economic goals like employment, interest, or exchange rates are more and more determined in world markets, the pursuit of national economic prestige may become a priority. This constitutes a premise of analysis national trade interventions. As modern protectionism is more secret (Yatsenko et al., 2020, pp. 516–526) tracking it is a challenge. Thus, the aim of the paper is to reveal both liberalizing and harmful interventions in international trade implemented by Poland, in terms of structure, direction and dynamics — as the main hypothesis is as follows: EU protectionism is not shaped by EU bodies only — but to some extent by its member states — in this case of Poland by itself. Such an approach is justified in the light of the needs of tracking protectionism among all world trade players also in context of responsibility for actions. Within integration groups, this responsibility is not so visible.

To achieve the purpose of the paper, statistical analysis was required (based on the Global Trade Alert, 2021). Additionally, data from World Integrated Trade Solutions (2021) database were analysed to reveal country-specific trade patterns. To determine the nature and type of individual interventions, the analysis also includes analysis of polish state interventions since 2009. Furthermore, data from European Commission (2021) database on Competition Cases were also analysed.

The analysis is organized into five sections. Following an introduction, literature review section discusses the issue of protectionism by EU member states — its premises and developments. The next section explains method used, that was focused on statistical analysis based on GTA database. In the research methodology section, a main hypothesis was also presented. Fourth section presents results of a study that are followed by discussion. In this section findings are compared to other studies’ results. The last section contains concluding comments as well as suggestions for future research.

2. Literature review

In the light of stages of integration in the classic Balassa (1961, pp. 1–10) approach — at least partly reflected in the processes of European integration —

transition to higher forms of integration is accompanied by a gradual elimination of internal discrimination (between members), while discrimination in external relations is maintained. Indeed, within European integration much was done to liberalize trade between member states. Notwithstanding, the process of barriers elimination between member states is still ongoing as it has never been free from disputes arising from the diverse interests of member states and EU institutions. In the light of rising tide of protectionism created by the economic recession in the late 1970s, to put an end to internal protectionism a new approach to harmonization policy by European Commission was announced, based on the *Cassis de Dijon* judgment. However, the reactions to the new approach varied. Few firms felt threatened by the removal of protectionist barriers by this new policy (Alter & Meunier-Aitsahlia, 1994, pp. 535–561). Previously, in 1974, a crucial claim concerning protectionism between member states was asserted. By the *Dassonville* formula, European Court of Justice interpreted prohibited by the Treaty (art. 30 of TFEU now) ‘quantitative restrictions on imports and all measures having equivalent effect’ as ‘all trading rules enacted by member states which are capable of hindering, directly or indirectly, actually or potentially, intra-Community trade, are to be considered as measures having an effect equivalent to quantitative restrictions’ (Judgment of the Court, 1974).

With the first enlargement of the UK, Denmark, and Ireland into the European Community, one could observe a heterogeneous image of the Community of member states with very different types of liberal and social democratic welfare states and different agricultural interests and, considering Ireland, a very different state of economic development. With the first oil-price crisis, national economies diverged widely in their sometimes protectionist responses to the crisis. Recognizing the differentiation as one of the premises of national protectionism among EU member states, Scharpf (2010, pp. 211–250) points to another circumstance: pro-European legal discourses and political rhetoric are still shaped by the idealistic commitment to promoting European integration against what is considered as protectionist impediments and nationalistic opposition.

As EU member states differ in their economic interests, although there is a common market in the EU, the national regulations of individual states are tempted by protectionism. Thus, one can observe ‘internal’ protectionism, which, in the name of particular EU countries, violates their neighbours’ economic interests and damages the internal market (Semeniuk, 2019, pp. 1–44).

Stefanescu (2009, pp. 199–213) points to the need of distinction between the external protectionism ‘at border’, consisting in measures to reduce imports by raising the tariffs or by import contingents and the internal protectionism consisting in subventions, state orders, reductions, or exemptions from state budget payments for some economic agents, as well as in the policies of state intervention. As far as external protectionism flourished before the 20th century, the internal one, known as nationalism or interventionism proved its efficiency in many economic crises through the 20th century and a few (like P. Krug-

man) recognized it as viable in the future. Erixon & Sally (2010, pp. 1–20) put a light on consequences: when the single market is under stress from internal protectionism, EU trade policy gives way to protectionism against outsiders. Lewis (2009, pp. 23–29) points that although the EU is a highly integrated, it is not immune to internal political pressure, by — *inter alia* — governments of individual member states to whom producers are raising their demands for protection. Thus, one can observe that EU member countries are increasingly responding to the economic downturn by acting in their own interests rather than that of the EU common market.

