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TRADE POLICY REVIEW MECHANISM

The Republic of Poland

In pursuance of the CONTRACTING PARTIES' Decision of 12 April 1989 concerning the Trade Policy Review Mechanism (L/6490), the initial full report by Poland is herewith submitted.

NOTE TO DELEGATIONS

Until further notice, this document is subject to a press embargo.

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A. TRADE POLICIES AND PRACTICES

(i) Objectives of trade policies

In 1990 Poland abandoned a discredited economic system, based on central planning and on the ubiquitous and omnipotent presence of the State in ownership, production and trade. The country adopted a radically new policy direction aimed at a quick absorption of the contemporary model of market-based development, well integrated into the world economy.

It is important to note that the decisive package of new economic instruments was put in place in a very short time. The essential elements were prepared in a few months of 1989 and their implementation started on 1 January 1990, with some of the major new policy measures becoming fully operational shortly thereafter. In general, these instruments have been kept stable ever since, despite sometimes heavy pressure exercised by various interest groups trying to dull the "cutting edge" of such economic policy tools. The rapid introduction of the reform (a "shock therapy") had caught many entities insufficiently prepared to fully adjust to a radically new economic environment, thus worsening their situation at the starting point of the transition. This may explain some wavering of the reform in its subsequent stages and the need to resort occasionally to certain "shock absorbers" in order to maintain public support for the overall direction and momentum of the process.

Foreign trade has been assigned a vital rôle to play in the transformation to a new system. A radically new trade policy pattern has emerged, based on three fundamental principles: the elimination of the State monopoly of foreign trade; unrestricted convertibility of the Polish zloty for current account operations; and the removal of nearly all quantitative restrictions on exports and imports. These three elements of the policy framework, fully implemented by now, had placed the foreign trade sector among the pace-setters of the overall liberalization of the economy. Poland no longer fits a standard image of a State-trading economy and for all practical purposes its trading régime is radically different from that described in Article XVII of the General Agreement on Tariffs and Trade.

For many years after the Second World War, Poland remained largely isolated from the international economy and from the competitive economic systems. Trade flows were regulated by the Government, the State-owned foreign trade enterprises conducted nearly all exports and imports of goods and services, and foreign exchange was allocated by administrative decisions. The relationships between domestic and foreign prices could almost be neglected by Polish firms because the centralized external trade policy had effectively shielded the economy from external competition, while the functioning of the exchange rate was distorted by artificial pricing, discretionary taxes, subsidies and a government-controlled allocation of resources. Trade among the member countries of the Council for Mutual Economic Assistance was conducted on the basis of bilateral intergovernmental agreements. Intra-CMEA prices were virtually detached from the prevailing trends in the world commodity markets. The volume of

trade was relatively modest and Poland's share in international commerce (world-wide, intra-European and also intra-CMEA) was much lower than the corresponding shares in industrial output or population.

Under such circumstances, efforts aimed at establishing closer links with the world economy could, at best, have a limited effect.

In the second half of the 1980s, Poland undertook a significant trade reform aimed at modifying some elements of the economic system. Central planning was limited mainly to the intra-CMEA trade agreements. Exporters could retain part of their convertible currency earnings to be used for import financing, and some auxiliary sources of foreign exchange had become available through currency auctions run by banks. All these measures could not bring the Polish trading system up to the free market standards. Nevertheless, they helped to prepare the ground for the subsequent, profound market reforms and facilitated the radical transformation of the system in the following years.

(ii) Description of the import and export system

Since 1990 nearly all import restrictions have been abolished. No licences are required except for such products as radioactive materials, military equipment, COCOM-controlled goods and technologies, fuels, wine, beer and a few other items. Quotas are imposed on imports of alcohol. There is a ban on imports of undenatured ethyl alcohol and, for environmental reasons, on two-stroke automobiles and used cars older than ten years.

The old foreign trade system based itself on a group of about seventy State-owned firms which in fact had monopoly rights to run foreign trade operations. Each of them specialized in a certain commodity group or product line and served as a bridge, and also as a barrier, between the domestic producers and consumers of the world economy. Since the mid-1980s there had also been a growing number of State-owned and private manufacturers who were licensed to operate in foreign trade.

Now there are about 100,000 operators active in exporting and importing goods and services. Their volume of business is, of course, greatly differentiated. In 1991 about 20 per cent of hard currency exports and about 50 per cent of hard currency imports were attributed to the private sector. The share of private traders in the total turnover is growing rapidly. Foreign and domestic commerce are those branches of the economy where the private sector has experienced a particularly rapid expansion in the last few years.

Most of the old foreign trade firms (now usually converted into joint stock companies controlled by the Treasury) still exist, but their status per se no longer gives them a competitive edge over other players active in the trade field. This group of major trade enterprises is now in the process of being privatized, with some of them already transformed into entirely private companies.

The liberalization of Poland's foreign trade could not have been possible without a free access to foreign exchange. All forms of central allocation of foreign currencies, typical for centrally-planned economies, have been terminated. Payments for imports as well as proceeds from exports are channelled through the banking system. Firms and individuals pay for imports from their own bank accounts maintained in the national currency. Banks convert these payments into foreign exchange as ordered by the traders, at current market rates.

Ever since its initiation on 1 January 1990, the new system of free access to foreign exchange, the first of this scope to be introduced in Central/Eastern Europe, has operated smoothly and at no point in time has its existence or integrity been endangered. The US$1 billion stabilization fund which was made available to Poland by its Western partners in early 1990 as a safety net designed to support the newly introduced convertibility has not been activated, because trade performance and trade balance have shaped up much better than originally expected.

(iii) The trade policy framework

(a) Domestic laws and regulations governing the application of trade policies

The most important legal instruments governing the application of trade policies are as follows:

1. The Customs Law of 28 December 1989, as amended ("The Journal of Law" ["Dziennik Ustaw"], 75/1989, 60/1991, 73/1991, 100/1991, 21/1992);

2. The Foreign Exchange Act of 28 December 1989 ("The Journal of Law" 75/1989);

3. The Treasury Control Act of 28 September 1991 ("The Journal of Law" 100/1991);

4. The Law on Companies with Foreign Participation of 14 June 1991 ("The Journal of Law" 60/1991).

The legal framework also includes the Civil Code and the Polish Commercial Code of 1934, the Bankruptcy Law of 1934, the Economic Activities Act of 1988 and the Law on Privatization of State-Owned Enterprises of 1990.

This basic legislation has been supplemented by a number of regulatory and executive acts of the Council of Ministers, of the Minister for Foreign Economic Relations and of the Chairman of the Central Customs Office, as regards customs procedures, temporary waivers in collection of customs duties, non-tariff measures and free-trade zones. All such legal provisions become valid when published in the official and generally available sources of public law.

(b) Summary description of the process of trade policy formulation and review

The formulation and implementation of foreign trade policies are entrusted to the Minister for Foreign Economic Relations (until 1987 the Minister of Foreign Trade), acting on behalf of the Council of Ministers (the Government). His major responsibilities include: formulation of trade policy objectives; administration of regulatory instruments related to foreign trade (customs tariffs, import and export licensing, quotas and other non-tariff measures other than border taxes); negotiations and implementation of bilateral and multilateral trade agreements; monitoring of developments in foreign trade. The Minister for Foreign Economic Relations (jointly with the Minister of Finance) is to be consulted by the Chairman of the National Bank of Poland as regards major adjustments in exchange rates. He supervises the customs administration and sanitary inspection at the border, initiates and conducts anti-dumping and countervailing duty investigations and may initiate safeguard actions. He also represents the Treasury on the governing bodies of State-owned trade companies and banks. Some of these responsibilities (particularly those which imply a revision of customs tariffs and other border measures) require approval of the Council of Ministers.

The formulation and implementation of trade legislation is subject to powers of review, exercised by the Parliament, where one of the standing bodies, the Committee on Foreign Economic Relations, is specifically authorized to supervise the execution of law as related to foreign trade and make recommendations to the Parliament. Legal consistency of Acts of Parliament with the Constitution is protected by the Constitutional Court, while the legality of Acts of Government is safeguarded by the Tribunal of State. All actions and decisions related to the administration of law, including matters concerning trade, may be raised before the Administrative Court.

In addition to the aforementioned legal review procedures, the trade-related activities of the administration may also be challenged by business and labour organizations, particularly by Chambers of Commerce at the national and regional levels.

(c) Multilateral, regional, bilateral and preferential trading arrangements

Relationship with the GATT

Poland acceded to the General Agreement on Tariffs and Trade in 1967. The Protocol of Accession contains a number of specific provisions which were formulated at that time in consideration of the then existing centrally-planned economic system. In particular, these specific provisions:

- established Poland's obligation to increase the total value of its imports from GATT contracting parties by not less than 7 per cent per annum (Schedule LXV-Poland in Annex B of the Protocol);

- authorized a continuation of the existing discriminatory prohibitions and restrictions on imports from Poland, described as inconsistent with Article XIII of the General Agreement, subject to their progressive relaxation and eventual removal at the end of the transitional period (Article 3);

- established specific rules regarding anti-dumping procedures on imports from Poland and selective safeguards to be applied by other contracting parties against imports from Poland, if such imports cause or threaten to cause injury to domestic producers of like or directly competitive products;

- established procedures for annual reviews, covering inter alia the developments with respect to the foregoing specific provisions.

Altogether nine annual reviews were conducted between 1968 and 1977. The tenth review, held in 1978, has never been completed, principally due to substantial differences of view with regard to the implementation of Poland's import schedule, as described in Annex B of the Accession Protocol, and with regard to the continuation of the discriminatory import restrictions against Poland, as described in Article 3 of the Protocol.

The collapse of the centrally-planned economic régime and the effective introduction of the market system have highlighted the irrelevance of the original terms of Poland's entry into the GATT to the new economic and political realities of the country.

Consequently, in January 1990, just after the initiation of the radical economic transformation programme, Poland requested a renegotiation of its GATT Protocol of Accession. A Working Party was established for this purpose in February 1990 and its work is now in progress. Poland's stated objective is to base its GATT membership on such rights and obligations which are commensurate with the market-based nature of its economic and trading system and which would not deviate from the usual standards of membership, as applied to other GATT contracting parties.

Since its accession to the General Agreement Poland has actively participated in the activities of the GATT, within the limits imposed by the specific terms of its accession and, most importantly, by the constraints resulting from the previous economic and trade régime. Poland accepted the following GATT Protocols, Agreements and Arrangements: Geneva 1979 Protocol, Anti-Dumping Code, Agreement on Import Licensing, Dairy Arrangement and Bovine Meat Arrangement. It also signed the Subsidies Code and Customs Valuation Code and has observer status in the remaining MTN bodies.

The involvement in the GATT system has been and is being regarded by Poland as an integral element of the overall relationship with the external economic environment. It is recognized as an important ingredient in the process of adjusting the economy to the generally accepted norms and practices of international commerce. Moreover, it is regarded as a ranking factor helping to discipline and consolidate the difficult domestic process of transformation from the State-controlled system to a predominantly private economy.

The Association Agreement with the European Community

The Europe Agreement on Association between the European Communities and their member States and the Republic of Poland was signed in December 1991, approved by the Parliament of Poland in July 1992 and ratified by the President. The Agreement is wide ranging in its coverage, including movement of goods, labour and capital, competition policy and the right of establishment. It sets out a schedule for creating a free-trade area between Poland and the EC within ten years and recognizes that Poland aims at obtaining full membership in the Community.

Provisions related to trade in goods and services had become effective by Interim Arrangement on 1 March 1992. These provisions aim at a greater liberalization of international commerce, based on principles, instruments and objectives of the multilateral trading system. At the same time they recognize the essential facts of transition to a free-enterprise economy, with their implications for Poland's trade policy instruments.

On the day the Agreement comes into force, the contracting parties shall abolish almost all quota restrictions in their imports and shall embark upon a process of tariff liberalization, which, in accordance with the Agreement, will be asymmetrical. This means that, in the first five-year period, tariff reductions applied by the European Communities on imports from Poland are to be implemented faster than the tariff cuts in Polish imports from the Communities. Import quotas shall be lifted, except for textiles and coal imported from Poland by Germany and Spain and old used automobiles as well as cars equipped with two-stroke engines for Polish imports. The Agreement contains safeguard provisions, which specify the conditions and procedures for the introduction or re-imposition of import restrictions. For industrial products, such measures may take the form of new or increased tariff rates. Textiles are covered by a special safeguard mechanism for as long as the quantitative restrictions continue to be applied in this sector of international trade. The Agreement recognizes the rights of its signatories to exercise their discretion in imposing restrictions on agricultural imports, if such imports seriously disrupt the market of the other signatory.

