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Empirical Paper

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Fifteen years of Poland's membership of the European Union: Poland's participation in the internal market for services

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Abstract: The purpose of this article is to examine the changes that have occurred after Poland's integration into the European Union (EU) internal market for services after 2004 considering the legal changes adopted in the EU relating to the free movement of services, namely, the Service Directive. An examination of the Directive's outcome and the development of the market integration process permit the conclusion that the changes in regulatory trade barriers have had a relatively limited impact on the changes that have occurred in EU–Polish ties concerning services trade. These were predominantly shaped by structural and macroeconomic factors. From an analysis of the structure of Poland's services trade, a picture emerges of a deepening asymmetry between the exports and imports sides of Poland's participation in the internal market.

Keywords: Services Directive, Poland, EU, integration, trade in services
JEL Classification: F1

1 Introduction

Fifteen years of Poland's accession to the European Union (EU) raises a question about the current state of integration, particularly with regard to one of the basic elements of economic integration, namely, free movement of services. The purpose of this research is to examine the changes that have occurred since Poland's market integration into the EU internal market for services after 2004 considering the legal regulations adopted, especially the Services Directive, aimed at achieving the full potential of the services markets by removing the legal and administrative barriers to trade.

The institutional and legal changes in the internal market for services should result in closer real linkages between the EU Member States. Therefore, we examine the importance of the internal market to the Polish economy mostly resulting from the share of services in Polish trade, in particular in the form of participation in global value chains and, naturally, the proportion and structure of intra-EU trade in Polish trade. The research methods used included literature review and empirical analysis using statistics from the World Trade Organization (WTO), European Statistical Office (Eurostat), and Organization for Economic Cooperation and Development (OECD)–Trade in Value added (TiVA) databases.

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2 Barriers restricting the free movement of services in the EU market

Strong demand over the past decades for better information on restrictions to international services from trade negotiators, researchers, and the private sector has contributed to the fact that the volume of information on barriers has substantially increased [Borchert et al., 2012]. The World Bank and the OECD have each developed a number of indexes on barriers to trade in services, such as the following [Borchert et al., 2012; Grosso et al., 2015]:
- The *OECD Services Trade Restrictiveness Index*, calculated for 18 service subsectors (legal, accounting, architecture, engineering, insurance, banking, and computer services) for 40 countries as of the end of 2013;
- The *World Bank Services Trade Restrictions Index*, constructed for 19 service subsectors (legal, accounting, insurance, and banking services) in 103 countries, with most of the information collected in 2008;
- The *OECD Indicators of Product Market Regulation*, covering policies, regulations, as well as administrative and procedural requirements affecting foreign and local businesses at the sector level for OECD countries;
- The *World Bank Doing Business* initiative, ranking 189 economies according to how conducive their regulatory environments are for business operations in numerous sectors; the index accounts for business regulations and the protection of property rights for both foreign and local businesses;
- The *World Bank Investing Across Borders* initiative, comparing different countries' regulations of foreign direct investment; the index accounts for a range of laws (including investment and company laws) affecting foreign businesses.

The OECD and World Bank indexes facilitate the analysis of differences in barriers to international trade in services across a range of the world's economies. Despite the fact that the indexes are subject to data and methodological limitations, they can provide some important insight into the restrictiveness of trade barriers. The index scores suggest that developing countries have the greatest restrictions on services trade in the financial, professional, and information technology (IT) service sectors [Productivity Commission, 2015].

The highest index scores are in the subsectors that have traditionally been subject to a high level of regulation — the legal, accounting, insurance, and banking subsectors. Common restrictions in the professional services sector relate to the movement of people through professional licensing regulations, foreign ownership restrictions, and other market entry conditions [Grosso et al., 2014a, 2014b], whereas in the financial sector, foreign equity limits and restrictions on legal form are significant [Rouzet et al., 2014].

In the EU, there exist a number of restrictions on the internal market, which affect service providers, especially preventing small- and medium-sized enterprises (SMEs) from expanding their activities and fully benefiting from the internal market. Building a homogeneous and competitive market for services is one of the key priorities in the EU; hence, the services sector has great significance for economic growth and creation of employment – it is a driving engine of EU economic development, accounting for 73% of total employment in the EU and 62% of value added [Copenhagen Economics, 2018]. The EU is still building the Single Market for services: its creation requires both abolishing the existing barriers on the EU level in cross-border activities, as well as simultaneous reforms of domestic markets for services, which will mean reducing their diversity.

The studies devoted to the issue of creation of the Single Market for services capture the potential benefits from reducing the barriers to services trade in the EU internal market. In discussions on the actual effects of the EU internal market on trade flows, authors of especially early analyses base their studies on the classical theory of customs union [Viner, 1950; Meade, 1955], identifying, generally speaking, an increase in the share of intrablock-traded goods as the trade effects of economic integration. Trying to solve problems encountered in the estimation of trade creation and trade diversion, researchers apply different methods, for instance, by examining the relative performance of the European Economic Community countries

[Lamfalussy, 1963], comparing actual and hypothetical trade flow [Waelbroeck, 1964] or the ex-post income elasticities of import demand in the preintegration and the postintegration periods [Balassa, 1967], to name a few. The most recent and most sophisticated generation of empirical studies applies the computable general equilibrium (CGE) modeling [Baldwin et al., 1997; Brown et al., 1997]. The CGE has been largely used to assess the effects of the Services Directive 2006/123/EC enacted in order to facilitate the freedom of providing services between the EU Member States.

The intra-EU trade in services is affected by a variety of barriers more than trade in goods, despite the fact that under Art. 56 of the Treaty on the Functioning of the European Union (TFEU), imposing restrictions on freedom to provide services within the EU is prohibited with reference to Member States' citizens, who have an enterprise in a Member state different than the state of the recipient of the service. A number of barriers hampering the functioning of the Single Market for services can be identified, such as the following:

– Horizontal barriers: barriers that are not directly applied to service providers, but which have an impact on their operations, e.g., permission to run a business, as well as administrative procedures and decision processes, can act as barriers restricting foreign service providers who are entering the market;
– Regulative barriers and additional costs: costs of the observance of regulations resulting from failure to recognize the compliance of a foreign company's functioning principles with the regulations applicable in the country where the service is provided. In the case of foreign service providers, it may lead to the duplication of legal requirements and incurring additional costs. For example, workers delegated to temporarily provide a service often have to undergo the process of satisfying the social security system of the country where the service is provided, despite the fact that they have already fulfilled these requirements in their home country;
– Barriers related to starting the service activity: in sectors, such as commercial medical laboratories, Member States require that service providers possess only one establishment. An authorization for the provision of some services depends, in turn, on the (repeated) recognition of professional qualifications, according to the regulations of the host country. For pharmacies and notary services, some Member States impose geographical quantitative limits. A newly established company may sometimes encounter additional obstacles as a test of economic needs before being allowed to undertake the business activity. In such an evaluation, local entrepreneurs often participate, similarly to the procedure of authorization [European Commission, 2002];
– Operational restrictions: some Member States stipulate that with reference to selected types of services, only local enterprises can provide them. Moreover, in some Member States, permanent or recommended prices of selected services (e.g., in the energy sector) are applied;
– Restrictions on using foreign services: Member States sometimes apply regulations that limit the use of services abroad, e.g., in some Member States, there are restrictions on returning the costs of medical services and health care provided in another EU member state [Kox et al., 2004, p. 19];
– Other barriers: e.g., differences in the terms and conditions of agreements, as well as cultural and linguistic differences. A foreign-based service provider may have difficulties to provide after-sales services, resulting from differences in the professional and financial liabilities or repair service, if provision of a service requires delegating workers [Kox et al., 2004, p. 19].

The key concern is not the application of different requirements of providing services protecting consumers, recipients of services, or the environment, but the fact that services are highly diversified. In the situation when all Member States apply similar rules and regulations, the adaptive costs would be fixed for providers, and on expanding their service activity to other countries, they would benefit from the economies of scale. However, the situation is different if countries have different requirements: then, the adaptive costs are variable and economies of scale often do not compensate for them. It seems that the main obstacles to implementing the idea of the free movement of services are not barriers by themselves, but their diversified nature, in particular, in different Member States.