In case of Poland, it is worth to underline essential changes in Poland from the full monopoly of the state in international trade, introduced by the constitution of 1952, to its liquidation and the commencement of the liberalization process in 1989. At the beginning of the 1990s, the process of liberalization of access to the market for EU industrial goods took place (Czaja & Wach, 2009, pp. 145–161). Before EU accession liberalization in the scope of Polish trade in agricultural products was however limited (Molendowski, 2014, pp. 103–116). After 2004, significant changes took place as a consequence of Poland's accession to the EU. Trade flows of Poland were reoriented from the former socialist countries to new partners within EU (Habarta, 2016, pp. 97–106). By accepting the EU *acquis communautaire*, Poland became a party to all international customs and trade agreements concluded by the Community. Thus, the replacement of a national customs tariff with an integrated EU's tariff resulted in a range of fiscal, organizational, and financial consequences. Furthermore, accession removed trade barriers between Poland and other member states. However, a considerable increase in competitive pressure took place (Koszevska, 2007, pp. 9–12). Competitive pressure may induce protective measures. Despite the tariff-free and quota-free access to the EU internal market, there are still barriers to the free movement of goods and services (Wysokińska, 2017, pp. 101–123).

Many studies indicate existence of non-tariff barriers within intra-EU trade (see for instance: Aussilloux et al., 2011, pp. 1–4; Chen, 2004, pp. 93–118, Le et al., 2009, pp. 217–234). However, in the latter studies, one can find rather pessimistic conclusion, that 'the complete elimination of obstacles to trade across the Single Market is indeed a stylised and unrealistic assumption' (Aussilloux et al., 2011, pp. 1–4). As Pelkmans & de Brito (2012, pp. 1–151) underline, EU countries know that 'intra-EU protectionism, even when covert, is neither correct nor easy to achieve', nevertheless, the temptation exists.

3. Methods

Measuring protectionism is a challenge, and results from the complexity of this phenomenon, within which not only tariffs are increased but plenty of non-tariff measures (NTM) are introduced, including — *inter alia* — subsidies, licensing, quotas, sanitary and phytosanitary measures, rules of origin, price-control

measures, including additional taxes and charges. Thus, focus on tariffs only, brings risk in misjudgment of protectionism. As shown in Chart 1, countries often use tariffs in trade liberalization, but not as often when they impose trade restrictions using less obvious measures then.

What must be underlined however is that an analysis is not based on legal definition of protectionism. The determination that a given intervention had a negative effect on trade does not mean that it is — in the case of EU Member States — incompatible with EU law. This may happen, for instance, when, on the basis of the exceptions provided for in the *acquis communautaire*, EU member states (to emphasize: not only Poland) undertake actions aimed for example at protecting their domestic production, which may have a negative impact on another EU producer.

Analysis of scale and dynamics of protectionism is based on Global Trade Alert (2021) database, as it ‘has the most comprehensive coverage of all types of trade-discriminatory and trade-liberalizing measures’ (International Monetary Fund, 2016, p. 79). The starting point of analysis is 2009, when GTA was launched. From the GTA database all interventions that were implemented by Poland regarding goods trade between January 1st, 2009 and January 1st, 2021 were selected. The main task was to distinguish interventions that were a) implemented by Poland but based on EU/EC act and b) implemented by Poland on the basis of Poland’s state act. Such approach corresponds directly to the main hypothesis that EU protectionism is not shaped by EU bodies only — but to some extent by its member states — in this case of Poland by itself. Subsequently, work on the data was focused on distinguishing — among both A and B interventions — liberalizing and harmful interventions. The nature of the intervention was not determined on the basis of their legality, but the impact on trade, and was defined in the GTA database. Next, geographical dimension, dynamics, and types of interventions was analyzed. This part allowed to reveal both country-specific direction as well as country-specific sectors affected by trade interventions.