Poland may apply, unilaterally and for limited periods, increased tariff rates on imports from the Community, if such imports pose a threat to Poland's infant industries or to the restructuring process, or if they cause considerable social hardships. Such duties may not be higher than 25 per cent ad valorem, and their trade coverage may not exceed 15 per cent

of the total value of industrial imports from the Community in the preceding year. In addition, these measures may be taken only within three years after Poland's import régime in respect of the respective products has been fully liberalized, and the duration of such measures may not exceed five years.

As mentioned above, agricultural trade is only partly covered by the free-trade area provisions of the Agreement. In particular, the main instrument of agricultural protection in the EC, notably variable import levies, remains in force. Most agricultural products are subject to levy and duty concessions, but within the limits of the annual tariff quotas. Some products are subject to minimum import prices. Agricultural products excluded from liberalization are in many cases those in which Poland has a comparative advantage.

Another greatly significant aspect of the Agreement is that the existing and future legislation in Poland will need to be adjusted to that of the Community. In total, 7,000 legal acts and regulations will have to be reviewed within ten years of the association. As regards competition policy, the necessary rules are to be adopted within three years. For the first five years of the association the official aid granted to Polish enterprises will be treated by the EC as if Poland was a development region inside the Community. The transition in other fields of economic activity will also be regarded as a gradual process.

Relations with the European Free Trade Association

The EFTA countries represent a much smaller share of Poland's exports and imports as compared with the European Community. Nevertheless, it is a significant trading area for Poland. In June 1990, Poland became one of the signatories of the Gothenburg Declaration, thus entering into negotiations on the establishment of a free-trade area with all EFTA States. The agreement is expected to be concluded in the second half of 1992 and is supposed to be parallel in many ways with the Association Agreement with the EC. In this case as well there is to be an asymmetry in the implementation schedule of trade liberalization in favour of Poland. Another similarity consists in safeguard clauses which are to be designed with a view to facilitating the process of economic restructuring in Poland. Still another common feature is the emphasis on the mutual liberalization of trade and rules of competition in accordance with the provisions of the GATT system. The major difference consists in the coverage of agriculture. Because of the nature of EFTA, the Free-Trade Agreement will deal only with processed agricultural products, while all other issues related to trade in agriculture fall within the framework of bilateral market access negotiations between the interested parties.

As soon as the Agreement enters into force, its signatories will eliminate tariffs, with certain exceptions which will remain effective during the implementation period. These include coal, steel products,

textiles, clothing and certain chemical products. The quantitative restrictions imposed by EFTA will be eliminated after the agreement becomes law. The exceptions will be textiles and clothing (in Sweden) and lignite coal (in Austria). Poland will begin reducing tariffs and quantitative restrictions gradually after 1 January 1995.

Relations with former CMEA countries

Until 1990, the mutual trade between Poland and other CMEA countries was based on the bilaterally negotiated product lists, denominated in transferable roubles. Contract prices generally followed international market prices averaged over three-five years.

Although the underlying objective of the system was to keep the bilateral trade with the CMEA countries in balance, large imbalances had in fact accumulated, especially in the late 1980s, largely due to the trade deficits of the Union of Soviet Socialist Republics.

Following the collapse of the institutional structures of the CMEA, this trading system has ceased to exist since the beginning of 1991. The former members of the CMEA had agreed bilaterally to base their future trade on convertible currencies and on freely negotiated prices, with individual traders and firms, rather than governments, acting as the principal participants in the market.

The transition to such generally recognized rules of international trade has not, per se, created any major and long-lasting disruption in the trading relationships involving most of the former CMEA countries, except the Union of Soviet Socialist Republics. The fact that some of them have shared the experience of GATT membership has certainly been helpful in facilitating the adjustment. It is true that Poland's trade with all such partners decreased substantially. However, this drop had been caused less by systemic reasons than by a rapid decline in domestic output and demand in most of those countries, particularly as regards capital goods.

A different development had occurred in the trading relationship with the Soviet Union and its successor States, where all major adverse factors had converged, resulting in a dramatic disruption of the established trade patterns.

Traditionally, the Soviet Union used to be Poland's most important trading partner, with the annual turnover approximating one third of the total value of Polish foreign trade. Many Polish firms produced goods which were mainly directed to this market and which met the requirements of local customers, but were hardly saleable elsewhere.

After the collapse of the CMEA it had become obvious that a convertible currency basis in trade with the Soviet Union would be of limited value, mainly because of the limited ability of Soviet enterprises to conduct trade on their own account under conditions of a general shortage of

convertible currencies. In this situation Poland opted for a temporary combination of clearing and hard currency arrangements in bilateral trade. Due to import restrictions imposed by the Soviet partner in 1991 this arrangement did not bring satisfactory results. Polish exports were considerably less than originally expected, resulting in a substantial negative trade balance.

In order to keep the traditional export links and protect jobs in industries previously oriented towards the Soviet market, Poland has signed, or is expected to sign before the end of 1992, trade agreements with the following former republics and successor States of the Union of Soviet Socialist Republics: Russia, Belarus, Ukraine, Lithuania, Latvia, Estonia, Moldova, Armenia, Georgia, Uzbekistan, Kazakhstan and Kyrgyzstan. Agreements with Azerbaijan, Turkmenistan and Tajikstan are expected to be signed before end 1992.

The maintenance of a dynamic trading relationship with the successor countries of the Union of Soviet Socialist Republics is of special importance for Poland. It seems that the political and economic stabilization of the new States in the East is the sine qua non condition of further development of Poland's trade relations with these countries.

Relations with the United States

In March 1990 Poland and the United States signed a Treaty on Business and Economic Relations. The Treaty is the first such comprehensive agreement concluded by the United States with a newly democratic country of Central/Eastern Europe. It is intended to encourage trade relations and facilitate United States investment by providing internationally recognized protection and standards. The Treaty is an important and vital step in enhancing the attractiveness of the investment and business environment in Poland. It assures United States investors in Poland the same treatment as that enjoyed by Polish nationals or investors from third countries, whichever is more favourable. Both countries agreed to internationally recognized expropriation standards, including the principle that expropriation may be permitted only for a public purpose and must include prompt payment of compensation reflecting the fair market value of investments. The Treaty provides for free, unrestricted transfer of all payments, including royalty and management fees and proceeds from the sale of investments. It recognizes Poland's right to maintain certain restrictions of a limited duration, with regard to transfer of profits and dividends, provided that such restrictions shall be progressively eliminated and shall cease to be applied to profits earned in 1995 and in subsequent years.

The Treaty provides United States companies with the right to market goods and services at the wholesale and retail levels; obtain access to public utilities and financial institutions; obtain commercial rental space and raw materials on a non-discriminatory basis; conduct market studies and distribute commercial information; obtain registration licences, permits and other approvals expeditiously. The Treaty contains

major provisions related to intellectual property rights and investment procedures.

(iv) The implementation of trade policies

(a) Trade policy measures

Trading permits

Access to foreign trade activities is in principle unrestricted and free for all legal and natural persons. No authorization in the form of trading permits is required as a precondition for engaging in foreign trade. The only exceptions to this general legal rule involve trade in the following goods: radioactive materials and durable isotopes; products for military and police use; explosives and fireworks; alcoholic beverages above 18 per cent alcoholic strength by volume; tobacco products; mineral oil. Such permits are granted by the Minister for Foreign Economic Relations.

Import and export restrictions

The Customs Law provides that an import and/or export licence is required in the following cases:

1. imports and exports of merchandise which is subject to trading permits as described above;

2. imports and exports of goods covered by quantitative restrictions applied by Poland or accepted by Poland as an undertaking under an international export restraint arrangement (the latter category covers: textiles and clothing exported to the EEC, United States and Canada; steel and alloy steel products exported to the United States; sheep and sheep/mutton meat exported to the EEC);

3. imports and exports conducted on the basis of international agreements providing for payments in accounting units other than convertible currencies;

4. exports of scientific and technical documentation;

5. temporary imports or exports of capital goods and transportation equipment (except for passenger vehicles) leased out, rented or donated for commercial activity;

6. advanced technology products, binary chemicals, nuclear products, and other products of potentially military use, if such merchandise is subject to special controls or trade restrictions under international agreements;

7. imports or exports of dairy products (to ensure compliance with the minimum prices established under the Dairy Arrangement of the Tokyo Round);

8. imports of beer and wines;

9. exports of coal and non-ferrous metal scrap;

10. imports and exports of pharmaceuticals and psychotropic drugs (trade controls are exercised by the Ministry of Health and Social Welfare).

Imports of the following products are prohibited: ethyl alcohol, motorized passenger vehicles more than ten years old, trucks more than six years old, two-stroke piston engines and vehicles equipped with such engines.

High strength alcoholic beverages, technical alcohols, tobacco products and mineral oil are subject to import quotas, administered by the Ministry for Foreign Economic Relations.

Tariffs

Tariff nomenclature

In 1988 Poland based its tariff nomenclature on the Harmonized System (HS), effective as of January 1989. Since August 1991, Poland has adopted the Combined Nomenclature (CN) at 8-digit level for its entire customs tariff.

Tariff structure

The average customs incidence of the Polish tariff system is about 15 per cent. Most rates of customs duties are from 0 to 5 per cent for raw materials, 10 per cent for semi-finished goods, 15 per cent for machinery and equipment, 20 per cent for industrial consumer goods, 30 per cent for agricultural products, electronic equipment and cosmetics and up to 45 per cent for tobacco and alcohol. Imported goods may also be subject to internal taxes if such taxes apply to the like domestic products, the effective tax burden being the same in both cases.

None of the tariff lines are bound in the GATT. This results from the unconventional nature of Poland's GATT schedule (see below). Poland is interested in ameliorating this situation and in binding the tariff in the framework of the renegotiation of its terms of accession to the GATT system. Such an intention has been reflected in tariff offers submitted within the renegotiation exercise and for the purpose of market access commitments of the Uruguay Round.

Customs valuation

Poland has signed the Customs Valuation Code of the Tokyo Round. In its customs administration it abides by the provisions of the Code, as reflected in the Customs Law of 1989 as amended.

Customs procedures

Until the late 1980s, both the customs tariff and customs procedures were regarded as predominantly administrative measures, having a limited relevance for the underlying economic rationale of foreign trade as such. This approach was reflected not only in the rather formalistic nature of the then existing tariff structure, (largely unrelated to the actual pattern of resource allocation within the economy), but also in the procedural aspects of the customs régime. The latter observation refers primarily to the fact that exportation and importation of goods were divided into two distinct categories: "commercial" and "non-commercial". The former covered trade conducted by and for economic entities (enterprises), while the latter applied to individuals, who were normally exempted from customs duties. One should also note that a substantial part of the "commercial" traffic, most notably goods imported under bilateral arrangements within the CMEA, were also exempted from customs tariffs.

This situation was terminated in the late 1980s, first with the inclusion of all "commercial" imports under a uniform import duty régime, and finally with the adoption of the Customs Law of 1989. The Law has legally and effectively abolished any distinction in tariff treatment based on the sourcing of trade and the status of the trader.

A logical conclusion of this evolution has been the adoption of the Single Administrative Document (SAD) for all customs procedures involving foreign trade in goods, effective since January 1992. Another important reason behind this move has been to facilitate the adaptation of Poland's customs administration to EEC standards. One unwelcome side effect of the shift to the SAD procedure has been a temporary worsening in the reliability of current trade statistics, before both traders and customs services could acquire the necessary experience. This factor is likely to adversely affect the quality of Poland's trade data for 1992.

Tariff suspensions

The application of customs tariffs as the principal border measure has coincided, in the last few years, with the policies aimed both at controlling inflation and severe recession and at encouraging effective restructuring of the economy. Under such circumstances, the authorities were confronted with a need to use customs tariffs in a flexible manner, which implied occasional recourse to partial and time-bound suspensions in the collection of customs duties. The suspensions were used particularly with regard to essential consumer goods, semi-manufactures and other industrial inputs, spare parts and pharmaceuticals. In each case their application was erga omnes, without any differentiation as to the sources and/or conditions of importation.

Generalized System of Preferences

Poland applies the GSP treatment to imports from non-European developing countries, if such goods are purchased and shipped directly from

the eligible supplier country as documented by the certificate of origin. Zero duty rates are applicable to goods imported from 42 least developed countries. Customs duty rates for imports from the remaining 54 GSP beneficiaries are reduced by 30 per cent of the basic duty rate. Tropical products imported from these countries are admitted duty free. Exclusions from the scheme of preferences cover certain sensitive agricultural goods, textiles, consumer electronics, tobacco, cosmetics, automobiles and jewellery. The GSP treatment may be extended to countries with a per capita gross domestic product lower than Poland's.

