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Polish Light Industry - Present State and Future Opportunities

1. Present State - Survey Results

The within analysis of the strengths and weakness of Polish light industry is based on the results of a written survey carried out in 1998 and 1999. Two hundred questionnaires were sent out to a variety of light industry enterprises, and 63 responses were received representing the following market sectors:

- knitted wovens and clothing - 25 firms (including 16 private)
- leather goods and shoes - 8 firms (including 6 private)
- decorative woven fabrics - 13 firms (including 6 private)
- technical woven fabrics - 5 firms (including 3 private)
- the textile industry - 13 firms (including 5 private)

The survey group included both large and medium-sized enterprises located in various regions throughout Poland.

The material presented in this section represents the opinion of the surveyed enterprises regarding the conditions under which they operate, the role of competitive imports, the position of national competitors, opportunities for development, and the major threats and barriers to their operation. Unfortunately the opinions presented are not capable of statistical verification in the various market sectors inasmuch as GUS (The Central Statistical Office of Poland) does not publish statistical information in the same categories as those in which the opinions are presented.

In order to properly assess the current state of light industry in Poland - its strengths and weaknesses - first and foremost it is necessary to keep in mind that it operates in markets characterized by a high degree of competitiveness.

Of particular importance was the opening of the Polish national market to import trade within the framework of its program for liberalizing foreign trade. While in 1990 only 10 enterprises (9.8%) indicated that they felt stiff competition from imports in their main product lines, 73.6% of the enterprises presently surveyed indicated that they are subject to stiff competition from imports. The enterprises engaged in the production of knitted wovens and clothing felt the strongest threat from imports (85.7%, including both luxury and standard lines of products), followed closely by the producers of decorative fabrics (84.6% indicated that the Polish market was „flooded" with cheap imports of floor coverings, carpets, curtains and curtain liners, and tablecloths). Sixty percent of footwear producers felt threatened by competition from imports, and while the producers of technical fabrics felt the least threatened of the enterprises surveyed, still 50% noted that competition from imports was a major factor in their operations. For more detailed information on this topic, see Table 13.

The presence of competition from national producers is also being ever more strongly felt. Seventy-six percent of the enterprises surveyed felt national competition constituted a strong or very strong threat to their market position, while only 22.1% indicated that they didn't feel a strong presence of national competition, with 1.9% indicating that they felt secure enough in their dominance of the Polish national market that they didn't consider national competition to be a serious threat. The degree of perceived threat from national competitors is evenly spread across the various market segments surveyed. The source of the perceived threat is also uniformly shared in each sector. Most feared are Polish firms with foreign capital investment (82.6%), followed by private firms (73%), while the state enterprises and solely-owned Treasury joint stock companies were felt to offer stiff competition by only 46% of those enterprises surveyed. Emphasis on the nature of business ownership and origin of investment capital of competitive national enterprises is closely related to the progress of privatization in a given sector. In the clothing and knitted wovens sector, where the process of privatization is decidedly the most advanced, only 25% of respondents felt that publicly-owned enterprises constituted a serious threat to their competitive positions, while in the textile industry, where the privatization process is least advanced, 90.9% of producers are of the opinion that the products of the state-owned and commercialized enterprises constitute serious competition for their own products (see Table 14).

Table 1. The major strengths of enterprises' competitors (expressed in %)

Strengths listed	Overall percentage acknowledging	including:				
		clothing and knitted wovens sector	leather and footwear sector	decorative woven fabrics sector	technical woven fabrics sector	textile industry
Low costs	46.1	47.6	25.0	61.6	50.0	37.3
Opportunity to avoid taxes and customs duties	43.9	57.1	50.0	23.1	12.5	54.5
High quality of products	36.8	28.5	37.5	30.8	75.0	45.5
Large production potential	28.1	19.0	37.5	30.8	25.0	36.5
Good distribution network	26.1	33.3	12.5	38.5	12.5	20.3
Good marketing	22.8	33.3	0.0	23.1	25.0	18.2
Up-to-date and fashionable products	15.8	19.0	12.5	7.7	50.0	9.1

Note: The percentages listed exceed 100% in accumulation inasmuch as the respondents were permitted to list as many factors as they felt appropriate.

Source: Own survey results.

As can be seen from Table 1, 46.1% of the survey respondents ranked low production costs as the major factor contributing to the strength of their competitors. This suggests conversely that high production costs are perceived as one of the major problems to competitiveness in Polish light industry. One may list the following major factors contributing to the high production costs:

1. The low technical level of the machinery and equipment in use as compared to that used in the leading Western firms.
2. The low level of work efficiency, which results not only from the continued use of outdated techniques but also from poor work management and the continuing problem of redundancy in employment.
3. The revindicalist posture of employees impedes implementation of the principle that higher wages should be correlated to higher work output and efficiency.
4. The high cost of financing (high interest rates on credit) and heavy tax burdens (especially on the state enterprises).
5. Excessive unused production capacity in relation to sales opportunities.

Another important factor which hampers the competitive position of some of the best light industry enterprises, which should otherwise be able to adjust and compete, is the widespread existence of a „gray market" in light industry. A number of firms operating on the market are avoiding the payment of burdensome taxes (social security (ZUS), income taxes, and VAT) as well as customs duties (which they often pay only symbolically by presenting fabricated low sales receipts). These practices are especially widespread in the clothing, footwear, and hosiery branches of Polish light industry. In the textile industry (especially among producers of cotton and wool fabrics) a different form of unfair competition is common. Many enterprises are in a very poor financial condition and are either undergoing liquidation or are in bankruptcy proceedings. They sell both their products and their inventory at artificially low prices, oftentimes not even recuperating costs of production. While this enables them to prolong their existence for some time, it also constitutes a particularly insidious form of unfair competition for their competitors who are trying to adjust and survive. More than one-half of the firms surveyed (55.8%) indicated they felt threatened by this practice, while nearly two-thirds (63.6%) of textile industry firms listed this as a major concern. Other forms of unfair competition, while less widespread, are still common occurrences. These include: copying competitors' products in such a way as to mislead the consumer as to the identity of the producer (listed overall by 30.8% of the firms surveyed, but by 42.9% of the clothing and knitted wovens companies); labelling products with the aim of misleading consumers (listed overall by 23.1% of respondents, but by 36.4% of clothing manufacturers and 28.6% of those firms producing knitted wovens); and spreading false information concerning competitors' products and activities (listed by 17.3% of respondents overall, but by 36.4% of fabrics producers). For more information on these practices see Table 15.

Still, more than one-third (36.8%) of Polish enterprises list the high quality of their competitors' products as a major element in their competitive advantage. Producers of technical woven fabrics are especially sensitive to this problem since they constitute a market segment where technical parameters play an ever-more significant role. It should be noted that the producers of technical fabrics also are most likely to indicate the important advantage their competitors have in being able to keep their products up-to-date with changing fashions.

Nearly all the enterprises surveyed realize the importance to their competitive positions of maintaining a large production capacity. This is especially true as regards the producers of footwear and woven fabrics. It should be noted, however, that large production capacity is an advantage only when such capacity is capable of producing up-to-date products of high quality at low cost. When unused production capacity is old and outdated, as is often the case in Polish light industry, it constitutes a hindrance to the producer's competitive position.