The strength of the method used is that in the analysis not only tariffs, but all measures are included. To avoid the risk in misjudgment of protectionism, more and more studies include tariffs as well as NTM in analysis (see Francois & Hoekman, 2019; Korwatanasakul & Baek, 2021; Yi, 2020). The method used in this study is straight, though has its limitations resulting from data availability in the medium term only. Thus, modelling capabilities are restricted at this stage and findings based on correlation required precaution as well. Still, that will be possible in the future, as GTA was designed to report measures that are ever-growing, providing information on new patterns of state intervention to monitor developments on up-to date basis (Evenett, 2009, pp. 607–610).

4. Results

As analysis reveals, one can notice both country-specific direction of interventions as well country-specific sectors affected by them. In this first dimension, in case of Poland's interventions regarding commercial trade, 102 countries were affected (Chart 2), compared to as many as 157 economies around the world, that were affected by EU harmful interventions that were implemented by Poland (Chart 3). What is noteworthy, one can find many EU member states on the list of affected countries by Poland's interventions with Czechia, Germany and Italy as the main countries affected by — respectively — 3.75%, 3.62% and 3.24% Poland's interventions. In case of EU harmful interventions, one can find bigger world trade players on the top list of economies affected, starting with China (5.65% of all EU interventions), Turkey, Argentina, South Africa, Chile, and United States of America. EU's harmful interventions were directed outwards, which is in contrary to direction of Poland's interventions, majority of which were directed to other EU member states. Poland's harmful interventions affected all EU member states, with no exception, although with different degree (Table 1). These results correspond to the list of top import partners of Poland, with Germany as a main importer, and Italy, France, Netherlands, and Czechia — respectively at 4th, 5th, 6th and 7th place (World Integrated Trade Solutions, 2021). Such correlation — between direction of Poland's interventions on the one hand and main importers to Poland is based on the structure of polish interventions, majority of which are import related (Chart 8). It follows that the direction of polish harmful intervention is driven mainly by polish (not EU as a whole) import patterns.

Regarding intervention types, one can notice significant differentiation between the EU and Poland in this scope (Table 2 and 3). Within harmful interventions of Poland, subsidies (including state loans, financial grants, tax or social insurance relief, capital injections and equity stakes including bailouts, loan guarantees, production subsidies as well as interest payment subsidies) play the greatest role, accounting for over 83.6% of all interventions. Among subsidies state loans play the greatest role, although majority of them are loans (as well as loans guarantees) granted by European Investment Bank, like for instance Support for Maspex's food and drinks production activities, JSW SA's coking coal and coke production activities, Grupa Azoty's production facility upgrades and R&D activities or Credit line agreement to support renewable energy projects in the Polish region Pomerania. Still, financial grants granted by Polish state are also frequently used within polish harmful interventions (for instance: Investment aid to brick manufacturer Zakład Ceramiki Budowlanej w Chmielowie, Investment aid to coke plant Koksownia Czestochowa Nowa, Investment aid to oil pipeline Brody-Adamowo or Investment aid to photovoltaic cell manufacturer Solar Group PL sp. z o. o.).

Poland's harmful interventions also include several export-related interventions, that is: export ban, export licensing and export-related non-tariff meas-

ures not elsewhere specified. In case of EU's harmful interventions, subsidies play the greatest role (39.4% of all interventions), still, many other types of interventions are used, including import tariff, import tariff quota, antidumping, antisubsidies and import quotas. What is noteworthy however, is that tariff measures are not the main type of harmful interventions, but they are the most popular type of liberalizing interventions (Table 4). That confirms the revealed rule, that tariffs are used more often within trade liberalization than within trade protection. That is, at the same time, rationale for analysis that goes beyond tariff measures only. What is striking however is that, only EU introduces liberalizing interventions. Poland is implementing plenty of such EC/EU acts but does not — like in case of protectionism measures — introduces actions to liberalize trade on its own.