Poland is also a GSP beneficiary in its exports to the United States, Canada, Japan, Austria, Australia and New Zealand. The aim of this treatment by the countries granting the GSP is to assist the structural adjustment of Poland's industry in the process of transformation to a fully-fledged market economy.

Duty-free zones and duty-free depots

The Customs Law provides for the possibility of establishing Duty-Free Zones (DFZ) and Duty-Free Depots (DFD). The regulations implementing this Law define a Duty-Free Zone as an area separated from the national customs territory in which Polish, foreign and multinational economic entities may conduct economic activities without the obligation to pay customs duties on their imports. The authority to establish a DFZ rests with the Council of Ministers.

Trade between a DFZ and foreign countries is free from any restrictions, is exempted from customs duties and may be conducted without any prior authorization or licence. However, the introduction of goods into, and their removal from, the DFZ must be declared for statistical purposes, and is monitored by the customs administration. Goods imported into the Polish customs territory from DFZs (except alcoholic beverages) are eligible for reductions in the applicable tariff rate, provided that Polish-made inputs account for at least 40 per cent of the value of the product. The reductions may range from 75 per cent to 100 per cent of the duty, depending on the relative share of such inputs. All foreign-made components and final products are subject to normal customs tariff rates.

Sixteen DFZs have been established under this law. However, only two of them have undertaken any operational activity. Others have certain problems with their ownership status. If these problems remain unresolved by mid-1993, such DMZs will cease to exist.

Under the Customs Law of 1989 as amended, a Duty-Free Depot is defined as an area separated from the national customs territory in which all economic entities domiciled in Poland may store, package and consign merchandise. The maximum storage term was shortened from three years to 12 months. Goods entering Polish customs territory from a DFD are subject to normal tax and tariff treatment. The establishment of a DFD requires prior authorization granted by the Central Customs Office.

Government procurement

All transactions made on behalf of the Government are conducted on the basis of commercial considerations, without any non-commercial preference for a specific source of supply, including the former CMEA States.

About 30 per cent of the central Government expenditures and 40 per cent of those of the local administration are used in Poland to purchase goods and services. A Government Procurement Act is now being drafted with a view to adopting market economy standards in this field, and assuring compatibility of the relevant legal provisions with the regulations existing in the EEC and EFTA States. Poland is not yet a signatory to the GATT Government Procurement Code, but intends to accede to it in the near future.

Countertrade practices

Barter and countertrade are allowed, subject to licensing requirements. All trading entities, regardless of their ownership status, may engage in such operations. In 1990-1991 countertrade transactions involved traders from about 15 countries, particularly from the Union of Soviet Socialist Republics and its successor States and from some other former CMEA partners. The existence of countertrade in these relations is not specifically encouraged by the Government. While this form of trade plays a marginal rôle, it may be seen as helpful in alleviating practical problems facing Poland's trading partners, such as foreign exchange constraints, administered trade or insufficiently developed financial infrastructure.

Anti-dumping and countervailing

Poland is a signatory to the Anti-Dumping Code. The Polish anti-dumping legislation is based on Article VI of the General Agreement and is incorporated into the Customs Law of 1989 as amended. Under these provisions, anti-dumping procedures are initiated by the Minister for Foreign Economic Relations.

The provisions of the Customs Law stipulate that anti-dumping duties may be applied against dumping only if such dumping causes or threatens to cause material injury or materially retards the establishment of an industry and only after a causal link between these two events has been established.

Anti-dumping investigations may be initiated ex officio or at the request of the affected domestic producers whose collective output accounts for at least half of the total domestic production of the like product. The petition should include sufficient evidence of the existence of dumping and injury and should indicate the causal link between the two.

The initiation of the investigation should be published in the "Official Gazette of the Republic of Poland". Immediately after the

initiation of the investigation, the Minister for Foreign Economic Relations is obliged to transmit the petition to the Anti-Monopoly Office for further investigation. The finding by the Office that there is insufficient evidence of injury or threat of injury allows the Minister for Foreign Economic Relations to terminate the investigation.

In case of an affirmative injury finding, the Minister may take a decision about the imposition of anti-dumping duties. Under the Polish law, the anti-dumping duty may be lower than the dumping margin (lesser duty rule) provided that it is sufficient to remedy the injury to the domestic industry.

Until now only two anti-dumping investigations have been initiated. Both were terminated after the finding of no injury.

In 1991 Poland signed the Subsidies Code, subject to ratification. So far, there are no specific procedures regarding countervailing actions in Polish legislation and no such action has been initiated.

Safeguard actions

According to the provisions of the Customs Law of 1989 as amended, a safeguard action may be taken if a product is being imported in such quantities or under such conditions as to cause or threaten to cause a serious injury to domestic producers of like or directly competitive products. The Association Agreement between Poland and the EC also allows safeguard action to be taken when imports cause serious disturbances in any sector of the economy or difficulties which could bring about a serious deterioration in the economic situation of a region.

In accordance with the safeguard legislation, the Minister for Foreign Economic Relations may call the exporters concerned to adjust the quantity or prices of exported commodities or may take measures to establish import licensing, import quotas or special surcharges. Any safeguard action is limited to a duration of one year. The safeguard procedure may be initiated by the domestic producers affected by the imports or ex officio. The procedure should be completed within 90 days. The determination of injury in the safeguard procedure is based on the same criteria as in an anti-dumping investigation. No safeguard action has been taken in Poland so far under these provisions.

Financial and fiscal measures affecting exports

Since January 1990, when the internal convertibility was introduced, no direct or indirect export subsidies are granted. Moreover, there are no income or price supports or preferential credits aimed at increasing exports.

The only financial measures related to exports are duty drawbacks and turnover tax refunds (see below). After the introduction of the

value-added tax system (VAT), expected in 1993, the refunds will be replaced by reimbursement of the VAT collected during the processing of exported goods.

Turnover tax exemptions

All products and services traded in the domestic market are subject to a turnover tax, irrespective of whether they are domestically produced or imported. Exports are fully exempted from this charge.

Export taxes

There are, however, a few exceptions to the rule exempting exports from the turnover tax. In order to protect the internal market against the risk of excessive exports, the Minister of Finance, in 1990, had temporarily subjected exports of certain goods to a turnover tax. Initially, this fiscal measure applied to 21 items. Since then the list has been progressively reduced. At present it covers only a few sensitive products, namely:

- engine fuels (50 per cent tax rate),
- gasoline for pyrolysis (50 per cent tax rate),
- half-tanned skins and crude skins, both wet and preserved (20 per cent rate).

Refund of turnover tax and customs duty

Exporters of processed goods are eligible for refunds of prior stage cumulative indirect taxes imposed on inputs used in the production of exported merchandise. Such refunds are calculated according to the actual value of such taxes and not on a percentage basis. This practice is thus compatible with the appropriate provisions of the Subsidies Code.

Exporters are reimbursed for customs duties and charges paid on all inputs physically included in the exported goods. The drawback may be collected within 30 days after the date of exportation. No interest is paid on the amount of the reimbursement.

Export promotion

Almost all Government-operated export promotion programmes existing before 1990 have been terminated. The initiative in this field is now predominantly in the hands of individual exporters and non-Government business organizations, especially the Polish Chamber of Commerce and its regional affiliations, which have jointly established the Trade Promotion Centre. The Centre is financed by members of the Polish Chamber of Commerce, but may also receive loans and grants contributed by Government agencies.

In 1991 the Minister for Foreign Economic Relations established the Export Credit Guarantee Corporation (KUKE), financed from Polish public sources, with some assistance coming also from various international financial institutions. Activities of the Corporation are yet to be fully developed.

B. TRADE POLICY BACKGROUND
ECONOMIC PERFORMANCE AND EXTERNAL ENVIRONMENT

(i) Wider economic and development needs, policies and objectives

The overall objective of Poland's policies is to establish a market economy, in which individual responsibilities and freedoms, including those related to economic behaviour, could be enjoyed in harmony with the principle of social solidarity. Poland entered this road in 1992 by undertaking an unprecedented package of reforms embracing virtually all aspects of social life and all major institutions of the Government.

During the three years which have passed since that time, the country has been through a remarkable change. However, it has also experienced the bitter side of transition from a lopsided economic system to the rules of the market-place. This process has ruthlessly revealed all inherent weaknesses of the economy and the inefficiency of its structures. The difficulties of adjustment are further compounded by frustrations which may arise out of conflict between value systems associated with two distinctly different types of economic, political and social environments.

Any realistic and effective policy must be based on the recognition that a transformation is necessarily a gradual process, its successive stages spread over time. Poland's experience indicates that this approach is an essential precondition for gaining public acceptance of the many hardships involved in the adjustment effort. This point may well be stressed at this GATT forum. It implies some measure of understanding and tolerance for the fact that multilateral disciplines can be absorbed only gradually by a country undergoing such comprehensive change. This report is meant to indicate that Poland does not intend to overstretch this argument.

Because of its scale and intensity, the transformation undertaken by Poland had had to extol a heavy price in terms of depth and pain of economic disruptions. In fact it is only in 1992 that the country has started to pull itself out of the deepest recession in its peacetime modern history, when the GDP contracted by about 19 per cent. Since early 1992, industrial output and most of the other major economic indicators have followed a generally positive trend, particularly as regards private business sectors.

In order to sustain and consolidate this recovery, Poland will need to increase its investment effort at the expense of consumption. Macroeconomic policies will highlight the leading rôle of private capital, both Polish and foreign. Industrial restructuring is expected to be assisted through measures which will help to increase demand for domestic output. A vigorous anti-inflationary policy will continue to safeguard stability of the national currency. This implies a continuation of the present tight monetary policies and a better control of budget deficits.

A more effective policy is required with regard to agriculture. Directly or indirectly, this sector is the principal source of personal income for one third of Poland's population and provides a vital buffer zone helping to control urban unemployment. The Government intends to accelerate the creation of market-oriented institutions serving agriculture. Greater protection against unfair foreign competition will be extended to efficient domestic producers through the application of border instruments and relief measures.

(ii) General policy measures affecting trade régime

The section below describes initiatives pursued in certain major areas, with direct or indirect implications for the macroeconomic framework within which Poland's external economic and trade policies are formulated and implemented.

(a) Privatization

The reform process in Poland is based on the unchallenged recognition that a fast privatization of State ownership in production and services is indispensable for any meaningful restructuring of the economy. State-owned enterprises, which numbered about 8,500 at the beginning of the reform, are still dominant in industry, utilities and non-commercial services. Domestic trade, which used to be in the same position, has been transformed within three years into a predominantly private sector. The same is true for the construction industry. Also in foreign trade, private traders handled 22 per cent of exports and about 50 per cent of imports in 1991 and this trend has progressed vigorously in 1992.

Efforts are now concentrated on accelerating the privatization process in the strongholds of State property, i.e. in mining, heavy industry and manufacturing and some types of services. Further acceleration of privatization in foreign trade is also regarded as essential.

By the end of 1991 about 30 major State-owned industrial enterprises and several hundred medium-size firms in industry and other sectors had been privatized. By mid-1992 the privatization process had been completed for 1,714 State enterprises, that is for some 21 per cent of their total number. The Government had publicly stated its intention to turn at least half of all industrial assets into private hands before the end of 1994.

The programme faces a number of difficulties which have slowed down its implementation. The most important among these result from shortages of domestic private capital, insufficient inflow of direct foreign investment and the inadequate legal framework. In October 1992 the Government decided to complete the necessary legislation within the next few months. The legal provisions, as presently drafted, are designed to expedite sales of enterprises to the general public, to institutional investors or to the employees.

A major "general privatization scheme" is now in progress. It involves about 400 State-owned factories representing about 25 per cent of industrial sales and 12 per cent of employment. The plan foresees the transfer of 60 per cent of their equity to investment groups (National Investment Funds), which are to be co-managed by Polish and western banks and fund management firms. It is proposed that each Polish adult will receive a participation certificate in NIFs, which will be tradeable. The State will retain its discretion over a 30 per cent share in each factory while another 10 per cent of the equity will be distributed among the employees.

Various forms of privatization thus involve a wide range of Poland's economy, with the exception of the defence industry, energy sector, railways, pipelines, certain telecommunications services and water distribution systems.

By October 1992, out of the total of about 70 State controlled foreign trade organizations and companies, eleven had been fully privatized, six were in the final stages of the process and six others in a medium phase, 11 had filed their pre-privatization status reports and four had initiated liquidation procedures, which will allow their assets to be sold or incorporated.

