

Export and Investment Promotion Planning System

87/88 Trade and Economic Overview

Mission: 471 WARSAW

Country: 099 POLAND

ECONOMIC RECOVERY IN POLAND REMAINS FRAGILE, PRESENTING A PICTURE OF MODERATE GROWTH & RELATIVE STABILITY, AGAINST A BACKGROUND OF CONTINUING PROBLEMS. GROWTH IN INDUSTRIAL PRODUCTION ROSE BY 3.8% IN 1985 & 5.4% DURING THE FIRST SIX MONTHS OF 1986. AGRICULTURAL PRODUCTION HAS BEEN VERY POSITIVE IN RECENT YEARS & IMMEDIATE PROSPECTS DEPEND A GREAT DEAL ON ITS CONTINUING PERFORMANCE. THIS PERFORMANCE IN TURN DEPENDS ON A CONTINUATION OF THE GOOD AGRICULTURAL WEATHER WHICH COMMENCED IN 1983 & WHICH SO FAR HAS PERSISTED INTO MID-1986. INFLATION, WHILE REDUCED FROM EARLIER YEARS, IS STILL IN THE 15 TO 20% RANGE, AND SHORTAGES OF SOME GOODS PERSIST. THE GOVERNMENT HAS NOT BEEN ABLE TO MAINTAIN DISCIPLINE IN WAGES; INCREASES ARE NOT JUSTIFIED BY ANY IMPROVEMENT IN PRODUCTIVITY. THERE IS NO SIGN OF ALLEVIATING THE HOUSING SHORTAGE. ECONOMIC REFORM COMMENCED IN '82 WITH THE AIM OF INCREASING ENTERPRISE AUTONOMY & PROMOTING FOREIGN INVESTMENT HAS SHOWN NO IMMEDIATE RESULT IN TERMS OF INCREASED OUTPUT. THE GOVERNMENT STILL MAINTAINS A NUMBER OF MECHANISMS OF CENTRAL CONTROL, PARTICULARLY IN THE ALLOCATION OF "PRIORITY" INDUSTRIES. THESE PROGRAMS FRUSTRATE THE OPERATION OF MARKET PRICES, HAVE HAD LIMITED SUCCESS IN MAKING THE ECONOMY RUN MORE SMOOTHLY, & HAVE RAISED DOUBTS ABOUT THE FUTURE & SERIOUSNESS OF THE REFORM EFFORT. ALTHOUGH POLAND CONTINUES TO RUN A HARD CURRENCY TRADE SURPLUS, THIS SURPLUS IS INSUFFICIENT TO SRVCE POLAND'S US\$32 BILLION HARD CURRENCY DEBT, & BOTH OFFICIAL & COMMERCIAL CREDITORS HAVE CONCLUDED AGREEMENTS TO RE-SCHEDULE PAYMENTS. IN 1985 & THE FIRST SIX MONTHS OF 1986, THE LEVEL OF POLAND'S HARD CURRENCY EXPORTS DECLINED FROM ITS 1984 LEVEL, & THIS, COMBINED WITH DEBT SERVICING REQUIREMENTS PLACES A SEVERE CONSTRAINT ON POLAND'S ABILITY TO INCREASE HARD CURRENCY IMPORTS. POLAND HAS A SOFT CURRENCY DEBT OF ABOUT SIX BILLION TRANSFERABLE RUBLES. IN 1986, POLAND BECAME A MEMBER OF THE IMF AND WORLD BANK. ALTHOUGH CDN EXPORTS TO POLAND HAVE DECLINED SIGNIFICANTLY THIS YEAR POSSIBILITIES CONTINUE TO EXIST FOR FURTHER SALES. EUROPEAN & JAPANESE FIRMS ARE ACTIVE IN THE MARKET. BUSINESS IS STILL CONTINUING ON CASH BASIS IN CERTAIN PRIORITY SECTORS TO WHICH POLAND HAS ASSIGNED PREFERENTIAL HARD CURRENCY ALLOCATIONS SUCH AS RAW MATERIALS & EQUIPMENT FOR EXPORT ORIENTED INDUSTRIES, AGRICULTURAL CHEMICALS, PHARMACEUTICALS, AND HIGH-TECHNOLOGY INDUSTRIAL EQUIPMENT. OTHER PROSPECTS EXIST FOR SALES TO THE COUNTRY'S TWO HARD-CURRENCY CHAIN STORES WHICH ENJOY A COMBINED TURNOVER OF OVER HALF A BILLION DOLLARS ANNUALLY. IN ADDITION, THE POLISH GOVERNMENT APPROVED A JOINT VENTURE LAW IN EARLY 1986 WHICH MAY PROVIDE INVESTMENT OPPORTUNITIES IN BOTH SERVICES AND PRODUCTION.