

**Interview with Waldemar Pawlak, Vice-Prime Minister and Minister of Economy,  
for the Egyptian daily "Al-Ahram"**

**- Poland has achieved great success in economic reform as it stands out today as a successful example of transition to market economy; it also succeeded in obtaining substantial benefits - the most important of them was attracting major foreign investments and investors. Would you like to tell us more about Polish experience with economic reform, especially since it resembles to a great extent many experiments in the Arab region and countries, like Egypt?**

Without any doubt, economic reforms carried out after 1989 has had a positive effect for the development of our economy. Yet, a significant acceleration took place only after Poland's accession to the European Union. This was an impulse which mobilised Polish enterprises and companies. Opening of the markets, as well as legal and logistic facilitations, enabled expansion of their activities on the international level. Poland's membership in the European Union also increased attractiveness of our country as an outlet and a place to invest. This in turn contributed to an improvement of the labour market situation and of the living standards.

We have recently been noting a constantly growing interest of foreign investors in our country. In 2006, Poland won the position of a local leader among the new EU member states as concerns attracting foreign direct investments. According to the UNCTAD, Poland attracted as much as 43 percent of the total FDI inflow to the EU-10 countries. We estimate that the FDI level exceeded 15 billion euros last year.

According to the report prepared by the consulting company Ernst & Young, which was published in July 2007, Poland was classified as the second most interesting country for industrial investments, the only outstripping country being China.

We try to create the most favourable conditions for the business activities in Poland, offering inter alia investment incentives. Enterprises investing in special economic zones enjoy significant tax allowances. We also take steps aimed at generating more interest in our market among foreign investors. Also, the corporate income tax (CIT) is one of the lowest in the EU countries, currently equalling to 19 percent.

We are quite a large market and have well-educated and young professionals, as well as relatively low, labour costs as compared to the "old" Union countries. Federation of European Employers considers our workers as the most competitive ones in Europe. This is one of the reasons why international corporations increasingly often choose Poland as the place for their research and development centres (R+D). These corporations include, inter alia, such companies as Fujitsu, Glaxo Smith Kline, IBM, Intel, Motorola, Oracle or Siemens.

**- Mr. Minister, you have recently predicted that your country's economic growth will achieve a rate of 5,5 proc. during 2008 despite similar expectations of a rise in prices by 2,5 proc., do you think that this figure is too optimistic, especially in presence of global economic slowdown? At the same time, how did you succeed in raising wages and reducing the unemployment rate given all the circumstances?**

We expect that positive development trends will persist in the years to come. Taking into account results obtained in 2007 and a favourable situation at the beginning of the current year, we forecast that our GDP will grow in 2008 by some 5,5 percent. Disturbances on the global market did not result in a slowdown of the growth pace in our country. We still note a dynamic increase in the industrial production as well as in the building sector. Services also remain a resilient branch of the economy, which is quite important if we take into account their share in the GDP and employment rate.

We expect that increasing internal pressure on wages as well as growing prices on the world markets, mostly the oil one, will affect the level of inflation in 2008. Growth of consumption prices may pose some threat to the aim of restraining inflation within the range determined by the Monetary Policy Council. Nevertheless, it seems that the growth of prices will be diminishing in the months to come, and we do not expect that it should exceed 3.5 percent.

***- Do you perceive the Polish labour immigration to Western Europe in search of better job opportunities as a problem?***

Opening of the labour markets for Poles in certain countries has facilitated the labour-related migration and resulted in its growth. We estimate that at the end of 2006 nearly 2 million Poles resided temporarily abroad, of which some 1.5 million accounted for the EU countries. The labour-related migration of the Polish people has both positive and negative economic results.

Mass migration of professionals and a decline of the labour supply in certain sectors bring negative effects for the economy. This may lead to a growth of labour costs and, in a long-term, to a lower attractiveness of Poland as a place for foreign investments. Besides, higher labour costs are reflected in higher prices for goods and services. This in turn may result in their lower competitiveness on the world markets.

Polish migration may also lead to a slower pace of the long-term GDP growth. Most experts think, though, that these changes will be of minor importance.

Positive effects include a decrease of the unemployment rate and capital inflow. Poles working abroad quite often transfer their savings to families in Poland. In 2006 capital transfers exceeded the level of PLN 25 billion, while in the first three quarters of 2007 – PLN 20.4 billion.

