

Independence Day of the Republic of Poland



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Poland the Country of Dynamic, Open to the World Economy

by Marian Paszynski

NINETEEN eighty-nine was a year of fundamental turning in Polish history. Our country returned to the group of democratic countries and the construction from the base of market economy started. It was a path so far unknown. Never in the history has a country made an experiment of changing from centrally controlled economy to free capitalist economy. Poland has done it, what is more by the use of shock therapy, which, securing quick and radical changes was socially very expensive due to the increase of unemployment, decrease in consumption and hyper inflation.

Our society has shown an enormous sense of state instinct and patience accepting the heavy burden of necessary changes.

The changes that have taken place were possible thanks to essential system and institutional reforms in economy and also changes in economic policy. The systems of central planning and centralized investment decisions were abolished. The monopoly of foreign trade and rationing of foreign currency were no longer valid. The door was open for the inflow of foreign capital especially direct investment. Foreign investors were given the freedom (practically with no limitations) to begin production operations or services. The unconditional right was given to compensate for nationalization and to repatriation of the capital and profits.

The protection of ownership and observing the agreements were secured. There was a turn from the dominating state ownership in economy to the quick privatization understood both as opening chances for the development of new private entrepreneurship and for the privatization of the already existing state enterprises. The already started intensive development of capital market that was to serve eagerness of domestic savings and what follows investment expansion and development of new entrepreneurship. The banking system has been modernized by creating two grade arrangement in which the central bank resigned from carrying out retail operations and limited itself to running monetary policy. It was secured real independence from government decisions. Banks began to introduce modern financial instruments that made transactions and money saving easier.

The stock exchange has been reactivated, being the crucial element of capital market. It existed before the Second World War but was liquidated in communist period. The Warsaw Stock Exchange is based on most restricted rules in Europe and that is widely appreciated in the world. The number of associations listed on the basic and parallel markets increased to 135 and their capitalization in years 1991-1996 rose from 83 million USD to over 6 billion USD. The system and institutional changes was accompanied by

transformations in state economic policy. From the beginning of 1990 the system of price creation has been changed almost completely, at present they depend on the demand and supply. The internal and in 1996 also external (as understood by IMF) convertibility of Polish currency was introduced. It liquidated the different money exchange rates. PLN became a strong currency.

The economy was opened to collaboration with foreign countries not only as a result of abolishment of state monopoly for foreign trade and foreign currency rationing but also by drastic (according to some economists even too big) lowering of tariff duties in import. The problem of a big debt of Poland towards foreign governments and banks and suspending its service in the eighties was solved by negotiations with Paris Club (government debt) and London Club (bank debts) and restructuring of foreign debts on easy terms. All that restored confidence for Poland at international capital market and allowed Polish government to successfully place Eurobonds opening the path also for the enterprises to use that market for financing their activities.

Fiscal and money policies of the government and central bank have been very cautious since the beginning of transformations. The budget deficit that in 1989 made 6% of gross national product (GNP) at present decreased to less than 3%. *Continued on page 9*



Aleksander Kwasniewski
President of the Republic of Poland

FDI: Prospect for 2000 and Beyond

POLAND attracted \$8 billion in FDI in 1999, according to PAIZ statistics that include investments of at least \$1 million. From 1989 through the end of June 2000, Poland attracted a total of \$38.9 billion in foreign investments exceeding \$1 million including investments below \$1 million, the figure was \$43.01 billion.

According to the Organization for Economic Cooperation and Development (OECD) definition used of PAIZ, a foreign investor must hold at least 10 per cent stock in a company and have long-term plans. FDI covers outlays incurred in stock acquisition, in addition to reinvested profits and loans granted to subsidiaries from parent organizations.

During the first half of 2000, Poland attracted \$3.7 billion in FDI, including investments below \$1 million, the sum was almost \$4.1 billion. This was less than the previous year (\$4.7 billion), but more than in the second half of 1999 (\$3.2 billion). Investors were under-terred by the trade and current account deficits, and higher inflation. Pawlowicz said.

In the first half of 2000, 45 new companies entered Poland. Sweden's Vattenfall paid \$232.3 million to buy 45 per cent of privatized Elektrociepłownia

Warszawskie combined heat-and-power plant and Belgium's Tractebel paid \$82.8 million to buy shares in the Polaniec power plant. E.M Warburg, Pincus & Co. of the United States and IT International Theaters of Israel, which bought into Netia, each invested \$50 million.

