U.S. Department of State
FY 2001 Country Commercial Guide: Poland

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Chapter 1: Executive Summary

The Country Commercial Guide (CCG) presents a comprehensive look at Poland's commercial environment using economic, political, and market analysis. The CCGs were established by recommendation of the Trade Promotion Coordinating Committee (TPCC), a multi-agency task force, to consolidate various reporting documents prepared for the U.S. business community. Country Commercial Guides are prepared annually at American Embassies through the combined efforts of several U.S. government agencies.

Poland became a full member of NATO in March 1999 and has set an objective of joining the European Union in 2003. The Polish economy continues to grow and new investment continues to be strong. Government reforms are making progress in many areas. Poland has privatized nearly all small enterprises and is now concentrating on the large enterprises. A growing middle class and rapidly developing distribution networks are turning Poland into a more attractive market for small and medium U.S. exporters. With a population of 39 million, Poland's market potential is huge. Many European firms have recognized this potential and are beginning to expand operations and sales in Poland. The level of American direct investment remains high, but American exporters are still not taking advantage of the market's full potential. The U.S. Commercial Service in Warsaw believes that the time is ripe for U.S. exporters to enter the Polish market and avoid being locked out by European competitors.

The Polish economy in 2000 is rebounding from the relative slowdown in recent years, which followed the Russian financial crisis and slow growth in Western Europe. Gross Domestic product (GDP) in 1999 was 4.1% percent, and 5.3% growth is predicted for 2000. The rate of inflation in consumer prices (on a December-to-December basis) declined to 7.4% in 1999 from 18.5 percent in 1996. The rate of inflation is expected to be 9-9.5% for 2000. The official unemployment rate rose to 13% at the end of 1999 from 10.4% in 1998. The Finance Ministry has set a goal of balancing the budget (excluding privatization revenues) by 2003. The central budget deficit was around 2% of GDP in 1999, with the more important public sector deficit around 3.5% of GDP. The latter figure will be around 3% in 2000, and the 2001 budget proposal would bring this down to around 2.6%. Poland's current account deficit has risen sharply in recent years, climbing to 7.4% of GDP in 1999. The size of the deficit and speed with which it has grown are both troubling. Although the deficit is adequately covered by foreign investment inflows, the Polish currency would come under strong pressure if these flows were disrupted. The current account deficit stems from Poland's trade deficit, which reached USD 14.5 billion in 1999. The situation appears to have improved in the second quarter of 2000: the zloty depreciated briefly following the government decision to float the currency in early April; exports posted their first noticeable increase during April and May.

Poland has become the leader in Central Europe in attracting foreign investors. According to data collected by the Polish Agency for Foreign Investment (PAIZ), foreign direct investment (FDI) in Poland reached USD 7.9 billion in 1999. Total FDI reached USD 35.2 billion at the end of 1999. According to official statistics, the U.S. has fallen to second place with regard to the volume of capital invested in Poland, right behind Germany, though we estimate that adjusting these figures for actual corporate ownership would show that the U.S. is still the number one in Poland. At the end of 1999, U.S. investments accounted for 14.7% of the total value of foreign investments in Poland. U.S. exports to Poland in 1999 decreased to USD 1.65 billion, down from 1.79 billion in 1998.

Growth was uneven in 1999, with some sectors in good shape and others in dire straits. The automobile industry and service sector continued to do well despite the slowdown throughout much of the rest of the economy. The agriculture, textile, electronics, and furniture sectors suffered greatly from the collapse of the Russian market and stiffer competition from resurgent Asian exporters; they have begun to respond to the improving economic situation in Western Europe, but relatively slowly. Heavy industry and coal mining – much of it still state-owned – remained in the doldrums.

Poland's most recent parliamentary elections were in September 1997, when two parties with roots in the Solidarity movement, Solidarity Electoral Action (AWS) and the Freedom Union (UW), won 261 of the 460 seats in the Sejm and formed a coalition government. The platform of the AWS and UW supports privatization and welcomes foreign investment. The coalition lasted until June 2000, when UW pulled out leaving AWS in a minority government. The Parliament was elected to a four-year term, which expires in September 2001, when new parliamentary elections will take place unless called earlier. All of Poland's major political parties favor foreign investment although they have, at one time or another, exhibited some reservations about allowing foreigners to acquire dominant positions in strategic firms and industries. The current government intends to allow foreign investors to compete for controlling interests in all or most of those strategic firms that are to be privatized.

Opportunities for trade and investment continue to exist across virtually all sectors in Poland. The American Chamber of Commerce in Poland, founded in 1991 with seven members, now has more than 300 members. Constant economic growth, the size of the Polish market, and a high level of political stability are the top reasons U.S. and other foreign companies do business in Poland. Most believe that Poland is the best market in Central and Eastern Europe for their products and investments. U.S firms interested in entering the Polish market should contact the U.S. Commercial Service office in Warsaw at http://www.cscentraleurope.org/Poland or Warsaw.Office.box@mail.doc.gov.

Country Commercial Guides are available for U.S. exporters from the National Trade Data Bank's CD-ROM or via the Internet. Please contact STAT-USA at 1-800-STAT-USA for more information. Country Commercial Guides can be accessed via the World Wide Web at http://www.usatrade.gov, http://wwwstat-usa.gov and http://www.state.gov. They can also be ordered in hard copy or on diskette from the National Technical Information Service (NTIS) at 1-800-553-NTIS.

The CCG is prepared by the U.S. & Foreign Commercial Service, U.S. Embassy Warsaw. It is intended to provide general information on economic and political trends and guidelines for doing business in Poland. Trade regulations and legislation in Poland are subject to frequent change. Before making any decisions based on this information, specific agencies and organizations provided in the guide should be contacted.

Chapter 2: Economic Trends and Outlook

A. Major Trends and Outlook

Poland has been making steady progress in raising its living standards closer to those in the European Union (EU). Per capita income in Poland (on a purchasing power parity basis) has risen from 31 percent of the average level in the EU in 1993 to 40 percent in 1999. Nonetheless, it will take decades more for Poland to reach the EU average. A large and dynamic private sector and sound fiscal and monetary policies have produced one of the fastest growing economies in Europe since 1994. The large, inefficient agricultural sector (which employs as much as a quarter of the workforce while contributing but 6% of GDP) and numerous loss-making state-owned enterprises have lagged behind the rapidly developing private sector.

Polish society as a whole remains committed to improving Poland's macroeconomic fundamentals and further reducing the role that the state plays in the economy. All of Poland's post-1989 governments (from across the political spectrum) have pursued economic reforms and generally sound fiscal and debt policies. Poland continues to liberalize its trade, foreign exchange, and investment policies in accordance with its obligations to the EU, the World Trade Organization (WTO), and the Organization for Economic Cooperation and Development (OECD). Poland is an applicant for full EU membership, with a target date of 2003. The process of harmonizing Polish laws and regulations to those of the EU is driving much of Poland's current economic agenda. Even if, as many believe likely, the 2003 target slips by a few years, the legislative and economic reforms will continue to pay off in improved Polish competitiveness and higher living standards, and continue to generate new trade and investment opportunities.

Poland's pace of economic growth declined in 1998-99 as a result of the economic slowdown in Europe and the Russian financial crisis. From 1994 to 1997, the economy expanded by over five percent per year in real terms. In 1998, the growth rate slipped to 4.8 percent, and in 1999 to 4.1 percent. Improvement has occurred in 2000, with GDP growth expected to reach around 5 percent (the Finance Ministry's forecast at mid-year was 5.3 percent). In dollar terms, Poland's GDP in 1999 equaled USD 156 billion, or USD 4,025 per capita. On a purchasing power parity basis, per capita income in Poland declined from USD 8,000 in 1998 to

USD 7,800 in 1999. The private sector accounts for an estimated 70 percent of GDP (including a large gray market), and almost 70 percent of the labor force. After declining for several years through 1998, the unemployment rate rose to 13 percent in 1999. A substantial proportion of this increase was due to a new health reform requirement that non-working individuals not actively seeking jobs register as unemployed in order to receive health benefits. Inflation also rebounded slightly in 1999, jumping from 8.6 percent (on a December-to-December basis) in 1998 to 9.8 percent in 1999. This increase stemmed largely from external factors (higher energy and food prices). As noted further below, Poland's most pressing macroeconomic problems are a high current account deficit and a declining, but still significant, fiscal deficit.

B. Principal Growth Sectors

Growth was uneven in 1999, with some sectors doing well and others in dire straits. The construction industry, automobile industry and service sector continued to prosper despite the slowdown throughout much of the rest of the economy. The agriculture, textile, electronics, and furniture sectors continued to suffer from the collapse of the Russian market and stiffer competition from resurgent Asian exporters; they have begun to respond to the improving economic situation in Western Europe, but relatively slowly. Heavy industry and coal mining -- much of it still state-owned -- remained in the doldrums.

C. Government Role in the Economy

Although over the past decade Poland has clearly transformed itself into a private-sector-led market economy, the government continues to play a large role. Government authorities at all levels still impose a bureaucratic burden on private business, although, as described more fully in Chapter 7, the government is taking steps to improve the situation. Approximately one-quarter of the GDP is still produced by the public sector. Poland has privatized nearly all small enterprises, and is now concentrating on the large enterprises. The government has set itself the goal of privatizing 70 percent of the remaining firms by the end of its four-year term in 2001; several large firms, including the telephone company and energy producers, are on the agenda for 2000. After these privatizations, the share of GDP generated by the private sector should increase to 85 percent. More problematic are the loss-making industries still in state hands, including the railroad, coal mines, and defense plants. Although restructuring in these sectors has already begun, with elections due in 2001 it is not clear how aggressive the government will be in selling or otherwise transforming these firms.