The problem of distribution was also frequently referred to (especially among clothing, technical woven fabrics' and woven fabrics' producers), as well as marketing (clothing, knitted wovens', and technical woven fabrics' producers). It was widely recognized that failure to devote sufficient attention to distribution and marketing are likely to give the competitive advantage to competitors which have well-developed marketing and distribution strategies.

The enterprises surveyed, being aware of the hurdles they must overcome, are undertaking a number of actions aimed at strengthening their market positions. These activities, arranged according the frequency with which they were mentioned, are listed in Table 2. A dominant recurring theme is product restructuring, which includes activities such as widening the product assortment offer, improving product quality, promotion and advertising, and the establishment of one's own distribution network. These activities are most common to enterprises who feel the most threatened by imports, hence by the producers of clothing, woven fabrics, and technical woven fabrics. It should be noted that product restructuring, however, has a superficial aspect. Only a small number of firms are actively engaged in the introduction of new technologies (11%), increasing R&D expenditures (9.3%), or obtaining quality certification (7.4%). Efforts undertaken to decrease the costs of production are usually based on a realignment of existing resources and reserves, and capital investment, despite the fact that approximately one-half of all light industry enterprises have made some capital improvements in recent years, has been of a limited nature and has not brought about fundamental technological change.

The aforementioned observations are consistent with those of the surveyed firms themselves. Overall only 12.2% considered that the activities undertaken to improve their competitive positions produced decidedly positive results (including 15.8% of clothing and woven fabrics' producers, 25% of leather goods and footwear producers, and 16.7% of technical woven fabrics' producers). Nearly two-thirds of the firms surveyed (61.2%) felt that the activities undertaken produced a moderate improvement in their competitive positions (including 73.8% of clothing and woven fabrics' producers, 50% of leather goods and footwear producers, 33.3% of decorative woven fabrics' producers, 75% of technical woven fabrics' producers, and 72.7% of woven fabrics' producers).

Table 2. List of activities undertaken by surveyed firms in order to strengthen their market positions (answers in %)

Activities Undertaken	Overall percentage	including:				
		Clothing and woven fabrics	Leather goods and footwear	Decorative woven fabrics	Technical woven fabrics	Textile industry
Widening product offers	51.9	52.4	25.0	69.2	0.0	63.6
Improving product quality	51.9	66.7	75.0	46.2	75.0	36.4
Promotion and Advertising	50.0	57.0	25.0	53.8	50.0	45.4
Purchase of new machinery and equipment	46.3	48.0	50.0	61.5	50.0	36.4
Opening/development of own distribution network	40.7	42.9	50.0	46.2	0.0	45.5
Lowering production costs	38.9	33.3	12.5	43.8	12.5	45.5
Introducing a system for monitoring production costs	14.8	19.0	25.0	7.7	0.0	18.2
Limiting product offerings	14.8	19.0	25.0	7.7	0.0	18.2
Consulting with end-users regarding product design, quality, and price	14.8	9.5	25.0	23.1	25.0	9.1
Elaborating a firm trademark or logo	14.8	14.3	50.0	13.1	0.0	0.0
Introduction of new technologies	11.1	9.5	25.0	15.4	25.0	0.0
Increasing expenditures on R&D	9.3	9.5	0.0	23.1	0.0	0.0
Obtaining quality certification	7.4	4.8	0.0	15.4	50.0	0.0

Note: Same as for Table 1.
Source: Same as for Table 1.

Most often, however, this moderate improvement constitutes a limited gain in comparison to the most difficult period experienced by the entire light industry following transformation, and the overall improvement does not significantly alter the continuing disadvantageous conditions. The major problems threatening the industry continue to be unresolved, and the fate of a number of enterprises continues to hang in the balance.

In almost one-fourth of the enterprises (24.6%), efforts at improving their competitive positions have yielded no tangible results. It may be expected that these enterprises will likely be eliminated from the market in the future.

Table 3. Percentage of Enterprises Showing a Loss*

Years	Clothing and knitted wovens Profitability			Leather goods and footwear Profitability			Decorative woven fabrics Profitability			Textile Industry Profitability		
	gross	net	sales	gross	net	sales	gross	net	sales	gross	net	sales
1990	0	0	0	0	0	0	0	0	0	0	0	0
1991	32.0	32.0	16.0	50.0	50.0	12.5	15.4	38.5	15.4	25.0	25.0	8.3
1992	40.0	40.0	24.0	50.0	50.0	12.5	23.0	46.2	15.4	16.7	25.0	8.3
1993	36.0	36.0	24.0	62.0	62.5	37.5	23.0	38.5	15.4	16.7	41.6	8.3
1994	32.0	40.0	44.0	25.0	25.0	37.5	23.0	23.0	30.8	33.3	33.3	33.3
1995	28.0	28.0	40.0	0	25.0	37.5	23.0	23.0	46.2	33.3	33.3	50.0
1996	36.0	40.0	36.0	37.5	37.5	50.0	30.8	30.8	16.2	50.0	50.0	50.0
1997	40.0	40.0	44.0	62.5	62.5	62.5	23.0	23.0	53.8	50.0	50.0	50.0
1998	48.0	54.0	52.0	62.5	62.5	75.0	30.8	38.5	61.5	74.1	74.1	74.1
I kw. 1999	56.0	56.0	56.0	62.5	62.5	75.0	46.2	46.2	61.5	83.3	83.3	74.1

*Technical woven fabrics were not taken into account due to lack of sufficient data.
Source: Same as Table 1.

The lack of any significant success in efforts undertaken to improve their competitive positions is reflected in the worsening economic results posted by the firms surveyed. The percentage of enterprises experiencing financial losses continues to grow. Of particular concern is the rapid growth in the number of enterprises experiencing overall losses in sales at the conclusion of the 1990's (see Table 3). This is particularly visible in the textile and leather goods/footwear industries, where the percentage of firms experiencing financial losses has risen from 50 to 75% in the last 2-3 years. Most of the unprofitable firms have been experiencing a sales deficit for a number of years, which obviously threatens them with liquidation. It's important to note that the number of unprofitable firms is rising among privatized firms as well, which confirms the postulate that privatization in and of itself is not the answer to overall improvement in the financial situation of firms in the analyzed sectors, if such privatization is not accompanied as well by capital investment and overall restructuring. At the same time, some of the state enterprises participating in the survey (clothing, technical woven fabrics, decorative woven fabrics, and even textile enterprises) have undertaken successful restructuring and have been able to maintain positive economic results and increase their competitive positions on the market throughout the 1990's.

Thus one may observe a process of polarization in the economic situation of enterprises in the various sectors of light industry. In each sector one can find firms which are developing, improving their competitive positions, and maintaining positive financial results alongside other firms which, despite many efforts to save themselves (including debt restructuring), would seem to have little chance of survival in the future.

The increase in the overall percentage of firms operating at a deficit and the low profitability of a large number of others indicates the limits to developmental possibilities for firms in the industry. In the overwhelming number of firms surveyed the indicator of renewed productive capacity (measured as the relationship between capital investment and depreciation) was lower than 1 throughout the 1990's. This means that it will not be possible for these enterprises to reconstruct their production potential based on existing apparatuses. This problem is most evident in the leather goods/footwear sector, where only 10-20% of enterprises showed an indicator above 1 (See Table 16). Relatively speaking, the producers of decorative woven fabrics, clothing, and knitted wovens have the best chances for renewing their potential by capital investment.