(b) Financial sector

The banking system consists of the Central Bank (Narodowy Bank Polski-NBP) and about 80 commercial banks, of which 11 are State-owned, one represents both State and cooperative capital and the remainder are private banks. The latter category comprises all-Polish banks, a few affiliations of major foreign banks and a number of entities jointly established by Polish and foreign partners. Nine, out of the 11, State-owned commercial banks are at present at an advanced stage of privatization, which has already been completed in some cases. One particular example which may be mentioned here is the Export Development Bank (Bank Rozwoju Eksportu), which was originally established as a financial arm of the Minister of Foreign Trade, but which is now entirely private and is trading its stock at the Warsaw Stock Exchange. One of the remaining two State-owned commercial banks (PKO S.A., a major financial institution involved in international operations) is undergoing a comprehensive restructuring aimed at breaking up its excessively centralized structures.

The reform of the financial sector is viewed by the Government as one of the most essential elements of its economic strategy. The banking system is still regarded as being heavily influenced by predominantly State-owned financial institutions, with negative effects for the costs and quality of its services. This domination has been inherited from the previous economic régime, as the present regulations in this field contain no specific preferences for State-owned entities and no inherent bias against Polish private banks. In particular, traders involved in international commerce are free to choose their banking partner.

(c) Exchange rate policy and convertibility

The radical reform package, set in motion in January 1990, contained, as one of its most crucial elements, a complete overhaul of all policies related to the exchange rate régime and to the entire system of currency trading, including in particular import financing. In doing so, Poland could draw on its earlier experience, gained through a widespread use of private convertible currency accounts (dating back to the late 1950s and numbering over two million at the start of the reform) and, most importantly, due to successively decentralized allocation of foreign exchange resources in external trade in the late 1980s.

In January 1990, the zloty was made internally convertible and allowed to be freely traded against foreign currencies in the domestic market, both public and private. After a significant devaluation, a new fixed rate of 9,500 zlotys to one dollar was established in agreement with the International Monetary Fund. A stable exchange rate has been recognized as an important anti-inflationary "anchor", acting to dampen inflationary expectations.

All previously existing forms of Government-controlled allocation of currency resources for import financing (currency quotas tied to import targets, Government reserves to finance contingency imports, etc.) had been abolished, along with partly decentralized systems, such as currency retention accounts of exporting enterprises, which had become redundant under the new conditions.

The fixed rate was kept unchanged until early 1991, with free market rates being essentially the same, except for very marginal fluctuations reflecting current shifts in market conditions. In May the exchange rate was permanently tied to a currency basket. The proportion in which individual currencies are represented in the pool reflects their relative shares in foreign trade transactions: United States dollar-45 per cent, German mark-35 per cent, pound sterling-10 per cent, Swiss franc and French franc-5 per cent each. In order to adjust for domestic inflation without potentially disruptive major corrections in exchange rates, the price of the zloty relative to the basket is devalued by approximately 1.8 per cent per month, on top of whatever shifts are implied by the general conditions of the currency market and parity fluctuations within the basket.

Poland has thus firmly adopted the policy of a single exchange rate for all types of transactions. The only short-term departure from this rule occurred in 1990, when a multiple rate of the "transferable" rouble had to be applied for several months in order to discourage excessive Polish exports under CMEA clearing arrangements and thus prevent an unwelcome built-up of the rouble balances just prior to the dissolution of the CMEA.

Under the present system, foreign exchange is available to all importers without restriction as to the value and sourcing of their imports. Controls are maintained with regard to capital transactions involving Polish natural and legal persons.

(d) Anti-monopoly policy and competition

One of the major consequences of the previous economic system, affecting several industrial and services sectors, is an excessive concentration of market power in the hands of one or very few domestic suppliers. In 1991 monopolistic or quasi-monopolistic suppliers controlled about one third of the total industrial output. This was, particularly, the case of ferrous and non-ferrous metallurgy, natural gas, aluminium, automotive industry, glass, heavy chemicals, and tractors. On the other hand, a relatively low degree of such controls is to be found in engineering, electronics, textiles and apparel, leather products, construction materials, food processing, and in the pulp and paper industry.

In order to ameliorate the situation, the Government submitted the Anti-monopoly Law, which was adopted by the Parliament in February 1990. The Law created a Government-level institution (Anti-monopoly Office) to administer detailed procedures aimed at counteracting the monopoly or quasi-monopoly status of certain producers and at mitigating the adverse effects of such positions for market competition.

The Law defines monopolistic practices as involving, inter alia, collusive arrangements on price and market sharing, price rigging, abuse of a dominant market position for suppression of competition, coercive practices with regard to terms of commercial contracts, artificial depression of output and sales, acquisition of competing firms through secret takeovers or undertakings aimed at control over the management of such competitors. In 1991 83 legal proceedings were initiated under the Law and 113 rulings were made, including those on previous cases.

The Anti-monopoly Office has wide-ranging powers, including the right to order that specific practices be terminated and revoked, and the right to impose financial penalties in an amount not exceeding 15 per cent of income obtained during the preceding year. The Office is actively involved in such trade-related matters as participation in decisions on customs tariffs and other border measures. It is also empowered to conduct anti-dumping and countervailing duty investigations on the initiative of the Minister for Foreign Economic Relations. The principal purpose of such involvement is to make sure that foreign trade policies do not unduly protect dominant domestic suppliers and do not discourage import competition. For example, in 1991 the Anti-monopoly Office demanded and obtained the Government's decision to substantially reduce or suspend import tariffs on a wide list of industrial products in which a single domestic supplier controlled at least 50 per cent of the market.

(e) Foreign investment

Matters related to foreign investment in Poland are regulated by the Law on Companies with Foreign Participation of 1991. Under the Law, foreign investors may buy stock of existing Polish companies, enter into joint ventures with Polish partners or establish wholly-owned companies. No prior authorizations or other forms of administrative permits are required for undertaking such activity, except for investment in seaports and airports, real estate brokerage, defence industry, legal services and

wholesale trade in imported consumer goods. Companies which involve foreign capital are also subject to general regulations concerning licensing requirements in certain fields of economic activity to the extent that such rules apply erga omnes to all other companies, both Polish and foreign. No conditions are attached as to the amount of investment or equity participation, nor with regard to the nationality of the managerial staff. The Law provides for full transfer of after-tax profits as well as proceeds from sales or from cancellation of shares in the company. Indemnities related to expropriation are also subject to unrestricted transfer abroad. Rules under which foreign investors may purchase, lease or otherwise utilize land property can be regarded as liberal.

Tax incentives are applied if investment in the initial capital of the company exceeds $2 million or when it is located in regions with high unemployment. Companies introducing high technology or exporting at least 20 per cent of their output of goods and services are also eligible for tax relief. Such incentives are not available to wholly Polish entities. Otherwise, local and foreign firms enjoy equal treatment under the law in respect of all their rights and obligations.

An additional measure of security is provided to foreign capital by bilateral agreements on mutual protection and promotion of investment. By the end of 1991 such accords concluded by Poland took effect in relations with the following countries: United Kingdom, China, Austria, Republic of Korea, France, Sweden, Switzerland, Norway, Germany, Canada, Finland, Belgium, Italy, Kuwait, Denmark and the United States. Similar agreements had been signed with Australia, Israel, Turkey, Argentina and Uruguay, while negotiations had been held with several other countries.

By mid-1992 there were about 7,600 companies with foreign equity, of which almost 50 per cent were in manufacturing, 7 per cent in construction and 19 per cent in trade and commerce. German investors are by far the most active (with participation in about 37 per cent of the total number of such companies), followed by the United States (9 per cent), Sweden (8 per cent), Austria (7 per cent), the Netherlands and France (6 per cent each), the United Kingdom and Italy (5 per cent each), Switzerland and Denmark. The total value of foreign capital directly invested in such equity was estimated at over $700 million at the end of 1991. It is expected that this figure will have increased significantly by the end of 1992.

(iii) The external economic environment

One of the essential elements of the Polish reform is its external orientation. This feature is manifested in many ways. In formulation of macroeconomic policies due regard is given to the experience and advice of major multilateral institutions: IMF, World Bank and GATT. Programmes related to privatization and industrial restructuring invariably stress the positive rôle of foreign investment. Most significantly, in trade, Poland has managed to reverse its traditional inward-looking approach and has recognized the importance of international commerce for its long-term development prospects. Internal convertibility of the national currency has been established and customs tariffs have been made the main instrument

of trade policy. The shift in attitudes to the external economic environment is evident in the intensified trade activity of enterprises, both public and private. It is also clearly demonstrated by the conclusion of the Association Agreement with the European Communities, the negotiation of free-trade agreements with EFTA and within the Central European region, and the ongoing renegotiation of the Protocol of Accession to the GATT.

(a) Major trends in imports and exports

The years 1989-1992 have brought many important changes in Poland's foreign trade performance. Exports to Western countries are higher than ever before, despite the elimination of export subsidies. The market-oriented reforms and the opening up of the Polish economy have had a profound impact on the overall functioning of macroeconomic mechanisms. Foreign trade instruments and exchange rate policy have found their proper place among the key economic policy tools. The trading sector has discarded all features which used to be associated with the notion of State trading. Exports and imports are out of Government reglementation and a great number of new private firms have started interacting with the international business community.

Poland's trade performance in recent years is described in Table 1 of the Annex. After a period of decline in the early eighties, Poland's export volume rebounded in the second half of the decade, both in terms of transferable roubles and United States dollars (Table 18). New, severe difficulties reappeared in 1989 when the volume of trade with both payments areas almost stagnated (Table 2). Such was the situation at the starting point of the reform.

A severe recession, combined with the sharp devaluation of the zloty and the instruction of its full internal convertibility strongly influenced Polish foreign trade in 1990. Imported goods had become much more expensive, relative to domestic products. The devaluation, together with a dramatic decline in internal demand, provided the incentive to producers to seek export outlets, especially in convertible currency trade. The volume of such sales increased by 40 per cent in 1990, while imports dropped by 3 per cent. Consequently, trade surpluses attained a level unprecedented in Polish foreign trade (Table 2), even though they might appear to be modest by the standards of many other countries.

A reverse development occurred in rouble-denominated trade, which decreased in 1990 to 87 per cent of export volume and 66 per cent of import volume of the preceding year. This was largely due to a virtual breakdown of commercial exchange with the Soviet Union, under conditions of disintegration of the CMEA trading mechanism and increasing difficulties experienced by the USSR in its export sector.

In 1991 Poland's exports to former CMEA countries continued to fall both in value and volume terms. The deepest decline was again observed in exports to the Soviet Union due to the switch to world market prices and convertible-currency payments. The value of Poland's imports from this group of partners decreased considerably, by as much as 32 per cent, while

the volume of exports fell by some 43 per cent. Such developments were accompanied by dramatic increases in nominal prices, resulting from exchange rate adjustments. Import prices, in zloty terms, had more than doubled (Table 3).

All these developments had produced very significant shifts in the geographical pattern of Polish trade in favour of developed market economies, the EEC in particular. The share of trade with former CMEA countries fell below 17 per cent in 1991, as against 35 per cent in 1989, while the relative position of the European Communities changed from 32 per cent to almost 56 per cent (Table 4).

This evolution was considerably intensified by a dynamic growth of the private sector in trade. In 1990 private firms accounted, in value terms, for 5 per cent of exports and 14 per cent of imports. In 1991 their share rose to 22 per cent in exports and as much as 50 per cent in imports. While State enterprises concentrated mainly on exports, private firms had shown a strong preference for import-oriented activities, resulting in a rapid expansion of consumer imports (Table 5). This trend received a powerful boost from the combined impact of two essential factors: rapidly growing domestic prices and the fixed exchange rate (real appreciation of the zloty). Under conditions of a remarkable import liberalization, all these factors converged to create strong incentives for imports, especially in the consumer goods category. During the first half of 1991 consumer imports attained 260 per cent of their level in the corresponding period of the previous year. In contrast, profitability of exports continued to fall.

In view of a severe budget deficit, deepening recession and sharply deteriorating trade balances, the expansion of consumer imports appeared to be excessive. In May, the Central Bank devalued the zloty against the dollar by 17 per cent. At the same time, the modalities of exchange rate adjustments had been altered. Instead of being pegged exclusively to the dollar, the zloty is to be henceforth tied to a basket of currencies.

The devaluation, followed by introduction of a revised customs tariff on 1 August 1991, helped to halt the unfavourable trends in foreign trade. However, the whole year closed with a combined deficit equivalent to $620 million.

Foreign trade performance improved slightly in 1992. According to provisional and incomplete trade data for the first half of the year (available only on the BOP basis: see Table 29) it can be concluded that the shock associated with the switch to hard currencies and world market prices in the Eastern trade has been absorbed by the Polish economy rather well. In 1992 exports expanded again and the dynamics of imports flattened. Consequently, a surplus on the trade and current account has reappeared.