Taxes in Poland are relatively high: VAT rates are zero, seven, and 22 percent; the corporate income tax is 30 percent; personal income tax brackets are 20, 32, and 44 percent. The corporate rate will be reduced over the coming years, reaching 22 percent in 2004, in a move to improve competitiveness. A planned parallel reduction in personal rates, which would have benefited individual entrepreneurs, was vetoed last year and its fate is now uncertain. Social program contributions for pensions, disability and unemployment benefits, and health care amount to 48 percent of net wages in aggregate; the employer and the employee each pays a portion these contributions. The government finances its budget deficit principally from domestic borrowing and privatization revenues. The constitution prohibits the government from borrowing from the central bank.

The progress of Polish economic transformation has occurred in large part due to the sound monetary and fiscal policies maintained by a succession of governments since 1989. Although most economists see the budget deficit as too high, it has been reduced over recent years despite Poland's on-going need to fund restructuring and infrastructure projects. The central government budget deficit was around 2 percent of GDP in 1999, with the more important public sector deficit around 3.5 percent of GDP. The latter figure will be around 3 percent in 2000, and the 2001 budget proposal would bring this down to around 2.6 percent. The Finance Ministry has set a goal of balancing the central government budget by 2003.

D. Balance of Payments Situation

Poland's current account deficit has risen sharply in recent years, climbing to 7.4 percent of GDP in 1999. The size of the deficit and the speed with which it has grown are both troubling. Although the deficit is adequately covered by foreign investment inflows, the Polish currency would come under strong pressure if these flows were disrupted. The current account deficit stems from Poland's trade deficit, which reached USD 14.5 billion in 1999. Poland's rapidly growing economy has generated continued strong growth of demand for imports of investment and consumer goods; exports were hurt by the loss of the Russian market in 1998 and relative economic weakness in its largest western European market. A strong Polish zloty also contributed to the trade deficit. The situation appears to have improved during the second quarter of 2000: the zloty depreciated somewhat following the government decision to float the currency in March; exports posted their first noticeable increase during April and May.

Poland has attracted about USD 38.9 billion of FDI since 1993, according to the Polish Agency for Foreign Investment (PAIZ). Large capital surpluses due to FDI and portfolio inflows have caused net official reserves to increase, from USD 21.2 billion at the end of 1997 to USD 26.7 billion at the end of 1999. Short-term or portfolio investment finances only a small portion of the current account deficit.

Poland greatly benefits from the 1991 Paris Club and the 1994 London Club debt-rescheduling agreements, which roughly cut in half Poland's foreign debt. In 1995, Poland paid back all IMF drawings.

E. Infrastructure Situation: Distribution

Communications, banking, insurance, accounting, and distribution systems are still developing in Poland. Communications services are adequate; modernization should accelerate with this year's privatization of TPSA (the main provider) and increasing competition in the sector. Internet usage is low compared to U.S. and western European levels, due in part to high charges in telephone service and the low quality of telephone lines, but is increasing rapidly. Cellular phone usage is high and service very reliable.

Companies establishing branch offices find office space and housing in short supply and very expensive -- class A office space rents are similar to those in Geneva. Foreign companies can acquire small parcels of land without obtaining government permission, but the government has moved slowly in granting permits to acquire large parcels and some companies have complained there still are unnecessary delays in acquiring small parcels. There is a shortage of personnel with training and experience in some fields, particularly in finance, marketing, and human resources.

The banking system is relatively well developed and well regulated. Foreigners control nearly three-quarters of the banking sector's equity. Banks set their own lending and deposit rates. Interest rates are relatively high (around 20 percent).

The road system is inadequate for the increasing number of cars and trucks. The number of cars in Poland exceeds twelve million, more than double the number in 1990. There is especially a lack of adequate highways between major cities capable of carrying the increased volume of trucks necessary to the growth of Poland's distribution systems. An extensive road network upgrade is planned over the next 10-15 years, but much of this is not even in the design phase. Rural road travel is particularly difficult and very dangerous at night. Poland's air and seaports are structurally adequate for receiving and shipping cargo. However, all are in need of expansion and modernization to facilitate the growth of Poland's economy. Airport cargo modernization is underway. A restructuring of the rail system is under examination. The existing rail network in Poland is relatively extensive.

Chapter 3: Political Environment

A. Nature of Political Relationship with the United States

The United States and Poland have enjoyed warm bilateral relations since 1989. Every post-1989 Polish government has been a strong supporter of a continued American military and economic presence in Europe, and has identified membership in NATO, the European Union, and other Western security and economic structures as Poland's principle foreign policy priorities. Poland was invited to join NATO at the July 1997 NATO Summit in Madrid. Following ratification of Poland's accession by all the member states, including the United States (where the vote in the Senate was 80-19-1 in favor), Poland, along with the Czech Republic and Hungary, became a member of NATO in March 1999 and thus a U.S. ally. Poland served successfully as the Chairman in office of the Organization for Security and Cooperation in Europe (OSCE) in 1998. Poland has done a superb job as the formal protector of American interests in Iraq since the Gulf War and cooperates closely with the United States on such issues as nuclear non-proliferation, human rights, regional cooperation in Central and Eastern Europe, and reform of the United Nations.

Poland has been the largest recipient of U.S. assistance to Central and Eastern Europe. Since 1989, the U.S. has committed more than USD 4 billion to such areas as debt reduction, privatization, financial stabilization, financial institution building, entrepreneurial training, support for a free press and other democratic institutions, and efforts to improve Poland's environment. One of the Peace Corps' largest programs in the world is in Poland. The official assistance program is drawing to a close, with USAID programs concluded and the Peace Corps due to depart Poland in 2001.

A graphic illustration of Poland's close cooperation with the United States has been the large number of high-level visits exchanged between the two countries in recent years. In 1998, Prime Minister Jerzy Buzek visited Washington, as did Foreign Minister Bronislaw Geremek. President Kwasniewski and Prime Minister Buzek also participated in the Washington NATO Summit in April 1999. High-ranking U.S. visitors to Poland since 1989 include President Clinton, Vice President Gore, Secretary of State Albright, President Bush, Secretary of Defense Cohen, and many Senators and Representatives.

Economic issues are playing an increasingly larger role in the bilateral relationship. A significant issue is the differential between tariffs on products originating in the EU and those of non-EU origin (including U.S.). This differential results from the fact that tariffs on most EU products have been reduced to zero, while MFN tariffs are coming down more slowly. Many products are affected including automobiles, electrical generating equipment, cosmetics and most consumer goods. Poland has in some cases applied phytosanitary standards to agricultural products in ways that effectively result in the creation of non-tariff trade barriers. In past years Poland seemed to apply product certification procedures with much the same result. The protection of intellectual property in Poland is improving, but it remains an important concern. After some delays, Poland's new copyright law went into effect in July 2000, thereby bringing Poland into compliance with its TRIPs obligations. The exclusivity period for pharmaceutical test data remains comparatively short (about three years in Poland as opposed to five in the U.S. and 10 in the EU) and Polish pharmaceutical patents provide only 20 years of protection from the date of filing (the EU provides 25 years of protection). These shortcomings put producers of research-based drugs at as an undue competitive disadvantage against producers of generics on the Polish market.

B. Major Political Issues Affecting the Business Climate

Leaders of Poland's major political parties have repeatedly expressed strong public support for foreign and specifically U.S. investment. Substantial foreign direct investment is considered essential to Poland's achieving its overarching goal of raising the standard of living to the levels of Western Europe. Small factions in the Solidarity Electoral Action (AWS), which currently governs as a minority government, and several smaller opposition parties, most notably the Polish Peasant Party (PSL) and the Movement for the Reconstruction of Poland (ROP), oppose the sale of land to foreigners, especially Germans. Although all of Poland's major political parties at one time or another have exhibited some reservations about allowing foreigners to acquire dominant positions in strategic firms, the current government intends to allow foreign investors to compete for controlling interests in all or most of those strategic firms that are to be privatized. As for trade issues, political parties' support for reducing tariff and non-tariff trade barriers varies from the avowedly open-market stance of the Freedom Union (until June 2000 the governing coalition's junior partner) to the generally protectionist position of PSL and the parties of the far right; though, overall, Poland has been lowering trade barriers in accordance with its international obligations to WTO. All major political parties, including the main opposition, the Democratic Left Alliance (SLD), which is likely to lead the next government, are in favor of Poland joining the EU (which means that Poland will have to adjust its laws and regulations to comport with the EU's acquis communataire).

Trade unions are also an element for foreign business to consider. The Polish trade union movement, the engine of communism's collapse in the 1980's, has occasionally been problematic for foreign investors, particularly when managers of newly privatized state enterprises have instituted management changes. Resistance has also come from often-bloated enterprise middle management. But considering the huge growth and magnitude of U.S. investment, few American investors have encountered significant difficulties with Polish unions.

C. Brief Synopsis of the Political System, Schedule for Elections and Orientation of Major Political Parties

Poland is a parliamentary democracy. A new Constitution adopted in 1997 enhances several key elements of democracy including judicial review and the legislative process, while continuing to guarantee the wide range of civil rights, such as the right to free speech, press, and assembly that Poles have enjoyed since 1989.