The liberalization of providing services in the EU has been much slower than the introduction of the free movement of goods, preliminarily due to the fact that services are differently regulated by the Member States, as well as due to their intangible and heterogeneous nature. The Services Directive 2006/123/EC, covering services that account for >46% of EU gross domestic product (GDP) (Copenhagen Economics, 2018), is one of the key instruments that aim to achieve a fully functioning internal market by abolishing barriers in services [Szypulewska-Porczyńska, 2013, p. 105].

Although the Services Directive is of horizontal nature, it does not regulate all types of services; a number of services are excluded. The Services Directive covers various sectors, such as tourism, cultural and sport activities, wholesale and retail, construction, real estate, business services, and other services[1]. The provision of the majority of services not covered by the Services Directive (e.g., network, transport, and bank services) is regulated by sector-based directives [Szypulewska-Porczyńska, 2013, pp. 106–107].

Under the Services Directive, applying a number of discriminatory and burdensome requirements has been prohibited[2]. Ensuring the freedom to provide services requires the elimination of all kinds of discrimination based on nationality, as well as the prohibition of the obligation on the provider to have residence or an establishment in the territory of the Member States where the service is provided. The Member State to which the service is provided can only enforce its own requirements in as much as these are nondiscriminatory, proportional, and justified for reasons of public order, public safety, public health, or environmental protection.

The implementation of the Services Directive has forced the Member States to review and simplify administrative procedures, eliminating the duplication of formal requirements, avoiding double control of service providers. To simplify the administrative procedures connected with running a services activity, points of single contact, acting as one-stop shops for service providers, have been established, which provide entrepreneurs with all necessary information concerning the principles, regulations, and formalities applicable for a services activity, as well as providing the opportunity to comply with the formalities and procedures online [Szypulewska-Porczyńska, 2012, p. 46].

All Member States stand to gain from the full implementation and enforcement of the Services Directive and, therefore, have an interest in pursuing further integration of the Single Market; however, the gains are not equally distributed across countries. The average impact from the full implementation is a 2.6% addition to the GDP (e.g., Estonia and Malta). Some of the smaller Member States – including, e.g., Cyprus, Luxembourg, the Netherlands, or Denmark – will certainly have larger–than-average impacts on their GDP, which can be explained by the fact that the small size of their domestic markets makes them more dependent on trade than the larger countries. A Single Market will expand the size of their markets and make it easier for the SMEs to scale up; thus, smaller countries could benefit from opening their markets to foreign firms. Some of the larger Member States, such as Spain, the UK, and France, will also have larger-than-average impacts – either because they have high remaining barriers or because they have highly competitive services sectors. However, the Central and Eastern European countries, including Poland, will have lower-than-average impacts on their GDP. Nevertheless, for all Member States in the EU, lower trade barriers will allow businesses to better engage in global value chains and enhance their global competitiveness [Monteagudo et al., 2012; Copenhagen Economics, 2018].

However, according to the assessment by the European Commission, a large number of barriers to intra-EU trade in services remain or have only been partially abolished by the Services Directive. For business services, such as legal services, architects, and accountants, as well as for construction, >80% of barriers fully or partially remain. Around 53% of barriers remain for tourism and hotels [European Commission, 2014; Copenhagen Economics, 2018]. In Poland, the majority of barriers in the services sector have only partially been reduced by the Services Directive, whereas for tax advisors and legal services, a number of barriers still fully remain [Monteagudo et al., 2012].

Alarmingly, construction belongs to the sector of services for which a great number of barriers still remain. Construction accounts for a significant share of EU value added; therefore, lowering barriers to trade in construction services could be a priority going forward. According to the European Commission, the majority of efforts should be focused on the services sectors with significant economic weight and with above-average growth potential, such as business services, construction, tourism, and retail [Copenhagen Economics, 2018].

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1 Services Directive 2006/123/EC of the European Parliament and of the Council of 12 December 2006.

2 Services Directive 2006/123/EC of the European Parliament and of the Council of 12 December 2006.

In the Services Directive, a solution that eliminates the principal barriers hindering the freedom of providing services has not been introduced, namely, it has failed to introduce the so-called principle of "the country of origin", in the case of providing cross-border services[3]. This principle would mean providing services according to the regulations of the country the service provider comes from and not the country where it is provided. It would allow the service provider to offer a service on competitive terms, if costs in the country where they are based are lower (e.g., remuneration) than on the market where the service is provided. The general idea of access to services based on the principles applicable in the country of origin has been retained, however, together with a greater number of exceptions and greater supervision over the conducted business activity by the country where the service is provided. Instead of the principle of "the country of origin", a substantially less-liberal principle of "the freedom of providing services" has been implemented, which enables the authorities of the country where the service is provided to apply their own, national restrictions in this area [Czermińska, 2016].

To conclude, the Services Directive abolished a number of barriers hindering the enhancement of the intra-EU trade in services and improvement of binding regulations concerning service providers in Member States. Moreover, the Directive enforced a thorough review of regulations in Member States and elimination of any possibly regulations discriminating among service providers. However, there are still some issues for concern. Member States have a tendency to retain restrictive regulations, and the Directive entitles them to introduce certain restrictions on providing services by foreign service providers concerning the issues recognized as essential from the perspective of the public interest.

3 Importance of services and of the internal market in Polish foreign trade

In 2015, Polish exports of services – measured by value added – to the world and EU markets accounted for 36% of total exports (Figure 1). Over the previous decade, the share went up insignificantly, by <1 pp.

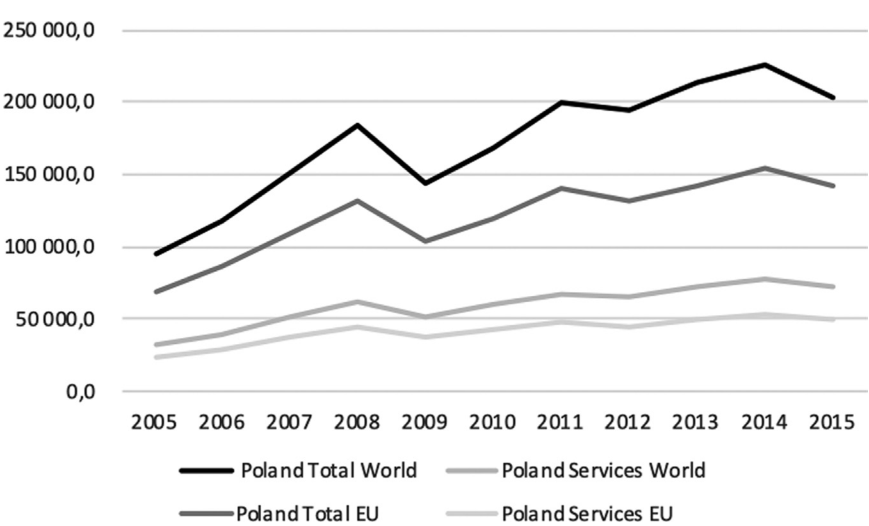

Figure 1. Poland's total and services exports to the world markets and to the EU in 2005–2015, USD million.
Note: Service industries also include construction services.
Data source: OECD TiVA database, data extracted in March 2019.

3 In January 2014, the European Commission submitted a project of a liberal services directive, in which introducing the principle of "the country of origin" was proposed. It would mean the opportunity of providing a service at lower prices than those adopted in the country where the service is provided, if the labor costs were lower in the country of origin. This proposal was not accepted by some countries because it could pose a threat of social dumping; see M. Czermińska (2015), *Rynek usług bez barier w Unii Europejskiej – działania na rzecz jego realizacji*, Unia Europejska.pl, No 4 (233).