The geographical reorientation of Poland's foreign trade has been accompanied by substantial changes in its commodity pattern (Table 6). Generally, the diminished share of some industries in Poland's trade

reflected the collapse of exchange with Eastern partners, while the increased participation of other industrial sectors could be attributed to a higher turnover with the EC. Some changes in commodity composition occurred also in Poland's imports from developing countries. In particular, Poland purchased more crude oil, consumer electronic goods and textiles from this group of trading partners.

Engineering products have remained the principal product category in Poland's foreign trade, but their share in exports has diminished considerably. This is primarily due to a nearly 60 per cent drop in exports of capital goods to former CMEA countries. This unfavourable trend has been partially offset by increased deliveries of metallurgical as well as timber and paper industry products to the EC market. On the other hand, deep cuts in imports of fuels and metallurgical products (mainly from former CMEA countries) have been counterbalanced by increased imports in the remaining sectors (Table 7).

The adjustment of the production pattern and, consequently, commodity structure of Poland's foreign trade to the new economic environment has begun but this process is likely to take much longer.

(b) Developments in the terms of trade and commodity prices

Until 1990 Poland's terms of trade used to be reported separately for the rouble and dollar payment areas, and for the foreign trade sector as a whole. With the elimination of the two different payment categories, terms of trade data are not fully compatible with those for the previous years and consequently some rough estimates can only be made (Figures 3 and 4).

Between 1979 and 1984, Poland experienced unfavourable terms of trade. In 1985 they started to improve for five consecutive years, before deteriorating again since 1990. The deterioration in the recent two years has resulted mainly from higher world prices of industrial goods and oil in 1990 and from dramatic price changes in trade with the former CMEA countries in 1990-1991 in the framework of a general adjustment to the international price levels (Table 8). This second factor resulted in a 30 per cent deterioration of Poland's terms of trade with former CMEA partners in 1991, when a substantial rise in import prices was registered in all major product categories. While such prices in imports from ex-CMEA had more than doubled (in terms of zlotys), Polish exports to this area registered only a 60 per cent overall price increase (Table 10). This discrepancy resulted from differences in the commodity structures of exports and imports, and from the fact that significant price adjustments had been made by Polish traders already during earlier periods, mainly in 1990.

(c) The balance of payments and foreign debt

Trade payments statistics usually differ considerably from foreign trade customs statistics provided by the Central Statistical Office (CSO). The latter are based on trade flows registered at the border while payments statistics include transactions for which payments have effectively been made.

Until the end of 1990 Poland's balance of payments was reported separately for rouble and dollar settlements. In 1991 the share of transferable rouble payments diminished significantly. However, the current account surplus of 558 million transferable roubles (Rbt) was registered.

Figure 5 portrays the main developments in Poland's current account in convertible currencies in recent years. Trade payments and transfers played the most significant rôle in balancing the current account of Poland in 1990. It was closed with a surplus of $668 million.

In 1991 the situation worsened due to the balanced merchandise trade and an unexpected drop in net unrequited transfers. Until 1990 Poland had traditionally had relatively substantial surpluses in private remittances. The introduction of the internal convertibility of the zloty, liberalization of foreign exchange controls and a fall in the purchasing power of foreign currencies on the Polish market have seriously detracted from the net importance of this source of convertible currencies for Poland's payments position (Table 11).

Poland belongs to the group of highly indebted countries. Its debt in hard currencies amounted to $29.3 billion in 1985, $40.8 billion in 1989, $48.5 billion in 1990, $48.4 billion in 1991 and $49.3 billion by the end of July 1992. In March of 1991 the Paris Club agreed to write down 50 per cent of Poland's official debt to the group provided Poland adheres to its programme of market reforms.

The accord signed with the Paris Club was preceded by the adoption on 18 April 1991 of an agreement with the IMF on a three-year economic stabilization programme linked with the Extended Fund Facility (EFF).

The Paris Club accord involves debt in the amount of $33 billion. Seventeen members of the Paris Club decided to reduce by 50 per cent the debt's net present value (NPV), as of 1 April 1991. Interest payments are subject to bilateral arrangements. The first stage of reduction began on 1 April 1991 and the second is to commence on 1 April 1994. In the first stage an immediate and unconditional 30 per cent reduction of revised NPV was carried out. In the second phase an additional 20 per cent reduction of the current net debt value is expected to be made if the adjustment programme monitored by the IMF is kept on track.

Eighty per cent reduction of interest payments due in the first three-year period starting on 1 April 1991 (based on the nominal value of interest payments due prior to the reduction) comes under the first stage and is binding for all creditors.

The creditors could choose from among three options:

(a) partial cancellation of the principal;

(b) lowering of the interest rate below "proper market rate";

(c) lowering of the interest rate below "proper market rate", coupled with partial capitalization of interest payments due in the grace period, to be payable together with principal and involving no new interest.

The chosen option is to be binding in both stages of the reduction. Most of the countries choose option (b). Cancelled interest payments reached the value of $864 million by the end of 1991.

Irrespective of the 50 per cent reduction, each creditor may decide to cancel another part of Poland's debt. For instance, the United States has extended the scope of this reduction to 70 per cent.

(iv) Implications of international macroeconomic situation and development in the world market for the external sector of the Polish economy

Among external factors affecting Poland's export performance in recent years, a special rôle has been played by political and economic developments in Central and Eastern Europe and the Soviet Union. The dissolution of the USSR and the establishment of new successor States, the political and economic changes in East European countries and the unification of Germany, have led to a drastic reduction of trade flows among former CMEA countries.

As already described, these factors have had a strong impact on Polish foreign trade, the terms of trade and the trade balance. Thus, they have affected domestic production and exports both in a direct and indirect way, via multiplier effects.

A sharp curtailment of imports from former CMEA sources had, over a short period of time, strongly limited the availability of energy and other inputs for Polish industry. Although the economic impact of this development had been partly cushioned by a recessionary drop in demand on the part of industry, substantial efforts had to be made to cope with the contingency. On the export side, Polish producers were able to find markets in the East rather easily because of market shortages and a hard currency squeeze in the ex-USSR and in its successor States. However, Polish banks, extending commercial credits to domestic exporters found it increasingly difficult to secure proper payment schedules from Eastern partners under the previous clearing system. Thus, a large part of Polish exports to the USSR in 1989 and 1990 had to be refinanced. The rouble trade surpluses, accumulated largely in relations with the USSR, reached record levels in 1989 and 1990 (about rub 2.1 billion and rub 4.4 billion respectively). These trade surpluses increased domestic money supply significantly (by as much as one third in 1991) and consequently weakened the efficiency of the anti-inflationary policy in Poland.

As already mentioned, the volume of Polish exports to ex-CMEA countries fell by some 43 per cent and that of imports by 32 per cent in 1991. Concurrently, the terms of trade deteriorated sharply (by about 30 per cent) - mainly with the ex-USSR, and the total trade balance switched to the deficit equal to nearly $0.5 billion.

In 1992, one year later, it appears that the Polish economy has absorbed the worst part of the shock associated with the collapse of the Eastern market and the shift to convertible currency and world market prices. After the sharp reduction of trade flows the trade balance had been restored. During the first half of 1992, surpluses reappeared in Polish trade payments with both Eastern and Western countries and these trends are likely to continue. There are already some symptoms of, and further prospects for, a recovery of Poland's trade with partners in Central and Eastern Europe, notably with Czechoslovakia and Hungary. Free-trade agreements with these countries are being negotiated.

Trade and economic agreements with Russia, Ukraine, Belarus, the Baltic States and some other post-Soviet States have been concluded or are under negotiation. However, many uncertainties continue to exist in the economic relations with these countries and a number of problems remain to be solved.

The unification of Germany has also had both immediate and long-term implications for Poland's trade. The ex-GDR used to be one of the major trading partners for Poland, ranking, in various years, as second or third in trade volume. It also constituted an important market for Polish exports of construction services. The unification entailed cancellation of export contracts and caused some specific problems in bilateral settlements of clearing transactions denominated in transferable roubles. These import transactions increased dramatically in the second half of 1990, due to an undervalued exchange rate of the East German mark vis-à-vis the transferable rouble and due to subsidization of East German exports during the transitional period, in the second half of 1990. This resulted in a fast accumulation of a large Polish rouble debt, to be converted into Deutschmarks at the disputed "official" rate of the rouble. In the medium term, the declining production and demand for imports from the eastern part of Germany has adversely affected sales opportunities for a number of Polish industries.

In 1990-1991 the Polish economy also incurred substantial economic damage estimated at $2.8 billion, due to the Gulf crisis. Direct losses associated with the United Nations embargo on trade with Iraq and Kuwait included cancelled export contracts, loss of assets by Polish construction firms and experts, and the freezing of the Iraqi debt of $0.5 billion. Indirect consequences of higher world prices for crude oil and petroleum products were also severe, coming, as they did, at the time of dwindling Soviet energy supplies and the switchover from the transferable rouble to convertible currency payments.

The progress of democratic political reforms and economic transformation towards the market system in Poland gained support in the EC and EFTA countries, in the United States and in other countries. The support materialized in facilitating access of Polish exports to Western markets, in easing COCOM restrictions on transfer of sensitive technologies, in technical assistance and in financial backing of Polish reforms. This external support reinforced the decisive impact of internal factors in contributing to a relatively successful export performance and to the rapid reallocation of a substantial part of traditional Polish exports from eastern to other markets.

Among the external factors which have contributed to the development of Polish exports and to a fuller integration of Poland into the global economy in the recent period, the following developments appear to be of particular relevance:

(a) Conclusion of the five-year agreement on trade and economic cooperation between the EC and Poland (on 19 September 1989; effective from December 1989), providing for gradual removal by the EC of all specific (discriminatory) restrictions on imports of industrial goods from Poland. Actually, all these restrictions were lifted on 1 January 1990. In addition, a number of non-specific QRs vis-à-vis Polish exports were suspended by the EC in 1991. Quota allocations on imports of textiles (under bilateral MFA agreements) and steel were increased. Tariff rebates on imports of some agricultural products into the EC were also granted.

(b) Conclusion of the Europe Agreement on association between the EC and Poland, signed on 16 December 1991 (see above, under section dealing with trading arrangements). The Agreement is expected to be ratified by all parties during 1992 and enter into force in 1993. The commercial part of the Europe Agreement - providing for mutual asymmetric liberalization of trade - had become effective on 1 March 1992 (as an Interim Accord, not requiring ratification by parliaments).

(c) On 13 June 1990, Poland (as well as Czechoslovakia and Hungary) signed at Gothenburg a Joint Declaration with EFTA countries, in which the signatories reiterated their intention to promote and develop trade and economic, industrial, technological and scientific cooperation, and agreed to examine conditions for gradually establishing a free-trade area. Negotiations on the free-trade area, covering industrial and processed agricultural products, were undertaken by Poland in 1991 and concluded in November 1992.

(d) In 1990 the GSP treatment was extended by the European Community to Poland (with some exclusions and limitations concerning quotas) for a period of five years. These provisions were later consolidated in the Association Agreement. GSP benefits have also been granted to Poland by Austria and other EFTA countries, as well as the United States, Canada, Japan, Australia and New Zealand.

Nonetheless, several external barriers to development of Polish traditional exports of agricultural products and other sensitive goods still remain in force in several industrialized countries.

STATISTICAL ANNEX

TABLE 1

Polish Foreign Trade in 1988-1992 (a)

(Million dollars)

	1988	1989	1990	1991	1992(b) First half
Exports	13,960.3	13,466.1	14,321.6	14,936.6	6,855
Imports	12,243.3	10,277.3	9,527.7	15,556.3	5,909
Balance	+1,717.0	+3,188.8	+4,793.9	-619.7	+946

(a) - Dollar values have been calculated at the average exchange rates of zloty against US dollar and are not fully comparable.
(b) - According to statistics provided by the National Bank of Poland for the period January-June 1992.

Source: Central Statistical Office, Statistical Yearbook of Foreign Trade, 1991 and Statistical Information on Foreign Trade, January-December, 1991.

TABLE 2

Polish Foreign Trade in 1989-1991

Specification	Value (current f.o.b. prices)			Volume (% change)		
	1989	1990	1991	1989	1990	1991
Total exports	*	*	*	0.2	13.7	-2.4
settled in:						
mil. roubles	12,217	11,014	1,400	0.1	-13.3	n.a.
mil. dollars (incl. clearing)	8,533	12,020	14,641	0.3	40.5	n.a.
Total imports	*	*	*	1.5	-17.9	37.8
settled in:						
mil. roubles	10,106	6,640	849	-3.4	-34.1	n.a.
mil. dollars (incl. clearing)	7,766	8,254	15,465	6.4	-2.9	n.a.
Trade balance						
mil. roubles	+2,111	+4,374	+551	*	*	*
mil. dollars	+767	+3,766	-824	*	*	*

n.a. - Since 1991 volume data have not been available in this breakdown.

