

**MULTILATERAL TRADE
NEGOTIATIONS
THE URUGUAY ROUND**

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POLAND

Statement by H.E. Mr. Marcin Swiecicki,
Minister for Foreign Economic Relations

The process started four years ago at Punta del Este is reaching its conclusion. During that time enormous work has been done. We have gathered in Brussels to evaluate this process and to accept its results. Today, the achievement of substantial world trade liberalization and of other objectives set out in Punta del Este is at hand.

Poland is strongly committed to these objectives. Although our share in world trade is not significant, we actively participated in the Round thereby proving that even smaller countries are able to contribute to an improvement of the international economic environment. We are sincerely convinced that by abandoning short-term, individual interests in favour of long-term objectives, the CONTRACTING PARTIES are able to contribute significantly to a further expansion of the international economic co-operation and of trade.

While being actively involved in the multilateral negotiations, Poland has simultaneously initiated rapid and deep changes in her economic mechanisms including foreign trade régime. We abolished the previous system based on centrally commanded economy and moved to market economy based on private ownership.

There was no time for a step-by-step implementation of the programme of changes. That is why the Government chose a shock treatment.

The short-term objective - a stabilization of the economy - was achieved through:

- tightening of monetary policy;
- price liberalization;
- limitation of wage increases; and
- elimination of the budget deficit mostly by cutting of subsidies, reduction of security and defence spendings, as well as reduction of tax exemptions. We cut all export subsidies and most other subsidies to producers as well as to consumers. We simply cannot afford them.

The long-term goal of economic programme is to establish a sound market mechanism. The basic element of that programme is privatization. The enabling legislation was passed by the Polish Parliament last July and the privatization process, with the participation of foreign capital, is already under way. Preparations to establish capital market institutions in Poland have already been advanced.

The mechanism of Polish foreign trade has recently been thoroughly restructured. The State monopoly in this field was abolished once and forever. Convertibility gives any economic operator, including foreign-owned units, unlimited access to foreign currency for import transactions. Moreover, import restrictions in the form of quotas and import licences in trade have been abolished. There is no textile, food nor other import quotas in Poland today, except for restrictions on import of alcoholic beverages. Now the customs tariff is the only instrument of controlling the flow of imported goods. Rate of protection is low, 8 per cent on average and even though the customs duties for many products have been suspended during 1990.

The opening of the economy also involves international capital flows. The Polish foreign investment law has been liberalized to adjust to new economic and political conditions. Lifting of the remaining restrictions on profit repatriation is envisaged in the nearest future. The safety of foreign investments is assured by numerous agreements on promotion and protection of foreign investment and on avoiding double taxation which have been recently concluded by the Polish Government. Since our domestic potential in banking, insurance and telecommunication is too weak to support our emerging market economy, we have liberalized access to service sectors even beyond the proposals that are negotiated in the Uruguay Round.

The results of the stabilization programme are encouraging. Inflation has been dramatically reduced. Government budget is balanced. Notorious shortages of goods have been eliminated. Exports to convertible currency area were increased by more than 25 per cent in the first ten months of the programme.

However, there are some negative side-effects of the stabilization programme as well:

- GNP will fall by 15 per cent in 1990;
- unemployment exceeded one million persons, that is approximately 7 per cent of labour force.

We believe that all these sacrifices will help us to become a part of developed, but liberal Europe. We enjoy external support to cope with the transition to market economy. But with respect to protectionism and subsidies the gap between the policy we have adopted in Poland and the agricultural policy of the European Community is growing. There is a growing gap between what IMF and the World Bank are advising to our Government, what these financial institutions are setting up as conditions of their financial co-operation and realities that our farmers are facing on European markets.

I hope that these negotiations substantially contribute to closing up that gap.

As I stated earlier, Poland is strongly committed to the objectives outlined at the Punta del Este Conference. In accordance with the agreed negotiating procedure Poland submitted in July of this year its initial proposal on tariff concessions in order to demonstrate our commitment to the liberalizing objectives of the Uruguay Round. The Polish proposal reflects the wide scope of further liberalization in the area of customs tariff. The rate of decrease in customs rates which has already been achieved is well in excess of the Montreal target. The Polish tariff proposal is of a conditional character. Like a number of other participants we shall have to modify the tariff offer taking into account the assessment of the final results of negotiations. At the time of submitting our initial proposal on tariffs we also indicated that it would need to be considered in the context of the Working Party on Poland's Protocol of Accession to GATT. As the consequence, Poland will annex finally her list of concessions to the tariff protocol after the renegotiating process is concluded and we hope it occurs before the end of 1991.

I have outlined briefly our efforts aimed at liberalization of the Polish economy as a whole and of Polish foreign trade in particular. It goes without saying that GATT principles serve as guidelines and targets in our economic efforts.

In order to prevent the distortion of competition to occur in international trade and to avoid the undermining of the agreed level of liberalization of access to domestic markets - the legal system of the GATT should be strengthened by a set of separate rules as it was originally envisaged under the Havana Charter and later on developed in the United Nations documents.

I do hope that the GATT principles become even more effective and valuable for the international community as a result of decisions taken here in Brussels.