The dominant source of investment financing for most enterprises continues to be their own resources: profits and depreciation, which is limited of course by the losses in profits shown by a majority of the enterprises.
National credit is available only to a limited extent, for two major reasons:

- many enterprises have lost their creditworthiness
- those enterprises which have retained their creditworthiness often refrain from undertaking credit obligations due to their unstable and uncertain market positions and the lack of clear prospects for the development of light industry in Poland.

As a result of the above, only about one-quarter of the light industry enterprises surveyed make use of national credit, and in more than one-half of these enterprises the credit level does not exceed 30% of overall capital investment. In only one out of seven enterprises undertaking national credit obligations does the credit exceed 70% of overall capital investment.
Foreign credit plays only a small role in the industry. Only 7.8% of the firms surveyed obtained foreign credit.

Table 4. Investment aims implemented in the most recent 2-3 years (in %)

Major Investment Aims Listed	Overall Percentage	including				
		Clothing and Knitted Wovens	Leather Goods and Footwear	Decorative Woven Fabrics	Technical Woven Fabrics	Textiles
Improving Quality and Design of Products	84.3	85.7	75.0	92.3	100.0	72.7
Lowering Production Costs	58.8	71.4	50.0	53.8	0.0	54.5
Increasing Production Efficiency	45.0	42.9	50.	38.5	0.0	63.7
Introduction of new products	35.4	28.6	25.0	61.5	25.0	18.2
Improving Workplace Conditions	29.4	33.3	25.0	30.8	25.0	18.2
Environmental Protection	29.4	33.3	75.0	23.1	0.0	18.2
Increasing Exports	21.6	19.0	50.0	23.1	25.0	9.1
Creation or Development of Distribution Network	13.7	28.6	0.0	7.7.	0.0	0.0
Product Diversification	11.8	9.5	25.0	23.1	0.0	0.0

Note: Same as in Table 1.
Source: Same as in Table 1.

The majority of investment programs implemented in the last 2-3 years have been aimed at improving the quality and design of products (see Table 4). However, owing to the limited investment opportunities available, the results achieved have been modest and have not significantly improved the products offered. Only one-third of the enterprises engaging in such investment actually introduced new product lines, and even those introduced did not always significantly improve the enterprise's competitive market position.

Taking into consideration that one of the major problems in Polish light industry is the high costs of production, it follows that too few firms (slightly less than one-half) directed investment assets into programs aimed at lowering costs.

Nearly one-half (45%) of the enterprises with investment programs are undertaking investment programs aimed at increasing production efficiency. This contributes to a further polarization process. Those firms achieving good financial results and offering an attractive array of products are eliminating their weaker competitors from the market. In each market sector surveyed a group of „leaders" are emerging which are consolidating their positions and becoming increasingly competitive.

The low level of capital investment which has been characteristic of Polish light industry for many years has also determined the technical level of production machinery and equipment in the industry. Overall the level in Polish light industry is far below that of its foreign competitors (see Table 5). Only in the clothing industry can one find a scattered few Polish firms with technical levels of equipment on a par with those of the leading global enterprises. If one compares the level of technical production capacity of Polish firms with those of average Western firms, the results are slightly better. Approximately one-third of Polish clothing enterprises and one-quarter of the producers of decorative woven fabrics, leather goods and footwear have technical production capacities comparable to average Western firms. The worst situation reigns in the textile industry, where owing to old and obsolete machinery and equipment no Polish firm's technical production capacity can be said to be on a par with even that of the average Western firm.

Table 5. Assessment of the technical level of production capacity in the firms surveyed as compared to the same capacity in Western firms in the same sectors (in %)

Technical level of production apparatuses	Overall percentage	including				
		Clothing and knitted wovens	Leather goods and footwear	Decorative woven fabrics	Technical woven fabrics	Textiles
On a par with the leading Western firms	2.0	4.8	0	0	0	0
On a par with the average Western firm	22.4	33.4	25.0	23.1	0	0
Slightly lower than the average Western firm	26.5	23.8	75.0	23.1	100.0	18.2
Significantly lower than the average Western firm	28.7	19.0	0	23.1	0	63.6
Difficult to assess	20.4	19.0	0	30.7	0	18.2
Total %	100.0	100.0	100.0	100.0	100.0	100.0

Source: Same as Table 1.

Another factor contributing to the weak competitive position of Polish light industry enterprises is the relatively high employee costs. This is the case even though wages are low and, following layoffs of redundant employees, 55% of the enterprises surveyed assessed their employee levels as appropriate (see Table 17). The relatively high employee costs may be explained by the following factors:

1. The work-efficiency level per employee continues to be low, as can be seen from earlier-presented macroeconomic data.
2. Despite the above-mentioned layoffs, 45% of enterprises continue to be saddled with excessive employment. This is especially true of state enterprises and privatized enterprises, where employee organizations have a significant voice in the privatization process and maintenance of artificially high levels of employment is often negotiated as a condition of privatization.
3. The dominating criteria in wage increases continues to be keeping pace with inflation, while efficiency-related wage scales using factors such as individual work output, increase in work qualifications, days of work presence, etc., continue to play a minor role in negotiation of pay scales. As a result, costly wage increases are granted without regard to the actual financial condition of an enterprise.
4. In the majority of enterprises (58.3%) a high level of accompanying social benefits continues to remain in effect from an earlier era, despite the worsening economic situation in a given firm (see Table 19).

Despite all the problems, the process of privatization nevertheless has a positive correlation with the effective management of employee costs. This can be seen from the chart which follows below comparing various effects attained in the clothing and knitting branches (where privatization is the most advanced) with the same effects attained in the textile branch (which continues to be dominated by state enterprises).

	Effects	Percentage of enterprises in the industry	
		Clothing and Knitting	Textile
1.	Maintaining too-high levels of employment	42.9	54.5
2.	Wage levels considered appropriate	71.4	28.6
3.	Individual work achievement constitutes the major criteria for wage increases	71.4	45.5
4.	Social benefits remain on the same level	45.0	66.6
5.	Social benefits significantly increased	5.0	11.1

It can be seen that despite the earlier-indicated weaknesses of the enterprises belonging to various sectors of light industry, they are optimistic concerning their production capabilities and prospects for increased production. More than one-half of the firms surveyed project increased production in the year 2000 (see Table 6).

Table 6. Projected changes in the volume of production in enterprises surveyed for the year 2000 (in %)

Volume of Production	Overall percentage	including: Clothing and knitted wovens	Leather goods and footwear	Decorative woven fabrics	Technical woven fabrics	Textiles
Without change	22.0	30.0	50.0	23.0	0	0
Increased	58.0	50.0	50.0	46.0	100.0	81.8
Lowered	20.0	20.0	0	31.0	0	18.2
Total	100.0	100.0	100.0	100.0	100.0	100.0

Source: Same as in Table 1.