The energy sector, currently undergoing privatization, generated the greatest interest among companies entering the Polish market, followed by construction, telecommunications and entertainment.

In the first half of 2000, only 8.5 per cent of FDI was linked with privatization projects, and 91.5 per cent with takeovers, mergers and greenfield projects. The latter accounted for 40-60 per cent of all FDI.

The year-end perspective will change after statistics account for the purchase of 35 per cent of Telekomunikacja Polska SA by France Telecom. The transaction will account for almost 10 per cent of cumulative FDI in Poland.

The geographic inflow of capital into Poland has remained stable. In the first half of 2000, US companies invested the most money in Poland. Their share in overall FDI was 33 per cent. The leader was Citibank of the United States.

which invested more than \$750 million in shares of Bank Handlowy. General Electric Corporation invested \$251.4 million in banking and electrical machinery production.

To date, the United States has invested a total of \$6.4 billion in Poland, followed by Germany with \$6.2 billion, France with \$4.1 billion, the Netherlands with \$3.7 billion, Italy with \$3.3 billion, Britain with \$2.6 billion, multinationals with \$2.6 billion and South Korea with \$1.6 billion. There has been only minimal shuffling of this list of investors. In the first half of 2000, the United States replaced Germany as investment leader. The European Union accounts for \$24.7 billion FDI to date, North America for \$6.6 billion and Asia for \$2 billion.

Manufacturing accounted for the most capital with \$18.2 billion, including \$4.7 billion in food production, \$4.45 billion in transportation production and \$2.3 billion in the production of goods from non-metallic raw materials. The financial brokerage sector accounted for \$9.2 billion, retail for \$3.8 billion and construction for \$2.2 billion.

Sectors such as beverage, food and cigarette production *Continued on page 9*

Warsaw - Little Paris

POLAND'S capital was once called the "little Paris", later "the invincible city", and then "a Phoenix city." It was rebuilt many times after the destruction of successive wars, and World War II in fact razed the city to the ground. At present Warsaw is modern city that respects tradition and its historical monuments. Warsaw is the largest Polish city, the seat of central authorities, a transportation hub, a large business center and the headquarters of many Polish and international companies. It's a city of cultural events, avant garde exhibitions and concerts by famous stars, as well as a city of business, congresses and meetings, and an important transit point on international routes.

Warsaw became a political center with lightning speed. In 1413 it became the capital of the Mazovian Duchy, and in 1596 Poland's capital was moved there from Cracow. In 1791 the so-called Four-Year Sejm debated in the city, passing one of the world's oldest constitutions, called the May 3 Constitution. Warsaw was the birthplace of Maria Skłodowska-Curie, and Frederic Chopin lived and gave concerts there.

