

# Poland

## Emerging into a New Era

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**P**oland's star is on the rise in European and world markets. Since 1989, Poland has shed socialism and joined the WTO, OECD, and NATO. With accession into the European Union in May 2004 and an expected GDP growth rate for 2004 of 4 percent, Poland's economy is moving in the right direction and holds many good opportunities for U.S. firms.

This is a good time for U.S. Secretary of Commerce Donald Evans to encourage America's strong political ties with the government of Poland as well as expand the U.S.-Polish trade relationship. His visit in December 2003 did just that. Acknowledging Poland's role in the Iraq war coalition, Secretary Evans also worked to advance commercial relations. Evans even attended a business summit with U.S. and Polish companies. This event resulted in recommendations on how to improve bilateral trade.

### A NEW PLAYER

Poland's entry into the European Union will make it the sixth-largest country by population in the expanded union. Poland represents half the geography and population as well as half the economic output of all 10 countries set to join the European Union in May.

For Poland, EU membership means furthering the structural transformation of the economy, harmonizing its administrative and regulatory systems with those of the common body of EU law, and taking advantage of billions of euros in additional resources for infrastructure development and agricultural reforms. While Poland has done a remarkable job of putting in place legislation to support fair and free markets,

harmonization with EU rules will make Poland one of the easiest markets in which to do business, outside of North America, for U.S. firms.

It is no wonder the United States is one of the most active countries in Poland, with more than \$8 billion invested in and \$687 billion exported to Poland in 2002. Edgar Fulton of the U.S. Commercial Service in Warsaw sees a bright future: "We expect U.S. trade with Poland to triple by 2010. U.S. exporters who value European market share have no choice—they must have a strategy for developing sales in Poland."

### A WELCOME RECEPTION

The Poles are so interested in working with foreign companies that they are improving their business environment. The corporate tax rate will drop from 27 to 19 percent, and there has been a sharp fall in interest rates. Both these factors will create a stronger competitive position with regard to Europe.

Over the past decade, Poland has made remarkable progress in transforming itself into a market-based economy. In mid-2003, Poland completed the privatization of more than 8,500 individual state-owned companies. Meanwhile, federal and local Polish governments realize there is a need to give stronger

support to businesses, especially investors, to help create jobs for a highly skilled work force.

### BEST PROSPECTS FOR U.S. COMPANIES

U.S. goods and services enjoy a very good reputation in the Polish market. Opportunities for U.S. firms exist across a broad spectrum of sectors. Computers, national defense, automotive parts, and water and wastewater treatment and equipment are among the best prospects. Poland also remains ripe for the continued growth of franchising.

For additional information on these and other prospects, check the *Country Commercial Guide*, listed at the end of this article.

#### Computers, Software, and Services

The total information technology market has grown phenomenally in recent years. Hardware is nearly half of the total IT market. Foreign suppliers dominate the notebook and high-end computer market segments. Demand for software is also on the rise due to the need for more database management systems, networking and tools software, and security software, as well as the government's plan to reduce software piracy. Computer services have solid prospects for the next several years because Poland has to fulfill EU obligations, which involve several IT projects as tools to support public administration programs. The best prospects for computer services include training, consulting, hardware maintenance and services, and data processing.



Commerce Secretary Donald L. Evans (right) met with MBA students at the Warsaw Stock Exchange and rang the closing bell during his recent visit to Poland.

Photo courtesy of U.S. embassy, Warsaw.

### Defense Industry

The Polish government, the Military Property Agency, and privatized defense companies have allocated nearly \$4 billion for defense expenditures. Opportunities for American firms exist mainly in investment, technology transfer, and joint ventures. In April 2003, Lockheed Martin signed an agreement with the Polish government to supply 48 fighter aircraft to the Polish armed forces. This deal is expected to increase opportunities for both U.S. and Polish companies in the defense sector. Nearly 70 percent of modernization spending is allocated for implementation of NATO force goals.

### Automotive Parts

The need for automotive parts continues to grow significantly as the number of cars registered in Poland multiplies. Half of these cars rolled off assembly lines more than six years ago. This translates into significant market potential for replacement parts over the next five to seven years. American auto parts and accessories enjoy an excellent reputation for reliability and quality in Poland.

### Water and Wastewater Treatment

The Polish government has negotiated a transition period for compliance with EU standards within the water and wastewater sector until 2014. In order to comply with EU regulations over the next 10 years, Poland will have to spend more money on the improvement, expansion, and replacement

of its sewer and wastewater treatment facilities than on all other environmental areas combined. Access to EU funding may be subject to EU content criteria, which may require U.S. suppliers to find local partners or act as subcontractors.

### Franchising

There are more than 120 franchise systems operating in Poland, almost half of which are foreign franchising systems. Financing is the most critical element for successful market entry by U.S. franchisors. The best franchising prospects are in retail trade, services (automotive, maid, and personal services; commercial cleaning, laundry, and dry cleaning), mid-range and low-end hotels and motels, and fast-food chains. Business services, currently not represented within the franchising sector in Poland, hold great potential.

### BECOMING A LOYAL PARTNER

Companies should think about starting small and finding good local partners. Most companies make sales within the first year of their initial marketing effort. But once that occurs, companies need to gear up quickly to demonstrate loyalty to the market. If the aim is to build a long-term customer base, it is essential to avoid the perception of being distant and not available to service clients on a daily basis.