In the same period, the growth rate of Polish exports of services, at 112%, exceeded that noted for Poland's total exports by 4.7 pps. In 2015, the EU's share in Poland's total and services exports was 70%, i.e., 2.8 and 2.5 pps, respectively, below the 2005 levels. In the period covered, the share of the EU Member States in Polish exports of services was the highest in 2009 and the lowest in 2013, at 73.5% and 67.9%, respectively. The decline in the proportion of the internal market in Polish exports was due to a lower growth rate of the value of goods and services supplied to the internal market in comparison with Poland's total exports. In the case of all industries, the difference was 8.1 pps, whereas for service industries, the gap noted was 7.4 pps. There is no doubt that the similarity of the curves in Figure 1 results from a disproportionately high intra-EU share in Polish trade (total and services). The decrease in dynamics was mainly due to changes in aggregate demand. The strongest decline in 2009 was associated with the global crisis. The economic slowdown in the euro area was particularly important from the point of view of the Polish economy [Mucha-Leszko, 2016].

Two reasons described in the literature [see, e.g., Hoekman, 2015], which are not macroeconomic but structural, should be mentioned. First of all, international trade is shaped under the influence of changes in national policy toward stronger protection of domestic jobs. In the services sector, this is demonstrated by the national regulatory barriers described in the previous section, which do not meet the requirements of the rules introduced by the Services Directive. This factor will be further strengthened in the coming years due to the recent changes in the EU rules on the posting of workers, including the 2018 Directive 2018/957/EU [European Commission, 2019].

Secondly, economists point to the depletion of the development of global value chains [Haugh et al., 2016]. This factor is important because the largest slowdown, in absolute values, since 2011, has been recorded by the value chains of EU countries [Ferrantino and Taglioni, 2014]. Considering the changes over time of the index of Poland's integration into the internal market, it can be concluded that Polish supplies of services to the internal market are relatively resistant to cyclical factors.

The balance of payments remains a source of more recent data on trade in services. The geographical structure of this trade for Poland in terms of both credit and debit transactions is presented in Figures 2 and 3. Moreover, these data confirm the trend observed on the basis of TiVA, but only when it comes to Polish exports of commercial services (Figure 2). Between 2005 and 2017, this proportion dropped by 6.4 pps, from 75.2% to 68.9%. These changes stemmed from less dynamic development of Polish supplies to the EU markets as compared to those of the rest of the world.

In contrast to exports, there was a slight increase in the share of trade with the EU partners with regard to Polish imports of commercial services (Figure 3). Between 2005 and 2017, that proportion augmented by

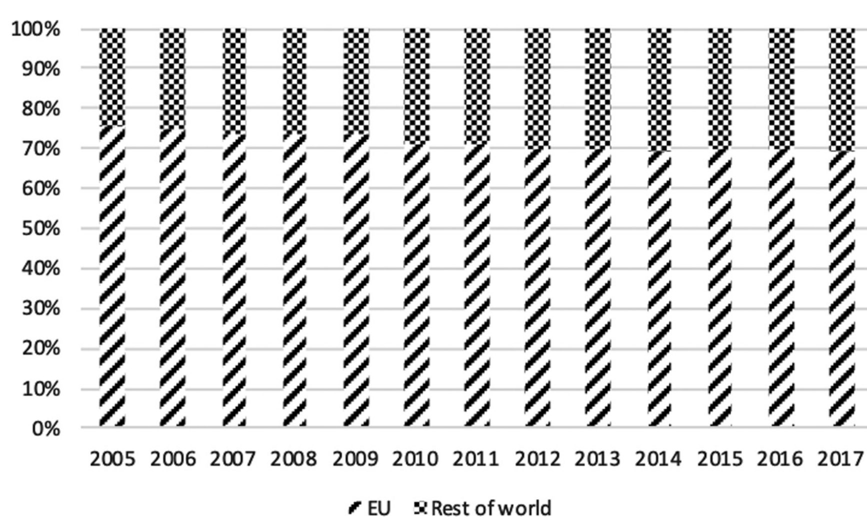

Figure 2. Changes in geographical composition of Polish exports of commercial services over the years 2005–2017.
Source: Author's calculations based on the WTO data, accessed in March 2019.

1.9 pps, from 77.3% to 79.1%. In the period under analysis, deliveries of commercial services from the EU markets increased more dynamically than imports from the remainder of the world.

The composition of this trade by type may be the source of the difference in the trend regarding geographical structure between the credit and debit sides of commercial services transactions with the participation of Poland. The second reason for the changes described above may be related to Poland's involvement in global value chains. We will return to both issues later in the discussion.

It is also worth pointing out that services are exported as inputs into manufacturing exports. In Poland, this share was 34% in 2016, at the same level as 11 years earlier (Figure 4). Simultaneously, there were changes in the proportions between the foreign and domestic value-added (DVA) contents of exports. The input of foreign services into manufacturing exports grew by 2 pps. The value corresponded to the fall in the content of domestic services. It further strengthened the already high service import intensity of manufacturing exports (from 38% to 44%).

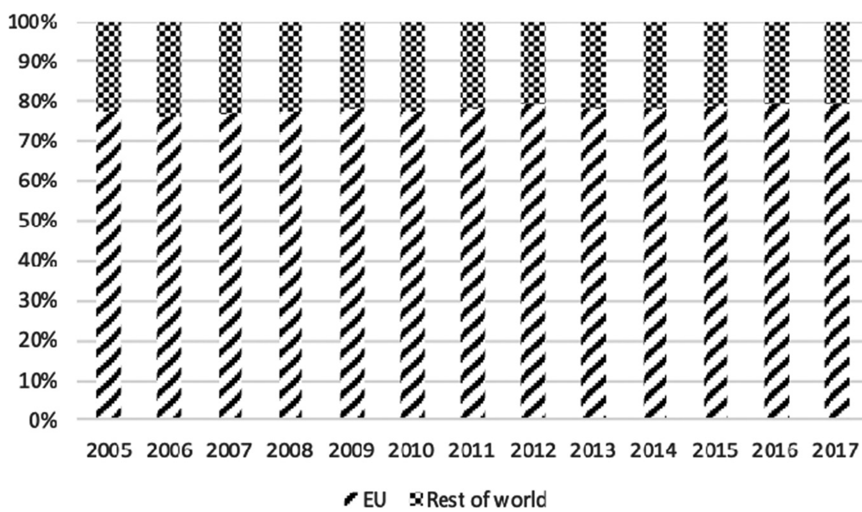

Figure 3. Changes in geographical composition of Polish imports of commercial services over the years 2005–2017.
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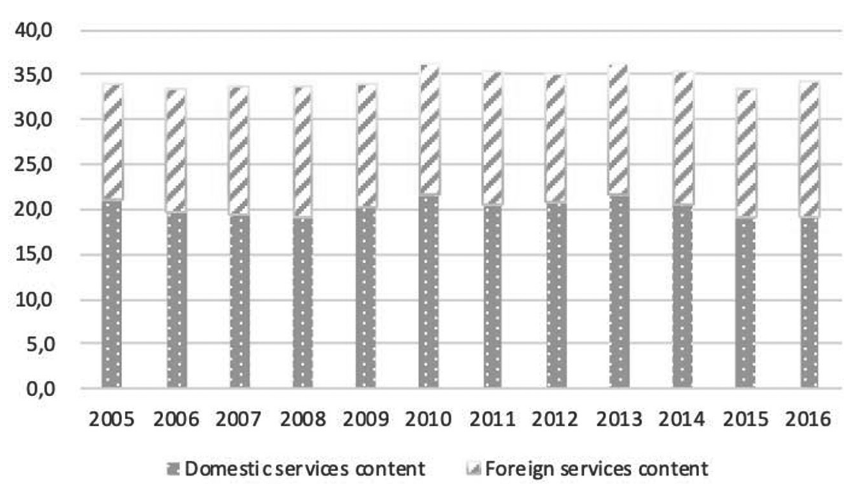

Figure 4. Services value added embodied in Polish manufacturing exports, 2005–2016, %.
Data source: OECD TiVA database, data extracted in March 2019.

