Trade Partners

Throughout the 1980s, Poland's trade orientation toward the West, particularly Europe, became more pronounced. During the decade, dealings with the CMEA countries shrank as a percentage of overall trade, while trade with advanced industrialized countries grew (see Figure 6.4). The shift away from the CMEA, especially in the case of imports, presaged the collapse of that organization and indeed of the international communist alliance. The import shift toward the European Community (EC) suggests that, even before the formal end of communist rule, Poland was instinctively turning to the West for the supplies of goods and services required to maintain its economy.

By 1989-1990, the westward shift in Poland's trade had become unmistakable and irreversible (see Figure 6.5). Part of the reason for this movement was the steady increase in the prices of imports from the CMEA (mainly the Soviet Union) during the 1980s, while the prices Poland received for exports to its CMEA partners remained soft. By 1988, Poland's ratio of aggregate export prices to aggregate import prices (on a 1980 base) was 95.4 in the case of trade with the CMEA, and 100.5 in the case of hard-currency trade. Clearly, the terms of trade were changing in favour of a westward trade expansion. By 1989, the EC and EFTA countries accounted for close to half of Poland's imports and exports. Figure 6.6 offers a more detailed view of Poland's most important trading partners by country.

Figure 6.4
Changing Trade Partners
(in percent)

	1981	1988
Exports		
CMEA	45.7	41.1
Other socialist	2.8	5.4
Developed	36.9	43.5
EEC	23.8	28.3
Developing	14.5	9.9
Imports		
CMEA	51.8	40.9
Other socialist	3.2	6.2
Developed	37.1	45.9
EEC	20.6	28.3
Developing	7.9	7.0

Source: Poland - Statistical Data 1989, table 90, p.74.

Figure 6.5
Geographic Structure of Polish Foreign Trade
(in percent)

	Exports 1989	Exports 1990	Imports 1989	Imports 1990
CMEA Countries	**40.6**	**28.4**	**40.1**	**33.1**
of which USSR	20.8	15.4	18.1	20.1
Developed Market Economies	**49.1**	**62.0**	**53.0**	**60.1**
of which EC	32.1	42.8	33.8	38.4
of which Germany [1]	14.8	25.0	15.8	19.8
Other	**10.3**	**9.6**	**6.9**	**6.8**
Total	**100.0**	**100.0**	**100.0**	**100.0**

[1] In 1989, West Germany and West Berlin, in 1990, the whole of Germany
Source: GUS, *Handel Zagraniczny, Feb. 1991.*

European Community

The European Community (EC) has emerged as Poland's most important trading partner. In 1989, the EC took 48.5% of the Polish exports denominated in hard currency and supplied 50% of its hard-currency imports. In 1990, the dollar value of Polish exports to the EC rose by about 55% and imports from the EC grew by 8%. These trends continued in 1991. By the end of the third quarter of that year, the EC was absorbing 55% of Poland's hard-currency exports and supplying 48% of its imports. Since most of Poland's international transactions were denominated in hard currency by that time, this meant that the EC alone accounted for about half the country's international trade.

Initially, the EC applied the GATT-based Generalized System of Preferences to trade with Poland. This was a unilateral move requiring no reciprocity from the weaker Polish economy. Then, following lengthy negotiations late in 1991, Poland's outgoing Deputy Prime Minister, Leszek Balcerowicz, signed an agreement with the European Community giving Poland associate status in the organization. The Agreement became effective on March 1, 1992 and, among other things, provides better Polish access to EC markets and reduces EC tariffs on a wide range of Polish goods.