

Mr Chairman,  
Distinguish Participants of the session,

According to my best knowledge you know very well the role and the place of chambers of commerce in a market economy countries. So it won't be necessary to repeat everything in connection with the situation of chambers of commerce in Poland. ] Let me introduce you with some most important information, which can describe chambers of commerce in my country very briefly.

The possibility to establish chambers of commerce in Poland was created in the middle of 1989, by decision of Polish Parliament, according to the Law of May 30th, 1989 on Economic Chambers setting up legal framework for the development of economic self-government in Poland. There was no need and no place for the economic chamber movement in the centrally planned economy ] All chambers that exist before the Second World War, that restarted their operations just after the Second World War, were abolished by the Communistic government in the 40-ies.

] The system of the chambers created by the said law is a little bit similar to the system in United Kingdom and United States of America. That means, that in Poland is no obligation for the economic entities to be a member of the chamber, and there is no obligation for the established by companies chambers to be a member of national association of the chambers. This structure, which is very different from the model adopted by most of the continental countries in Europe, has been and still is the subject of numerous disputes. It is true that the structure of voluntary participation of economic entities in the economic self-government makes it difficult for particular chambers to fully develop their activities, due to financial shortages that may occur.

Inspite of such a regulation the first established chambers has created in February 1990, Polish Chamber of Commerce as a confederation of the chambers. Now Polish Chamber of Commerce groups 136 regional and branch chambers which groups more than 20% of the total number of Polish enterprises.

[The main characteristics of chambers of commerce in Poland are:

1. Polish Chamber of Commerce are still under the process of creation.
2. That's because of financial resources the majority of regional chambers are comparatively weak. But in the other hand there are some regional chambers which are quite strong.
3. The Polish Chamber of Commerce as a confederation of the chambers is quite strong with its different activities, well organized and qualified staff, several regional offices and some representatives abroad.

Polish Chamber of Commerce apart from its representation and promotion functions, serves its members and non-member organizations by providing various services. These can be best described by the presentation of the structure and departments' functions of the Polish Chamber of Commerce. The enumeration that follows will give You an idea about the range of services and other activities delivered by the Polish Chamber of Commerce.]

Polish Chamber of Commerce has eight representative offices abroad. There are located in Cologne and Berlin in Germany, Prague and Budapest in the East European countries, Vienna and Paris, London and Brussels.

[**The Foreign Promotion Department** of the Polish Chamber of Foreign Trade is responsible for organization of trade missions, both taking place in Poland and abroad, fairs and exhibitions, during which Polish enterprises have the chance to present their products to the foreign customers and get acquainted with the newest developments in the foreign markets. The Department provides all necessary services, such as visits to Polish or foreign companies, organization of meetings with relevant officials and businessmen.

**The Economic Information Department "Infodata"** provides economic information to the members of the Chamber, and on commercial basis to non-member organizations. The service is based on the computer data base, which is being currently developed and broadened. At the moment there are more than 500,000 records in the data base regarding Polish enterprises. You will find comprehensive information about any Polish firm, including: address data, ownership and structure data, cooperation network of the company, short history, basic financial data and, last not least, cooperation possibilities and potential, including export - import offer of the company.

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**The Legalization and Procedures Departments'** main field of operations is connected with the legalization of trade documents and issuing ATA cards and other trade certificates (including the newly introduced in Poland EUR-1 and EUR-2 forms).

**The Training and Advice Department** deals with information and coordination of managerial and vocational training activities in Poland. It also deals with organization of courses and seminars on various topics, relevant to business community of the country. Courses and seminars organized, cover many fields of business, starting with language and computer skills courses and ending with, elaborate and advanced marketing and management seminars.

Being the part of the Polish Chamber of Commerce, **the Court of Arbitration**, is servicing its customers, in both foreign and domestic legal surroundings.

**The Legal Advice and Service Department** is providing the customers of the Polish Chamber of Commerce with complex and up to date information about legal system in Poland. Information and advice on the foreign legal surroundings are also available.

Last but not least, is the publishing activity, being the integral part of the **Public Relations** function of the Chamber and covering not only periodical issues of information publications, trade journals and newspapers, including "Rynki Zagraniczne"("Foreign Markets"), "Handel Zagraniczny"(Foreign Trade"), - issued in Polish, English, German and Russian. Also occasional editions of reference books and leaflets, on various topics of the economic life in Poland and other countries are available.