The producers of technical woven fabrics have the greatest growth potential owing to the relatively modern technical state of their machinery and equipment and the high quality of their products. As a result, all the producers of technical woven fabrics envision a growth in production levels in 2000. They are also counting on increasing demand in the domestic market and a significant increase in exports. Their expectations would seem to be realistic, for technical woven fabrics' producers are achieving good results in the export market (see Table 9) and are also initiating programs aimed at strengthening their marketing activities on both the domestic and foreign markets. The producers of high quality refinished decorative woven fabrics, knitted wovens and clothing are also optimistic about the future volume of their production, counting mainly on increased export potential connected with the expected growth in trade with the European Union. The optimistic projections concerning future production demonstrated by the textile enterprises (81.8% projecting future growth in the year 2000) require comment. There seems to be no realistic basis for the optimism expressed, inasmuch as the textile enterprises possess undercapitalized property and are characterized by overemployment, high costs of production, and low product quality. The only possible explanation for the projections lies in the drastic reductions in production levels in recent years and the hope on the part of the enterprises for a return to growth.

It should also be noted that the projections concern both production for the domestic market as well as for export. This would indicate that the enterprises are placing growing faith in the development of export trade compared to recent years, relying on achieving the fruits of activities already undertaken as well as counting on projections for a strong Western European economy.

Table 7. Perceived barriers to increased production in the national market (in %)

Barriers limiting increased production	Overall percentage	including: Clothing and knitted wovens	Leather goods and footwear	Decorative woven fabrics	Technical woven fabrics	Textiles
Low demand	63.5	47.6	50.0	76.9	65.0	72.7
High competition from imports	61.5	42.9	75.0	69.2	50.0	81.8
Competition from Polish private firms	46.2	47.6	25.0	46.2	50.0	45.5
High costs of production	44.2	38.1	25.0	38.5	25.0	72.7
Competition from firms with foreign capital	36.4	38.1	50.0	38.5	50.0	18.2
Competition from state enterprises	32.7	38.1	25.0	7.7	25.0	54.6
Old and obsolete production capacity	26.9	23.8	25.0	23.0	0	45.5
Lack of production flexibility	13.5	14.3	25.0	15.4	0	9.1
Difficulties in supplying potential consumers	7.7	9.5	0	0	25.0	9.1
Low level of quality and design	5.8	9.5	0	0	25.0	9.1

Note: Same as in Table 1.
Source: Same as in Table 1.

The major barriers to increased levels of production for the domestic market are perceived to be problems in demand. This factor was listed by 63.5% of all the firms surveyed (including 76.9% of the producers of decorative woven fabrics, and 72.7% of textile producers). The reason for the deflated domestic demand is seen first of all in the increased competition from imports (listed by 61.5% of the firms overall), as well as in increased competition from Polish private firms (46.2% listing), from firms with foreign capital (36.4%) and finally from state enterprises (32.7%). The enterprises surveyed placed lesser emphasis on supply-related barriers such as high costs of production, old or obsolete machinery and equipment, and lack of production flexibility (see Table 7). One should be cautious, however, in interpreting these results since they may stem from a lack of self-criticism and a desire to „place the blame" for their own shortcomings on outside factors.

The low level of domestic demand has forced the enterprises to search for foreign markets in hopes of increasing exports. Of those surveyed, 78.4% indicated that this would enable them to overcame the deflated demand barrier and would also lead to lowering the production cost-per-unit (owing to the increased volume of production). Curiously, only 12.5% of the enterprises surveyed listed the higher profitability of exports as an incentive in seeking increased exports.

The efforts undertaken to increase exports naturally led to seeking to increase their competitive advantage. Attempts have been undertaken to design up-to-date products to meet changing market demands, to improve their quality, and to broaden the assortments available for foreign markets. These attempts have been connected with modernization of plant and equipment, and sometimes with the obtainment of credit in order to establish export lines. Extensive marketing activities aimed at securing an enterprise's place in foreign markets constituted a concurrent pro-export stream of activity (see Table 20).

Attempts to expand exports often included cooperation with foreign trade centres (27.6% of enterprises surveyed), with commercial assistance offices connected with foreign embassies (20.7%), or with chambers of commerce (17.2%). On the other hand a number of enterprises are not utilizing the assistance of any outside offices, including 25% of clothing producers, 50% of footwear producers, 50% of the producers of technical woven fabrics, and 8.3% of the producers of decorative woven fabrics.

While more than one-half of the enterprises surveyed (55.2%) considered their pro-export activities to be a success, only 16% considered the benefits to constitute an important success, with the remainder citing the benefits as moderate or not great. The greatest export successes were concentrated in the clothing sector (mainly owing to their longer experience in export and greater knowledge of foreign markets), while the least benefits from export trade were obtained by the producers of woven fabrics, owing to their high costs of production and low level of contemporary design.

Those enterprises who adjudged their export programs to be unsuccessful primarily cited the high competitiveness prevailing in foreign markets, the low profitability of export trade, and the low comparative quality level of their products as the main causes for the lack of success. Protectionism and weak marketing strategies were much less often given as barriers to export trade (see Table 21).

Those enterprises which did not attempt to engage in export trade indicated primarily their lack of experience in the field as well as the lack of manufacturing resources to engage in such trade.

Table 8. Barriers to increased export (in %)

Export Barriers	Overall percentage	incluging: Clothing and knitted wovens	Leather goods and footwear	Decorative woven fabrics	Technical woven fabrics	Textiles
High costs	49.0	57.1	25.0	53.8	0	45.5
Difficulties in supplying potential customers	45.1	28.6	50.0	69.2	50.0	45.5
Low prices of export products	19.6	23.8	25.0	15.4	50.	18.2
Lack of up-to-date production designs	19.6	9.5	25.0	7.7	0	54.5
Protectionist barriers	15.7	28.6	25.0	7.7	25.0	9.1
Lack of promotional capability	13.7	23.8	0	7.7	0	18.2
Lack of quality compliance certification	2.0	4.8	0	0	0	0

Note: Same as in Table l.
Source: Same as in Table 1.

The low level of competitiveness of Polish products on the export markets is visible from an analysis of the barriers to export cited by the enterprises surveyed (Table 8). The most significant barrier limiting Polish export trade is connected with the high costs of such trade (cited by 49% of the firms surveyed), which is connected with the low technical level of the products offered (19.6%), resulting in low profitability. Lack of good marketing programs also significantly hampers Polish export. In addition, 45.1% of those surveyed cited difficulties in supplying potential customers, 13.7% cited lack of promotional capability, and 15.7% protectionist barriers as hampering their export activities.

The export barriers cited above are reflected in an analysis of the profitability of export production (see Table 9).

Table 9. Profitability of production for export (in %)

How do you rate the profitability of export production	Overall percentage	including:				
		Clothing and knitted wovens	Leather goods and footwear	Decorativ e woven fabrics	Technical woven fabrics	Textiles
Similar to domestic production	30.0	22.2	25.0	50.2	50.0	20.0
Slightly lower than domestic production	32.0	33.3	25.0	16.6	50.0	50.0
Significantly lower than domestic production	20.0	33.3	25.0	8.3	0	10.0
Higher than domestic production	10.0	5.6	12.5	8.3	0	0
It varies	8.0	5.6	12.5	16.6	0	0
Total	100.0	100.0	100.0	100.0	100.0	100.0

Source: Same as in Table 1.

Only 10% of the enterprises surveyed found production for export to be more profitable than domestic production, while 30% reported similar profit levels from both export and domestic production. The remaining firms reported that production for export was less profitable (including 20% who found it to be significantly less profitable).