Source: CSO. Foreign Trade 1990 and Foreign Trade, January-December 1991.

TABLE 3

Poland's Foreign Trade in 1991

	Value		Volume index	Price index (in terms of zlotys)
	tln zls		1990 = 100	
Exports	157.7	115.9	97.6	118.7
of which:				
EC	87.7	136.4	126.4	107.9
Former CMEA	26.5	91.2	57.1	159.7
Others	43.5	101.9	92.2	110.5
Imports	164.3	181.5	137.8	131.7
of which:				
EC	82.0	198.5	176.1	112.7
Former CMEA	31.2	154.9	68.1	227.5
Others	51.5	175.7	173.2	101.4
Trade Balance	-6.6	*	*	*
EC	+5.7	*	*	*
Former CMEA	-4.7	*	*	*
Others	-7.6	*	*	*

Source: Central Statistical Office, Statistical Information on Foreign Trade, January-December 1991.

TABLE 4

Polish Exports and Imports, by Country Groups

(Percentage shares)

	Year	Total	EC	European CMEA	Others
Exports	1985	100.0	21.7	48.8	29.5
	1989	100.0	27.9	36.7	35.4
	1990	100.0	44.3	23.2	32.5
	1991	100.0	55.6	16.8	27.6
Imports	1985	100.0	17.6	54.7	27.7
	1989	100.0	29.8	34.2	36.0
	1990	100.0	44.1	23.6	32.3
	1991	100.0	49.9	19.0	31.1

Source: Central Statistical Office: Yearbook of Foreign Trade 1991, and Statistical Information on Foreign Trade in January-December 1991.

TABLE 5

Imports by Categories of Goods in 1991

(Current prices)

Specification	1990=100	% share
Rouble imports	12.8	100.0
Investment	21.0	25.8
Intermediate	9.7	51.4
Consumer	18.5	22.3
Dollar imports	187.4	100.0
Investment	181.0	14.5
Intermediate	165.8	53.9
Consumer	257.5	31.0

Source: CSO, Foreign Trade, January-December 1991.

TABLE 6

Changes in the Commodity Structure of Poland's Foreign Trade in 1990-1991

(Percentage, constant prices)

	Exports			Imports		
	1990	1991	Change in change	1990	1991	Change in change
TOTAL	100.0	100.0	*	100.0	100.0	*
of which:						
Engineering	29.3	22.1	-7.2	39.8	40.5	0.7
Fuels and energy	10.1	9.6	-0.5	20.6	15.1	-5.5
Metallurgy	14.6	17.8	3.2	6.8	4.1	-2.7
Chemicals	12.0	10.8	-1.2	11.5	13.0	1.5
Wood and paper	4.1	6.8	2.7	1.6	2.6	1.0
Light ind. prod.	6.4	6.1	-0.3	6.1	6.0	-0.1
Food processing	6.1	6.4	0.3	4.4	6.5	2.1
Agricultural prod.	5.4	6.7	1.3	2.0	3.2	1.2

Source: CSO, Foreign Trade, January-December 1991, and own calculations.

TABLE 7

Rate of Trade Growth by Sectors and Country Groups in 1991

(Percentage change over the previous year)

	Total	Electro-engin.	Fuels and energy	Metallurgic.	Chemical	Wood and paper	Light	Food processing
Exp.	0.9	-23.9	-4.8	23.7	-8.9	69.2	-3.8	-0.7
EC	26.4	22.7	-9.2	39.0	-2.5	103.0	20.2	5.7
CMEA	-42.9	-58.9	-49.8	-21.3	-44.7	-2.9	-52.3	113.0
Oth.	-7.8	-17.0	12.3	5.6	0.6	4.1	-16.4	-28.8
Imp.	51.5	53.9	11.0	-9.4	71.0	142.2	51.1	97.2
EC	76.1	65.1	22.4	14.5	83.5	244.6	73.5	123.4
CMEA	-31.9	-6.3	-43.9	-75.6	-9.9	-14.2	-47.2	149.9
Oth.	73.2	61.3	130.1	25.7	68.5	102.0	47.9	54.2

Source: Statistical Information, Foreign Trade, January-December 1991, CSO.

TABLE 8

Commodity Prices and Terms of Trade in 1990

(Base data in roubles or dollars, 1989=100)

Specification	Rouble prices			Dollar prices		
	Exp.	Imp.	TOT	Exp.	Imp.	TOT
Total	103.9	99.5	104.4	100.3	107.0	93.7
Fuels and energy	102.5	87.2	117.5	105.5	132.9	79.4
Engineering	103.9	104.2	99.7	105.5	102.5	102.9
Metallurgical	106.2	101.8	104.3	91.9	94.4	97.4
Chemical	102.4	107.6	95.2	91.5	105.0	87.1
Wood and paper	102.5	114.2	89.8	119.9	108.4	110.6
Light industry	116.9	102.3	114.3	112.0	117.2	95.6
Food processing	102.1	109.1	93.6	97.9	97.6	100.3
Agricultural products	102.1	99.9	102.2	92.7	87.0	106.6

Source: CSO, Foreign Trade, January-December 1990.

TABLE 9

Poland's Terms of Trade in 1991 by Country Groups
(In national currency, 1990=100)

Specification	Total	EC	f.CMEA	Others
Exports	118.7	107.9	159.6	110.5
Imports c.i.f.	130.2	110.5	226.2	101.1
Terms of trade	91.2	97.6	70.6	109.3

Source: CSO, Foreign Trade January-December 1991.

TABLE 10

Poland's Terms of Trade in 1991 by Sectors
(In national currency, 1990=100)

Specification	Exports				Imports c.i.f.			
	Total	EC	CMEA	Others	Total	EC	CMEA	Others
Total	118.7	107.9	159.6	110.5	130.2	110.5	226.2	101.1
Engineering	119.6	109.3	137.9	110.3	111.7	107.5	136.9	105.4
Fuels	131.7	111.4	383.6	112.9	206.7	108.3	279.2	86.4
Metallurgy	107.1	100.8	106.3	106.0	143.1	98.3	384.1	103.4
Chemicals	130.6	103.1	294.0	100.2	133.0	111.2	274.6	99.5
Minerals	119.3	116.3	161.2	120.0	128.9	106.8	216.4	112.9
Wood and paper	111.5	106.4	118.7	126.7	136.8	118.4	243.4	103.4
Light ind.	123.1	111.1	144.4	114.5	130.2	113.9	368.3	112.5
Food	119.0	115.1	107.7	123.8	115.4	123.1	197.3	104.5
Agriculture	112.4	109.6	129.4	107.4	114.3	111.5	139.7	109.4

Source: CSO, Foreign Trade January-December 1991.

TABLE 11

Private Transfers in Poland's Current Account

(million dollars)

Specification	1989			1990			1991 (I-XI)		
	R	P	Net	R	P	Net	R	P	Net
Domestic exports	793	-	+793	993	-	+993	-	-	-
Currency accounts	2,521	2,438	+83	4,373	4,066	+307	4,641	5,004	-363
Pensions	112	12	+100	128	70	+58	102	52	+50
Other	327	159	+168	521	203	+318	817	223	+594
Total	3,573	2,609	+1,144	6,015	4,339	+1,676	5,560	5,279	+281

R - Receipts
P - Payments
Net - Balance of transfers

Source: B.Sokotowska, "Balance of Payments and Foreign Debt" in "Polish Foreign Trade in 1991. Annual Report" Foreign Trade Research Institute, Warsaw 1992.

TABLE 12

Economic Development of Poland in 1980-1991

(Percentage change over the previous year)

Year	GDP	Industry	Construction (a)	Agriculture (b)	Foreign Trade Exports	Foreign Trade Imports
1980	-6.0(c)	-0.8	-10.9	-10.7	-4.2	-1.9
1981	-10.0	-13.2	-21.3	3.8	-19.0	-16.9
1982	-4.8	-1.5	-6.1	-2.8	8.7	-13.7
1983	5.6	6.6	5.0	3.3	10.3	5.2
1984	5.6	5.6	7.7	5.7	9.5	8.6
1985	3.6	4.1	4.2	0.7	1.3	7.9
1986	4.2	4.4	2.0	5.0	4.9	4.9
1987	2.0	3.4	-2.2	-2.3	4.8	4.5
1988	4.1	5.3	1.7	1.2	9.1	9.4
1989	0.2	-0.5	-9.8	1.5	0.2	1.5
1990	-11.6	-24.2	-17.6	-2.2	13.7	-17.9
1991	-7.0	-15.0	-19.0	-2.0	-2.4	37.8

(a) - State sector only
(b) - Net Material Product (NMP)
(c) - Gross agricultural output

Source: CSO, Statistical Yearbooks for respective years and Information on Socio-Economic Situation of Poland in 1991, Warsaw January 1992.

TABLE 13

Poland's GDP Distribution

(Previous year=100)

Year	GDP distributed	Consumption	Accumulation
1981	91.3	96.3	77.8
1982	90.7	89.0	96.6
1983	105.2	105.1	105.4
1984	105.0	104.6	106.4
1985	103.9	103.2	106.2
1986	104.1	104.0	104.5
1987	101.7	102.3	100.1
1988	104.1	102.6	108.6
1989	100.4	98.7	105.1
1990	84.6	88.3	75.2
1991	n.a.	103.7	n.a.

n.a. - Not available

Source: As in Table 12

TABLE 14

Structure of Poland's GDP in 1990

(Current prices)

Specification	% share
Total GDP	100.0
Material production sectors	85.7
Industry	46.1
Construction	8.7
Agriculture and forestry	8.3
Transport and communications	4.9
Trade	14.8
Other sectors	2.9
Services	14.3
Total GDP distributed	100.0
Consumption	66.9
Private consumption	58.8
Public consumption	8.1
Accumulation, of which:	33.1
Gross fixed capital formation	20.8

Source: CSO, Statistical Yearbook for 1991

TABLE 15

Industrial Output by Industries in 1988-1991
and Structure in 1990

Specification	1988	1989	1990	1991	
	% change over previous year				% share
Total industrial output	5.3	-0.5	-24.2	-11.9	100.0
of which:					
Fuels and energy	0.1	-2.4	-22.1	-8.3	20.6
Metallurgy	1.9	-4.8	-19.7	-22.4	8.6
Engineering	8.5	0.7	-22.0	-22.3	20.4
Chemicals	6.8	2.6	-24.6	-13.5	9.4
Minerals	6.6	5.5	-21.5	-2.5	4.5
Wood and paper	8.4	6.9	-24.9	-1.4	5.4
Light industries	9.1	3.3	-33.8	-13.0	7.4
Food processing	2.0	-5.9	-23.7	0.8	21.9

Source: CSO, Statistical Bulletin 1992, No. 2.

TABLE 16

Economic Entities in Poland in 1989-1991

(Registered, End of Year)

Specification	1989	1990	1991
TOTAL	872,881	1,217,839	1,542,525
Public sector	15,451	15,906	17,008
of which:			
State enterprises	7,337	8,454	8,228
Trade companies	1,224	1,383	1,285
of which:			
Companies of Treasury	n.a.	248	376
Private sector	857,430	1,201,933	1,493,701
of which:			
Cooperatives	16,691	16,650	17,374
Trade companies	15,681	29,650	45,077
of which:			
Joint ventures	429	1,645	4,796
Individual businesses	813,485	1,135,492	1,420,000

Source: CSO, Statistical Yearbook for 1991 and Statistical Bulletin 1992 No. 6.

TABLE 17

Private Sector in Poland

(Percentage Share, Current Prices)

Specification	Public sector			Private sector		
	1989	1990	1991	1989	1990	1991
NMP	69.9	67.7	n.a.	30.1	32.3	n.a.
Industrial output	83.8	82.6	75.8	16.2	17.4	24.2
Construction	66.6	67.8	44.8	33.4	32.2	55.2
Transport (sales)	88.5	85.8	76.3	11.5	14.2	23.7
Agricultural output	22.4	24.0	n.a.	77.6	76.0	n.a.
Domestic trade	40.5	36.3	n.a.	59.5	63.7	n.a.
Exports	-	95.1	78.1	-	4.9	21.9
Imports	-	85.6	50.1	-	14.4	49.9
Employment	55.7	54.2	61.8(a)	44.3	45.8	25.7(a)
Investment outlays	64.7	58.7	n.a.	35.3	41.3	n.a.

n.a. - not available

(a) - excluding private agriculture

Source: CSO, Statistical Yearbook for 1991.
Information on Socio-Economic Situation of Poland in 1991
Foreign Trade January-December 1991, and own calculations.

