Poland's retail sector was formerly monopolized by a few gigantic concerns like Spolem, PHS, and WPHW. These large enterprises have now been broken up. For example, Spolem lost 80-90% of its chain of outlets. Most of the stores, once owned outright or leased from municipal authorities, were sold by auction to employees or other investors. This process has advanced farthest in the cities. The larger municipal authorities have adopted criteria to determine who is eligible to buy a store and what business may be carried on there. Their objective is to create shopping districts with distinctive profiles.

One route to store ownership begins with petty distribution of western goods. Many Poles responded to the deepening economic crisis by supplementing their incomes through travel to Western Europe where they bought goods for resale in Poland. Formerly, all these sales took place on street corners or at informal open-air markets where overheads were minimal. Some informal traders accumulated enough capital to invest in permanent retail locations. Others continue to sell in street stalls.

Retail privatization has proven highly successful. By the end of 1990, three quarters of all Polish retailing was in private hands, and by the third quarter of 1991, some 515,000 private companies and individuals were operating retail outlets.

As a result of this transformation, Poland is witnessing the reappearance of private family-owned retail chains, including some that were active before the Second World War. New, western-style department stores are also making an appearance, as are privatized pharmacies. Even so, the new retail sector faces an uncertain future. The severity of the recession has inhibited consumer spending, and there is intense competition from the multitude of street vendors who declare no taxes, pay no rent, and are beyond municipal control. In Warsaw, for example, retail space is now at a premium. The rental rates charged by the city for retail space create further problems. Toward the end of 1991, rental rates rose to about 200,000 *zlotys* ($US 17) per square metre per month for space in the city centre.

Privatization and Foreign Investment

At the outset of the privatization program, the Minister of Ownership Transformation predicted that more than half of the state's property would be in private hands within three years, and that in five years, the structure of ownership in Poland would be similar to that in Western countries. These optimistic assessments must be tempered, however, by a realistic appreciation of the program's magnitude.

The total gross value of Polish state property, excluding land, has been estimated at some $US 200 billion. Given the relatively small amount of money held in private savings accounts, it is clear that private citizens simply do not have the financial resources to buy up all of the state-owned property due for privatization. Privatization by public sale cannot therefore be the only method of moving state property into private hands.

To overcome this dearth of private savings, the government has adopted another road to privatization. More than 115 state firms have been transformed into joint-stock companies of the State Treasury, as an intermediate step toward privatization. Some of them will be sold by inviting large, professional investors (including foreign investors) to negotiate with the Ministry. This group includes the following enterprises:

Swinoujscie	- shipyard and repair dock in Szczecin
Parnica	- shipyard and repair dock in Szczecin
Krakbud	- a Krakow-based industrial construction company
Huta Olawa	- a foundry in Olawa
Milfor	- a manufacturer of processing equipment in Olsztyn
Zipo	- a Gdansk-based company supplying computers to the ship-building industry
Techma	- a Krakow-based engineering firm specializing in industrial modernization
Delia	- a clothing manufacturer in Zamosc.

Poland needs the participation of foreign investors in the privatization process. To encourage them, it has reformed the laws governing foreign investment, corporate taxation, and repatriation of profits (see Section VII).