[ Now I would like to present you some information describing general conditions of running business activities in Poland.

Nowadays Poland is the leader among all the postcommunist countries of the Central and Eastern Europe in terms of economic transformations as it consistently moves towards a free market. Though this process has been under way for less than five years, Poland is expanding economically at a spiralling rate from year to year which is evoking admiration

among the West's prosperous observers of the economic scene. Poland's GNP was still minus 7.6 % in 1991 but it reached plus 1 % in the ensuing year and achieved 4 % in 1993. Poland's industrial product rose by 7.6 % which placed it at the head of the ranking list of Europe as a whole.

May I be allowed to mention only some of Poland's many strong points as an attractive partner for foreign capital: a nation of almost 40 million, location in the center of Europe, a highly-skilled work force and low living costs.

Those attributes have already been noted by no small number of major manufacturers. Fiat, Coca Cola, IPC, ABB, Curtis, Unilever, Procter & Gamble, Philips and RJ Reynolds to mention but a few have taken up a permanent residence in Poland. Main countries which have invested capital in Poland are Italy, USA, Germany, Great Britain, France, Holland, Sweden, Austria and many others. Foreign investors are offered many preferences created to stimulate trade and ensure that those who decide to go into business here enjoy the best conditions for development. As you know the Paris Club agreement has been followed by a similar London Club agreement, that is why can say that the climate for foreign investment in Poland is gradually getting better.

Generally, a foreign company can participate in virtually all business activity in Poland. The establishment and operation of a company with the foreign participation are regulated by two legal acts: The Commercial Code (June 27th, 1934) and Law on Companies with Foreign Participation (June 14th, 1991). Special regulation is provided for investment projects falling under the following legislation: the Banking Act, the Communications Act and the Insurance Act. Foreign investors may establish either limited liability companies or joint stock companies, either with Polish partners or as a wholly foreign-owned firms. Foreign investors may also buy up to 100 % of shares in limited liability companies or joint stock companies. A minimum investment contribution either in cash or in-kind, of 100 million zlotys is required in a limited liability company and an investment of 1 billion zlotys is required for a joint stock company. Several legal steps must be followed to establish a firm with foreign ownership:

- 1) Receipt of a permit from the Ministry of Privatization if the company will operate in ports, real estate services, defence, wholesale trade in imported consumer goods, or provision of legal services.
- 2) Registration in Commercial Court of the company's residence.
- 3) Registration in the Social Security Fund.
- 4) Opening of a company bank account.
- 5) Registration with the Tax Chamber and declaration of tax obligations.

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All foreign investors who run their business activities have several rights and incentives, for example:

- 1) they have right to repatriate 100 % of profit after taxation, proceeds from the sale of equity interests, and salaries of employees. Taxes due must first be certified by an auditor.
- 2) investors are guaranteed compensation against expropriation, granted through the Ministry of Finance and subject to legal appeal.
- 3) Fixed assets constituting a non-monetary contribution to the capital of a company are exempted from custom duties.
- 4) The Ministry of Finance may grant a corporate tax exemption if the foreign contribution to the company exceeds 2 million ECU and the activity of the company will be carried out in regions of high unemployment, introduce a new technology or export at least 20 % of production.
- 5) In general, foreign investors have the same rights as Polish investors to acquire shares of a publicly held company.

Foreign investors may buy land in Poland, but are required to secure a permit from the Ministry of Internal Affairs. This permit will be reviewed by the Ministry of Defence and the Ministry of Industry or Agriculture, depending on the nature of the land. A record of all transactions must be submitted to the land registry of the local court and a fee amounting to 1 % of the value of the real estate is payable on all real estate transfers in Poland. Foreign investors may lease land without restrictions in Poland.

## Foreign Investment in Poland

Foreign businesses of all kinds, including corporations, banks foundations and other legal persons with their place of incorporation outside Poland, natural persons resident outside Poland (including Polish citizens) and companies formed by these persons without judicial form (e.g., civil law companies) can carry out business activities in Poland. Those business activities can be carried out in the following forms:

- (1) Investment in a company incorporated with limited liability or a joint stock corporation formed in accordance with Polish law, particularly the Commercial Code (dated June 27th 1934), the act relating to economic activities of foreign entities (dated December 23rd 1988), act on the privatization of state-owned enterprises (dated July 13th 1990) and the Banking Act (dated January 31st 1989) and Law on Companies with Foreign Participation (dated June 14th 1991).
- (2) Representative office of a foreign company.