Poland has a bicameral Parliament, comprised of a lower house (Sejm) and upper house (Senate). Within the legislative branch of the government, the Sejm has most of the power; the Senate may amend legislation passed by the Sejm or delay it. Both bodies are democratically elected. Poland's last Parliamentary elections were in September 1997 when two parties with roots in the Solidarity movement, Solidarity Electoral Action (AWS) and the Freedom Union (UW), won 261 of the 460 seats in the Sejm and formed a coalition government that lasted until June 2000, when UW pulled out leaving AWS in a minority government. SLD is the largest opposition with 161 seats in the Sejm. The Parliament is elected to a four-year term, which expires in September 2001, when new Parliamentary elections will take place unless called earlier.

The Polish Prime Minister, who forms a government with a vote of confidence by the Sejm, chairs the Council of Ministers. Jerzy Buzek of the AWS has been Prime Minister since the Parliamentary elections in the fall of 1997. There are 19 cabinet ministers, two of whom serve as Deputy Prime Ministers.

Poland's President, who serves as the country's head of state, is Aleksander Kwasniewski, an ex-communist turned social democrat, who defeated former Solidarity union leader Lech Walesa in Poland's second post-war free Presidential election in November 1995. He has a five-year term. The Polish President is the commander-in-chief of the armed forces and may veto legislation passed by the Parliament. According to the new Constitution, presidential vetoes may be overturned by a three-fifths vote in the Sejm. The next Presidential elections will be held in October 2000.

The most influential political parties are:

Solidarity Electoral Action (AWS): The center-right AWS is a coalition of over 30 political groupings allied with the Solidarity trade union. AWS was the big winner of the 1997 parliamentary elections, winning 201 of the Sejm's 460 seats. Today they hold 182 of the 460 seats. Its platform supports privatization and welcomes foreign investment. AWS is led by Solidarity trade union Chairman Marian Krzaklewski and Prime Minister Jerzy Buzek.

Democratic Left Alliance (SLD): The largest opposition party in the Sejm, the left-of-center SLD is a coalition comprised of successor parties to the communist-era Polish United Workers Party (PZPR) and is headed by former Minister of Internal Affairs Leszek Miller. The party's leadership generally supports free market economic policies and the accession of Poland to the EU, but stresses the importance of cushioning the harsher effects of economic reform.

Freedom Union (UW): Like AWS, UW has its origins in the Solidarity movement. UW pursues a mainly socially liberal, pro-free market course. Its membership is a diverse mix of liberal free-market thinkers, intellectuals, and social activists. The party is led by Leszek Balcerowicz, the former Deputy Prime Minister and Minister of Finance, who authored Poland's program of economic "shock therapy" in the early 1990s.

Polish Peasant Party (PSL): The PSL is headed by former Deputy Prime Minister Jaroslaw Kalinowski, the PSL has grown from a communist-subordinated party into a classic European agrarian party.

Union of Labor (UP): UP is an ideologically purely social-democratic party that advocates a broad social safety net. It is the smallest of the major parties in Poland and currently has no representation in Parliament.

Movement for the Reconstruction of Poland (ROP): A rightist, nationalist party headed by former Prime Minister Jan Olszewski, ROP supports lower taxes, but the party's strong populist wing criticizes privatization and foreign investment. ROP has seen the decline of its fortunes in recent years and now has only a few deputies in Parliament.

Fatherland, the Polish Family, and other far-right parties: These parties are splinters from the larger parties and are nativist, anti-E.U., and, in some cases, anti-NATO. Their views have won them only a few seats in Parliament.

D. Local Government

Provincial and local government can play an important role in facilitating or hindering trade and investment in Poland. Poland recently undertook a major provincial and local-government reform and decentralization. As of January 1, 1999, Poland's 49 provinces (wojewodztwa) were consolidated into 16 and given broad new authority, particularly in the areas of economic development and investment. Each province now has its own parliament (sejmik), and Governor (Marszalek), as well as a Chief Administrator (Wojewoda) appointed by the central government to manage central programs in the province. The reform has also created a new level of county (powiat) government, which is responsible for providing many local services. Party affiliations play an increasingly important role in local Polish politics, particularly in larger cities, but are not yet as significant as in the United States.

Chapter 4: Marketing U.S. Products and Services

A. Distribution and Sales Channels

(1) Regional Nature of Market and Review of Major Regions

Opportunities for doing business in Poland exist throughout the country. Twenty-five percent of the population resides in rural areas, and urban dwellers are widely spread among a number of population centers.

The largest Polish cities include:

CITY	POPULATION
Warsaw	1,615,400
Lodz	800,200
Krakow	738,200
Wroclaw	636,800
Poznan	577,000
Gdansk	458,000
Szczecin	416,700
Lublin	356,100
Katowice	343,200

Source: “Ludnosc Wedlug Powiatow ” published by GUS (Central Statistical Office), December 1999

(A) Warsaw

Warsaw is the capital of Poland and of the Mazowsze Voivodship (province). The Warsaw metropolitan area has 2.1 million people, 5.5% of the country's total population. The city of Warsaw, with a population of 1.6 million, is a center of culture, science, education, and finance, and is a major transportation hub. Warsaw's Okecie airport has direct connections to more than 50 airports around the world.

The impact of Poland's strong economic growth during the past few years is best seen in Warsaw. Average earnings in Warsaw are the highest in Poland. Industry sectors within Warsaw are dominated by machinery and electronic equipment production. The most important products manufactured in the area are television sets, computer hardware and software, tape recorders, passenger cars, and tractors. The capital has more than 280,000 businesses.

In recent years, Warsaw has drawn the highest levels of investment in Poland. About a third of foreign businesses investing in Poland choose Warsaw as their headquarters. The investment programs implemented by foreign firms have created more than 11,000 jobs. Large U.S. companies with investments in Warsaw include: PepsiCo, Proctor & Gamble, Reynolds, General Motors, and Colgate. Head offices of the largest U.S. consulting, law and auditing firms, as well as financial and insurance companies, such as Pioneer, AIG, Nationwide, Citibank, Amerbank, GE Capital and Bank of America are also in Warsaw.

For more information on Warsaw and the Mazowsze Voivodship, please contact:

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(B) Lodz

The city of Lodz is located nearly at the geographical center of Poland, only 130 km west of Warsaw. Its population of 800,000 people makes Lodz the second largest city in Poland. Together, Lodz and Warsaw represent 10% of the total population of Poland. Lodz is the capital of the Voivodship of the same name.

Lodz is still strongly associated with the textile industry, although this sector has been in steep decline for more than a decade. Textile plants remain in operation in Lodz, but the city has attempted to diversify its manufacturing base. The past five years have brought substantial changes. The major industries now include light manufacturing, food, chemicals, and electrical engineering.

Investors will find many opportunities in Lodz. Construction of planned highways will place Lodz at the intersection of major Warsaw-Poznan (A2) and Gdansk-Katowice (A1) highways. Important academic centers in Lodz include the Institute of Technology, the University of Lodz, two Medical Academies, and the branch of the Polish Academy of Science, as well as industry research centers. Current foreign investors include ABB, Coats Viyela, Coca-Cola, Gillette, Mercedes, PepsiCo, Shell, and Wrangler.

On April 15, 1997, the Government of Poland announced the establishment of the Lodz Special Economic Zone (LSEZ) for a duration of 20 years on land owned by the State Treasury and existing companies. Investors who receive permission from the authorities to operate in the LSEZ and who comply with the necessary conditions (either investment of ECU 2 million or employment of 100 workers during the 20 years of the LSEZ) will qualify for a 100% income tax reduction for the first 10 years and a 50% reduction for the next 10 years. Additionally, the Lodz Labor Office has other financial incentives for investors.

For more information about Lodz and the Lodz Voivodship, please contact:

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(C) Poznan

Poznan, located in the mid-western part of Poland, is home to 577,000 people and is the capital of the Wielkopolska Voivodship. Poznan is a major junction for rail and highway transport. The main route from Eastern to Western Europe through Warsaw and Berlin runs through Poznan. So does the transit route from Scandinavia to the Czech Republic, Slovakia, and the Balkans. Poznan's airport at Lawica serves as both a domestic and international airport.

Poznan has become the second largest banking center in Poland (after Warsaw), with 14 banks having headquarters there. Many insurance companies operate in the city as well. Manufacturing plays a leading role in the economy, employing one-fourth of professionally active people. Products from the region include ship engines, passenger railway carriages, metalworking and food industry machines, textiles, batteries, vehicles, telecommunication switchboards, teletransmission equipment, furniture, phosphoric fertilizers, and cosmetics. The food industry is prominent, especially soft drinks and tobacco. The high quality and large quantity of agricultural products available in the Poznan area create a suitable basis for increasing exports. There are opportunities for investment in food processing.

The Poznan International Fair has a 75-year tradition, and every year more than 20 trade fairs, promotional events, and exhibitions are held at its expansive fairgrounds.

Poznan is an important scientific and cultural center in Poland. In Poznan there are numerous research institutes, branches of the Polish Academy of Science, and 14 universities, including four recently founded private universities offering bachelor degrees in management, banking, and marketing. There are 10 universities offering masters and doctorate degrees in numerous fields. Nearly 60,000 students study at universities in Poznan.

There are about 1,000 companies with foreign capital participation in the Poznan area. The most notable foreign investors are International Food Corporation, CPC International, Amino S.A. (United States), Wrigley (United States), SC Johnson (United States), General Bottlers (United States), Alcatel (United States), Volkswagen (Germany), Alcan, Inc. (Canada), and Marbaise (Germany). An analysis carried out the by the Bonn-based research firm Empirica showed that the Poznan region ranks fifth among 155 regions in Central and Eastern Europe in terms of attractiveness for investment.