4 Poland's participation in global value chains

The first conclusion that comes after the analysis of Figure 5 is that the import intensity of Polish exports of services (foreign value-added [FVA] content) is distinctly lower. In 2016, DVA represented over 85%, 12.3 pps more than the respective share for total exports (Figure 5). In addition, in contrast to total exports again, in services exports, the FVA content was lower for Poland than for the EU as a whole. However, the picture was different for individual EU Member States. The majority of the EU Member States whose services exports exceeded Poland's service exports in 2016 recorded lower FVA embodied in their services exports in the period in question; these were as follows: Germany, the UK, France, Italy, and Spain. The highest FVA content characterized the services exports by Luxembourg, Malta, and Ireland. The specialization of these countries in services enables a high degree of trade internationalization, i.e., in the case of Luxembourg, financial services; in the case of Malta, personal, cultural, and recreational services; professional and management consulting services, and financial services; and for Ireland, telecommunications, as well as computer and information services [WTO, 2019].

The share of DVA embodied in services exports of most of the EU Member States showed minor changes over the period covered (Figure 6). In Poland, it dropped by 1.4 pps between 2005 and 2016. In the period under analysis, increased participation in global value chains characterized the majority of the EU Member States, with the exception of Bulgaria, Croatia, Spain, Greece, Sweden, and Latvia.

Involvement in upward linkages in value chains increased the most in the above-mentioned EU Member States, characterized by the highest degree of integration into international production networks, i.e., in Ireland (16 pps), Malta (13.2 pps), and Luxembourg (8.9 pps).

Regarding downward linkages, in the period of Polish membership of the EU, Poland's engagement in global value chains also showed a mild increase (Figure 7). In 2016, Polish value added embodied in exports of other countries went up by 1 pp against that in 2005. In the UK, the country to note the most significant change in this context, the share of DVA in foreign services exports increased by 2.6 pps. Only Malta, Latvia, Greece, and Bulgaria decreased their downward linkages in value chains.

Figure 8 illustrates Poland's participation in global value chains in the service sector, showing both the FVA embodied in Polish services exports and the Polish DVA content of exports by other countries over the years 2005–2015. It follows from the observation of these developments over the past few years that they were rather insignificant and varied in direction.

The most significant decline in Poland's participation was noted in 2009 when the share dropped by <2 pps. An equally limited (~2 pps) increase in Poland's involvement in global value chains was observed

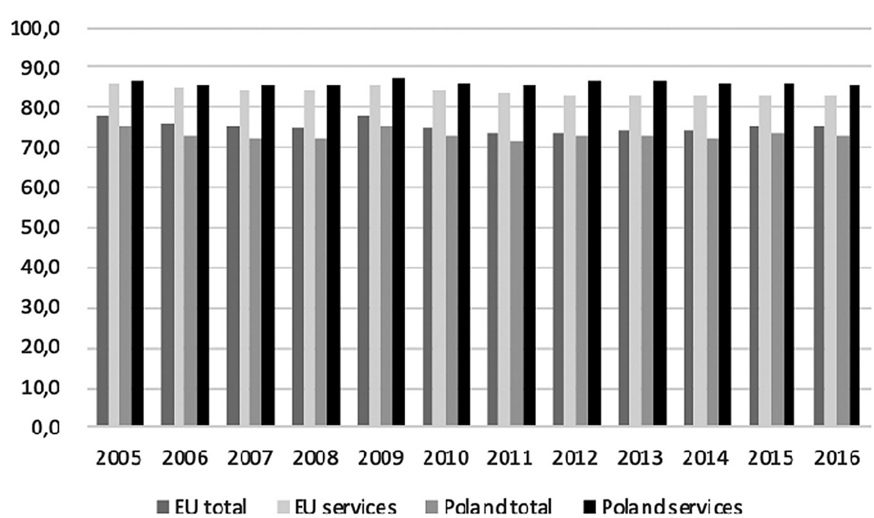

Figure 5. Share of domestic value-added content of total and services exports in Poland and in the EU, 2005–2016, %.
Source: OECD TiVA database, data extracted in March 2019.

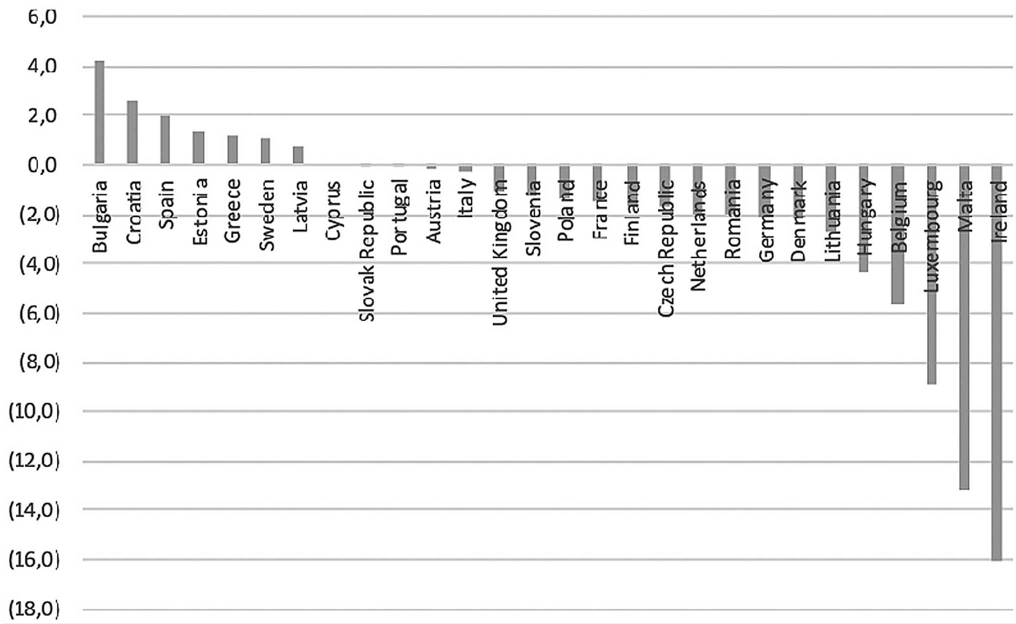

Figure 6. Percentage change in domestic value added in gross service exports in EU Member States, 2016 against 2005.
Source: Author's elaboration based on OECD TiVA database; data extracted in March 2019.

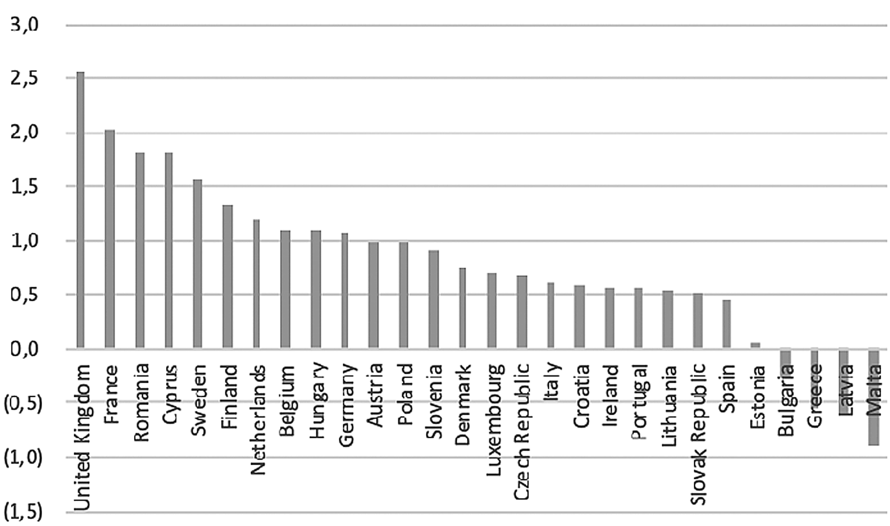

Figure 7. Percentage change in domestic value added embodied in foreign exports in EU Member States, 2016 against 2005.
Source: Same as in Figure 4.

between 2005 and 2015, as a result of growth in both the FVA content of Polish services exports and the Polish value added embodied in exports by other countries.