A company with a foreign investor's participation is a legal person and is one of the privileged forms of Polish legal entity. Companies with foreign investors can carry on business activities in the commercial sectors of production (including agriculture and construction), trading (including export trading), banking and other services.

Companies whose activities are concerned with the import of modern technology and organization, with the export of goods and services, with supplying the domestic market with higher quality goods, or which are active in the field of ecology can enjoy additional tax exemptions.

Approval for the formation of a company with foreign investors or the involvement of a foreign entity with an existing Polish company (with or without investment of foreign capital) is granted by a special authority, namely the Foreign Investment Agency. Description of the steps to be taken by a company with foreign investor participation in order to commence business are presented below along with aid lines to Poland.

The Law of 14th June, 1991 on Companies with Foreign Participation sets forth the conditions for the admission of foreign parties to participate in revenues from operation of enterprises on the territory of the Republic of Poland.

In order to operate enterprises foreign parties are permitted to conduct their activity exclusively in the form of either limited liability companies or joint stock companies, which have their registered seat on the territory of the Republic of Poland, or may receive or acquire shares in companies already engaged in the operation of such enterprises.

The contributions of foreign parties to the capital of a company may be made:

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- (1) In Polish currency obtained from sale of convertible currencies to a foreign exchange bank at the rate for the purchase of foreign currencies, as announced by the National Bank of Poland;
- (2) In non-monetary form, provided that it is either transferred from abroad or purchased for Polish currency.

The Minister of Finance, after obtaining a positive opinion from the appropriate minister, may exempt a company from income tax if:

- (1) The contributions of foreign parties to the company's initial (share) capital exceeded the equivalent of two million ECUs, and further
- (2) The economic activity of the company in particular:
  - \* will be conducted in regions endangered by high structural unemployment, or
  - \* will ensure introduction of new technological solutions to the national economy, or
  - \* will enable sales of goods and services for export equalling at least 20 per cent of the overall sales value.

A foreign party, after the payment of taxes due, has the right to transfer abroad foreign currency purchased in a foreign exchange bank without a separate foreign exchange permit (free transfer of revenues).

## Acquisition of Shares in an Existing Company

In order to commence business in Poland, foreign subjects may acquire shares in an existing Polish company which previously had no foreign shareholders. A joint stock corporation which has been created as a result of privatization of a state-owned enterprise can sell its shares to foreigners. Two methods of privatization of state-owned enterprises are envisaged:

- (1) The transformation of the enterprise into a joint <sup>t</sup> stock corporation with the State Treasury as the owner; the next step is the sale of shares in the form of public offer or private placing. If the value of the shares acquired by a foreign entity is higher than 10 per cent of the original or increased subscribed capital, or if the shares acquired are preference shares, the foreign entity must obtain an approval for the acquisition from the Foreign Investment Agency. F-5
- (2) The other method is to liquidate the existing enterprise and then sell or lease all the parts of the assets.

The capital contribution of the foreign entity can be made in the same form as for newly-formed companies. The rules concerning the basis of taxation, transfer of profits attributable to the foreign shareholder and the amounts receivable as a result of the sale of shares or liquidation of the company, are almost identical to those for companies which are formed with an investment by a foreign company.

## Steps to be Taken by a Company with a Foreign Investor Participation in Order to Commence Business F-6

- (1) Obtain approval to form a company with a foreign investor participation from the Foreign Investment Agency if necessary which can take up to 2 months,
- (2) Completion of the company's articles/signing of the statutes; appointment of the Board of Directors and passing of documentation to the state notary office (from 1 week to 1 month),

- (3) Entry in the trade register in the appropriate district court which can take up to 2 months,
- (4) Issuance of statistical identity including a related authorization in the country statistical office which takes 1 day,
- (5) Opening of a bank account in the Foreign exchange bank which can take up to 2 weeks,
- (6) Registration for tax purposes in the local tax office - 1 day,
- (7) Registration of employment (within 7 days of beginning employment) with the local department of the social insurance office - ZUS, which takes 1 day,
- (8) Registration of commencement of business (within 2 weeks of the entry into the register) in the Foreign Investment Agency.