For more information about Poznan and the Wielkopolska Voivodship, please contact:

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(D) Southern Poland

The lower geographic third of Poland is home to half of Poland's population and represents almost half of the nation's industrial output. The region boasts a well-educated and relatively low-cost work force. The three principal cities include Katowice, Wroclaw, and Krakow. One of the world's largest copper ore deposits is found in the southwestern province of Legnica. In addition, there are special economic zones in the Rzeszow (Mielec), Katowice, Legnica, and Walbrzych provinces.

Katowice

Katowice is very urban and densely populated. The greater Katowice area combines 24 cities with 2.5 million inhabitants. There are 13 schools of higher education and more than a dozen scientific research institutions in the Katowice area. Katowice is the capital of the Silesia Voivodship.

The region's main natural resource is coal. Ninety-seven percent of the country's coal comes from this province. The Upper Silesian Coal Basin is one of the largest in the world. There are also deposits of natural gas, zinc, and lead ore with a mixture of silver. The industrial output of the province provides much of the Poland's industrial output. Major industries in the region include mining, metallurgy, chemicals, and automobiles.

Currently the center of Poland's coal industry, the Katowice area is transforming into an automotive center as well, with several major automotive firms, including Fiat, General Motors, Isuzu Motors, Delphi, and Lear, investing in the region. Katowice province has excellent air and rail connections to Warsaw and other major European cities.

For more information about Katowice and the Silesia Voivodship, please contact:

Urzad Marszalkowski Wojewodztwa Slaskiego
Mr. Piotr Zakrzewski, Director
Wydzial Wspolpracy Miedzynarodowej
(Office of International Cooperation)
ul. Ligonia 46
40-037 Katowice
tel: (48-32) 256-5293
fax: (48-32) 255-3775
http://www.silesia-region.pl
email: wspolpraca@silesia-region.pl

Wroclaw

Wroclaw (pronounced "vrot-suave") has a population of more than 630,000 and is one of the most important intellectual centers in the country. It is the capital of the Lower Silesia Voivodship. Over 64,000 students study at 13 state institutions and several private universities.

Wroclaw, located at the intersection of important east-west and north-south roadways, is served by three international highways, the largest railway network in Lower Silesia, and direct rail links with several major European cities. An international airport and two river ports are located in Wroclaw. The province has deposits of natural gas, stone, serpentine marble and basalt, vein quartz, quartz sand, argillaceous resources, kaolin resources, ceramic clays, and gravel aggregate.

Together with other cities in the province, Wroclaw is one of the most important industrial centers in Poland. It ranks ninth in the country in industrial employment. Wroclaw's diversified industrial sector includes electromechanical, food processing, chemical, metallurgical, and paper. The electromechanical industry is represented by companies such as

POLAR, Semens-Elwro, Dolmel-Drivs, Agroma-Pilmet, ABB Dolmel, and ABB Instal. These companies produce a large share of the home appliances made in Poland. Also, Wroclaw companies produce buses and much of the nation's agricultural equipment. Chemical firms include Rokita in Brzeg Dolny, Viscoplast, Polifarb Wroclaw, Herbapol, and Cussons Polska. The Wroclaw food processing industry has a variety of companies, including Brewery PIAST.

In the Wroclaw area there are more than 1,700 companies that have been formed with foreign capital. In addition to the top two investing countries, the United States and United Kingdom, investors from Austria, Italy, France, Sweden, Taiwan, and Russia have found the Wroclaw Voivodship attractive. British Cadbury built a large chocolate factory outside of Wroclaw, the first investment of this company in Central and Eastern Europe. Others have followed the same path, including Ikea (Sweden), Castorama (France), Cargill (U.S.), General Bottlers (U.S.), and Coca-Cola (U.S.). Foreign banks opening branches in Wroclaw include Citibank (U.S.), Creditanstaldt (Austria), Raiffeisen-Centrobank (Austria), and Hypo-Bank (Germany).

Wroclaw's local authorities strive to create positive conditions for foreign investors. Property ownership issues are clearer in Wroclaw than in other parts of Poland, and a significant excess of production capacity is available to foreign investors, on the condition that new activity will be environmentally friendly.

For more information about Wroclaw and the Lower Silesia Voivodship, please contact:

Urzad Marszalkowski Wojewodztwa Dolnoslaskiego
Departament Polityki Regionalnej i Rozwoju
(Dept. of Regional Policy and Development)
tel: (48-71) 374-93-18
fax: (48-71) 374-91-55
Mr. Janusz Wrzal, Director
http://www.umwd.pl
email: umwd@umwd.pl

Krakow

Krakow has a population of 740,000 and is the capital of the Malopolska Voivodship. The city of Krakow is included on the UNESCO World Cultural Heritage list due to its historical and cultural value. It is the second largest research and academic center in Poland, with 15 institutions of higher learning and 96 research institutes. Among the major state academies are the Jagiellonian University, founded in 1364, the Academy of Economics, the Academy of Fine Arts, and the Music Academy.

Krakow has excellent rail and road connections to all major European cities. It is only two hours and 40 minutes from Warsaw by express train. In addition, the John Paul II Memorial

International Airport provides direct connections to major cities in Europe, as well as New York and Chicago.

Krakow Voivodship has deposits of rock salt, limestone, marble, cement, dolomite, natural aggregate, clay (silts), and curative mineral water. Major industries in the region include food processing, pharmaceutical, metallurgy, electronic, health service, and research and technology. Almost all of Krakow's enterprises are in private hands.

The largest foreign investor in the Krakow area is Philip Morris, which constitutes one-third of total foreign investment in the region. Other significant investors include: Coca-Cola (U.S.), Pilva (Croatia), and Electricite de France (EDF) (France). Other countries investing in the region include Germany, Turkey, Austria, and the Netherlands.

For more information about Krakow and the Malopolska Voivodship, please contact:

Urzad Marszalkowski Wojewodztwa Malopolskiego
Departament Wspolpracy Miedzynarodowej i Promocji
(International Cooperation and Promotion Department)
ul. Raclawicka 56
30-017 Krakow
Mr. Leszek Jodlinski
tel: (48-12) 423-32-79
fax: (48-12) 423-31-90
http://www.malopolska.pl
email: bhan@malopolska.mw.gov.pl

(E) Gdansk

Gdansk, with a population of 458,000, is situated in northern Poland on the Baltic Sea coast and is an important seaport. The area's population of 1.4 million is concentrated in the tri-city area of Gdansk, Gdynia and Sopot. The city is the capital of the Pomorze Voivodship. Gdansk is 330 km north of Warsaw and has the second largest international airport in Poland. There are plans to build a north-south highway connecting the ports of Gdansk and Gdynia with Southern Europe.

Industry in the Gdansk district is dominated by energy, shipbuilding, transportation, food processing (mainly seafood), chemical, electrical, and electronics. It is also home to the second largest refinery in Poland, Rafineria Gdanska. Other large investors include Arall, GE Capital Bank, Ericsson, Ernst & Young, PepsiCo, and Shell. The list of major importers includes Rafineria Gdanska Co., Stocznia Gdynia Co., Stocznia Gdanska Co., and Elbrewery Co.

Gdansk, with its relatively well-developed infrastructure, skilled work force, and eight universities, has potential for growth, especially in industry and tourism. Favored investments include: development and modernization of the ports and transportation networks, extension of hotel facilities and trade and service centers, housing construction, and environmental protection. Local authorities are interested in renting or leasing land to foreign partners. Updated local laws and regulations encourage foreign investment and trade with special attention on the seaports.

Important academic centers in the Gdansk district include the University of Gdansk, the Medical Academy, and the Technical University.

For more information about Gdansk and the Pomorze Voivodship, please contact:

Pomorski Urzad Wojewodzki
(Pomorze Voivodship Office)
Department of Foreign Affairs and European Integration
Mr. Jaroslaw Zietkiewicz, Director
ul. Okopowa 21/27
80-810 Gdansk
tel: (48-58) 307-7779
fax: (48-58) 301-1765

(2) Consumer Goods Distribution

Competition in the consumer goods sector, particularly non-durable consumer goods, is intense in Poland. The previously insatiable demand for western goods has been replaced by more pragmatic attitudes about price and quality. Polish consumers and importers are more selective about the products they buy. A western brand is no longer the sure-sell it once was, as local brands have improved immensely in quality. Brand name recognition is still important, but it is a great challenge for U.S. firms to develop brand images and loyalty, as the market is overwhelmed by hundreds of new western and Polish brands.

There are about 95 hypermarkets (stores with at least 2,500 square meters of sales area) in Poland, 730 supermarkets (outlets with over 400-2,499 square meters of sales area), and 936 discount retail outlets. Hypermarkets share about 22% of the total retail market in Poland and are expected to increase to 110-200 stores in 2000 and to 180-200 stores by 2005. There are about 117,400 grocery stores, 21,000 chemical and cosmetic retail stores, 78,400 alternative retail distribution channels (27,500 kiosks, 5,800 convenience stores, 3,400 petrol station shops, 41,700 stores located in hotels, hospitals and train stations) and 150,000 other stores. These figures do not reflect the entire retail sector, as they do not include bazaars and street markets. The total number of retail outlets is estimated at 377,000. Ninety percent of them are less than 50 square meters in size.