When comparing Poland's participation in global value chains in the services sector with the situation in other EU Member States, one may observe that Poland ranks among the countries characterized by the lowest shares, <20%, and that the group includes a number of countries: 10 other EU Member States apart from Poland (Figure 9). There are as many countries whose upward and downward linkages in value chains in the service sector range between 20% and 30%. The lowest number of EU Member States show involvement >30%, i.e., Luxembourg, Malta, Ireland, Denmark, Cyprus, and Belgium; with regard to the first three countries, their participation exceeds 50% of their gross exports.

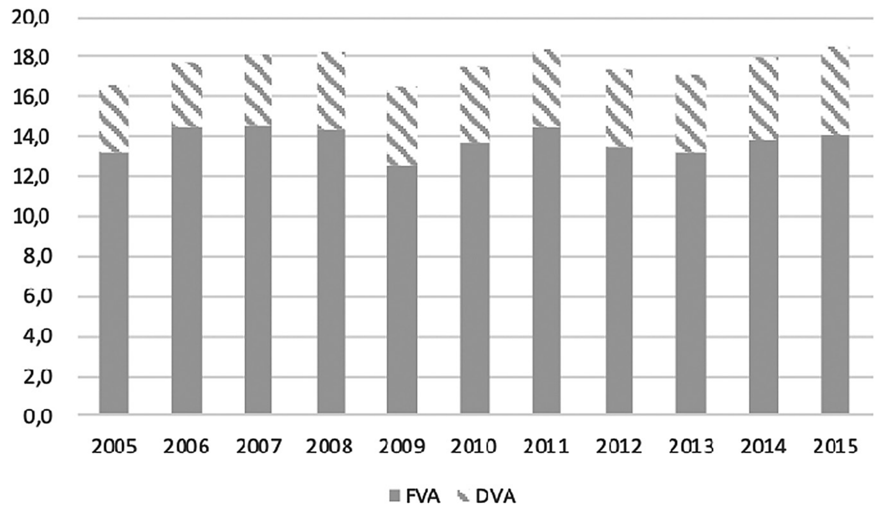

Figure 8. Poland's participation in global value chains, services exports, 2005–2016, % of gross exports.
Note: FVA = foreign value added embodied in exports; DVA = domestic value added embodied in foreign exports.
Source: Same as in Figure 3.

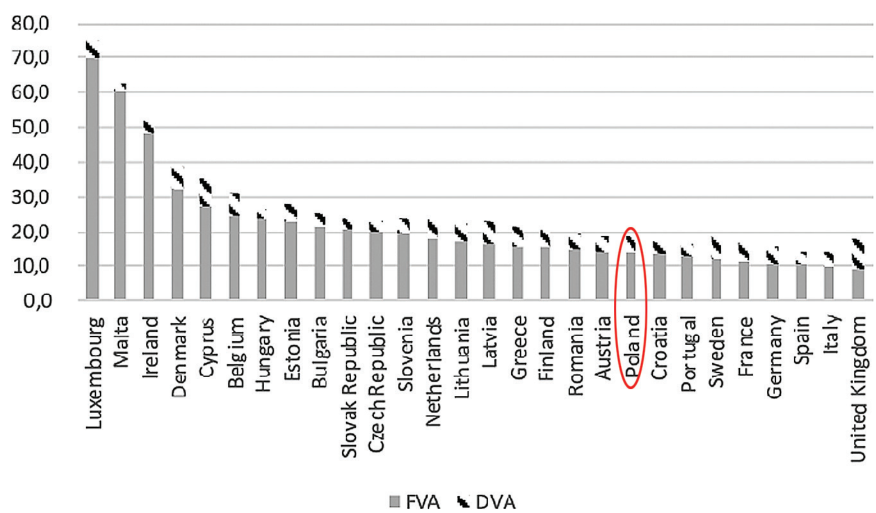

Figure 9. Participation of EU Member States in global value chains, services exports, 2015, % of gross exports.
Source: Same as in Figure 4.

The analysis shows that, although Poland's involvement in international supply chains increased in the 11 years studied, this increase was irregular and relatively small. Therefore, although it may partly explain the changes in Poland's integration with the EU service market, this factor has played a relatively limited role to date.

5 Trade in services between Poland and the EU by type of service

As we noted already, the changes in the intensity of Poland's integration into the EU services market may also be explained by changes in the types of services traded between Poland and other EU countries. The structure by type of service also affects the economic importance of services trade for Poland. It is desirable to specialize in industries generating the most value added and showing the greatest potential for growth.

Four service industries accounted for 81% of the value of Polish deliveries to the internal market: transport, other business services, travel, telecommunications, as well as computer and information services

(Figure 10). The same industries dominated Poland's total exports of commercial services (Figure 11). In both cases, two traditional industries – transport and travel – represented nearly half of the value of exports but supplies to the internal market were characterized by 5 pps higher/lower shares of transport and travel services, respectively.

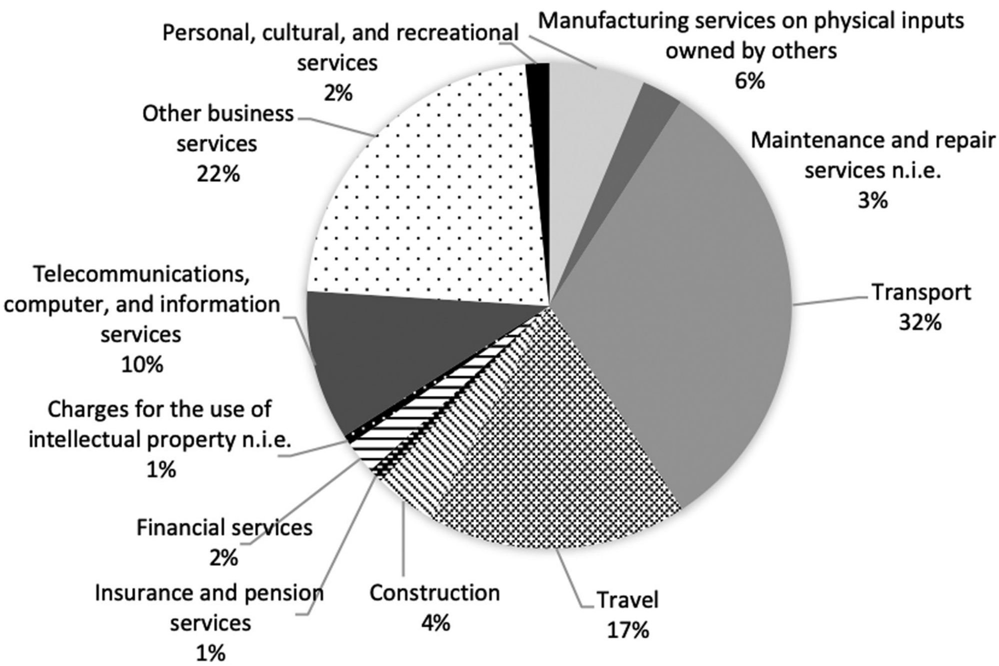

Figure 10. Polish deliveries of commercial services to the EU Member States' markets in 2017, %.
Source: WTO data, accessed in March 2019.