To become a long-term player and gain market share, most companies

## POLISH NATIONAL HOLIDAYS, 2004

January 1	New Year's Day
April 11	Easter
April 12	Easter Monday
May 1	Labor Day
May 3	Constitution Day
June 10	Corpus Christi
August 15	Mother Mary Ascension Day
November 1	All Saints' Day
November 11	Independence Day
December 25	Christmas
December 26	Boxing Day

Source: *Country Commercial Guide: Poland*, 2003.

## MARKET IN BRIEF

### FACTS AND FIGURES

**Total area:** 312,685 square km

(slightly smaller than New Mexico)

**Population:** 38.6 million

**Official language:** Polish

**GDP growth:** 4.1% (2004 forecast)

**Inflation:** 2.2% (2004 forecast)

**Currency:** zloty

**GDP by sector:** services 61%, industry 35%, agriculture 4%

**Main industries:** machine building, iron and steel, coal mining, chemicals, ship-building, food processing, glass, beverages, textiles

**Exports:** machinery and transportation equipment, manufactured goods, food, live animals

**Imports:** machinery and transportation equipment, manufactured goods, chemicals

Sources: IMF, EIU, CIA, U.S. Commercial Service.



find they need to invest in local talent and sales teams. Ultimately, they take advantage of lower costs to assemble and even produce some of their lines in Poland. Remember, starting in May 2004, American businesses in Poland will also gain access to the single market of the European Union.

Competition in the consumer goods sector, particularly non-durable consumer goods, is intense in Poland. Small U.S. companies usually enter the Polish market by partnering with small, regional distributors and then developing networks from there. Large firms may initially establish regional warehouse systems with fleets of trucks and teams of distributors in order to branch out to various markets across Poland. This requires significant initial investment.

Polish companies tend to act as distributors (importing, taking possession of, and reselling goods) rather than as agents. Expensive equipment is an exception to

this, since many Polish companies do not have the financial capability to make such purchases. Also, heavy industrial equipment tends to be sold directly to end users due to the inability of most distributors to purchase the equipment prior to reselling it to end users.

Many U.S. businesses in Poland take the form of joint ventures, with Polish companies set up to handle sales in the market. Joint ventures are an excellent way to facilitate export sales to the Polish market.

#### **DOING BUSINESS THE RIGHT WAY**

Poles are very well informed about America and hold U.S. values in high esteem. Many young people have learned English and are eager to develop business ties with American companies. While U.S. firms often have more experience in marketing and state-of-the-art technologies, it is

important not to project an overly aggressive or patronizing style.

Poles frequently find Americans' lack of knowledge about their country disappointing. Poles are very proud of their history. Learning a little bit about Poland's history is a great way to earn respect and trust.

In business, be aware that the country has changed rapidly in recent years, but some businesspeople may be stuck in old ways. Watch out for those who have not developed business ethics as we understand them. There are plenty of Polish businesspeople who could be good partners. ■

This article was compiled with assistance from Edgar Fulton, senior commercial officer, and the U.S. Commercial Service staff in Warsaw, Poland.

## An EU Constitution

The EU constitution, to be signed by all members yet still in draft form, will afford the European Union a political status to match its current economic position. However, the EU constitutional meeting in December did not result in agreement. Items up for discussion included potential roles for an EU president and foreign minister and perhaps most importantly, member voting rights. Poland and Spain are pleased with their currently allocated 27 votes each compared with the 29 a piece for Italy, Germany, France, and the United Kingdom, which have much larger populations. Talks are to resume in March 2004.

Because Poland is a comfortable, low-cost center (wage rates are the some of the lowest among the May 2004 EU accession candidates), American firms can set up shop here and then sell into the entire European Union. Reduced tariffs will promote private investment and sustained consumer growth once Poland has fully acceded to the European Union.



MARKET  
IN BRIEF

## RESOURCES

### U.S. Commercial Service in Warsaw, Poland

[www.buyusa.gov/poland/en](http://www.buyusa.gov/poland/en)

This Web site has useful resources such as Poland's 2003 *Country Commercial Guide* and a Webcast of an interview with Senior Commercial Officer Edgar Fulton discussing the Polish market.

### Embassy of Poland in the United States

[www.polandembassy.org](http://www.polandembassy.org)

The embassy has a wealth of historical and cultural information available on this site. The site also includes business news and consular and tourism information.

### European Union

[www.europa.eu.int](http://www.europa.eu.int)

This is the official EU site. It contains a variety of legal and organizational documents, lists of EU institutions, guides to industries, news, and country-specific information.

### Embassy of the United States in Poland

[www.usinfo.pl](http://www.usinfo.pl)

This is the official site of the U.S. embassy in Warsaw, Poland. Visitors will find information on economic, political, consular, and business issues related to the United States and Poland.

### American Chamber of Commerce in Poland

[www.amcham.com.pl](http://www.amcham.com.pl)

The chamber represents U.S. businesses in Poland to the Polish and U.S. governments. The Web site offers current business news, publications, reports, and information on upcoming events.

### Warsaw Business Journal

[www.wbj.pl](http://www.wbj.pl)

Up-to-date information related to business, politics, the economy, and more is available on this news Web site.