Despite the expansion of international chains of supermarkets, hypermarkets and large specialty stores, the retail market in Poland continues to be fragmented. There are basically no large national store chains. Many small local independent retail shop owners are losing business and protesting the location of new large stores as well as accusing them of illegal practices such as dumping – selling products for less than market value. They are also joining merchants associations to petition authorities to try to preserve small, independent Polish retailing. In 2000, eleven Polish retail networks founded UPSD, the Union of Polish Retail Networks, an organization with nationwide coverage. The members of UPDS own 1,637 stores with a total floor area of 250,000 square meters. Despite the fact that the organization unites retail business owners, it intends to cooperate with Polish wholesalers. Small companies continue to dominate the Polish retail market. Ninety-eight percent of retail companies own no more than two outlets. The wholesale market is almost as fragmented as the retail market. There are more than 17,000 wholesale outlets with total sales of USD 95 billion. Ten foreign wholesale units produced 70% of total wholesale sales. 15,000 outlets were local, family-owned wholesale outlets which often act as sub-wholesalers/distributors.

Foreign retailers currently control about 10-12 percent of the total retail market in Poland. Over the next 2-3 years, they are expected to control as much as 40% of the market. The top 10 retailers in Poland are foreign, and include such chains as Macro, Geant Casino, Auchan, Jeronimo Martins, IKEA , Carrefour, HIT , Castorama , OBI , Leclerc and Tesco .

Most foreign retail investors are chiefly interested in opening food stores. More than 10 Western hypermarket and supermarket chains operate in the food retail market. Sales are increasingly concentrated in the segment of medium to large stores. All large supermarket chains doing business in Poland report aggressive growth plans for the next year. Foreign retail chains invest not only in hypermarkets but also in smaller, discount types of retail chains situated near customers' homes or work places. There is a considerable amount of development in specialty and do-it-yourself (DIY) retail chains. The fastest growing chains are Obi, IKEA, Stinnes, Nomi Dom i Ogrod, TTW Dom I Ogrod, Castorama, Praktiker, Leroy Merlin and Bricomarche. The major local DIY chain is Komfort (with about 100 outlets).

There are about 50 foreign clothing retail chains in Poland. The rapid growth of these chains is a result of the expansion of shopping malls. Part Two, Carly Gray, Olsen, Deni Cler, and Cubus are very popular. Well-known foreign apparel brands have been introduced into Poland by two companies, Ultimate Fashion (Esprit, River Island, Wallis, Celio) and Young Fashion (Zara). Both companies are opening stores in Galeria Centrum (Warsaw's central department store complex).

Poland is still largely a cash economy. However, banks are increasing the issuance of credit cards, and more and more stores are accepting them. Checks are almost unheard of. Most payments for regular transactions, if not by cash, are made by wire transfer. Cash machine networks are growing.

Smaller U.S. companies usually begin with a small, regionally located distributor and then develop a network from there. Larger firms may initially establish a regional warehouse system with a series of trucks and distributors in order to branch out to assorted markets across Poland. This requires a significant up-front investment.

(3) Industrial Goods Distribution

Imports of equipment and technology have increased tremendously as Polish industry modernizes and restructures to compete with the western world. What has been surprising to U.S. exporters in many industrial sectors is that Poles are familiar with the technical parameters of U.S. products prior to the actual introduction of those products in the marketplace. This results from a combination of historical knowledge of some importers (who probably worked for foreign trade organizations before 1989) and the fact that serious Polish importers do their homework.

Under the Communist regime all foreign trade was handled through a small number of foreign trade organizations. Each industry was associated with an entity that handled its importing, exporting, marketing and distribution needs. Most of these organizations still exist in one form or another; many have been privatized, and some, such as Elektrim and Ciech, have grown to become among Poland's largest firms.

Industrial distributors may therefore be part of a network that developed from former foreign trade organizations, or may be individuals with significant connections to their industry (often former employees of the large foreign trade firms). As industries and companies continue to privatize in Poland, distribution networks are rapidly expanding in scope and complexity.

Many distributors of industrial equipment are very specialized and have very specific technical expertise. Because of this, some are better able to serve on a national level than most consumer goods distributors, but exporters are still advised to carefully check a company's claim that it can represent a U.S. firm throughout the entire country.

As with consumer goods, importers and other companies that represent foreign companies are becoming more sophisticated and selective. The number and variety of imported goods available on the Polish market play an important role here as well. Polish agents or distributors increasingly look to the foreign partner to provide marketing and promotional support, training and financing. Polish trade fairs, which have become more and more specialized, are a good place to look for possible distributors.

B. Use of Agents and Distributors

Polish companies tend to act more as distributors (importing, taking possession of, and reselling a good) than as agents. Expensive equipment is an exception to this, since Polish companies generally do not have the financial capability to make such purchases. Also, heavy industrial equipment tends to be sold directly to the end-users due to the lack of financial abilities of distributors. However, there are no laws imposing roles for Polish importers, so distributor agreements may take any form acceptable to the parties involved.

Of course, the ideal solution would be to find a distributor who is experienced, knowledgeable, and well-connected to existing distribution channels for the product. But Polish companies tend to be much younger and less experienced than their western counterparts. They may not fully understand the product or how it is to be used and may need extensive training.

C. Finding a Local Partner and Attorney

The U.S. Commercial Service in Warsaw can help you find a local partner through one of the following customized programs:

1. Gold Key Service – provides a customized schedule of appointments with potential Polish partners set up for you prior to your arrival in Poland.
2. Silver Key Service - provides you with a list of unscreened potential Polish partners in your industry. After you receive your list, you use it to contact the Polish companies on your own to ascertain any interest they may have in your products or services.
3. Agent/Distributor Service Program - provides you with a list of pre-screened potential Polish partners that have expressed an interest in discussing the possibility becoming your partner.
4. Amerykanski Partner Web Site - provides a description of your company and products in Polish and a direct link to your firm's web site. Located at http://www.CSCentralEurope.org/Poland.

The legal environment in Poland is constantly changing. Polish law offices follow these changes closely, which may be critical to an American company doing business in Poland. This is particularly true when bidding on a major project, forming a joint venture, or untangling a trade dispute. Most Polish and U.S. law firms offer business counseling in addition to legal advice. Some are even experienced in helping their contacts find Polish business partners, investments, or projects to pursue.

U.S. accounting and consulting firms in Poland can also offer legal advice and business counseling. Most of the major international accounting firms have operations in Poland that focus on business formation, tax matters, and employee benefits. Many are also involved in the privatization process in Poland, including advising the Polish government. All can offer practical business counseling and assistance in establishing a representative office or incorporating a business.

A U.S. exporter new to the Polish market may not initially need specialized legal, accounting, or consulting advice as it pursues potential partners. It can, however, take comfort in knowing that expert advice is abundant and available in Poland through the offices of major U.S. law and consulting firms when problems arise.

For further information on the above contact service programs, or for a list of attorneys in Poland, please contact the U.S. Commercial Service in Warsaw at Warsaw.Office.Box@mail.doc.gov.

D. Checking the Bona Fides of Polish Business Organizations

The U.S. Commercial Service in Warsaw maintains a list of companies that can perform a background or credit check on your potential Polish partners. Please contact Warsaw.Office.Box@mail.doc.gov for a current list of companies.

E. Franchising

Poland is ripe for the development of franchising. The country is rapidly developing its infrastructure, telecommunications and banking services. More importantly, the rapid expansion of the media and advertising sectors indicates that the consumer market is steadily developing.

The most popular and largest U.S. franchises arrived first and introduced the concept here, and they now dominate Poland's franchise landscape. Their success over the last few years has proven to be the best advertisement for the promotion of franchising in Poland. The largest foreign franchisers active in Poland are McDonald's, Central European Foods, Burger King, Domino's Pizza, TelePizza, Adidas, Intersport, Kodak Express, Fleury Michon, Marks & Spencer, Midas, The Athlete's Foot and the Yves Rocher Group. Major Polish franchisers are Gabriel, A.D. Dragowski, Orbis, Simp, Sklepy Familijne, Pozegnanie z Afryka, and YES Bizuteria.

There are about 80 franchise systems operating in Poland. The largest number of franchises were American (39%), followed by French (26%), British and German (10% each). The major sectors represented are retail trade (51%), services (28%) and catering (there are 21 known franchise concepts in Poland).

Financing is the most critical element for successful entry and penetration by U.S. franchisers. Although it has generally been difficult for foreign companies to locate Polish investors capable of becoming master franchisees, the number of local candidates interested in becoming master franchisees is on the rise.

There are no Polish laws or regulations that specifically address franchising. A franchise is subject to general commercial law. The contract between two parties is therefore the sole legal platform for the franchise agreement. It usually contains not only elements of civil law, but also elements of intellectual property and trademark protection.

The best franchise concept prospects are in services, retail, mid-range hotels, and fast food chains.

F. Direct Marketing

Direct marketing is still new to Poland and is mostly practiced by joint ventures or foreign companies selling consumer products and services. Several years ago the first foreign companies began to sell a very limited assortment of products through catalogs. This form of marketing is growing rapidly, but one factor limiting the spread of direct marketing is the fact that cash is still used for most transactions. Nevertheless, the Polish market offers enormous potential, especially for the expansion of mail-order companies. Women are the biggest group of customers who take advantage of mail-order catalogs. Mail-order companies selling books, CDs and cassettes have become popular in Poland.

At present the most popular method of direct marketing is direct mail, advertisements in printed media, and telemarketing. Electronic media is opening new opportunities. The cable television companies have introduced new shopping channels. Internet on-line “shopping malls,” still new to the market, are similar to those existing in Western countries. However, the success of such ventures will depend on the number of Internet users, which is still growing in Poland.