Comparison regarding harmful interventions of EU and Poland reveals some differences as far as sectors affected are concerned (Chart 4). In case of Poland's interventions sectors of pharmaceuticals, motor vehicles and petroleum oils as well as basic organic chemicals were the most affected, accounting for 22% of all Poland's interventions. Furthermore, few sectors (like motor vehicles, petroleum oils, structural metal products, medical equipment) occur only on Poland's top list of the most affected sectors. In case of EU's harmful interventions, sector of fruits and nuts, basic organic chemicals and vegetables were the most affected. Still, some similarities are visible while comparing sectors affected by EU and Poland. Sectors of pharmaceutical products, basic organic chemicals as well as prepared and preserved fruits and nuts are alike on lists of the most affected by EU and by Poland's harmful interventions. Notwithstanding, differences in sectors affected suggest achieving country specific goals.

Naturally, EU/EC introduce more interventions than one member state. Poland is responsible for 35% of all harmful interventions that were implemented in Poland between 2009 and 2021. As already mentioned, what is striking, is that Poland does not introduce liberalizing interventions and implements only these that are introduced by EU only (Chart 7). Although Poland is active in introducing protectionism measures by its own, in scope of liberalization in international trade it counts on EU/EC decisions and does not undertake independent activities.

Independence is somehow revealed in analysis of dynamics of harmful interventions. One can notice there is no clear pattern between the number of interventions introduced by EU and by Poland (Chart 5). For instance, between 2009 and 2010 dynamics of EU harmful interventions decreased by 27%, and dynamics of Polish interventions decreased as well — by 66%. However, in 2011, there was a decrease (by 25%) in EU interventions, while Poland introduced more protectionism measures (increase by 40%).

If the increase in protectionism introduced by the EU was accompanied by a decrease in protectionism in Poland and vice versa, a thesis could be that national interventions are substitutable with the EU ones. If the increase/decrease in EU interventions was accompanied by a corresponding increase/decrease

in Polish interventions, a hypothesis of the complementarity of EU and national policies could be presented. However, there is no correlation between them (the correlation index is 0.0003) — Chart 6. Notwithstanding, this correlation is based on data within the medium-term — i.e., twelve years perspective. Therefore, this conclusion requires caution.

5. Conclusion

The EU, as one of the main players in the scope of international trade, is the subject of analyzes of its policy aimed at liberalization and/or trade protection. At the same time, analyzes relating to the actions of individual member states are rare. The analysis confirms the conclusions from the (sparse) studies so far, that EU member states introduce protectionist measures to protect their own interests and to prevent the alleged negative effects of competition (Bolkestein & Gerken, 2015). Findings also correspond to the result of a study of Piekutowska & Marcinkiewicz (2020, pp. 728–740), according to which any EU member state can be qualified as a purely liberal nor fully protectionist in scope of international trade. Still, the value added of presented study is an answer to the critical question: to what extent, EU protectionism is shaped by EU bodies only — and to what extent by Poland by itself? As analysis revealed, 35% of all harmful interventions that were implemented in Poland were introduced by Poland itself. An analysis of types of interventions indicates circumstances of such state of affairs. Considering the fact, that common commercial policy and custom union are areas of exclusive EU competences, the list of UE intervention types should come as no surprise. On the other hand, EU member states protect their interest using for instance state aid, as by the law not all types of state aid are forbidden (types on not so short list in art. 107 of the TFEU). Still, in case of state aid, the European Commission is in charge to assess whether it can approve the support measure. For instance, within Art. 107(3)(c) TFEU legal basis, EC decided in 2017 to raise objections against aid instrument — classified as interest subsidy — concerning the introduction of interest payments related to investment loans of large enterprises in the agricultural sector that was notified by the Polish government in March 2015 (European Commission, 2017). On the same legal basis, EC has decided in 2010 to raise no objections to the aid measure in the form of Aid to PGNiG for underground gas storage (European Commission, 2010). However, in terms of Poland's state aid cases between 2003 and March 1st, 2021, the most common decision was not to raise objections. Out of 1418, in 451 cases such decision was made, which constitutes as much as 32% of all decisions (European Commission, 2021). These findings correspond to the result of study by Semeniuk (2019, pp. 1–44), according to which the EC should counteract protectionism of member states, especially if it disturbs common market, however the Commission is not always able to stop them and it may even favors certain forms of protectionism, or at least not oppose them strongly enough.