All documentation should be prepared in the Polish language or have been translated into Polish by an approved translator and confirmed by a local Polish embassy or consulate responsible for the territory.

### **Acquisition and Leasing of Tangible Fixed Assets**

Land and buildings which are owned by the State, Communities and other legal or natural persons, can be acquired, leased or rented by companies which have a foreign capital participation. Land can also be acquired on a perpetual usufruct right for 99 years or for a shorter period (minimum period 40 years).

State-owned or other land can also be leased by a company (the lease being automatically canceled after 16 years). The company can also rent buildings, offices, machinery, equipment, etc. from Polish companies or citizens.

Machinery, equipment and motor vehicles can be acquired by the company either in new or used form by the following means:

- (1) Through Polish producers or trading companies,
- (2) Through state-owned companies by means of public auction,
- (3) Through cooperatives and private companies,
- (4) Outside Poland, whereby imports remain free of customs for three years after formation of the company.

It is also possible to transfer production and transportation facilities from outside Poland either on long lease or by means of leasing. However, this requires prior authorization from the Minister of Foreign Economic Relations, whereby the import of such production or transportation facilities is free of customs duty.

If the foreign partner desires so, the Minister of Finance can issue a guarantee for possible compensation for his part of the company's net assets in the event of nationalization of the company.

#### **Government Attitude toward Foreign Business**

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The Polish government introducing the program of economic changes is very anxious to bring foreign investment into Poland. That is expressed in the Act relating to economic activities of foreign entities in Poland.

To see the trend in which legislation concerning foreign investment is changing it is recommended to compare two acts -as of 1988 and the new one of 1991. The new elements are as follows:

- (1) Elimination of requirement to obtain a license for setting up every foreign-share company; a license is required only for investment in a few, enumerated, particularly

"sensitive" areas,

- (2) Elimination of the need to obtain permission for joining an existing Polish or foreign capital company as foreign or domestic partner,
- (3) Elimination of the requirement to present a feasibility study before setting up a company,
- (4) Elimination of automatic (by operation of law) tax holidays for companies with foreign participation, coupled with elimination of specific minimum equity requirements,
- (5) Extension of the catalogue of permitted sources of foreign equity contributions to a company,
- (6) Introduction by law of the right to full repatriation of the foreign investor's revenues,
- (7) Introduction of rules for accelerated depreciation of fixed assets and the loss carry-forward rule.

# Capital cooperation possibilities for foreign investors in Poland.

## Privatization process in Poland

The privatization process in Poland is supervised by the Ministry of Privatization and is regulated by the Law on Privatization of State Enterprises. The objective of the programme is to privatize 85 % of state companies into private enterprises by 1995 and to reduce the share of the state sector in GNP. As of June 1992, 1554 of the 8273 state-owned enterprises have been subject to privatization.

The privatization process may be initiated through a proposal of the enterprise management, or the State Treasury or by the Ministry of Privatization itself. Investors may initiate the process either through a proposal directly to the Ministry of Privatization or to the enterprise management.

The Privatization Act provides for two methods of privatization:

- (1) **So called capital privatization.** The enterprise is transformed into a joint stock company with shares initially held 100 % by the State Treasury. These shares may be sold to the private sector and may be offered publicly. Employees have the option of purchasing up to 20 % of the shares at half price. This method is most often used with relatively well-off, larger enterprises.
- (2) **Liquidation.** The assets of the enterprise are sold, generally to a newly established company that may include current management, employees, domestic or foreign investors. The legal existence of the old enterprise is terminated. The fiduciary obligations of the old enterprise, in some cases, may remain with the State. This is the method used for smaller enterprises, which accounts for the majority of privatizations to date. Under this method, employees also retain preferential rights regarding the purchase and lease of assets.

Polish Privatization Law requires that sale of a state-owned enterprises takes place in a competitive, transparent fashion. A foreign investor may acquire a Polish state-owned enterprise in one of four ways, all of which involve a competitive bidding procedure:

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- (1) **Public Offering** - investors may buy shares offered in a public offering or shares of companies listed on the Warsaw Stock Exchange,
- (2) **Trade Sale** - the enterprise is sold through public invitation to enter into negotiations or through an auction process,
- (3) **Asset Sale** - assets of the enterprise, under the liquidation method of privatization, are sold on a competitive basis,
- (4) **Joint Venture** - the assets and liabilities of liquidated company are contributed as part of the capital in a newly formed joint venture company. The Treasury will own a part of the share capital of the new company, determined by the valuation of the assets and liabilities transferred.

