

ty, and French backing for the idea is mentioned in a recently affirmed Franco-Polish Agreement.

Poland has also signed a bilateral treaty of economic cooperation with the United States. It has been granted freer access to the US market for its textiles. A US-Poland Agreement to this effect will formally end quota rationing on specific categories of textiles within the 1992 - 1993 period. The Americans have also pledged not to seek reimposition of limits on Polish

exports to the US in any subsequent renewal of the current Agreement.

Poland had signed a treaty of economic cooperation with the Soviet Union just at the point where the USSR effectively ceased to exist. In an ensuing development, Poland expressed its desire to build closer ties with the former Soviet republics by becoming the first country in the world to recognize Ukrainian independence.

Legislative Changes

Until the end of 1989, Poland's foreign trade was controlled by the central government. Foreign trade authorities used a system of licences, quotas, permits, and bilateral balancing to enforce that control. There was also central control over currency, which was then carefully doled out to enterprises seeking to import needed goods. Various accounting techniques, levies, and tax exemptions supplemented these efforts to balance trade flows.

The main objective of the trade-related reforms initiated at the beginning of 1990 was to introduce mechanisms appropriate to an open market economy. The new government wanted to create competition among enterprises as a way of improving their efficiency. The new laws allow all enterprises to participate freely in foreign trade without seeking permission from the central government.

Initially, permits were required for the export of about a dozen commodities because they were required to stabilize supplies to the domestic market, and in order to prevent re-export activity from rouble trading export destinations to hard-currency countries. As the internal situation stabilized, however, products were rapidly removed from the list until only hard coal and liquid fuel remained.

The only restrictions remaining on Polish exports are those imposed by western trading partners. They require Poland's acceptance of quotas for textiles and clothing, steel, sheep, milk products and exported construction. The Polish government now publicly announces the levels and timing for the granting of quotas. A system has been established which reviews applications from those interested in taking advantage of a particular quota and issues licenses on the same basis as a tender.

One exception to the general easing of Polish export controls involves Iraq. The Polish government has followed western governments imposing restrictions on exports to Iraq, and on advanced technologies subject to international controls.

The Polish government continues to restrict imports from Iraq. It also controls the import of cars, engines, spirits, vodka, and toxic wastes in the interests of domestic policy. Permits are required for the import of liquor, beer and wine, oil, gas, and fuel oil. Companies can get the appropriate permits from the department of trade in goods and services at the Ministry of Foreign Economic Relations. Individuals usually receive such permits from the Customs Office.

Duties on cigarettes are being raised from 55% to 90%, and cigarette importers must produce Western certificates of quality as well as signed contracts with purchasers. Duties on imported cars have been raised from 15% to 35%. Exempt from import duties are auto parts destined for assembly in Poland.

Exchange Rates

A major factor in stimulating Poland's international trade has been the introduction of domestic convertibility of the *zloty*. A realistic fixed exchange rate has been adopted, backed by the National Bank of Poland. Companies requiring hard currency for purchases abroad can buy it with *zlotys* at the Bank. Companies earning hard currency abroad must exchange it for *zlotys* at the Bank on the condition that they may reconvert the funds as required for external purchases.

As the Polish currency stabilized, the government ended its initial policy of stimulating exports by means of tax