The Direct Marketing Association, Stowarzyszenie Marketingu Bezposredniego (SMB), was established in Poland in 1995. Currently SMB has 30 members. The members of SMB have established a code of ethics to protect customer's rights and prevent illegal business practices. The organization has participated in drafting legislation for privacy protection, which was adopted in 1998. SMB has created a database of names and addresses of individuals who do not wish to receive direct marketing materials.

For more information, please contact:

Direct Marketing Association
Stowarzyszenie Marketingu Bezposredniego (SMB)
Mr. Andrzej Miekus, President
ul. Marszalkowska 87 apt. 85
00-683 Warsaw
Tel/fax: (48-22) 628 02 60
Fax: (48-22) 828-04-66

G. Joint Ventures/Licensing

Joint ventures are commonplace in Poland. Many U.S. businesses in Poland take the form of joint ventures, with Polish companies set up to handle the trade and share in the risks and rewards. As such, a joint venture can be an excellent way to facilitate export sales to the Polish market.

In most joint ventures the American partner contributes capital and technology while the Polish side contributes the land, distribution channels, trained workers, access to the Polish market and introductions within the local government and local business environment that would otherwise take years to develop.

Licensing of products, technology, technical data, and services is not widespread in Poland, due to concerns about intellectual property protection. However, now that Poland has taken major steps in the areas of intellectual property rights and copyright legislation, it is probable that more U.S. firms will begin to license their products in Poland. Licensing is particularly prevalent in the industrial manufacturing, consumer goods, and textile sectors.

H. Steps to Establishing an Office

Besides joint ventures, U.S. companies may establish a business entity in Poland through three types of legal forms:

(1) Limited liability companies (Sp. z o.o.) require at least one founder and minimum initial capital of 4,000 zlotys to be paid prior to registration. Reserves are not required to be taken out of after-tax earnings, audits are only obligatory in certain situations, and assets can only be distributed six months after liquidation is announced.

(2) Joint stock companies (S.A.) require 100,000 zloty minimum initial capital, of which 25% must be paid prior to registration. There are no maximum limits and in-kind contributions are exempt from customs duty. After-tax profits from the venture may be exchanged and repatriated without permission at the end of each fiscal year of the venture. Proceeds from the sale of shares in the venture, or liquidation of the venture, may also be repatriated. Twelve months must pass after the liquidation announcement before assets may be distributed. Polish law does not allow interim dividends. The minimum number of founders is three entities.

(3) Representative offices are permitted by law to engage in business activity under three variations: supervisory offices, technical offices and commercial branch offices. Permits for establishing an office are granted by the relevant Ministry upon application by the foreign firm. Permits are valid for the length of time granted by the Ministry, usually a maximum of two years. The foreign firm must reapply for renewal. Offices are by law treated as parts of the U.S. company and are considered an exporter of products from abroad. Therefore, offices may not engage in retailing or manufacturing activities and may hold inventory only for marketing and service purposes.

Modern telephones, copy machines, faxes, computers and office amenities are easily available and can be leased from a number of reputable Polish and western firms. The secretarial labor pool is reasonably abundant, although English speaking secretaries with modest secretarial skills are not easily found. Employees with western management or accounting experience are also difficult to find. There are, however, many executive search firms that offer assistance in finding appropriate staff.

I. Selling Factors/Techniques

As discussed earlier, the Polish market is in most cases regional, and this description applies to selling as well. In addition, people in cities, particularly the major cities in Poland, have more purchasing power than those in rural areas, as unemployment is significantly lower in the cities. The countryside is dotted with single-factory towns with high unemployment.

Letters, faxes and packages of product literature will serve to introduce a product or service to a Polish company. Communication in the Polish language is recommended in order to receive a speedy response. U.S. companies should ensure that translations into Polish are done by professional translators.

A Polish customer generally will not consider making a final purchase until he has met with someone face-to-face to discuss the product. However, there are Polish companies that have done business on the Internet. American companies that are little known outside of the U.S. may need to make quite a bit of effort to convince their prospective Polish customer that they are “for real.” Demonstrations of products are also effective, as Poles tend to be skeptical about claims until they are proven. Sponsored visits to U.S. or other facilities may help convince Polish buyers to purchase a U.S. product.

The decision making process, especially in large companies or government agencies, can be painfully slow, as every person or section involved in a decision usually must sign off before a decision is made. Polish customers will want to discuss the technical parameters of the product, explain their needs, and negotiate (and renegotiate) the price. In addition, the product may not be sold in the first meeting, as the customer will want some time to consider the points discussed and to arrange financing. Small orders are usually the result, as major initial orders are unlikely due to limited amounts of working capital and high rates of interest on credit.

The American exporter should be aware of the Polish customer's main problem: access to capital. Most Polish firms are still too small to consider going public or issuing commercial paper. Therefore, most business activities, including payment for imports, are still self-financed. American companies that can guide their Polish customers to affordable financing will have an edge over their competitors. The U.S. Exim Bank offers a credit insurance program that can help small and medium size U.S. firms in this regard. Many Polish importers also look for marketing support.

Polish customers are generally enthusiastic about U.S. products and, if seriously interested, will travel across the country to meet with a U.S. representative who may be visiting Warsaw. If a customer has driven five hours to Warsaw to meet with a U.S. company, the potential for a sale is good. If the proposal is well thought out, the pricing is flexible (or assistance with financing is offered), and promotion, servicing and customer support are part of the package, chances are good that a contract will ultimately be written. Doing business in Poland is built upon personal relationships and trust. American companies still have an advantage in Poland, as the U.S., its people, and its products are held in high regard.

J. Advertising and Trade Promotion

The trade fair business in Poland has boomed over the past few years, from a single major event (the June Poznan International Fair) to a full year's schedule of industry and product specific events in major cities around the country. Most industry specific trade fairs in Poland are fairly new and are still proving their worth. Some are better than others at attracting key Polish and international business. Trade fairs for computers, medical, environmental, automotive, agri-business (Polagra is the major agri-business fair), consumer goods, building products and mining have grown in popularity in recent years. Direct U.S. company presence at trade fairs in Poland is minimal, but many U.S. firms exhibit through their European or Polish distributors. Most U.S. firms find that exhibiting directly at a Polish fair is less cost effective than participating in many larger European trade fairs. CS Warsaw can help find distributors interested in representing U.S. products at Polish fairs.

Advertising in Poland is considered crucial, not only in the consumer product field but also in developing a company image for all kinds of goods. Television -- which reaches virtually every home in Poland via local channels or satellite -- is believed to be the most effective medium in Poland. Products advertised through TV commercials show the greatest sales growth of all advertised products. The bulk of advertising revenues go to television. The price of TV spots on top rated shows has grown dramatically in the last few years as demand has soared. Radio is another means of advertising with more than 200 local radio stations as well as two national networks. Internet advertising is also growing rapidly.

There is a ban on cigarette and alcohol (including beer and wine) advertising for broadcasters and on alcohol ads for display and print media. There is also a ban on pharmaceutical advertising, except for over-the-counter drugs and in professional publications.

Print media advertising is sophisticated, and the print media market itself has grown to include a full range of publications. Poland is wholly literate. Major newspapers circulate throughout Poland and reach every corner of the country. In addition, special interest magazines, business journals, niche publications, and specialized newspapers have proliferated. Classified advertising is very well developed and effective. Most U.S. companies find print a highly effective means of reaching customers and candidates for jobs.

Major daily newspapers include Rzeczpospolita, Gazeta Wyborcza, Zycie, and Trybuna. Major daily business journals include Prawo i Gospodarka and Puls Biznesu. Major weekly magazines include Wprost and Polytica. Business News Poland is a business journal printed by Boss Economic Information on a weekly basis. There are also two English-language weeklies that cater mainly to foreigners in Poland, the Warsaw Business Journal and the Warsaw Voice. Major international, as well as local, advertising and public relations agencies abound in Poland. Advertising and promotional service agencies include McCann Erickson Polska, Leo Burnett, J. Walter Thompson, Ogilvy & Mather Poland, Saatchi & Saatchi, BBDO Warsaw and Young & Rubicam. For further contact information on these journals and firms, please contact the U.S. Commercial Service in Warsaw at Warsaw.Office.Box@mail.doc.gov.

K. Pricing a Product

Price is the key to effective selling of a U.S. product in Poland. As mentioned above, working capital is limited, even among the larger, more successful Polish companies. Polish businesses generally spend money carefully, after thoughtful and sometimes lengthy consideration. The most common complaint the Commercial Service in Warsaw hears about U.S. products continues to be that “the price is too high.” Pricing of U.S. products is complicated by the addition of customs duties, Value Added Tax (VAT), and, in some cases, excise tax, all of which may elevate the final retail price of a product dramatically.

Flexibility in pricing is the key, and initial market penetration to gain product knowledge among Polish consumers is the goal. Successful U.S. exporters work together with their Polish representatives to keep costs, particularly import costs, as low as possible. For example, some companies ship products unassembled to help reduce import duties. The Polish market for all kinds of products is huge and expanding, but is increasingly competitive. U.S. companies that approach the market with a long-term view of creating market share for their products will reap rewards.

L. Sales Service/Customer Support

After price, service is second on the list of the Polish customer's concerns. A manufacturer in the United States is seen by the Polish distributor and customer alike as being very far away from a product exported to Poland. A potential customer may shy away from a U.S. product because he/she fears ineffective servicing, simply due to distance, if the product breaks down.