### Capital market

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The Warsaw Stock Exchange was opened in June 1991 on the basis of the Law on Public Trading in Securities and Trust Funds of March 22nd, 1991. The functioning of the Polish exchange is based on the continental European model. Transactions can only be concluded by licensed brokerage firms, so in order to buy or sell shares natural person must turn to a broker and open a relevant account in a bank. Orders from all brokerage offices are collected and during the session an optimum rate for the individual shares is decided, that is a rate which is guaranteeing the conclusion of maximum number of possible transactions on the basis of the bids and offers collected. Now there are four sessions a week. The number of enterprises which shares are quoted on the exchange is 19 and is rising.

All shares subject to stock exchange turnover belong to enterprises privatized by way of public subscription of shares and they are deposited with the national securities depository and the names of their owners are stored in the central register. The owners of shares possess deposit certificates, which serves as proves of their possession.

The Law on Public Trading in Securities and trust Funds requires brokerage firms to possess a license which can be granted by the Securities Commission. Brokerage firms are obliged to employ at least one licensed broker, who passed the examination organized by the Securities Commission. Most brokerage offices operating on the Warsaw Stock Exchange are bureaus of commercial banks.

Next to the Warsaw Stock Exchange exists a comparatively well - developed system of securities trading outside the exchange. The trading is done by brokerage firms and by commodity and capital exchanges located in all major economic centers like Bydgoszcz, Gdańsk and Katowice. The subject of turnover are primarily State Treasury bonds and shares of newly established private companies.

At present the stock exchange does not exert any major influence on the economic life in Poland and probably the Warsaw Stock Exchange needs several years to quote the number of shares similar to an average Western Stock Exchange.

## **Local conditions for business climate and organizations supporting business activities in Poland.**

In most countries of the world which are trying to attract foreign capital, not only the central authorities but local administration, too, gets involved in the process. In this regard, Poland behaves in a very European way. Our local identity is waking up and we want to take matters into our own hands.

A lot of **regional and branch economic chambers** has been very much involved in F-10 the said process, especially in supporting the activity of regional entrepreneurship, especially on small business level. The system of entrepreneurial support proposed and realized by regional chambers is focused on:

- establishing proper relations between self-government authorities and small business in the meaning of influencing business development,
- creating a system of incentives as well as economic and organizational assistance,
- creating in society a business ethic, creating a system of economic information in management, building of cooperative ties, network of promotion centers, incubators of business spirit,
- creating a system of training for business and individuals dealing with business activity and popularization of new forms of management.

There is also a growing group of well-integrated **Regional Development Agencies**, which are interested in attracting foreign investment. They act independently and are already in evidence abroad. Moreover, they do not compete, but show strong tendencies to cooperate. The Polish Agency for Foreign Investment is perceived by them, if not as a coordinator, than as a friend of all the Regional Development Agencies. The Polish Agency for Foreign Investment would like to suggest them some joint promotion and advertisement solutions such as the similar graphic design of publications, similar content and certain joint messages that we want to be remembered abroad. The main aim to be achieved is to make the potential investor realize that Poland is a large country, that it is in the heart of Europe, and that it is a country of young people eager to learn, so that investors may count on human resources. This is not just a promotion slogan, but a view which is confirmed by a growing

number of investors. Firms which are successful in Poland stress that without a specific way of thinking and typical Polish enthusiasm to create new realities, they would have achieved so much.

Except for the potential exemptions, foreign companies are obliged to pay the same taxes as all other Polish companies. The corporate income tax in Poland is currently 40 %. Companies may also be subject to a value-added tax (22%), an agricultural tax, a real estate tax, social security charges and other local fees.