Furthermore, analysis of dynamics & sectors affected by interventions revealed that national interventions are aimed at own goals. Words of U.S. Tariff Commission Commissioner — Clubb (1971, pp. 192–197), that ‘the voices of those injured and those who imagine they are injured by imports will be heard’ reflect the logic behind national protectionism and — although pertaining to US — seems to be universal.

Poland is responsible for implementing harmful interventions in international trade — by implementing both EU/EC acts as well as its own, national decisions. What is striking however, is that majority of Polish harmful interventions affect other EU member states. Furthermore, differences in sectors affected by Polish and EU interventions also suggest achieving country specific goals. Finally, there is no correlation between the dynamics of Polish and EU’s interventions, suggesting their independence. The different level of development and competitiveness as well as diversification of interests among EU member states may explain state actions aimed at protecting national interest. As Grottel (2016, pp. 69–80) adds, in the times of global crisis, public aid as well as aid packages have changed the directions of international trade policy set by the WTO for many years, but they seemed to be necessary.

As significant share of harmful interventions affects other EU member states, findings therefore indicate actions that are harmful to common market. Still, findings presented in this paper have their limitations — the main one is the medium-term perspective. What is more, in further studies an analysis covering all EU member states would be desirable.

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Appendix

Table 1.
EU member states affected by Poland's harmful interventions in 2009–2020

Rank	EU member state	Percent of all Poland's harmful interventions
1	Czechia	3.75
2	Germany	3.62
3	Italy	3.24
4	Belgium	3.05
5	United Kingdom	3.05
6	Sweden	2.99
8	Slovakia	2.92
9	Austria	2.86
10	France	2.86
11	Hungary	2.86
12	Netherlands	2.86
14	Spain	2.61
15	Denmark	2.29
17	Lithuania	2.16
21	Finland	1.91
24	Romania	1.78
26	Slovenia	1.65
28	Portugal	1.53
32	Latvia	1.21
33	Estonia	1.14
34	Ireland	1.14
38	Bulgaria	0.95
40	Luxembourg	0.95
43	Croatia	0.83
46	Greece	0.76
48	Cyprus	0.57
67	Malta	0.25
sum of all EU member states		55.82

Source: Own preparation based on Global Trade Alert (2021).



Table 2.
Harmful interventions of Poland in 2009–2020 by type (in %)

subsidies (excluding export subsidies)	state loan	28.57
	financial grant	22.88
	tax or social insurance relief	12.39
	capital injection and equity stakes	10.56
	loan guarantee	8.66
	production subsidy	0.38
	interest payment subsidy	0.13
export prohibition	export ban	7.21
export measures	export-related NTM	2.84
instrument unclear	import-related NTM	2.59
licensing	export licensing	2.15
export subsidies	trade finance	1.64

Source: Own preparation based on Global Trade Alert (2021).

Table 3.
Harmful interventions of EU in 2009–2020 by type (in %)

subsidies (excluding export subsidies)	price stabilisation	24.26
	tax or social insurance relief	8.49
	financial grant	4.36
	production subsidy	2.06
	loan guarantee	0.07
	state loan	0.07
	capital injection and equity stakes	0.03
tariff measures	import tariff	38.76
tariff-rate quotas	import tariff quota	9.42
antidumping	anti-dumping	3.37
	anti-circumvention	0.93
export subsidies	export subsidy	3.30
export credits	other export incentive	1.10
licensing- or permit requirements to export	export licensing requirement	1.07
general (multilateral) safeguard	safeguard	0.72
countervailing measure	anti-subsidy	0.65
non-automatic import-licensing procedures other than authorizations for SPS or TBT reasons	import licensing requirement	0.65
instrument unclear	import-related non-tariff measure, nes	0.27
quotas	import quota	0.21
export quotas	export quota	0.17
prohibitions other than for SPS and TBT reasons	import ban	0.03

Source: Own preparation based on Global Trade Alert (2021).