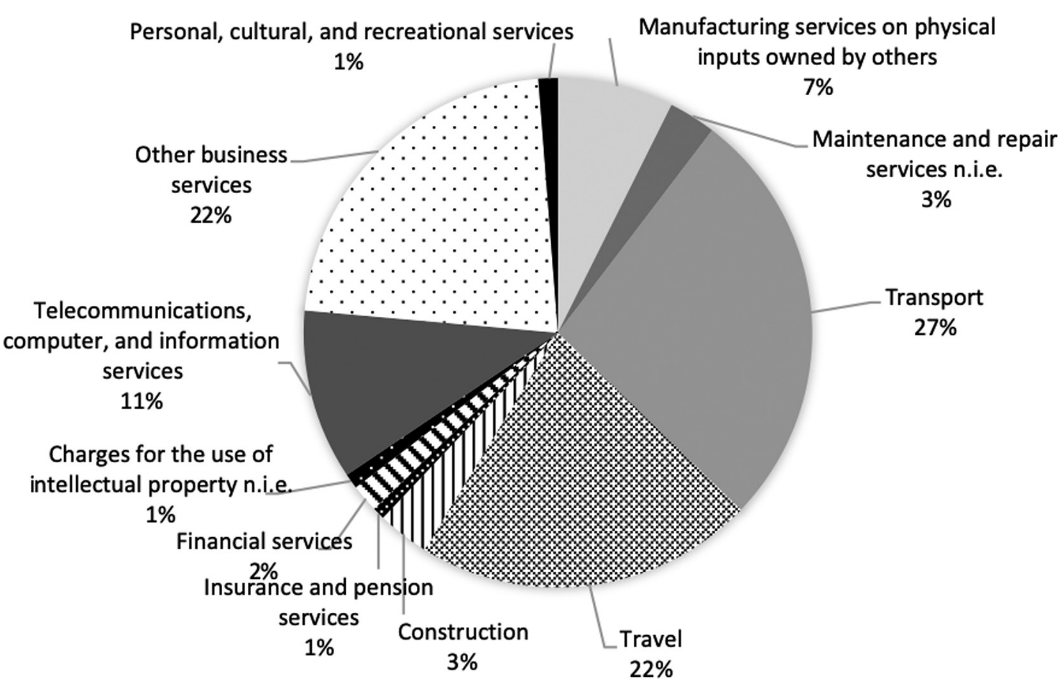

Figure 11. Polish exports of commercial services by type in 2017, %.
Source: WTO data, accessed in March 2019.

Transport accounted for almost one-third of the value of Polish deliveries to the EU markets. In terms of value, it was followed by "other business services".

Although the traditional industries continued to dominate Polish supplies of services to the EU markets, their total share dropped in 2005–2017, only due to a decrease in the item "travel" (Figure 12). It was the most abrupt fall, by 17.4 pps. In the same period, the share of "transport" increased by 3.3 pps. The most buoyant growth in share was noted in the case of telecommunications, computer and information services, as well as other business services, by 7.3 and 7.2 pps, respectively. The former industry was characterized by the highest growth rate of 1036.6% in the period covered. The five fastest-growing industries also included the following: personal, cultural, and recreational services; charges for the use of intellectual property n.i.e.; financial services and other business services.

In the group of other business services, comprising three industries – i.e. research and development services, professional and management consulting services, as well as technical, trade-related, and other business services – the most significant increase in share was observed for professional and management consulting services (Figure 13). In 2016, they accounted for 54.1% of the value of Polish supplies to the internal market of other business services, 25.4 pps more than in 2005. In the period in question, there was also an increase, even if limited, i.e., by 2.3 pps, in the share of research and development services. The proportion of technical, trade-related, and other business services showed a decrease by 27.8pps. It must be emphasized that the changes in structure were accompanied by a positive growth rate of the last-listed industry, at 108%. The growth rates for the other two industries were 5.4 and 3.6 times higher, respectively. Exports to non-EU countries were characterized by the same direction of changes in type of service. At the same time, the growth rates of exports of specific business services were higher in the case of third countries. In particular, this trend was observed for research and development services, characterized by the highest growth rate of 1131.3% in the period covered.

The same service industries dominated EU deliveries to the Polish market. Their share was similar, i.e., 1 pp higher, at 82% in 2017 (Figure 14). However, in contrast to supplies from Poland, EU deliveries to Poland were characterized by a greater proportion (by 4 pps) of "other business services" – the top performer

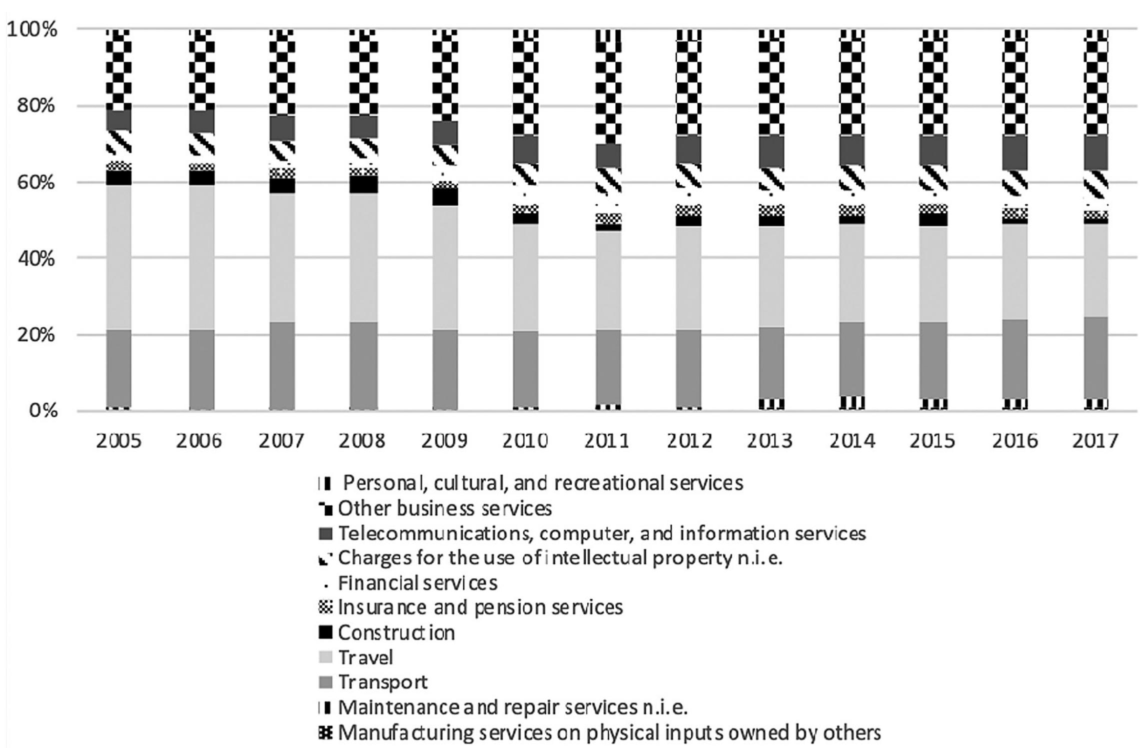

Figure 12. Deliveries of commercial services from Poland to the EU Member States' markets by type in 2005–2017, %.

Source: WTO data, accessed in March 2019.

in terms of share in the structure by type of supplies of commercial services to the Polish market from the EU Member States – an even higher share of "travel" (by 8 pps) and a markedly lower proportion of "transport" (by 10 pps). Furthermore, higher shares were observed for the following items: charges for the use of intellectual property n.i.e. and manufacturing services on physical inputs owned by others, by 6 and 5 pps, respectively. At the same time, lower proportions were recorded for manufacturing services on physical inputs owned by others and construction (by 5 and 3 pps, respectively).

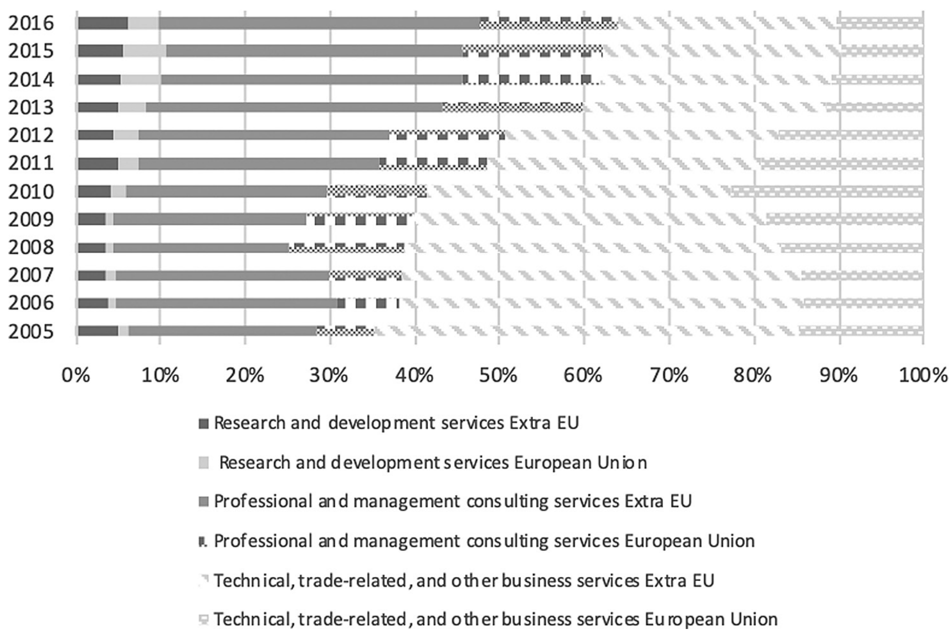

Figure 13. Changes in the geographical composition and structure by type of Polish exports of other business services in 2005–2016.