***- Despite the fact that Poland has a rich agricultural sector, economic and social conditions in rural areas do remain the least at the state level, why? And from your point of view, what is the solution?***

The agriculture accounts for some 16 percent of all employed in Poland, but its share in the GDP amounts to just 3.5 percent. It is the main source of income only for 16 percent of rural households, while 27 percent earn their living outside the agriculture and as much as 40 percent live by pensions and social benefits. This results to a large extent from the transformation processes. For the last 18 years, majority of investments, domestic product and higher household income have been concentrated mostly in the largest cities and agglomerations. Profitability of the agriculture has improved in the recent years due to the EU funds and a growth of prices for agricultural products.

Yet, it is necessary to improve competitiveness of Polish agriculture. Activities relating thereto, which take into account inter alia the EU common agricultural policy, aim at increasing the average area of farms and decreasing their number and the level of employment in the agricultural sector. Furthermore, rural areas are covered with programmes concerning the improvement of access to education, culture and healthcare. Infrastructure is being developed.

***- Poland is a large open market, with a population of over 40 million people, and it is the centre of the European continent, so in the presence of all these elements how do you think Poland could benefit from its economic relations with Egypt during the forthcoming period?***

Just like Poland, Egypt is an important country in the region, as this is a market with more than 75 million consumers, which occupies a strategic position at the crossroad connecting Europe with the Middle East, Africa and Asia. Economic achievements since the mid-2004, progress in the liberalisation of the economic cooperation and trade, integration with the European Union within the framework of Euro- and Mediterranean partnership, a leading role in the Arab world, as well as close relationships with African states make this country an interesting and prospective partner for us.

Furthermore, thanks to the planned and being already implemented major infrastructural projects, inter alia in the gas and oil sectors, transportation, tourism or construction, and a broad range of allowances and investments incentives, Egypt may soon become one of the main localisation of Polish foreign direct investments.

***- Mr. Minister, in 2004, Egypt and Poland signed a cooperation treaty which included the Egyptian government's decision to cancel gradually the customs imposed on industrial goods imported from the European Union; how do you perceive this agreement, and how do you think Egypt and Poland have benefited from it?***

Terms of the bilateral cooperation have significantly improved since 2004, mostly due to the entry into force of the EU-Egypt association agreement and Poland's accession to the European Union. Both countries benefited from these developments. Egyptian import of the EU industrial goods is subject to the annual progressive reduction of customs duties, which will finally be completely abolished. The last of the four timetables covering luxury goods envisages that this should take place in 2019. With regard to the import of agricultural and industrial goods, apart from asymmetric reduction of customs duties for certain agricultural and processed food products, Egypt implements the programme for expanding tariff quotas. On the other hand, Egyptian industrial goods enjoy a duty-free access to the EU market, while in case of agricultural products the European Union systematically extends the range of goods covered with the zero duty or with tariff quotas, and at the same time increases such quotas.

A significant improvement of the Egyptian trade turnover with the EU, including Polish-Egyptian trade, results from the trade liberalisation within EUROMED. A growth has been noted both in case of Polish export and import. In 2004 export from Poland to Egypt amounted to USD 57.6 mln, while in 2007 it reached USD 149.9 mln. Import from Egypt increased from USD 18.8 mln to USD 46.9 mln, respectively.

***- Do you think that the trade exchange rate between Egypt and Poland, which was about 197,5 m\$ in 2006, matches with the capabilities of the two countries? And how can this rate of trade exchange increase?***

In 2004–2007 trade turnover between our countries increased by more than two and a half times, reaching the level of nearly USD 200 mln. Yet, taking into account potentials of our economies, these results are still unsatisfactory. We would like Egypt to become our main partner in the region, and Poland to occupy the top position in the balance of the Egyptian trade with the countries of Central and Eastern Europe. Currently, we export more goods to the United Arab Emirates, Algeria or Saudi Arabia.

A growing activity of small and medium sized enterprises in both countries is a positive phenomenon. Polish exporters look for Egyptian customers for the machinery, automotive or wood industries, building materials, paper or cosmetic sectors, glass and porcelain or chemical products and materials. Egyptian enterprises seek contacts with Polish importers of clothing and textile industries, carpets and floor linings, food and agricultural products, building stones, leathers, footwear and craft articles.

It is the activity of these companies which will mostly determine the growth of our trade. Yet, state authorities should support endeavours or entrepreneurs by promoting economic cooperation, exchange of information and facilitations in establishing contacts. Initiatives on the part of business organisations, trade chambers as well as crediting institutions or companies insuring export transactions, should also be expected.