Shipping a product back to the United States for repair or service, even if paid for by the U.S. company, is not generally a preferred option for Polish customers. Sending spare parts to Poland is easy to do. Some firms provide service for their exports to Poland through European representatives or firms licensed to repair their products. Even then, some distributors worry that they may not get adequate support.

The ideal method is to provide service and customer support through a trained Polish representative or U.S. affiliate company. U.S. manufacturers with major export accounts in Poland may wish to periodically send a service representative to Poland to work with the local representative and visit customers.

M. Selling to the Government

Poland's public procurement law, in effect since January 1995 (January 1996 for local governments), applies to most acquisitions of goods, services, or construction by nearly all government agencies, including local governments, foundations, associations, and cooperatives. Procurements by the Ministry of Defense are also included, but are subject to special rules. Procurements by state-owned enterprises are excluded from the law.

All tenders for amounts above 30,000 ECU are required to be officially announced. Tenders for lower amounts can be announced locally, in the local press or through local media.

The Polish procurement law provides for domestic preferences. Bids submitted by Polish firms are lowered (for the purpose of the evaluation of the tender) by 20%. Since the tenders are evaluated by assigning an appropriate number of points to various parts of the offer, this lowering of price is done only for a better and more favorable evaluation of the offer. In reality, when the project is executed, the price is what the Polish organization quoted. This 20% "discount" applies only in cases where 50% of raw materials used for completion of the project come from Poland.

Unlimited tendering is the preferred method, and other procedures are restricted. Tender documents must contain specifications, selection criteria and terms and conditions for the contract. Deadlines for the submission of offers must be at least six weeks from the announcement. Offers are publicly opened. Participation in tenders is open to all those legally, technically, and financially able to perform the contract (including foreign companies if applicable).

The Bulletin of Public Procurement (Biuletyn Zomowien Publicznych), which lists public procurement opportunities throughout Poland, is now published twice a week. Subscriptions are available through:

Wydzial Wydawnictw I Poligrafii
Gospodarstwa Pomocniczego Kancelarii Prezesa
Rady Ministrow
ul. Powsinska 69/71
09-903 Warsaw

Chapter 5: Leading Sectors for U.S. Exports and Investment

A. Best Prospects for Non-Agricultural Goods/Services:

Best prospects are ranked by percentage of expected growth of U.S. exports over the coming year. All statistics shown are in U.S. dollars.

Sector Rank: 1
Sector Name: Computer Services
ITA Industry Code: CSV

Computer services are considered to be the most dynamic and promising segment of the Polish information technology market. The computer services market is estimated at $570 million. This segment is expected to grow 30% annually. This rate of growth is much higher than the entire computer sector in Poland. The rapid development of computer services continues as the market moves toward technology applications and services in place of just technology itself.

The range of best prospect computer services include integration services, computer educational training, consulting, hardware maintenance and services, and data processing. Integration services are the fastest developing segments of the services market. Although few ASP (application service provider) projects were signed in 1999 and early 2000, these kinds of projects are predicted to become more popular in the near future. There is also a growing need for high-end consulting services.

Internet services are expected to continue growing at least 30% per year. The high number of new portals, vortals and hubs, plus numerous Internet investments, indicate very promising opportunities.

USD Millions	1998	1999	2000*
A. Total Market Size	445	570	740

* The above statistics are unofficial estimates.

Sector Rank: 2
Sector Name: Construction Materials and Equipment
ITA Industry Code: BLD

Strong and growing demand for construction materials is expected to continue through the next decade for both housing construction and major commercial projects. American companies constitute strong competition in the Polish market for the traditional suppliers from Germany, Italy, and Belgium. The domestic construction industry is also very competitive. Imported construction materials and equipment, particularly from the U.S., are preferred by Polish buyers.

Growth in the Polish market for construction materials and equipment is expected to continue at a high rate for at least the next two years.

USD Millions	1998	1999	2000*
A. Total Market Size	1,850	2,400	3,100
B. Total Local Production	2,200	2,300	2,700
C. Total Exports	650	800	1,000
D. Total Imports	900	1,100	1,400
E. Imports from the U.S.	100	120	150

* The above statistics are unofficial estimates.

Sector Rank: 3
Sector Name: Telecommunications Equipment and Services
ITA Industry Code: TEL, TES

The Polish telecommunications sector is a large and important part of Poland's infrastructure. The Polish telephone network is estimated to be growing at an annual rate of 20%. Planned investments are estimated at $14 billion over the next ten years.

At the end of 1999, there were slightly more than 10 million fixed-line telephone subscribers. Telekomunikacja Polska S.A. (TPSA), the national telephone operator, had a 94.7% market share, while independent operators had only 530,000 subscribers. Privatization of TPSA is currently underway. Fifteen percent of TPSA's shares were successfully floated on the stock exchanges in 1998. In July 2000 a consortium made up of French Telecom and Kulczyk Holding of Poland was chosen as a strategic investor in TPSA. The consortium invested $4.3 billion in TPSA for a 35% stake in the company. Fixed-line telephone services are still restricted. The government announced there will be no new tenders for telephone licenses until domestic long distance services open in 2002, and international services in 2003. At that time, the government will cease foreign investment limitations and substantially limit licensing requirements. In the meantime, the best prospect services are in data transmission services. There are already 5 million users of cellular phones. The government preliminarily plans to issue 4-5 UMTS before the end of 2000.

All equipment connected to public networks must be type-approved (homologated) in Poland. Type-approval requirements will substantially change under the new Telecommunications Law, which is expected to come into force in 2001. The segments that are expected to display the fastest growth and best prospects for American producers in the coming year are in tele-information products, and radio communication products.

USD Billions	1998	1999	2000*
Total telecommunications Market size	4.4	5.3	6.3
Number of fixed-line subscribers (millions):	8.6	10	12
Growth in the number of subscribers (thousands):	1,000	1,160	1,200
Rate of growth (%):	20%	20%	20%
Telephone density:	22.00	26.08	31.00

* The above statistics are unofficial estimates.

Sector Rank: 4
Sector Name: Computer Software
ITA Industry Code: CSF

The Polish software market grew 25% in 1999, reaching a total of approximately $560 million. Similar growth is expected during the next two years, while the total computer market is expected to maintain 20% annual growth. Approximately 60% of software sold on the market is manufactured by Polish companies; more than 25% of market share is held by U.S. companies.

The financial and industrial segments of the economy remain the main purchasers of software. While software sales for large enterprises still do not meet expectations, small and medium size companies, including SOHO, are substantially increasing information technology investments thus becoming remarkable software users.

The spectacular growth in computer software sales is due in part to the growth of computer networking in many organizations and the upsizing of data base management systems as a result of the ongoing privatization process that has improved the competitiveness of Polish companies. Excellent opportunities exist for special software in networking and tools.

USD Millions	1998	1999	2000*
A. Total Market Size	430	560	700
B. Total Local Production	263	346	415
C. Total Exports	98	127	160
D. Total Imports	265	341	445
E. Imports from the U.S.	130	150	180

* The above statistics are unofficial estimates.

Sector Rank: 5
Sector Name: Drugs and Pharmaceuticals
ITA Industry Code: DRG

The Polish pharmaceutical market presents good prospects for U.S. suppliers. In 1999, $2.5 billion worth of medicines were sold in Poland, and experts estimate that the value will increase by 8-9% annually over the next decade. The primary distribution channel for pharmaceuticals in Poland is through wholesalers, of whom there are 350 (some have independent branches), and pharmacies, of which there are about 8,000. Most pharmacies are privately owned.

According to World Bank projections, Poles will spend $4 billion annually on pharmaceutical products in 2001. Most major Western pharmaceutical companies are present on the market. Major competition for U.S. pharmaceutical companies come mainly from France (18.9% of total imports) and Germany (16.6% of total imports).

USD Millions	1998*	1999*	2000*
A. Total Market Size	1,700	1,970	2,450
B. Total Local Production	1,400	1,500	1,900
C. Total Exports	500	550	625
D. Total Imports	300	470	550
E. Imports from the U.S.	90	95	114

* The above statistics are unofficial estimates.

Sector Rank: 6
Sector Name: Automobile Parts and Components
ITA Industry Code: APS

The market for automobile parts and components has grown significantly over the past several years. This trend will continue as the number of cars registered in Poland grows. Investments by some of the world's major car manufacturers (Fiat, General Motors-Opel, Volkswagen, Peugeot, Daewoo) have significantly expanded the market for car parts. American automobile parts and accessories enjoy an excellent reputation for reliability and quality in Poland.

There are 8.5 million passenger cars registered in Poland. This number is likely to grow to 10 million by 2000 and to 15 million in 2010. In the past few years the number of new passenger cars annually registered in Poland has been growing rapidly, reaching an all-time high of 611,767 in 1999.

Experts estimate that the Polish car market is capable of absorbing some 500,000-600,000 new passenger cars annually. More than half of the cars registered in Poland were made more than five years ago. This translates into a continuing significant market for replacement parts for the next five to seven years.

USD Millions	1998	1999*	2000*
A. Total market size	1,731*	1,980	2,100
B. Total local production	900*	1,100	1,200
C. Total exports	392	420	460
D. Total imports	1,223	1,300	1,360
E. Imports from the U.S.	12.6	15.0	18.0

* The above statistics are unofficial estimates.

Sector Rank: 7
Sector Name: Cooling, Ventilation and Air Conditioning Equipment
ITA Industry Code: ACR

Cooling as well as air conditioning and ventilation equipment is becoming ever more popular in Poland. At the basis of this popularity is the continuous and rapid development of the industrial construction sector, supported by investments in equipment that is installed during the construction process, and modernization across most industries. U.S. equipment is perceived favorably in Poland. Construction and building projects, both large and small, present excellent opportunities for American suppliers.