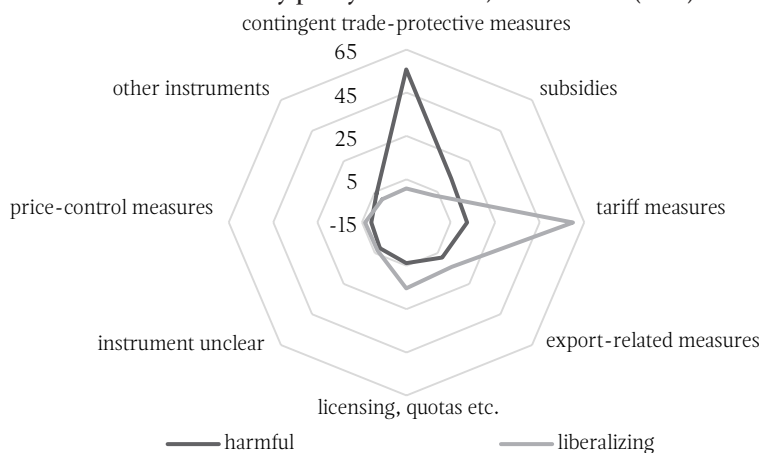


Table 4.
Liberalizing interventions of EU in 2009–2020 by type (in %)

tariff measures	import tariff	49.66
subsidies	price stabilisation	23.83
	production subsidy	0.42
tariff-rate quotas	import tariff quota	12.42
export credits	other export incentive	3.60
export subsidies	export subsidy	3.04
non-automatic import-licensing procedures other than authorizations for SPS or TBT reasons	import licensing requirement	2.71
licensing or permit requirements to export	export licensing requirement	1.77
export quotas	export quota	1.47
quotas	import quota	0.78
internal taxes and charges levied on imports	internal taxation of imports	0.26
instrument unclear	import-related NTM	0.03

Source: Own preparation based on Global Trade Alert (2021).

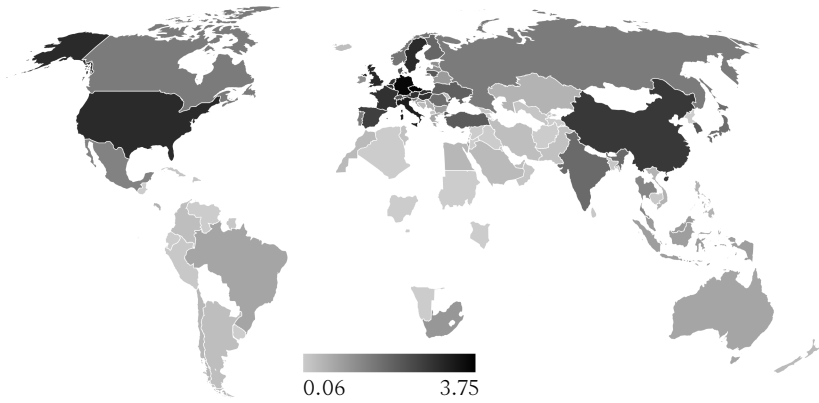
Chart 1.
Interventions in world trade by policy instrument, 2009–2020 (in %)



Source: Own preparation based on Global Trade Alert (2021).

Chart 2.

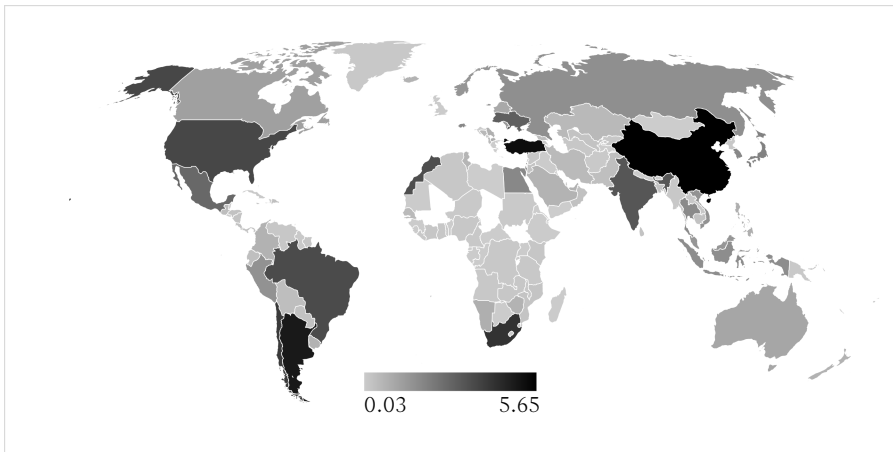
Harmful interventions of Poland in 2009–2020 in goods trade by affected jurisdiction (share in all Poland's interventions, in %)



Source: Own preparation based on Global Trade Alert (2021).

