Figure 6.6
Major Trading Partners
(percent of total commodity turnover)

1989 Country	Share	1990 Country	Share
USSR	29.8	Germany	23.0
West Germany	15.2	USSR	17.2
Czecho-Slovakia	5.6	Great Britain	6.6
Great Britain	5.5	Switzerland	5.2
Austria	4.6	Italy	4.7
East Germany	4.4	Austria	4.5
Switzerland	3.7	Czecho-Slovakia	3.9
Yugoslavia	3.4	France	3.2
Italy	3.2	Holland	3.0
Holland	2.8	Sweden	2.4

Source: GUS, Handel Zagraniczny, Feb. 1991.

The Agreement removes most restrictions on the flow of goods between Poland and the EC. The EC has agreed to an outright end to most quotas on Polish goods with the exception of agricultural products, textiles, and coal, where quotas will be phased out over a five-year period. Poland will eliminate its quotas on EC goods over the same period.

The Poland-EC Agreement also establishes a schedule of gradual tariff removals by both sides (see Figure 6.7). The schedule brings immediate benefits to Poland because initial cuts in EC tariffs will be steeper than the corresponding Polish reductions. This gives Polish industry more time to adjust. Over the same period, Poland will adopt a number of EC regulations governing competition policy, the protection of intellectual property and government subsidies to industry.

Poland and the EC have mutually pledged not to introduce any new restrictions on trade except as allowed by the GATT rules on dumping and trade remedies. Poland will be able to reintroduce limited tariffs over the next ten years if it can demonstrate that such duties are essential to prevent injury or to promote its restructuring process. A key advantage of the deal is that it gives Polish manufacturers equal access to the huge EC procurement market. Poland must reciprocate once it has adopted regulations to govern its own procurement process. The Poland-EC Agreement is widely regarded as the first step toward eventual full membership for Poland in the European Community.

Poland is also liberalizing its trade with the countries of the European Free Trade Association (EFTA). A Poland-EFTA Agreement provides for an even more rapid elimination of customs duties than is provided for in the EC deal. In addition, trade liberalization is the subject of Polish talks with Hungary and the Czech and Slovak Federal Republic.

Figure 6.7
Scheduled Tariff Reductions Under the Poland-EC Agreement
(as a percent of the 1991 rates)

Year	EC on Polish goods	Polish on EC goods
1992	36	73
1993	33	73
1994	27	73
1995	21	58
1996	16	44
1997	2	29
1998	0	15
1999	0	0

Source: Polish Ministry for Foreign Economic Relations.

Foreign Economic Relations

As part of its economic stabilization program, Poland is expanding its international economic relations and joining key international bodies such as the International Monetary Fund. It is also entering into numerous bilateral treaties with various countries designed to expand linkages and improve economic cooperation.

Since April of 1991, Poland, Hungary, and the Czech and Slovak Federal Republic have been discussing ways of liberalizing trade among themselves. Their objective was to enhance the influence of all three countries as they pursued their common goal of being accepted as members of the European Community. In addition, Poland has become a member of what used to be known as the Pentagonale, a group of cooperating nations which includes the Czech and Slovak Federal Republic, Hungary, Yugoslavia, Austria, and Italy.

Poland has also signed bilateral treaties of friendship and economic cooperation with its larger neighbours. It has entered into a treaty of friendship and cooperation with Germany. During the signing ceremony, Chancellor Kohl expressed the hope that Polish-German relations in the future would be as good as the current state of French-German relations. Germany has promised to support Polish membership in the European Communi-