TABLE 18

Poland's Foreign Trade

(by payments)

Year	Rouble payments (million Rbt)			Convertible currencies (million dollars)		
	Imports	Exports	Balance	Imports	Exports	Balance
1980	6,955	6,201	-754	8,969	7,974	-995
1981	7,266	5,654	-1,612	5,867	5,771	-96
1982	7,404	6,826	-578	4,308	5,742	+1,434
1983	8,271	7,657	-614	4,451	5,889	+1,438
1984	9,293	8,625	-668	4,808	6,339	+1,531
1985	10,044	9,329	-715	5,077	6,137	+1,060
1986	10,830	10,329	-501	5,438	6,510	+1,072
1987	10,935	10,950	+15	5,844	7,079	+1,235
1988	10,819	11,938	+1,119	7,302	8,311	+1,009
1989	10,106	12,217	+2,111	7,766	8,533	+767
1990	6,640	11,014	+4,374	8,254	12,020	+3,766
1991	849	1,398	+548	15,465	14,641	-824

Source: As in Table 17

TABLE 19

Volume and Unit Value of Polish Foreign Trade

(Percentage Change Over Previous Year)

	Rouble payments				Hard-currency payments			
	Volume		Unit Value		Volume		Unit Value	
	Imp.	Exp.	Imp.	Exp.	Imp.	Exp.	Imp.	Exp.
1980	4.3	-9.0	6.6	4.9	-7.4	1.7	13.4	13.5
1981	-7.2	-16.2	12.6	8.8	-30.9	-24.1	-3.7	-4.6
1982	-7.9	13.5	10.8	6.3	-21.3	5.8	-8.2	-6.0
1983	2.5	6.5	9.0	5.4	7.2	14.9	-5.3	-10.7
1984	6.0	7.4	5.6	3.3	13.4	12.4	-4.8	-6.1
1985	5.7	7.0	3.0	2.0	10.5	-3.6	-4.3	0.7
1986	6.4	8.7	1.3	1.9	3.2	1.5	3.1	4.5
1987	4.3	4.8	-3.1	1.2	4.7	4.7	3.1	3.8
1988	1.9	8.0	-2.8	0.9	18.3	10.1	5.9	6.6
1989	-3.4	0.1	-3.2	2.2	6.4	0.3	-0.6	2.4
1990	-34.1	-13.3	-0.5	3.9	-2.9	40.5	7.0	0.3
1991	Not available in this breakdown							

Total 1991:	Imports	Exports
Volume	37.8	-2.4
Unit value (in terms of US$)	16.8	5.7

Source: As in Table 17

TABLE 20

Poland's Trade Turnover and Main Partners

(Current Prices)

Specification		Value in US$ million	1st partner		2nd partner		3rd partner	
			Country	Share in %	Country	Share in %	Country	Share in %
1929	Imports	342.2	Germany	27.3	US	12.5	UK	8.5
	Exports	309.5	Germany	31.2	Czech.	10.5	Austria	10.5
	Balance	-32.7						
1938	Imports	247.0	Germany	14.5	US	12.2	UK	11.4
	Exports	225.1	UK	18.2	Germany	14.5	Sweden	6.0
	Balance	-21.9						
1950	Imports	668.2	USSR	28.8	Czech.	13.2	GDR	11.5
	Exports	634.3	USSR	24.3	GDR	13.9	Czech.	9.2
	Balance	-33.9						
1955	Imports	931.8	USSR	33.7	GDR	13.1	Czech.	8.5
	Exports	919.7	USSR	30.5	GDR	13.6	UK	8.5
	Balance	-12.1						
1965	Imports	2,340.3	USSR	31.1	GDR	11.6	Czech.	10.4
	Exports	2,227.9	USSR	35.1	Czech.	9.4	GDR	6.9
	Balance	-112.4						
1975	Imports	12,545.4	USSR	25.3	FRG	8.1	GDR	7.5
	Exports	10,289.4	USSR	31.5	GDR	9.2	Czech.	8.0
	Balance	-2,256.0						
1980	Imports	19,089.3	USSR	33.1	FRG	6.7	GDR	6.6
	Exports	16,996.8	USSR	31.2	FRG	8.1	Czech.	6.9
	Balance	-2,092.5						
1985	Imports	10,836.4	USSR	34.4	FRG	9.0	GDR	6.1
	Exports	11,489.4	USSR	28.4	FRG	8.7	Czech.	6.2
	Balance	+653.0						
1986	Imports	11,208.4	USSR	32.5	FRG	9.8	Czech.	6.3
	Exports	12,073.7	USSR	27.6	FRG	9.4	Czech.	6.3
	Balance	+865.3						
1987	Imports	10,843.7	USSR	27.5	FRG	11.5	Czech.	6.2
	Exports	12,204.8	USSR	24.8	FRG	10.8	Czech.	6.0
	Balance	+1,361.1						
1988	Imports	12,243.3	USSR	23.3	FRG	13.0	Czech.	6.4
	Exports	13,960.3	USSR	24.5	FRG	12.4	Czech.	6.0
	Balance	+1,717.0						
1989	Imports	10,277.3	USSR	18.1	FRG	15.7	Austria	6.0
	Exports	13,466.1	USSR	20.8	FRG	14.2	UK	6.5
	Balance	+3,188.8						
1990	Imports	9,527.7	Germany	20.1	USSR	19.8	Italy	7.5
	Exports	14,321.6	Germany	25.1	USSR	15.3	UK	7.1
	Balance	+4,793.9						
1991	Imports	15,556.3	Germany	26.5	USSR	14.1	Austria	6.3
	Exports	14,936.6	Germany	29.4	USSR	11.0	UK	7.1
	Balance	-619.7						

Trade values in dollars were calculated at average zlcty/dollar exchange rates.

Source: CSO, Statistical Yearbook of Foreign Trade 1991 and own calculations.

TABLE 21

Share of Rouble-Denominated Trade in Total Foreign Trade

(Current Prices, Percentage)

Specification	1985	1986	1987	1988	1989	1990	1991
Exports	46.5	45.1	40.4	39.9	33.9	16.8	1.8
Imports	53.0	50.9	44.8	40.3	31.5	15.1	1.1

Source: CSO, Statistical Yearbook for 1991 and own calculations.

TABLE 22

Foreign Trade by Country Groups

(Billion Zlotys)

Specification	Imports	Exports	Balance
1987	2,875.6	3,236.5	+360.9
EC	722.2	856.1	+133.9
CMEA - European countries	1,308.7	1,336.0	+27.3
Others	844.7	1,044.4	+199.7
1988	5,272.3	6,011.7	+739.4
EC	1,492.9	1,699.1	+206.2
CMEA - European countries	2,135.5	2,450.5	+315.0
Others	1,644.0	1,862.1	+218.1
1989	14,864.2	19,476.2	+4,612.0
EC	5,029.4	6,242.8	+1,213.4
CMEA - European countries	4,785.3	6,781.1	+1,995.8
Others	5,049.5	6,452.3	+1,402.8
1990	90,512.7	136,055.2	+45,542.5
EC	41,310.1	64,272.0	+22,961.9
CMEA - European countries	20,150.8	29,085.5	+8,934.7
Others	29,051.9	42,697.7	+13,645.8
1991	157,715.9	164,259.3	-6,543.4
EC	87,675.4	81,988.0	+5,687.4
CMEA - European countries	26,516.8	31,218.1	-4,701.3
Others	43,523.7	51,053.2	-7,529.5

Source: As in Table 17

Table 23

Shares of EC and CMEA Countries in Total Polish Trade

(Constant 1984 Prices, Percentage)

Year	Exports		Imports	
	EC	CMEA	EC	CMEA
1985	22.3	50.8	20.1	55.4
1986	20.2	51.7	19.1	55.9
1987	21.6	51.7	19.9	55.4
1988	23.1	50.8	22.3	51.1
1989	24.6	50.4	25.4	48.5
1990	29.4	45.5	30.7	45.1
1991(a)	36.8	25.7	35.7	20.2

(a) - In 1991 "CMEA" includes only former European CMEA countries.

Source: As in Table 17

TABLE 24

Commodity Structure of Exports and Imports in 1991

(Current Prices, Percentage)

Specification	Total	EC	European f.CMEA	Others
Exports	100.0	55.6	16.8	27.6
of which:				
Industrial products				
Engineering	22.4	9.9	6.3	6.2
Metallurgical	15.9	10.7	0.9	4.4
Chemicals	11.6	4.6	3.0	4.0
Fuels and energy	10.7	4.2	1.9	4.6
Food processing	10.0	6.4	1.0	2.6
Wood and paper	6.5	5.0	0.1	1.5
Light industries	6.1	3.9	0.7	1.5
Minerals	3.4	2.5	0.4	0.6
Agricultural products	6.6	4.4	1.3	0.9
Construction	4.8	2.8	1.2	0.8
Imports c.i.f.	100.0	49.7	18.8	31.5
of which:				
Industrial products				
Engineering	37.4	21.6	4.0	11.8
Fuels and energy	18.7	2.7	10.4	5.7
Chemicals	12.6	7.8	1.3	3.5
Food processing	10.5	6.7	1.0	2.8
Light industries	6.1	2.5	0.5	3.1
Metallurgical	4.3	2.0	1.1	1.2
Wood and paper	2.5	1.3	0.2	1.1
Minerals	1.8	1.2	0.2	0.4
Agricultural products	3.1	2.0	0.1	1.0
Construction	0.0	0.0	0.0	0.0

Source: CSO, Foreign Trade, January-December 1991.

TABLE 25

Imports Structure by Category

(Constant 1984 Prices, Percentage)

Specification	1985	1986	1987	1988	1989	1990	1991
Total imports	100.0	100.0	100.0	100.0	100.0	100.0	100.0
of which:							
Intermediate (a)	68.5	66.8	67.4	65.6	61.1	57.4	43.8
Investment	10.0	11.1	11.8	11.9	12.6	13.3	15.5
Consumer	10.2	11.7	10.4	12.7	12.9	17.9	28.8

(a) - Inputs for industrial production.

Source: As in Table 17. Timber.

Table 26

Commodity Structure of Poland's Foreign Trade

(Constant 1984 Prices, Percentage)

Specification	Fuels and energy	Metallurgy	Engineering	Chemicals	Minerals	Wood paper	Light indus.	Food proc.
				Exports				
1985	14.7	8.8	40.4	9.9	1.0	2.0	5.9	6.8
1989	10.7	7.9	43.2	10.8	1.0	2.1	5.1	7.1
1990	10.3	9.9	37.6	13.4	1.1	2.2	4.6	7.4
1991	9.7	12.1	28.4	12.1	n.a.	3.7	4.4	7.3
				Imports-CIF				
1985	21.2	9.5	32.7	13.3	1.5	1.9	5.8	7.7
1989	20.2	7.4	34.2	12.6	1.1	1.7	7.1	9.1
1990	27.5	5.6	38.5	9.5	1.2	1.2	6.1	6.8
1991	20.1	3.3	39.1	10.7	n.a.	1.9	6.1	8.9

Source: As in Table 16 and own calculations.

TABLE 27

Poland's Current Account in Convertible Currencies

(Million Dollars)

Specification	1990	1991
Current Account Balance	+716	-1,359
Merchandise exports	10,863	12,760
Merchandise imports	8,649	12,709
Trade balance	+2,214	+51
Services: credit	1,327	1,577
Services: debit	1,477	1,341
Services: net	-150	+236
Interests: receipts	581	541
Interests: payments	3,910	3,404
Due and paid	430	888
Due but not paid	3,480	2,516
Rescheduled	2,487	579
Consolidated	-	7
Cancelled	8	864
Arrears	985	1,066
Interests: net	-3,329	-2,863
Transfers: net	+1,981	+1,217
Private	+1,676	+308
Official	+305	+909

Source: CSO, Foreign Trade January-December 1991.

TABLE 28

Monthly Inflation Rates in Poland in 1989-1991

	1989	1990	1991
January	11.0	79.6	12.7
February	7.9	23.8	6.7
March	8.1	4.3	4.5
April	9.8	7.5	2.7
May	7.2	4.6	2.7
June	6.1	3.4	4.9
July	9.5	3.6	0.1
August	39.5	1.8	0.6
September	34.4	4.6	4.3
October	54.8	5.7	3.2
November	22.4	4.9	3.2
December	17.7	5.9	3.1

Source: CSO, Statistical Bulletin 1992, No. 5.