As can be seen from Table 10, nearly half the enterprises surveyed (46%) indicated that the prices they receive for exported products are similar to those other exporters receive in the same market. This assessment was shared nearly evenly in all surveyed market sectors. If one postulates that the assessment is accurate, it follows that Polish exporters cannot count on price increases for their exported goods in the near future. Thus they must lower the costs associated with production and export in order to increase profits, which in particular means greater product innovation and better processing. Given the limited opportunities for capital investment, the lower level of technical plant and equipment when compared to Western firms, and the lack of significant results from restructurization, it can be assumed that the profitability of Polish exports will rather decrease in the future.

This seems to be recognized by the enterprises themselves, as 34% listed the lack of profitability of exports as one of the major threats to their competitive position, along with the competition of imports (47.2%) and limited investment opportunities (34%).

Table 10. Prices of exported goods (in %)

What prices are obtained for exported products?	Overall percentage	including: Clothing and knitted wovens	Leather goods and footwear	Decorative woven fabrics	Technical woven fabrics	Textiles
Similar to those of other exporters to the same markets	46.0	50.0	37.5	42.0	50.0	50.0
Higher than those of other exporters to the same markets	10.0	5.6	25.0	8.3	0	10.0
Lower than those of other exporters to the same markets	14.0	22.2	0	16.4	0	20.0
It varies	2.0	0	0	8.3	0	0
Difficult to assess	28.0	22.2	37.5	25.0	50.0	20.0
Total	100.0	100.0	100.0	100.0	100.0	100.0

Source: Same as in Table 1.

Only 5.7% of the firms surveyed didn't perceive any threats to their competitive positions, including 20% of the producers of technical woven fabrics (see Table 11).

Table 11. Factors threatening the competitive positions of enterprises surveyed (in %)

Perceived threats	Overall percentage	Including: Clothing and knitted wovens	Leather goods and footwear	Decorative woven fabrics	Technical woven fabrics	Textiles
Competition from imports	47.2	52.4	75.0	61.5	75.0	72.7
Limited investment opportunities	34.0	47.6	50.0	30.8	40.0	36.4
Decreased profitability of exports	34.0	47.6	50.0	15.4	20.0	27.3
Development of private domestic firms	24.5	42.8	0	15.4	20.0	0
Development of firms with foreign capital investment	20.8	38.0	0	15.4	20.	0
No perceived threats	5.7	4.8	0	7.7	20.0	0

Note: Same as in Table 1.
Source: Same as in Table 1.

The situation of Polish light industry enterprises must be viewed with particular alarm if one compares the threats to their existence with the aims of their long-term strategies, set forth in Table 12. The enterprises' long-term strategies for improvement do not appear to be of a nature to lead to dynamic changes or improvement in their competitive positions in existing markets. It's difficult to see how they plan to improve their profitability and update their production while at the same time failing to address the most significant factors, such as the need for fundamental technical and organizational change, which contribute to their weak positions.

Table 12. Enterprises' major goals for the near future (in %)

Goals	Overall percentage	including:				
		Clothing and knitted wovens	Leather goods and footwear	Decorative woven fabrics	Technical woven fabrics	Textiles
Improve profitability	23.4	25.0	16.7	17.1	20.0	32.2
Increase sales volume	17.4	21.2	8.3	17.1	20.0	14.3
Improve plant machinery and equipment	15.2	13.5	25.0	17.1	0	14.3
Modernization	13.6	15.3	16.8	14.4	0	10.7
Broaden the assortment of offered products	9.1	5.8	8.3	11.4	20.0	10.7
Transform ownership structure	7.6	13.5	0	5.7	0	3.6
Maintain the current level of sales	3.8	0	8.3	2.9	20.0	7.1
Implement changes in organization and management	3.0	0	8.3	5.7	20.0	0
Maintain a level of satisfactory employment	2.3	1.9	0	0	0	7.1
Reconstruct production potential	2.3	1.9	8.3	2.9	0	0
Build up permanent cooperation with leading Western firms	2.3	1.9	0	5.7	0	0
Total	100.0	100.0	100.0	100.0	100.0	100.0

Source: Same as in Table 1.

It should be emphasized that the instruments of macroeconomic policy employed to date have not yielded positive results. This can be seen from the listing below of the policy instruments employed, with the number of firms who assessed the policies as leading to significant improvement in their positions listed in parentheses:

1. Lowering the interest rate on bank credit (39.6%).
2. Granting of preferential credit at below-market interest rates (34%).
3. Granting income tax investment credits (34%).
4. Giving national and foreign investors the opportunity for direct investment (26.4%).
5. Granting tariff exemptions for machinery and equipment of an investment nature as well as for natural resources, partly-finished products, and components not produced nationally (26.4%).
6. Protecting the national market against excessive competition from imports by enacting protective tariffs (26.4%).
7. Granting interest rate subsidies for export credit for promising investments (20.8%).
8. Protecting the national market against excessive competition from imports by enacting import quotas (20.8%).
9. Protecting the national market against excessive competition from imports by enacting import taxes (20.8%).
10. Increasing the foreign currency exchange rate in order to increase prices to offset cost increases (17%).
11. Financial restructuring of enterprises and banks in accordance with the provisions of the Act of Feb. 3, 1993 (17%).
12. Permitting accelerated depreciation of plant and equipment (15.1%).
13. Liberalizing foreign trade and gaining increased access to the European Union market (13.2%).
14. Permitting enterprises to maintain foreign currency bank accounts (11.3%).
15. Permitting enterprises to obtain foreign credit (9.4%).
16. Liberalizing foreign trade and gaining increased access to the EFTA market (7.5%).
17. Liberalizing foreign trade and gaining increased access to the CEFTA market (7.5%).
18. Obtaining the possibility to insure export contracts (5.7%).

19. Lowering of tariff rates on the European markets: EU, EFTA, CEFTA (5.7%).
20. Obtaining government guarantees of bank credit (3.8%).
21. Obtaining direct government subsidies (3.8%).
22. Granting of tax preferences and incentives for the employment of handicapped persons in enterprises (3.8%).
23. Reimbursement of the VAT tax paid for purchase of components essential to production (3.8%).

Table 22 presents the assessment of various enterprises from various light industry sectors to the above macropolicy instruments. Despite their large potential, in practice those instruments which aid businesses in obtaining investment credit (lowering interest rates, granting preferential credit, investment preferences, and facilitation of strategic capital investments) play the most advantageous role. Especially those firms which elaborate an active policy of development and actively implement programs to improve their competitive positions take advantage of the policy instruments available. The weaker firms with lower production potential listed policy instruments designed to protect the national market as most significant. Only a few enterprises, mainly in the textile industry and state enterprises engaged in clothing production, took advantage of specific aid programs designed to improve their financial conditions, such as debt restructuring or court-ordered mediation.

2. Opportunities for Light Industry

A. Based on the statistical information available (published by GUS (The Central Office of Statistics) and obtained through the Ministry of Economic Affairs), the projections and reports prepared by the Ministry of Economic Affairs analyzing the strengths and weaknesses of Polish light industry, and the opinions expressed by industry representatives and institutions (chambers of commerce, Research and Development Centres), it appears that the following sectors of light industry have positive opportunities for development, for the following reasons:

1. Producers of technical woven fabrics, owing to:
   a) a significant, relatively modern and unused production plant potential;
   b) medium quality products, for which there is a growing demand both domestically and in foreign markets;

c) the ability to remain competitive *vis a vis* foreign suppliers in terms of technical solutions and product quality without the need for large-scale capital investment.