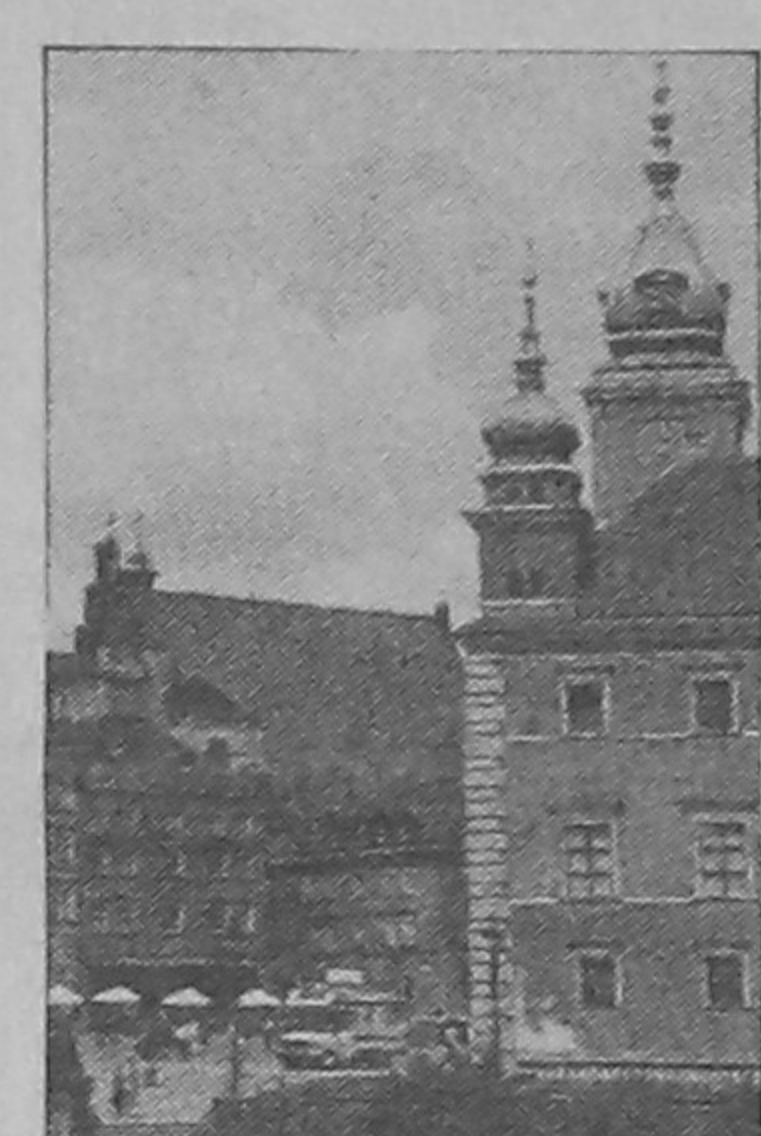
At present Warsaw is a modern city. As in communist times, its landscape is dominated by the Palace of Culture and Science, but more and more sleek glass towers are appearing in the center. The capital's symbol is the reconstructed Royal Castle, which together with the Old Town, the Royal Route and park and palace complexes in Lazienki and Wilanow is one of the main destinations of Polish and foreign tourist excursions. However, your stay in Warsaw should not be limited to historical sites. You can visit museums, galleries and exhibition halls. There are numerous parks and from the banks of the Vistula you can admire the cityscape. There are a few small forests and natural reserves within city borders, as well as part of the Mazovian Landscape Park. Warsaw also borders on the Kampinoski National Park, which is the only example in Europe of a large metropolis next to a natural reserve.

The excursions usually start from Zamkowy Square with the status of King Sigismund III Vasa who moved the capital from Cracow. By the square stands the Royal Castle which contains a museum of historical interiors. It includes a complex of rooms of Poland's last ruler, King Stanislaw August Poniatowski. This is all in the Old Town, a small district with unique ambience. It's full of picturesque lanes, museums

and galleries. Resident artists add to the district's atmosphere. The 15th century St. John's Gothic cathedral dominates Swioklowska Street. Its cellars hold the sarcophagi of the Mazovian Princes. Poland's inter war President Gabriel Narutowicz, politician and composer Ignacy Paderewski and Primate Stefan Wyszyński.

The central point of the Old Town is the ever-busy Old Town Square. It's filled with cafes and restaurants and artists selling their paintings. Horse cabs offer tours around the city and you can listen to a street organ. The most interesting of the townhouses on the square include Kluczmkowska house with the Pod Krokodylem res-

theat and a concert hall. Nowy Swial Street, lined with elegant shops, is equally beautiful. Nearby, on Jerozolimskie Avenue, one of the city's main arteries, is the National Museum with a rich collection of Polish and foreign art and the Polish Army Museum. Many Polish and foreign companies have their headquarters in the vicinity.



The Royal Route then runs along Ujazdowski Avenue, lined with townhouses and palaces which are mostly occupied by embassies now. The route reaches the Royal Lazienki park and palace complex of King Stanislaw August Poniatowski. There you will find the cleanest air in central War-

saw. The park's Palace on the Water houses a museum where you can see, for example, the table at which the king worked. Other Lazienki attractions include a pond with gondolas, the Orangerie with the former Court Theater, the Palm House and the Theater on the Island. In the summer, you can listen to piano concerts by the Chopin monument. Next to the park is the Belvedere Palace, the former residence of the Polish president. The Royal Route ends at the park and palace complex in Wilanow built by King Jan III Sobieski. The palace was completed only in 1996 and later it was frequently redecorated and rearranged according to the fashion of the day. The richly ornamented facade is homage to the royal family and the king's victory in the Vienna battle.

Warsaw will charm you with other beautiful districts and parks and the Vistula Escarpment. Praga, the district on the eastern bank, has retained its traditional style, with fragments of the 19th-century district preserved.