Now I would like to present you some information describing current situation in few sectors of Polish economy: **building industry, food processing industry and environment protection.**

1993 year brought further signs of life to **building sector** in Poland. On an annual basis the sale of building goods and services was 1/3 higher than in 1992. This signifies that construction belongs to one of the fastest developing sectors of the Polish economy. The value of production and building services by the end of 1993 is approaching 10 billion USD, and construction companies have the largest share in this, especially active in general construction, production and specialized services. It is worth pointing out, that in 1992 almost 80 % of construction production was supplied by the private sector, in which foreign companies play a definite role. Also important in the field of construction activities is the export of construction services, almost 10 % of workers employed in the construction industry work outside Poland, which half of them coming from private sector. The value of this export in recent years amounts at about 700 to 800 million USD annually, with 90 % of this coming from Europe, largely from the German market.

The improved situation for construction is a stimulation for production expansion in the building materials industry. In 1993 this production exceeded the level reached in the earlier year by about 11-12%.

The picture of building materials production in Poland is still unclear. In first place are cement-clinker products (27%), cement products (22%), mineral raw materials (16%), insulation materials (10%), fireproof materials (9%), ceramics (8%), calcium and gypsum materials (6%), mortar and plaster and by-products (less than 2%). Besides the above mentioned assortment related to construction, there is building glass, stoneware and steel construction. For the production development of many building materials and materials used

in construction, foreign trade has an important effect. This is due to the production-technology specifics of many sectors, increasing domestic shortage of certain materials along with introduction of free production powers in certain industries.

Among building materials export products the most exported quantity item from Poland is cement. Tonnage cement supplies to foreign markets increased in comparison to 1992 by half, to about 2.4 million tons, with Germany being the largest customer.

Among remaining building materials with mineral content, worth noting is the export of Polish gravel, pebbles, macadam and manufactures from natural stone. Poland is also one of the most important European exporters of many types of processed products and wood products used in building. Warranting attention here are fibreboards, chipboards, millboard directed to German, Danish, British, Swedish and Dutch buyers. Poland is also quite a large supplier of cement products, fireproof materials and building glass. Polish prefabricated vacation homes are getting more foreign interest.

The import of building materials is much less in value than exports. The largest imported position is carpentry goods for construction. Also quite large is import of particle boards, foreign marbles, granites and products made from stone. Important to the quantity of Polish imports is the wide range of building ceramics. This primarily includes ceramic wall elements, lime-sand elements, lime-slag, roofing elements and ceramic tiles.

Without a doubt Poland belongs to the more group of trading nations on the European market for building and construction related materials.

**The food processing industry** is part of the most important sector of the Polish economy and in the present circumstances has more perspectives for development. These possibilities have not been fully exploited. Food processing plants employ 10 % of the whole industrial work force in Poland. 9 % of the overall fixed assets and 20.3 % of the global production of the Polish industry are concentrated in this sector of the national economy. In these terms it is second only to electro-engineering industry in Poland.

At present, the food industry processes about 80 % of the agricultural products of Poland. 70 % of food products on the market, processed in various degrees (from initially conserved products to fully pre-processed ones), are produced by the industry. Food products constitute 12 % of Poland's global export.

The present condition of the food processing industry is a consequence of the investment policy implemented over the last few years. In the whole post-war period in Poland the largest investment in food processing was made in the period 1971-1975. A substantial part of this investment was channeled into meat processing. Unfortunately, the subsequent years witnessed a considerable decline in the investment impetus. The crisis Poland entered in the 80-ies resulted in a dramatic depletion of funds allocated to investment in the food processing sector of national economy. We should not forget at this point that the present state of the food processing industry is also a consequence of the fact that in the early 80-ies a dozen or so investment projects, initiated earlier in this sector, were discontinued.

Another detrimental phenomenon at work especially in the 70-ies was the assignment of a large share of the invested funds to gigantic plants. It would have been much more rational to modernize already existing factories and construct more modest factories on a more local scale. The new gigantic plants clearly did not have an adequate resource base, and this necessitated the transportation of raw materials from remote parts of the country. The costs of production were also inflated due to higher transportation costs. As a result of declining investment, the plant and machinery of the food processing industry has been fully exploited and shortages in production capacity have become apparent.

The substantial limitation of production capacity is especially noticeable in such areas as: grain milling, edible oil processing, sugar industry, potato processing, vegetable-fruit processing, baking, dairies and cold storage. In consequence, there are difficulties in processing agricultural produce. The development of entire sectors of agricultural production has been retarded (milk production, processing of rape, sugar beets, potatoes and grain).