TABLE 29

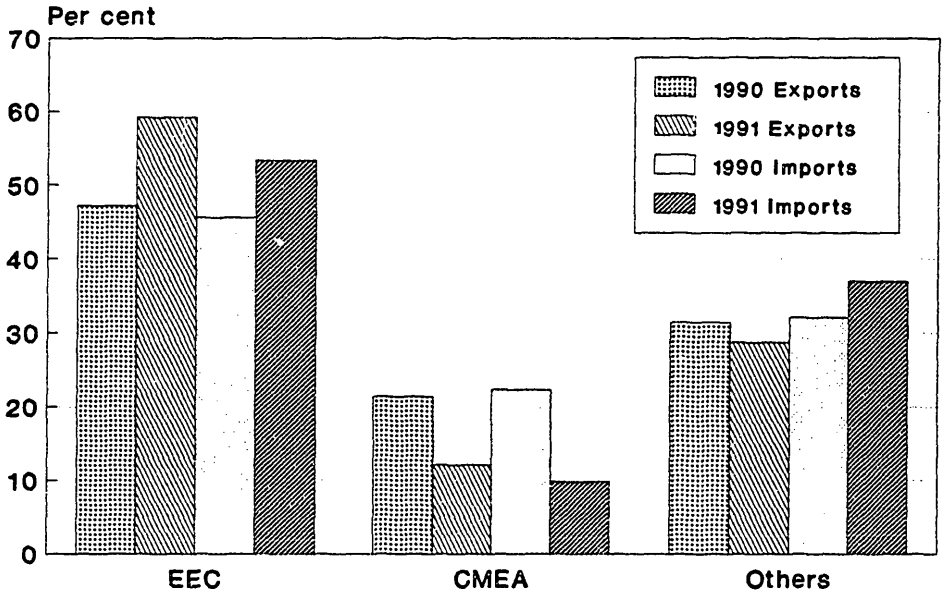
Poland, Main Business Indicators, First Half of 1992

(Percentage Change Over the Same Period of 1991)

Specification	1st quarter	2nd quarter	January-June
Industry	-6.0	2.4	-2.0
of which:			
Public sector	-15.9	-1.5	-9.2
Private sector	37.8	14.4	25.0
Industries:			
Fuels and energy	0.5	-1.6	-0.5
Metallurgical	-24.1	-1.2	-13.9
Engineering	-18.2	0.0	-9.6
Chemicals	-9.0	4.1	-2.9
Mineral	-5.7	6.3	0.6
Wood and paper	-0.5	18.5	8.4
Light industries	-18.2	0.2	-10.1
Food processing	-1.2	10.1	4.5
Construction	10.7	n.a.	5.6
Transport	-7.0	n.a.	-1.9
Export revenue (a)	n.a.	n.a.	12.5
Import expenditure (a)	n.a.	n.a.	-8.0
Consumer price index	41.1	40.8	40.9

Source: CSO, Socio-Economic Situation of Poland in the First Half of 1992, published in "Rzeczpospolita", 4 August 1992.

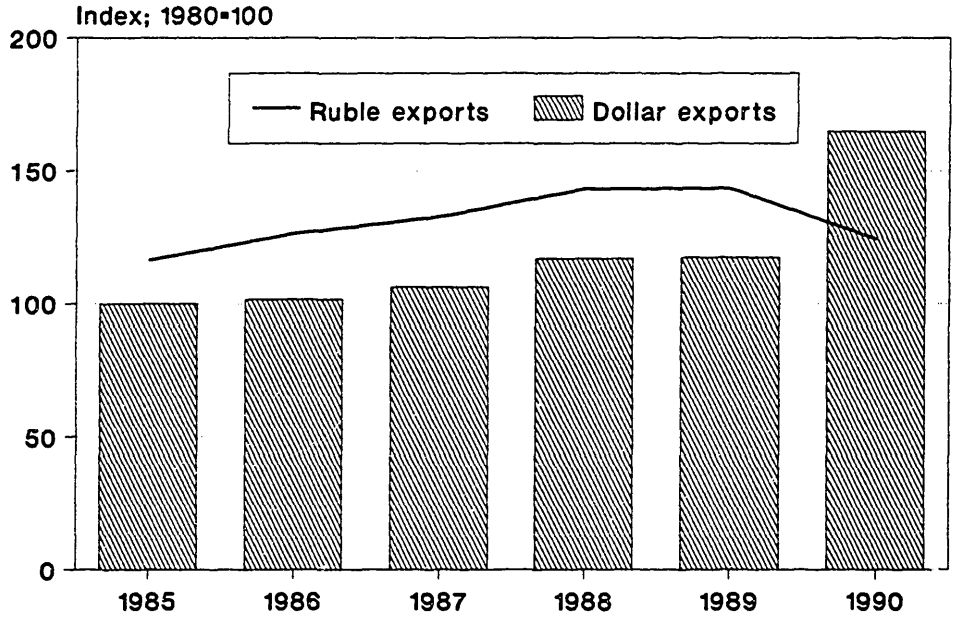
Figure A
Geographic Structure of Polish Foreign Trade, 1990-91



Note: Share in total exports or total imports volume.

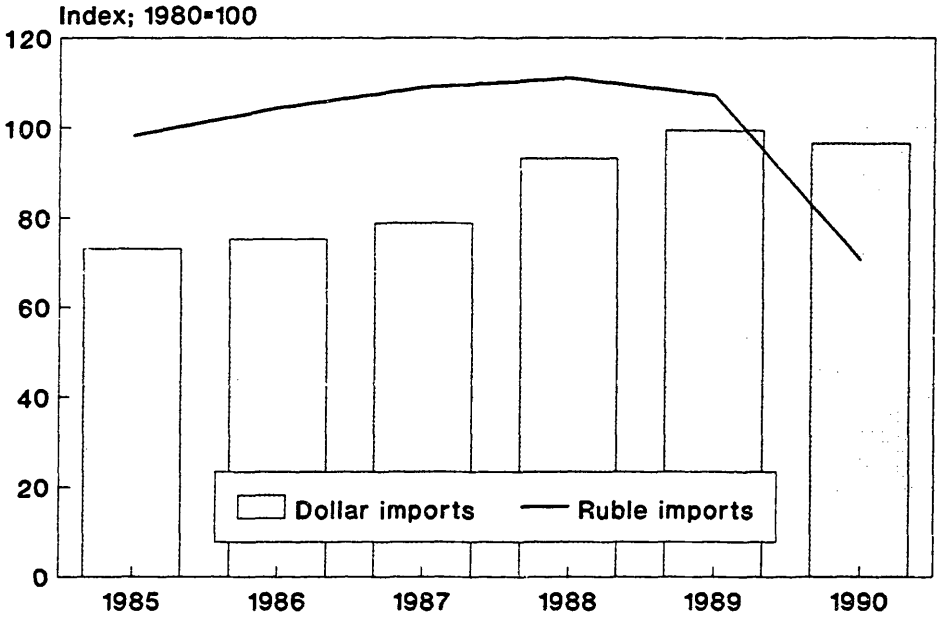
Source: FTRI.

Figure 1
Exports Volume by Payments



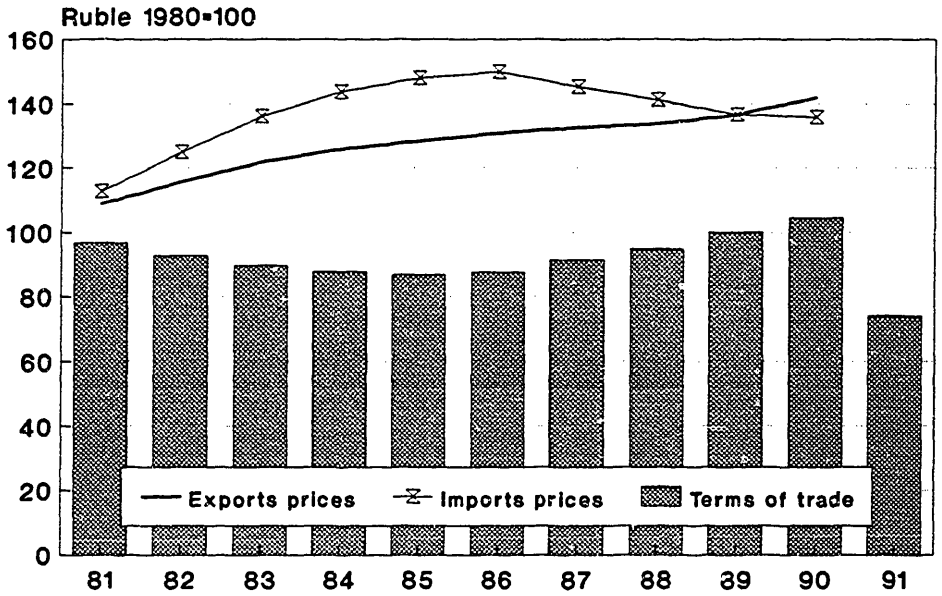
Source: FTRI.

Figure 2
Imports Volume by Payments



Source: FTRI.

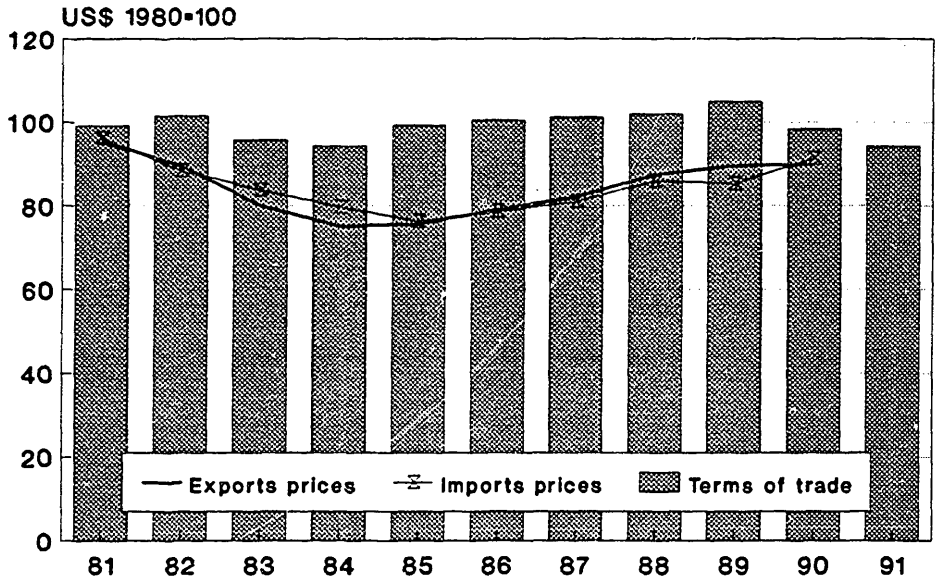
Figure 3
Poland's Terms of Trade in Ruble Trade in 1980-91



Note: In 1991 - former CMEA countries.

Source: FTRI.

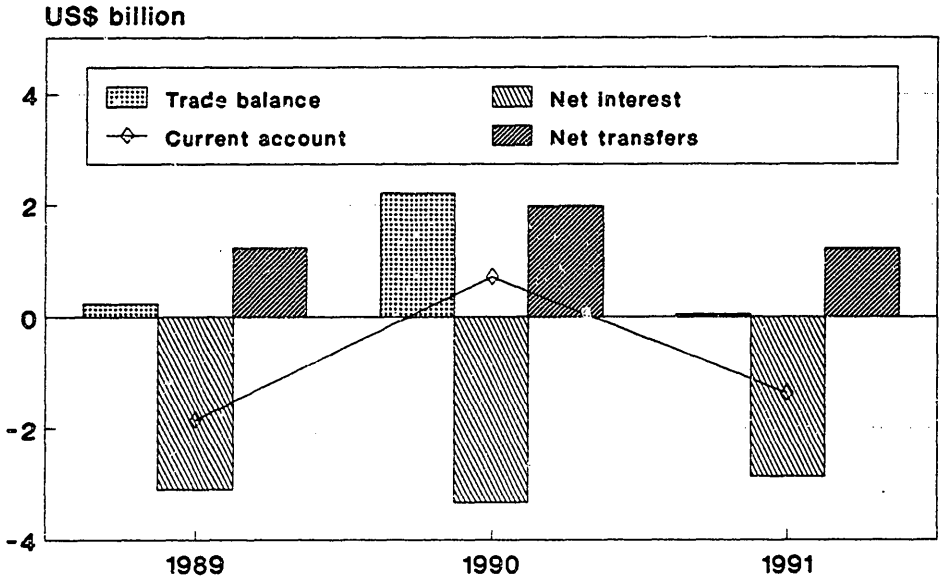
Figure 4
Poland's Terms of Trade in Dollar Trade in 1980-91



Note: 1991 based on the EEC Index.

Source: FTRI.

Figure 5
Current Account of Poland in Convertible Currencies, 1989-91



Source: FTRI.