Chart 3.

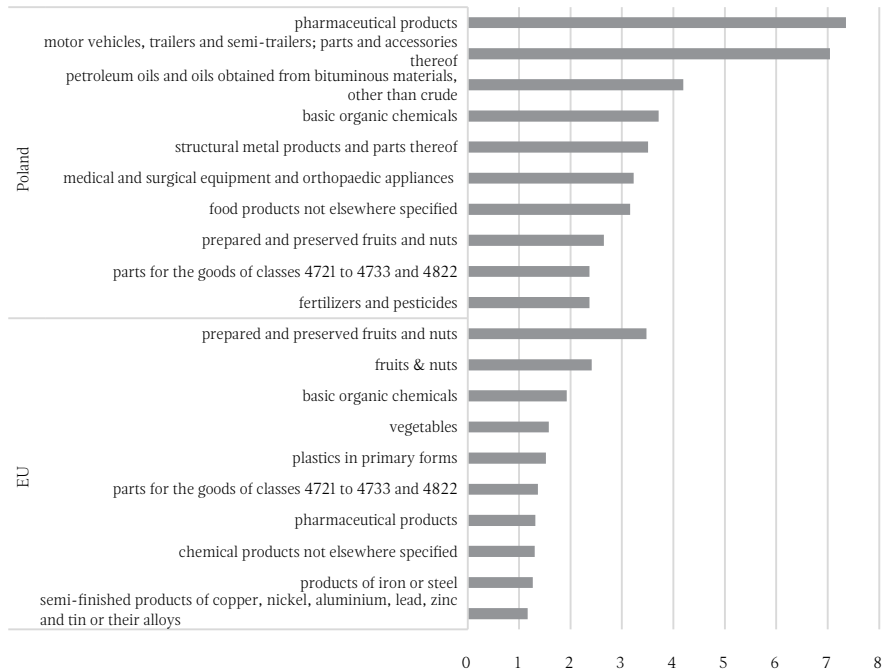
Harmful interventions of EU in 2009–2020 in goods trade by affected jurisdiction (share in all EU interventions, in %)



Source: Own preparation based on Global Trade Alert (2021).

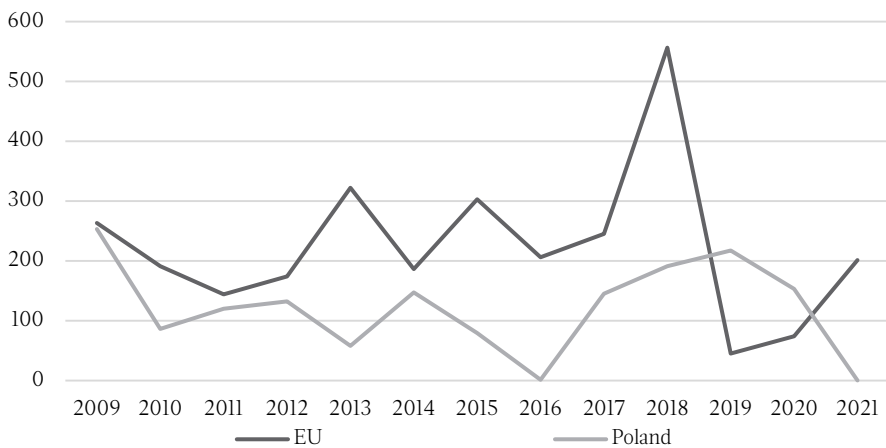


Chart 4.
Sectors affected most often by harmful interventions of Poland and EU in 2009–2020
(% of all interventions)



