

**MULTILATERAL TRADE
NEGOTIATIONS
THE URUGUAY ROUND**

MTN.TNC/MIN(88)/ST/29
6 December 1988
Special Distribution

Trade Negotiations Committee

Original: English

Meeting at Ministerial Level
Montreal (Canada), December 1988

POLAND

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Minister for Foreign Economic Relations

We share the opinion that the progress achieved so far during negotiations within the framework of the Uruguay Round is more than encouraging. In some areas, just to mention dispute settlements and functioning of the GATT system, the process of negotiations went so far that the agreement is within reach. In some others we need just a little bit of political will to progress further because it seems that we reached the point that differences between the delegations involved are often of tactical rather than substantive nature. I strongly believe that goodwill prevails over tactical considerations and that the Uruguay Round succeeds in substantial liberalization of the world trade and in the achievement of other objectives of the Punta del Este Ministerial Declaration. My country, Poland, is strongly committed to these objectives. Although our share in world trade is not significant and definitely does not correspond to our production potential, we actively participate in the Round, thus proving the fact that even smaller countries can contribute to the improvement of the international economic environment. We are sincerely convinced that when abandoning short-term, particular interests in favour of long-term objectives aimed at achievement of mutual advantages in the world trade, the contracting parties could successfully contribute to further expansion of the international economic co-operation and trade. Needless to say there is an inseparable linkage between trade, indebtedness and international financial and monetary arrangements. Such linkage exerts a paramount impact on GATT activities and its relations with other international economic organizations.

Poland participates in the negotiations on agriculture with special interest. Being an important exporter of agricultural products we import at the same time substantial quantities of these products. We share the opinion of those delegations who believe that no success in the Uruguay Round can be achieved without successful completion of negotiations on agriculture. We expect that the Round will result in decisions eliminating non-tariff barriers and other obstacles to unhindered trade in agro-based products.

We also hope that the Round will contribute to the elimination of traditional obstacles still existing in the international trade such as: tariffs, non-tariff measures, safeguards and subsidies. In other, non-traditional fields of GATT activities: trade in services, trade-related intellectual property rights and trade-related investment measures the progress achieved is not perhaps spectacular but promising.

We would like to express the conviction that the overall progress achieved so far in the Round could have been even more significant if all the participating countries subscribe to the standstill and rollback commitments. We sincerely hope that this session of the Trade Negotiations Committee in which so many honourable ministers responsible for trade policies in their countries participate, will add the new impetus to respect the commitments from Punta del Este.

Poland is vividly interested in participating in the international division of labour. That is why we attach so much importance to external environment favouring the expansion of international trade and economic co-operation. Being actively involved in the multilateral negotiations within the Uruguay Round, at the same time we rapidly expand our co-operation on a bilateral basis regardless of the economic system of our partners and we conduct in-depth changes in our economic mechanism and especially in foreign trade. During the last two months my government took some important decisions aimed at introduction of the market mechanism into our economy. All the sectors, including the private one have equal rights in economic operations.

The economic legal system is bound by the principle that "what is not prohibited by the law is permitted".

The principal objective of the reform in the area of foreign trade is in general the achievement of greater outward-orientation of the economy. Its implementation depends of course on the changes not only in the management system in the foreign trade but in the entire economy.

The central plan does not bear any longer an obligatory character as far as enterprises are concerned. The government applies widely economic instruments as principal tools for regulating foreign trade activities such as a uniform exchange rate, a system of domestic prices linked to the international ones and strong export incentives built into the tax and lending policy. The Central Commission of Planning has been dissolved.

A programme for substantial reduction of centrally imported inputs has been adopted. Only seven products will be maintained on the list of centrally financed imports such as petrol, cereals, etc. Apart from imports destined for budgetary sectors (education, defence, health protection, science, etc.) all the other imports will have to be financed from resources belonging to the enterprises and institutions.

As of 1 January 1989 exporters will be committed to sell 50 per cent of their export proceeds to the national bank. All the remaining funds could be spent in accordance with the companies' needs.

A unified foreign exchange market is being established where all the economic entities could buy foreign exchange at equilibrium rate of exchange. It is expected that in 1989 about \$2.5 billion (about one-third of our overall proceeds from exports) will be subject of auctions with unlimited participation, in comparison with \$120,000 in 1988.

Entrepreneurship is expected to be boosted by a substantial increase in the autonomy of enterprises. State enterprises are being transformed into companies. The enterprises may enter into ventures with any other economic entity regardless of the form of ownership. Possibilities were created to eliminate the majority share of public purse in foreign trade companies. Legal basis for the issuing of company shares for the employees were created. Anti-trust legislation has been introduced and a system of tying the earnings of managers to profits generated by the enterprises has been established.

A state monopoly in foreign trade ceased to exist. Apart from operating foreign trade enterprises, many new participants entered the field, among them industrial enterprises, co-operatives and individuals, for example craftsmen and farmers. At present more than 1,300 foreign trade organizations operate in this sector.

This new situation occurred together with wider possibilities of obtaining permissions for conducting foreign trade operations, i.e. licences. As of the next year we will practically abolish the system of foreign trade licensing, limiting it only to a very few products of strategic character. Such arrangements are aimed at introducing the desired element of competition among enterprises.

We have created favourable conditions for foreign capital investments in Poland. The new law on joint ventures will be discussed in our parliament next week. Once the new law becomes effective it will be possible for western companies to set up fully-owned subsidiaries in Poland. The top management in joint ventures will no longer need to be Polish and for the first time it will be possible to establish ownership with Polish individuals rather than with state enterprises. The basic rate of profit tax will be 40 per cent with a possibility of exemption down to 10 per cent if the entire production is exported. There will be no limits in transferring the net profit abroad.

There are at present 560,000 private enterprises in Poland (including private farms). This figure includes 720 enterprises which are entirely owned by foreign capital (these are mainly small and medium-scale enterprises) and about 40 joint ventures with foreign capital partial participation. We expect that after the new law is adopted by our parliament, the number of joint venture companies will substantially increase.

Last but not least, a new tariff based on harmonized system is being introduced as of 1 January 1989 with unified, universally applicable rates. It should be emphasized that the rate of protection in the new tariff will not be increased. Developing countries will be granted preferential treatment in the new tariff and no tariff will be levied on imports from the least-developed countries.

To complete my intervention let me just declare once again that in the process of economic changes introduced into our economy we have taken into consideration the GATT rules and principles.