To alleviate these shortages in production capacity the working life of machines and equipment is prolonged, time allocated to conservation and overhaul of machines is limited, technological processes are speeded up, etc.

Another factor hindering the development of the food processing industry is the unavailability of proper packaging (both metal packaging as well as paper wrappings, cardboard, plastic and glass packaging). Polish farm products often lose out in competition with the attractively packed products of foreign companies.

Inadequate fit between the localization of food processing plants and their recourse base is another problem of this sector of Polish economy. Investment carried out in the post-war period did not eliminate these disproportions, at best only limited them. In the western parts of Poland the recourse base is inadequate for the food processing plants located there. On the other hand central, eastern and south-eastern Poland does not have adequate production capacities to process the farm products produced there. As a result, it is necessary to transport agricultural produce over long distances for processing, and final products back again to be sold.

It should be emphasized that regions with poorly developed food processing facilities generally do not have other sectors of industry. This may have positive consequences - the level of pollution of the natural environment is much lower in these regions of the country than elsewhere. It would be therefore propitious to locate food processing centers in these regions. At the same time these newly established food processing centers could gradually start relying on methods of production characteristic of ecological agriculture successfully utilized in many countries. This would facilitate the production of health foods in these areas that would satisfy world standards.

Construction of food processing plant does not require on a par with that needed to set up steel works or a mine, and that is also less time consuming. Consequently, the profits stemming from such investments could be reaped much sooner. In the present circumstances the owners of food processing plants can also account on higher profits as a result of rationalization of management and low labor costs in Poland. It would be irrelevant to add

here that a well developed national school network ensures a continuous supply of a well qualified work force to the food processing industry.

It is possible to conclude that in the circumstances now prevailing an up-to-date and well managed food processing plant in Poland has every chance of being highly profitable.

As to the vital problem of **environment protection** Poland is a country with a thousand-year-old cultural heritage, beautiful landscapes and rich, highly diversified wildlife. In many regions of this country the natural habitats have remained in an almost undisturbed state, but there are also regions in Poland where the environment has been devastated. The basic causes of this are extensive industrialization and wasteful use of natural resources throughout recent decades, during which a communist system with the centrally managed economy was imposed on Poland. Low prices for land, energy and labour encouraged the siting of huge new factories close to localities where raw materials were extracted, and in regions with old industrial tradition. As a result, there has been a dramatic deterioration in the living condition of local population, along with devastation of the natural environment. Today, one-third of the Polish population lives in areas where government pollution standards are exceeded. A third of our forests are threatened, and only 4 % of the watercourses still carry clean water. In economic terms, the losses caused by the emission of pollutants into the environment are estimated at several percent of the national income. There has been a drop in the average life span, and increases in both infant mortality and the diseases associated with living conditions in industrialized society. such the price being paid by Polish society for years of a forced economy dominated by ideological imperatives.

In 1989 Poland started on its way towards a new political and economic system, the first country of the former Eastern Bloc to do so. Clearly, the transformation from centrally planned economy to a market economy will be long and difficult, demanding huge financial efforts and involving social sacrifices. The suitable development model Polish economy should be based on maximum efficiency in energy and raw materials consumption and the minimum possible impact on the natural environment. We are convinced that it is the only model that can assure Poland of a harmonious, permanent development leading to an economy that can satisfy legitimate human needs.

The model for Poland was presented in a government document entitled State Environmental Policy, which was approved by the Polish Parliament in 1991. It was now reflected in the principles of state economic and social policy for the years to come. Among other elements, the following are envisaged:

- a far-reaching restructuring of industry guided by the need to satisfy stringent environmental standards for all new and upgraded technologies,
- a nationwide programme for improved energy efficiency and for saving energy in all its forms,
- rationalization of transportation and mass transit systems in urban areas on a regional and national scale,
- changes in agriculture to encourage production of healthy food,
- implementation of a water conservation programme and rationalization of the use of water,
- implementation of programmes for recycling or secondary use of municipal and industrial waste,
- creation of large-scale systems of protected areas
- the setting up of biosphere reserves.

These major tasks, implemented with due regard to nature conservation principles and human health, will produce both economic and environmental benefits, and in the longer term will permit sustainable development of our country. Many difficult problems of global, European or national scale must be solved along the way.

I do hope that said information will create more familiar picture of Poland to all distinguished participants of this seminar.

Thank you very much for your kind attention.