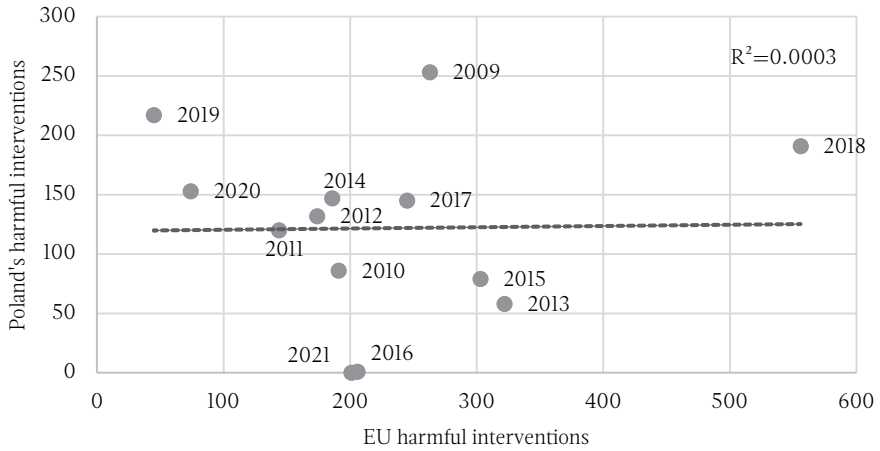
Source: Own preparation based on Global Trade Alert (2021).

Chart 5.
Harmful interventions of Poland and EU in 2009–2020



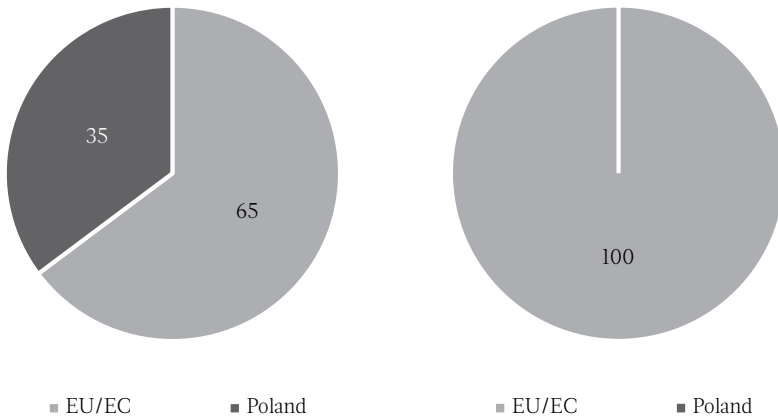
Source: Own preparation based on Global Trade Alert (2021).

Chart 6.
Harmful interventions of Poland and EU in 2009–2020, trend

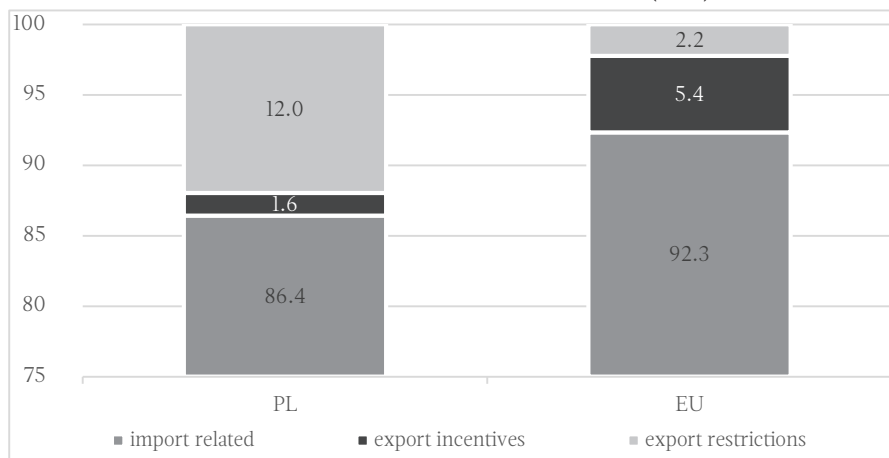


Source: Own preparation based on Global Trade Alert (2021).

Chart 7.
Share of Poland and EU in harmful (left side) and liberalizing (right side) interventions in 2009–2020 (in %)



Source: Own preparation based on Global Trade Alert (2021).

Chart 8.**Structure of Poland's and EU's interventions in 2009–2020 (in %)**

Source: Own preparation based on Global Trade Alert (2021).