2. Producers of highly-finished clothing products with a large value- added element owing to;
   a) a large pool of well-qualified workers;
   b) a relatively high level of plant production capacity;
   c) high quality of partial products;
   d) the existence of strong, permanent contacts with foreign customers;
   e) good prospects for increased domestic demand for such products;
   f) relatively low capital investment needs;
   g) a well-developed R&D network, enabling the industry to determine and react to changing market demands.
3. Producers of decorative woven fabrics, owing to:
   a) relatively modern production potential;
   b) relatively high product quality;
   c) good prospects for increased domestic demand for such products;
4. Producers of knitted wovens, owing to:
   a) the existence of a manufacturing potential enabling the manufacture of medium-class products which can remain competitive against imports;
   b) relatively minor capital investment needs.

B. Regress in the following industries appears likely, for the following reasons:

1. Producers of footwear, especially high-quality footwear products, because:
   a) domestic producers have made insufficient technical progress to enable them to keep pace with the leading global footwear producers;
   b) low quality of Polish natural resources and half-products;
   c) improvement in the industry's competitive position will require significant capital investment, exceeding the sector's capabilities.
2. Producers of woven fabrics, because:
   a) they are based on old and obsolete technologies;
   b) the majority of enterprises possess old, worn-out equipment and machinery;
   c) of the high costs of manufacturing;
   d) of the low product quality;

e) improvement in the industry's competitive position will require significant capital investment

3. Mass producers of low-quality clothing, because:
   a) the costs of production are too high compared to the Asian countries;
   b) even significant capital investment with the aim of reducing costs of production may not save the industry because of the large wage cost differential between Polish producers and their competitors.

The above warnings should not be understood as a proposal to liquidate the aforementioned sectors. Rather, they emphasize the need to create conditions which will limit the growth of the negative tendencies and reverse the negative trend in development by, among others:

1. Creation of a social security net for laid-off employees (especially in the case of mass terminations). This should especially concern Treasury Joint-Stock Companies, and even more especially those located in regions threatened by high structural unemployment. Funding for such programs should be sought in:
   a) the government's guaranteed social security fund;
   b) funds created to assist regions threatened by high structural unemployment;
   c) EU pre-accession funds;
   d) funds specifically set aside in the Polish national budget to provide social benefits to laid-off workers in Polish light industry.

The designation of funds in category „d" above requires the passage of specific enabling legislation. The remaining funding sources could be tapped under existing legislation. The funds could be distributed in one of the following forms:

a) as a one-time termination payment of between 25,000 - 35,000 PLN;
b) to be used as subsidies for the creation of businesses or as a source of preferential credit for business enterprises created by the laid-off employees.

The governmental institutions responsible for the creation, implementation, and supervision of such programs should be the Ministry of Labor and Social Affairs, The Ministry of Economic Affairs, the Marszalkowskie Office, and the Provincial Governments.

2. Creation of new jobs for laid-off employees.

Three sources of funding are available for the creation of new jobs:

a) Money from the Labor Fund,

b) EU pre-accession funds,

c) Money set aside in the national budget (this needs additional enabling legislation), administered through the District Labor Offices (c) or the Office Marszalkowski (a, b), and guaranteed by the Ministry of Economic Affairs.

3. Effective management of the real estate and plant remaining following the liquidation of failed enterprises. This requires efficient management by the organs exercising ownership control over Treasury Joint Stock Companies as well as by the regional authorities responsible for the regional management of such enterprises.

A thorough analysis of the existing situation in the various sectors of light industry reveals that in each sector, including those threatened as listed above, there are strong, efficient enterprises capable of carving out a competitive position on both the domestic and foreign markets. Such enterprises need to be supported and strengthened.

C. Analysis of those market segments the further development of which should be encouraged, as well as those where efforts to resuscitate should be limited, leads to the following conclusions:

1. Those preferred sectors (for development) listed in Point 2.A. have the following possibilities to increase their domestic production until the year 2005:

a) by about 10-12% as a result of the increase in domestic demand, assuming that they reorient their current production away from imports and toward a greater concentration on domestic production;

b) by about 6-8% as a result of displacing the competition from imports.

In combination, these sectors should be able to increase their domestic sales by about 18-20%.

2. It would also be possible for these sectors to increase their exports during the period 2000-2005 by 22-25% (assuming they can regain some of their previous exports to the CIN market).

3. In those sectors where one would envision regress (listed in Point 2.B.), the expected changes in supply and demand on the domestic market between now and the year 2005 look as follows:

a) Domestic demand should rise by 8-10%, assuming that import will increase at a slightly higher pace than sales of domestic products;

b) Sales of domestic products will decline by 12-14% owing to the restrictions on domestic production potential and the market displacement arising from increased imports.

Taken together, the above factors should lead to an overall decline in domestic sales by about 4% by the year 2005.

4. In the period 2000-2005 exports in those sectors with limited production should rise by about 15-20%.

The conclusions set forth in Point C. above take into consideration:

1) Current trends in the changing global demand and in the demand in specific sectors of light industry as well as projections for future years, taking into account the increasing competitiveness of Poland's light industry production;
2) The rate of growth in Polish GNP and in overall export in recent years;
3) The expected rate of growth in Polish GNP and in overall export in near future years;
4) The rate of production changes in the light industry sectors analyzed and the amount of export in recent years;
5) The rate of production changes in the light industry sectors analyzed and the amount of export in near future years;
6) The possibility of attaining significant growth in export to the CIN countries.

D. The envisioned changes and trends set forth above should lead to the following results in the period 2000-2005:

1) The overall value of production in real terms should grow by 9-10%;
2) It is possible for export to increase by 19-23%;
3) It should be assumed that:
   a) the presently existing overemployment should by liquidated, resulting in an overall reduction in employment in the industry by 6-8%;
   b) work efficiency should improve as a result of capital investment and organizational changes, which will result in an additional reduction in employment of 10-12%;
   c) the increase in production will bring about a parallel increase in demand for employment by 4-5%.

E. As a result of the changes listed above, overall employment in light industry should decrease by 12-15% by the year 2005. This decrease will not be significant, however, in the preferred sectors listed above, where mass terminations are not to be expected. Significant layoffs and terminations reaching into the tens of thousands should be expected, on the other hand, in the textile and footwear branches, and in part in the clothing branch. National policies should be developed to combat this envisioned massive reduction by guaranteeing social benefits and putting in place programs to create additional jobs and provide job retraining to laid-off workers.

F. Thus the major costs associated with the desired changes in light industry until 2005 are associated with capital investment and social programs for laid-off workers.

The scale of capital investment necessary for plant modernization (and in some enterprises reconstruction) can be estimated at 2.2-2.9 billion PLN. Such investment would allow for decreasing the level of machinery and equipment necessary to meet production demand in preferred sectors by 42-45%.