Source: WTO data, accessed in March 2019.

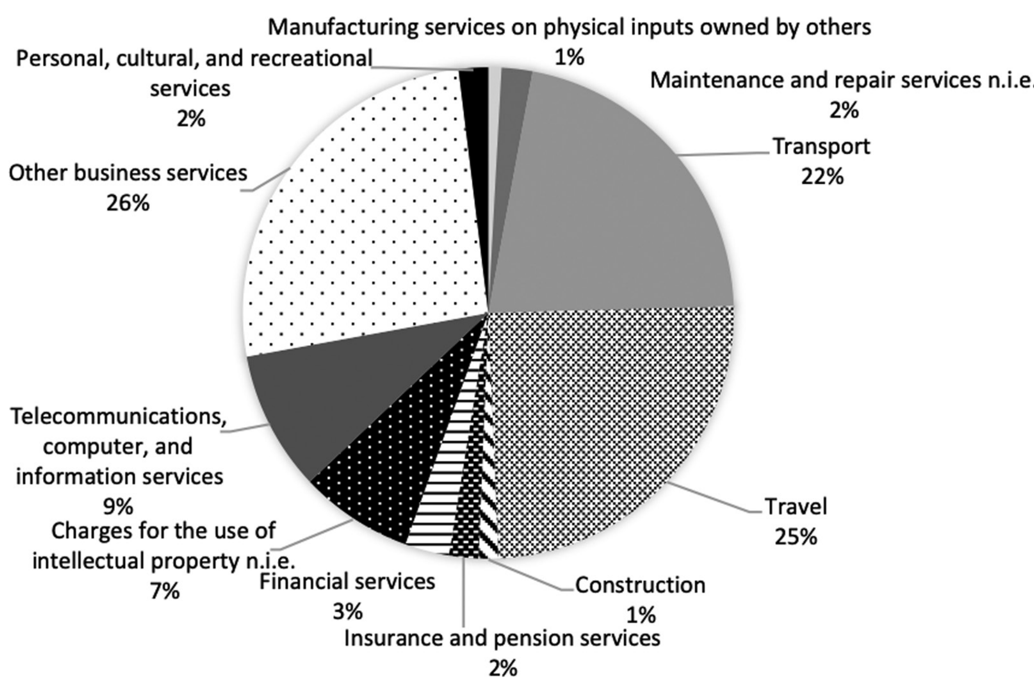

Figure 14. Deliveries of commercial services to the Polish market from the EU Member States in 2017, %.

Source: WTO data, accessed in March 2019.

In 2017, the structure by type of Poland's total imports of commercial services was similar to that of EU supplies to Poland, which resulted from the domination of the latter in the geographical composition of Polish imports of commercial services (Figure 15). As indicated above, the geographical concentration of Polish imports of commercial services on markets of the other EU Member States was high, at 79%, in 2017. The share of the EU Member States in Polish exports was 10 pps lower.

As in the case of Polish exports of commercial services, in the period 2005–2017, the traditional industries lost in importance in Polish imports, also exclusively due to a decline in the share of the "travel" item (Figure 16). In this case, the fall was the steepest as well, by 13 pps. In the same period, the proportion of "transport" showed a slight increase, by 0.9 pp. Again, as in the case of exports, the most significant increase in share was noted for other business services, as well as for telecommunications, computer and information services, by 5.5 and 4 pps, respectively. In the period under analysis, the highest growth rate of 3121.1% characterized deliveries of maintenance and repair services. Furthermore, while discussing the developments in the structure of Polish exports of commercial services, a robust increase was also observed for supplies to the Polish market from the industries mentioned above and, additionally, for manufacturing services on physical inputs owned by others.

Changes in the structure by type of imports of other business services were similar to those described above with regard to exports (Figure 17). Thus, there was a distinct increase in the share of professional and management consulting services (by 25.2 pps) at the expense of technical, trade-related, and other business services (–26.3 pps). The same direction of change, but more abrupt, characterized the imports from non-EU countries. In contrast to exports, the growth rates of imports in particular sectors of other business services were higher in the case of supplies from EU partners than of those from non-EU ones. Between 2005 and 2016, the highest increase was noted for professional and management consulting services.

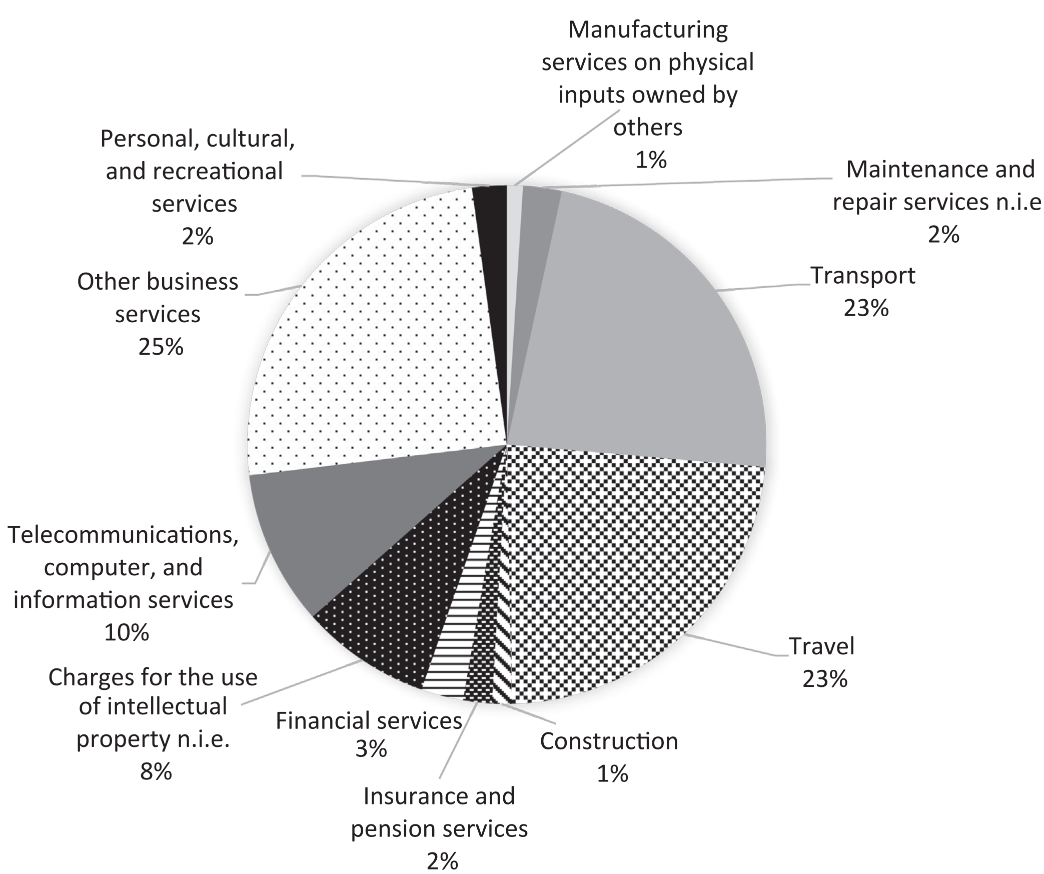

Figure 15. Polish imports of commercial services by type in 2017, %.

Source: WTO data, accessed in March 2019.