MESSAGE

On the auspicious occasion of the Independence Day of the Republic of Poland, first of all I would like to stress the cordial relations between my country and Bangladesh. Poland was among the first countries, which recognised Bangladesh soon after its liberation in 1971, and at the beginning both the countries co-operated closely internationally as well as on bilateral issues. It is worth mentioning that in the international fora we share the same fundamental values: peace, democracy, friendship and cooperation within the nations themselves as well as among them.

Poland is situated in the very heart of Europe, at the crossroads of both ancient trade and present day transportation routes from east to west and from Scandinavia to the south. It is a country with a land area of 312683 sq. km, making it the 9th largest country in Europe and the 66th in the world with population estimated nearly 40 million - 123 people per square kilometre. Its central location in Europe has always been a vital factor in the country's fortunes: war always brought disaster and suffering while peace heralded economic recovery, improving living standards and conditions, and creating beneficial trade relations for Poland as well as for neighbouring countries. Poland's more than thousand years of history have seen periods of great prosperity. During the reign of the Jagiellonians, one of the most powerful dynasties of 16th century Europe, land owners, successful Europe through the integration with the European Union. This expression corresponds to historical truth. However, today's Europe of free nations differs from the Europe when Poland was removed from by the verdict

when Poland regained the independence at the end of World War I, after 123 years of captivity and many successive and consistent Polish uprisings.

During the Second World War the country suffered as no others in Europe - forces occupying our territory killed every sixth Pole. After the war, as a result of the Yalta Conference, Poland was forcibly placed within the Soviet sphere of influence and became its satellite state. To the outside world this may have been surprising, but Poland was never a typical communist state. The Soviet system was alien to Poland's Latin tradition and defied strong historical bonds with Western Europe. Since 1945 the Poles were incessantly struggling to regain freedom and sovereignty. Thousands perished, were imprisoned and harassed. On the streets of Poznan-1956, Gdansk-1970, and in 1981 a heavy price was paid.

Polish image flooded the world media throughout the 1980s. Strikes and riots at the shipyards of Gdansk and other industrial centres were the harbingers of the disintegration of communism in Eastern Europe, and throughout the years of martial law and beyond, Poland has maintained an exemplary momentum towards political change. In 1989 our dreams finally came true: the Iron Curtain fell. Poland returned to its rightful place in the Free World. On March 12, 1999 it became the NATO member. At present, Poland is also on the way to return fully to its rightful place in Europe through the integration with the European Union. This expression corresponds to historical truth. However, today's Europe of free nations differs from the Europe when Poland was removed from by the verdict

of Yalta. First of all, the integration has replaced confrontation. Standards of everyday life have changed, different laws are in place and new institutions have been established. From this point of view the process of integration with the European Union has also its important social dimension. Good relations with democratic countries all over the world traditional priorities in Poland's foreign policy. Polish nation, which now enjoys full political freedom, has experienced that the development of democratic structures in the state is a fundamental source of its prosperity. Poland follows with deep admiration the progress, which Bangladesh continues to make in all fields under the guidance of its democratic governments.

On this auspicious occasion of the Independence Day of the Republic of Poland I would like to wish the People's Republic of Bangladesh, its every citizen and the nation as a whole a prosperous and bright future.



Jerzy Sadowski
Charge d'Affaires a.l.
of the Republic of Poland
in Bangladesh

Our Heartiest Greetings to the Govt and the People of The Republic of Poland on the occasion of their Independence Day

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Cracow the Former Capital

IN this city you can feel history on every street corner. Cracow was lucky to escape war damage, so the city's form remains unchanged. However, the Nazis did manage to destroy part of the city's soul. They treated Cracow intellectuals with special cruelty. Professors from Cracow universities were all deported to concentration camps, and many of them didn't survive the war. The Jewish community which for ages had contributed to the city's cultural development

ceased to exist. Cracow is an old and beautiful city which has been quite neglected over the past 40 years. It requires very costly and extensive restoration work. Polish conservators who return the city's old buildings to their former beauty are highly appreciated and receive many commissions from different countries. The city's academic life concentrates around Jagiellonian University and other colleges, and dozens of small and *Continued on page 9*

Heartiest Felicitations to the Government and the People of Poland on the occasion of their Independence Day

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