G. Potential sources for financial investment may be characterized as follows:

	Variant I (PLN)	Variant II (PLN)
a) enterprise's own funds	450 mln	650 mln
b) credit (partly guaranteed by government)	650 mln	700 mln
c) EU assistance funds	750 mln	800 mln
d) foreign investment	350 mln	450 mln
e) privatization income	0	300 mln
Total:	2 200 mln	2 900 mln

The potential sources for financial investment are separately listed and presented as two variants. The first variant assumes that:

1. The current financial condition of light industry enterprises improves only slightly, limiting the enterprise's own funds available for financial investment, and making potential foreign investors cautious;
2. Funds from privatization will not be made available for restructurization

The second variant assumes a better financial condition for light industry enterprises and that part of the funds generated by the privatization of light industry enterprises remain in the industry.

H. The second category of significant expenses in the restructurization process are those associated with the establishment of social programs. According to preliminary estimates, between 25-35,000 workers in the state sector will be laid off, and the cost of providing them with guaranteed benefits and appropriate re-employment programs and opportunities will be between 600-700 million PLN. In order to cover these expenses the government will have to look predominantly for EU assistance funds, but it will also have to find funds in the national budget.

I. Implementation of the program for light industry development until 2005 will also have an effect on macroeconomic indicators. Generally speaking this effect should be slight and positive, with the exception of the negative effect on national unemployment.

The envisioned effects in the macroeconomic sphere include:

a) increasing the national GNP by 0.2-0.3 % annually;
b) increasing the overall national export by 4-6% annually;
c) increasing the overall national import by 3-4.5% annually (this rate, which is lower than the export growth rate envisioned, will be brought about by the decline in production in import-heavy light industry sectors);
d) improvement in the overall trade rate;
e) increase in overall unemployment rate of no less than 0.1%, perhaps as high as 0.2%;
f) The envisioned program should have no effect on inflation, currency exchange rates, or interest rates.

J. Polish Chambers of Commerce and Industry should take a much more forceful role than to date in promoting Polish light industry by implementing activities such as:

1. Mandatory membership in regional chambers at the provincial level, which should in turn cooperate in a central chamber;
2. Enterprises should pay membership fees which would be used to finance the chambers' activities;

3. The major aim and role of the chambers would be to carry out, among others, the following activities on behalf of their members:

- distributing current information about the existing situation in given market sectors, both domestic and global;
- preparing (upon request by specialized agencies) market projections, technical assessments, changes in the prices of products and production, and analysis of the economic policies of governments in targeted export areas (especially in the EU)
- offering accounting, investment, and tax counseling
- organizing contacts with firms specializing in business practices
- assisting in the establishment of contacts and cooperation agreements in the areas of production, technological cooperation, and trade between members and national and international firms (including national and international R&D units and the Agency for Technical and Technological Development);
- assisting in the organization of exhibitions, fairs, and other forms of promotion of members' products;
- establishing cooperation with counterpart chambers and organizations throughout the countries of the European Union, as well as with local governments and appropriate regional organizations operating within the framework of EU Committees;
- assistance in the preparation of programs and projects for submission to the EU seeking additional funding and/or assistance;
- initiation of and assistance in the development of trade, production, technical or other agreements between a chambers' members;
- carrying out publication, training, service-provision or other activities aimed at generating income which can be used on the chambers' behalf.

Table 13. Significance of Competitive Imports (answers in percentage)

Significance	Total		including:									
			Clothing and Knitted Goods		Leather Goods and Footwear		Decorative Fabrics		Technical Fabrics		Textile Products	
	1990	1998	1990	1998	1990	1998	1990	1998	1990	1998	1990	1998
Insignificant	72.5	7.1	47.4	4.0	60.0	33.7	61.6	0	75.0	25.0	81.8	9.1
Significant	13.2	19.6	26.3	22.0	20.0	16.3	7.7	15.4	25.0	25.0	0	36.4
Very Important	13.7	69.7	5.3	72.0	20.0	50.0	7.7	84.6	0	50.0	9.1	54.5

Source: Own calculations based on survey.

Table 14. Main Competitors of Surveyed Firms (answers in percentage)

Competitors	Total	including:				
		Clothing and Knitted Goods	Leather Goods and Footwear	Decorative Fabrics	Technical Fabrics	Textile Products
- Polish Private Firms	73.0	83.3	75.0	61.5	60.0	81.8
- Western Firms (import)	52.4	58.3	37.5	69.2	40.0	45.5
- State-owned enterprises and Treasury joint stock companies.	46.0	25.0	50.0	53.8	40.0	90.9
- Polish firms with foreign investors	30.2	37.9	37.5	23.1	40.0	0
- Import from COMECON	4.8	0	0	0	0	27.3

Note: The cumulative percentages may exceed 100 because respondents were able to indicate more than one category.

Source: Same as Table 13.

Table 15. Types of Unfair Competition (answers in percentage)

Types of Unfair Competition	Total	including: Clothing and Knitted Goods	Leather Goods and Footwear	Decorative Fabrics	Technical Fabrics	Textile Products
- Artificially lowering market prices	58.8	47.6	40.0	46.2	40.0	63.6
- Unfairly copying products with the aim of misleading consumers	30.8	42.9	20.0	7.7	20.0	36.4
- - Unfairly labeling products with the aim of misleading consumers	23.1	28.6	25.0	0	20.0	36.4
- Spreading false information about competitors	17.3	14.3	0	7.7	0	18.2
- Interference in the contractual relationships between businesses and their customers	9.6	4.8	25.0	7.7	0	18.2
- Blocking access to markets	7.6	4.8	0	15.4	0	9.1
- False or misleading advertising	5.8	9.5	0	0	0	9.1
- Using false or incomplete research	5.8	4.8	0	0	20	18.2
- Using false or incomplete certification	3.8	0	0	0	0	9.1
- Improper client classification	1.9	0	0	0	0	9.1
- Obtaining and using competitors' confidential information	1.9	0	0	7.7		0

Note: Same as Table 13.

Source: Same as Table 13.

Table 16. Indicators for the Renewal of Production Potential [a] (answers in %)

Lata	Clothing and Knitted Goods				Leather Products and Footwear				Decorative Fabrics				Textile Products			
	Level of Renewal of Technical Equipment															
	<1	1-2	>2	Total	<1	1-2	>2	Total	<1	1-2	>2	Total	<1	1-2	>2	Total
1990	66.7	14.3	19.0	100.0	100.0	0	0	100.0	92.3	0	7.7	100.0	66.8	16.6	16.6	100.0
1991	81.0	9.5	9.5	100.0	100.0	0	0	100.0	84.6	7.7	7.7	100.0	83.4	8.3	8.3	100.0
1992	66.7	23.8	9.5	100.0	100.0	0	0	100.0	84.6	7.7	7.7	100.0	75.1	16.6	8.3	100.0
1993	61.9	23.8	14.3	100.0	100.0	0	0	100.0	92.3	0	7.7	100.0	58.3	16.6	25.1	100.0
1994	81.0	4.8	14.3	100.0	100.0	0	0	100.0	69.2	30.8	0	100.0	75.1	16.6	8.3	100.0
1995	57.1	33.4	9.5	100.0	90.0	10.0	0	100.0	61.5	38.5	0	100.0	75.1	8.3	16.6	100.0
1996	52.3	19.0	28.7	100.0	80.0	20.0	0	100.0	69.2	23.1	7.7	100.0	83.4	0	16.6	100.0
1997	52.3	2.5	28.7	100.0	80.0	10.0	10.0	100.0	76.9	15.4	7.7	100.0	58.3	25.1	16.6	100.0
1998	66.7	23.8	9.5	100.0	90.0	0	10.0	100.0	76.9	7.7	15.4	100.0	83.4	16.6	0	100.0

[a] Technical fabrics were not taken into account due to lack of available data.