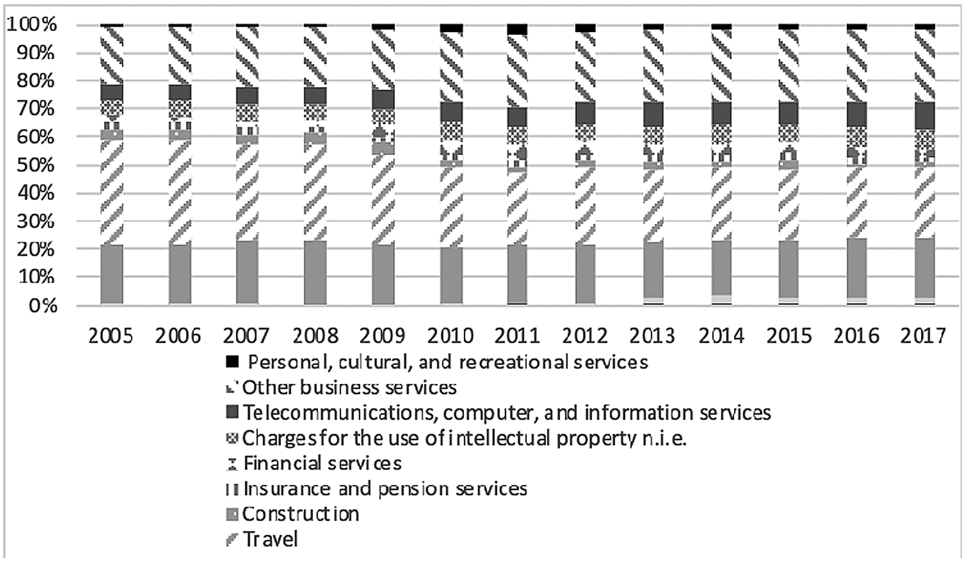

Figure 16. Deliveries of commercial services to the Polish market from the EU Member States in 2005–2017, %.

Source: WTO data, accessed in March 2019.

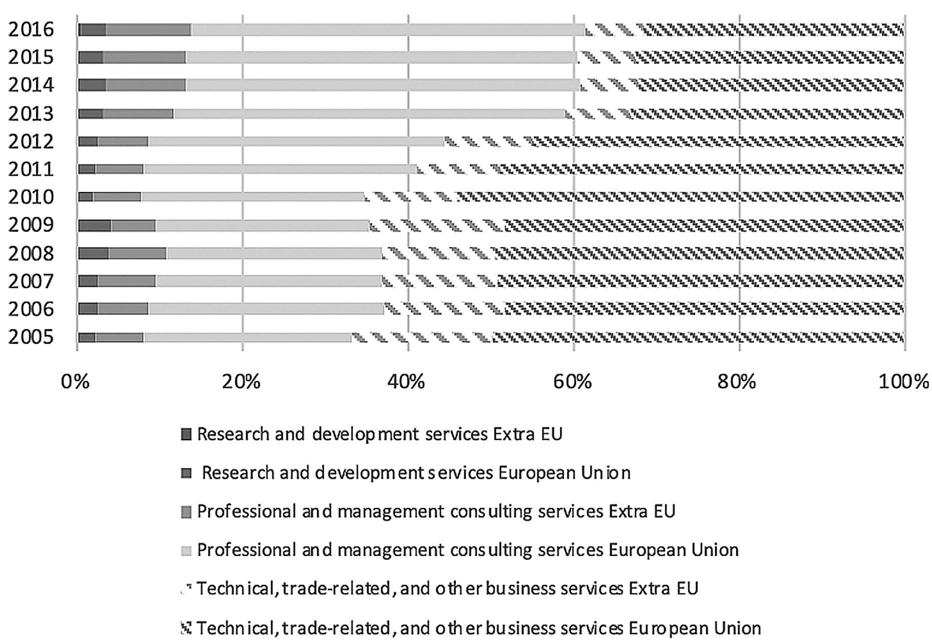

Figure 17. Changes in the geographical composition and structure by type of Polish imports of other business services in 2005–2016.

Source: WTO data, accessed in March 2019.

An analysis of data from an experimental study conducted in EU-15 countries in 2017 [Eurostat, 2017], which looked at services trade by enterprise characteristics (STEC) could shed additional light. The weakness of this analysis is that the data for Poland date back to 2011. According to Eurostat STEC data, large enterprises (>250 people) had the largest share in Polish trade in services (49% of exports and 61% of imports) and those owned by foreign entities (61% of exports and 74% of imports). One may, thus, conclude that services trade dynamics and its structure, both by destination and type, particularly as regards imports, are therefore largely determined by the commercial presence of foreign investors. According to Polish Central Bank data [Polish Investment and Trade Agency (PAIH), 2019], the vast majority of foreign capital comes from EU countries (90% in 2017).

It should be noted that the development of digital, information, and telecommunication technologies has been an important factor in the development of trade in services. It has caused an increase in trade in services based on these technologies [WTO, 2019]. This trend characterizes the majority of commercial service industries that can be provided under General Agreement on Trade in Services (GATS) Mode 1. Such services include, in particular, the majority of services falling under the category “other business services”.

6 Summary and conclusions

During the 15 years of Poland’s membership in the EU, the effect of the “common market” in Polish trade in services is hardly visible. This situation is no exception in the EU. Despite all actions undertaken so far in the EU, the integration of the market for services is on a lower level than of the market for goods. The fragmentation of domestic regulations, which in the case of cross-border services means the necessity of bearing additional costs of their compliance, remains an important challenge. There still exist barriers to providing certain services, such as requirements in terms of professional qualifications or imposing limits concerning the number of service providers on the market.

The key actions in the field of services covered by the Services Directive concern its full implementation, elimination of double regulatory burdens, as well as assessment of whether the restrictions on providing services are justified and whether the public interest can be protected while using less-restrictive measures. In Poland, the majority of barriers in the services sector have only partially been reduced by the Services Directive, including sectors with a significant economic weight – construction, retail, and tourism, whereas for some business services, such as tax advisory and legal services, a number of barriers still fully remain.

As a result, for more than a decade of Poland’s EU membership, the share of the EU Member States in Polish trade in commercial services showed a minor increase, by 1.9 pps, only with regard to deliveries to Poland. As far as Polish exports of these services are concerned, the proportion of EU partners declined by 6.4 pps. It must be stressed that changes in the geographical composition were observed under conditions of rising trade flows in all directions.

On the one hand, these developments were relatively limited due to the still high concentration of Polish trade in services on the internal market. Thus, in 2017, the shares of EU Member States in Polish exports and imports of commercial services were 68.9% and 79.1%, respectively. On the other hand, the period covered witnessed a widening gap in the degree of Poland’s integration into the internal market for services between the import and export sides of these linkages.

It did not stem from Poland’s greater participation in “forward” linkages within international value chains. It follows from the analysis that the limited – ~2 pps – increase in Poland’s involvement in global value chains, observed between 2005 and 2015, resulted from growth in both the FVA content of Polish services exports and the Polish value added embodied in exports by other countries. In general, as far as the service sector is concerned, Poland’s participation in global value chains is relatively limited, <20%. Poland is no exception in that regard as few EU Member States have shares exceeding 30%.

The rising imbalance regarding Poland’s participation in the internal market for services results, inter alia, from the trade structure by type of service. Polish trade is dominated by traditional services. In 2017, they accounted for nearly half of the value of trade in services in the internal market. Transport represented almost one-third of the value of Polish deliveries to the EU markets and that share rose by 3.3 pps in the period covered. Simultaneously, the EU mostly supplied “other business services” to the Polish market.

But the most significant growth in share, in both Polish deliveries of commercial services to the EU Member States and EU supplies to the Polish market, was noted in the case of telecommunications, computer and information services, as well as of professional and management consulting services from the group of “other business services”. Behind these changes, we can find factors of both macroeconomic and structural nature. One of the main factors is the development of cross-border trade based on new technologies. The greater the importance of these factors, the more limited is the effect of the EU actions to reduce regulatory barriers in services trade.

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