Source: Same as Table 13.

Table 17. Employment Levels (in %)

Employment Levels	Total	including:				
		Clothing and Knitted Goods	Leather Goods and Footwear	Decorative Fabrics	Technical Fabrics	Textile Products
Optimal	**45.1**	**33.3**	**50.0**	**61.5**	**50.0**	**45.5**
Excessive including:	**45.1**	**42.9**	**50.0**	**38.5**	**50.0**	**54.5**
Up to 5%	11.7	14.2	50.0	7.7	50.0	9.1
6-10%	21.7	10.3	0	23.1	0	36.3
11-20%	7.8	10.3	0	7.7	0	9.1
more than 20%	3.9	10.3	0	0	0	0
Sub-employment level	**9.8**	**23.8**	**0**	**0**	**0**	**0**
App. 5%	5.8	14.2	0	0	0	0
6-10%	2.0	4.8	0	0	0	0
11-20%	2.0	4.8	0	0	0	0

Source: Same as in Table 13.

Table 18. Criteria for Increasing Wages (in %)

Criteria for Increasing Wages	Total	including:				
		Clothing and Knitted Goods	Leather Goods and Footwear	Decorative Fabrics	Technical Fabrics	Textile Products
- Adjustment for inflation	76.5	61.9	100.0	84.6	100.0	81.8
- Evaluation of individual output	51.0	71.4	25.0	38.5	0	45.5
- Work availability	15.6	9.5	50.0	15.4	0	18.2
- Improvement of work qualifications	13.7	23.8	25.0	7.7	0	0
- Length of employment	7.8	4.8	25.0	0	0	18.2
- Policy of increasing minimum wage	5.9	14.3	0	0	0	0

Source: Same as Table 13

Table 19. Assessment of Work and Social Benefits (in percentage)

How have work and social benefits changed in comparison to the beginning of the 1990's?	Total	including:				
		Clothing and Knitted Goods	Leather Goods and Footwear	Decorative Fabrics	Technical Fabrics	Textile Products
- Significantly reduced	20.8	25.0	0	15.4	50.0	22.2
- Slightly reduced	14.6	25.0	25.0	7.7	0	0
- Remained about the same	58.3	45.0	75.0	69.2	50.0	66.7
- Significantly increased	6.3	5.0	0	7.7	0	11.1
- Total	100.	100.0	100.0	100.0	100.0	100.0

Source: Same as Table 13.

Table 20. Activities Undertaken to Increase Export (answers in percentage)

Activity	Total	including:				
		Clothing and Knitted Goods	Leather Goods and Footwear	Decorative Fabrics	Technical Fabrics	Textile Products
Contemporizing products	45.5	43.8	50.0	41.7	0	60.0
Marketing activities	43.2	25.0	50.0	58.3	100.0	40.0
Modernization of production plant and capacity	36.4	50.0	25.0	25.0	0	40.0
Changing product assortment	29.5	37.5	25.0	30.0	0	40.0
Other activities, including obtaining export credits	15.9	31.3	0	0	0	20.0

Source: Same as Table 13.

Table 21. Reasons for Failure to Improve Export Position (answers in percentage)

Reasons for Failure	Total	including:				
		Clothing and Knitted Goods	Leather Goods and Footwear	Decorative Fabrics	Technical Fabrics	Textile Products
- Strong market competiton	59.4	60.0	100.0	63.6	50.0	20.0
- Low financial returns on exports	40.6	30.0	33.3	36.4	50.0	40.0
- Protectionist barriers	28.1	40.0	0	9.1	0	40.0
- Low product quality	18.8	30.0	33.3	9.1	50.0	10.0
- Inadequate market information	15.6	20.0	10.0	9.1	50.0	0
- Poor marketing strategies	12.5	10.0	0	9.1	50.0	10.0

Note: Same as Table 13.

Source: Same as Table 13.

Table 22. The Role of Economic Policy Instruments in Enhancing Enterprises' Activities (answers in percentage)

Role of Economic Policy Instruments in Enhancing Enterprises' Activities	Total	including:				
		Clothing and Knitted Goods	Leather Goods and Footwear	Decorative Fabrics	Technical Fabrics	Textile Products
- Lowering interest rates for bank credit	39.6	54.4	75.0	7.7	25.0	45.5
- Offering of preferential credits, including lower interest rates	34.0	23.8	50.0	38.8	50.0	45.5
- Investment tax credits and benefits	34.0	47.6	50.0	38.5	25.0	0
Creating conditions to enhance direct foreign and domestic investment	26.4	30.1	25.0	0	25.0	36.4
- Offering tariff exemptions for the purchase of capital investment machinery, equipment, and resources as well as for the purchase of half-finished products and components not produced in Poland	26.4	33.3	25.0	15.4	0	36.4
- Establishment of tariff and customs barriers to protect Polish industry from excessive foreign competition	26.4	33.3	50.0	7.7	0	36.4
- Offering interest rate subsidies for export credit	20.8	47.6	0	7.7	0	0
- Establishment of import quotas to protect Polish industry from excessive foreign competition	20.8	23.8	25.0	7.7	0	36.4
- Establishment of import taxes to protect Polish industry from excessive foreign competition	20.8	19.1	25.0	7.7	0	45.5
- Manipulation of foreign exchange rates to enhance export profits	17.0	23.8	0	23.1	0	9.1

Table 22. The Role of Economic Policy Instruments in Enhancing Enterprises' Activities (answers in percentage) [cont.]

Role of Economic Policy Instruments in Enhancing Enterprises' Activities	Total	including:				
		Clothing and Knitted Goods	Leather Goods and Footwear	Decorative Fabrics	Technical Fabrics	Textile Products
- Implementation of the restructurization process for enterprises and banks based on the law of 3.02.1993.	17.0	4.8	0	7.7	0	63.4
- Accelaration of depreciation deductions by revaluing plant and equipment	15.1	23.8	0	23.1	0	0
- Liberalization of trade restrictions and increased access to the EU Market	13.2	28.6	0	7.7	0	0
- Possibility of opening foreign currency bank accounts	11.3	14.3	0	7.7	0	18.2
- Possibility of obtaining foreign currency credit	9.4	14.3	25.0	0	0	9.1
- Liberalization of trade restrictions and increased access to the EFTA Market	7.5	14.3	0	7.7	0	0
- Liberalization of trade restrictions and increased access to the CEFTA Market	7.5	14.3	0	7.7	0	0
- Possibility of obtaining insurance for export contracts	5.7	14.3	0	0	0	0
- Lowering of tariff rates and customs duties on the UE, EFTA, CEFTA markets	5.7	14.3	0	0	0	0
- Possibility to obtain governement guarantees for loans	3.8	4.3	0	0	0	9.1
- Possibility to obtain government subsidies	3.8	4.8	0	0	0	9.1
- Possibility to obtains credits and incentives for the employment of handicapped persons	3.8	4.8	0	0	0	9.1
- Return of VAT paid for purchase of components used in express production	3.8	4.8	0	0	0	9.1