USD Millions	1998	1999	2000*
A. Total Market Size	739	918	1,139
B. Total Local Production	375	458	558
C. Total Exports	179	200	224

D. Total Imports	543	660	805
E. Imports from the U.S.	7.9	9.3	11.0

* The above statistics are unofficial estimates.

Sector Rank: 8
Sector Name: Rehabilitation Equipment
ITA Industry Code: MED

There is growing demand for rehabilitation equipment in Poland, and this market presents excellent opportunities for U.S. suppliers. Products from the United States are generally thought to be of good quality, durability and reliability. Best prospect products include the following: high quality wheelchairs, electric wheelchairs, wheelchairs for children, active rehabilitation wheelchairs, and sport wheelchairs (used to play sports such as tennis, rugby and basketball). In addition, there is demand for equipment for alleviating pressure sores, (including pneumatic mattresses), hydrotherapy and physical therapy equipment and wheelchair lifts. Limited local production of high quality home-care products and accessories provides excellent opportunities for American producers. Also, there is no domestic production of components for prosthetics.

The United States remains the largest exporter of mechano-therapy and massage rehabilitation equipment to Poland. Competition for U.S. rehabilitation products comes mainly from European firms, which provide good quality products and after-sales support and service.

The range of rehabilitation equipment produced in Poland is quite limited. Poland's production consists of only traditional, basic lines such as simple wheelchairs, walkers, canes, crutches, and other simple aids. Polish manufacturers are not very competitive due to high production costs, lack of modern technology, low quality products and lack of marketing skills and resources. Access to most private and public buildings and to public transportation is still a serious problem. There is a critical need to reduce physical barriers in order to enable disabled people to live better lives and to better function in society.

USD Millions	1998*	1999*	2000*
A. Total Market Size	N/A	N/A	N/A
B. Total Local Production	N/A	N/A	N/A
C. Total Exports	4.21	4.5	4.9
D. Total Imports	2.37	2.96	3.85
E. Imports from U.S.	0.139	0.17	0.20

* The above statistics are unofficial estimates.

Sector Rank: 9
Sector Name: Electrical Power Machinery and Equipment
ITA Industry Code: ELP

The Polish market offers significant sales opportunities for U.S. power equipment and services. A new energy law, which recently came into force, will ultimately force Polish power companies to operate under competitive conditions, requiring major upgrades of power facilities. The best opportunities for U.S. companies include coal-fired fluidized-bed combustors, pollution control equipment, pumps and compressors, electrical systems, heat recovery systems, turbine generators and gas and steam turbines. U.S product offerings are particularly strong in cogeneration and clean-coal technology, two primary areas of interest to the Polish power sector.

U.S. firms face competition from Polish, as well as European manufacturers of power generating equipment. Local production of electrical power equipment is very extensive. Alstrom (formerly ABB) has several manufacturing facilities in Poland. Large international groups have been examining investment and sales opportunities in Poland.

USD Millions	1998	1999	2000*
A. Total Market Size	1,500	1,550	1,610
B. Total Local Production	1,300	1,400	1,450
C. Total Exports	350	450	470
D. Total Imports	550	600	630
E. Imports from the U.S.	25	30	35

* The above statistics are unofficial estimates.

Sector Rank: 10
Sector Name: Airport/Avionics and Ground Support Equipment
ITA Industry Code: AVG

Poland has 157 airports, including eight major facilities. Warsaw Okecie Airport handled almost four million passengers in 1999, close to the design capacity of the terminal. The airport's runways can handle aircraft carrying 14 million passengers annually. Thus, plans to enlarge the terminal's capacity are to be made public shortly. A second airport terminal for Warsaw Okecie Airport is under consideration to accommodate long-term traffic growth. The Ministry of Transport's airport development plan foresees expenditures of $2.5 billion early in the next century. The state-owned airport company, PPL, is also modernizing and expanding Poland's other three international airports, which are located in Krakow, Katowice and Gdansk.

Between 1999 and 2005, Poland's domestic air traffic is expected to increase by as much as 120%. Cargo traffic (domestic and international) is expected to increase by as much as 100%. Best prospects for U.S. companies include air traffic control equipment and airport design and construction services.

USD Millions	1998*	1999*	2000*
A. Total Market Size	13.5	15.5	17.0
B. Total Local Production	5.0	5.0	5.5
C. Total Exports	1.5	1.5	1.5
D. Total Imports	10.0	12.0	14.0

E. Imports from U.S.	3.0	3.5	4.0

* The above statistics are unofficial estimates.

Sector Rank: 11
Sector Name: Toys and Games
ITA Industry Code: TOY

The Polish market for toys and games decreased in 1999. Imports dropped by 20% and exports dropped by 10%. It is expected, however, that the total market for these products will grow between 3% and 5% during the next three years.

Domestic production of toys and games does not meet overall market demand, and imported toys and games are the basic source of supply. Poland specializes in the manufacturing of plush and stuffed animals and dolls, wooden and wicker toys, and ornamental bulbs for Christmas trees. Domestic toy manufacturers are export–oriented. The majority of their production is exported to EU countries and the U.S.

Poles prefer to buy imported toys. The largest share of Polish toy imports are mechanized military toys, construction ("building block") toys, dolls, doll accessories and toys representing animals. There is growing demand for toys and games with electronic applications. Most major international toy companies are present in Poland.

China supplies 74 percent of toy and game imports. The other leading suppliers are Italy, Denmark, Germany, Spain, Taiwan and the United States.

USD Millions	1998	1999	2000*
A. Total Market Size	112	95	102
B. Total Local Production	42	40	42
C. Total Exports	100	90	95
D. Total Imports	170	145	155
E. Total Imports from U.S.	14	15	17

* The above statistics are unofficial estimates.

Sector Rank: 12
Sector Name: Pollution Control Equipment
ITA Industry Code: POL

Poland is the largest single environmental market in Central Europe. Solving air, soil and water pollution problems is a major priority for the Polish government. Since 1990, environmental investments have increased more than three times as a percentage of GDP, reaching 1.7% of GDP in 1999 (an increase from $580 million to $2.1 billion). Poland has been very successful in obtaining environmental financing through fees and fines based on "the polluter pays" principle.

The market for pollution control equipment has grown steadily over the last few years and is expected to increase rapidly. U.S. exports of pollution control equipment to Poland have grown significantly in the past few years. While U.S. products are considered to be the best quality, they face strong competition from European suppliers, especially German (ranked 1st in market share), Swedish (ranked 2nd), and Italian (ranked 3rd). The U.S. is ranked 4th in exports of pollution control equipment to Poland.

Competitiveness of products offered by European producers is based on lower shipping costs and lower customs rates for EU suppliers.

USD Millions	1998	1999*	2000*
A. Total market size	428*	470	500
B. Total local production	160*	160	170
C. Total exports	46	50	55
D. Total imports	314	360	385
E. Imports from the U.S.	18	20	22

* The above statistics are unofficial estimates.

Sector Rank: 13
Sector Name: Computers and Peripherals
ITA Industry Code: CPT

The total information technology (IT) market has reached a value of $2.5 billion, with computer hardware estimated at $1.2 billion, which is slightly more than 43% of the total IT market. The Polish computer market grew approximately 20% in 1999.

Almost 800,000 personal computers (PC) were sold in 1999. The growth of the personal computers segment is estimated to be 16% annually. Equipment made or assembled in Poland dominates the PC segment of the market. Foreign manufacturers supply 20% of this segment, and they were able to substantially increase their market share last year. This trend is expected to continue over the next two years.

The main buyers of computer equipment are financial, transportation, telecommunications, manufacturing, trade, administration, science and educational organizations. Individual users, small and medium size companies, and the education sector significantly increased their purchases of computer equipment in 1999.

USD Millions	1998	1999	2000*
A. Total Market Size	1,071	1,200	1,450
B. Total Local Production	641	734	800
C. Total exports	170	204	320

D. Total Imports	600	720	800
E. Imports from the U.S.	217	250	270

* The above statistics are unofficial estimates.

Sector Rank: 14
Sector Name: Food-Processing Equipment
ITA Industry Code: FOD

Growth in the Polish market for food processing equipment is expected to remain strong in the coming years. The largest segments of the market are: meat and poultry processing (19.0%), spirits and yeast (18.0%), dairy products (12.0%), sugar and sweets (12.0%), tobacco products (10.0%), and breweries (7.0%).

The largest food processing equipment investments are by producers of sugar, beer, food concentrates, vegetable oil, dairy products, snack foods and vegetable and fruit juices. The food industry is expected to enjoy a steady growth rate of 5% over the next few years. Investments in the food processing industry are expected to be between $1.2 and $1.5 billion per year during that time period. The procurement of food processing technology, including equipment, is estimated to be $0.8 billion annually.

Domestic production of food-processing equipment does not meet overall market demand. The majority of food processing equipment is imported. The largest share of imports are reported in the brewery equipment group. The second largest group of imports include technology and machines that make candy, cocoa, chocolate, and sugar. The best opportunities for U.S. companies are equipment for processing fruits, vegetables, tea, and coffee. Poland’s eventual integration with the European Union is forcing adjustments in its food processing industry to meet western quality, technology, sanitary, and ecological standards; these changes require significant new investments in food processing equipment.

About 40% of all food processing equipment is imported from Germany. The other large suppliers are Italy, Switzerland, the United Kingdom, the Netherlands, Austria and the United States.

USD Millions	1998	1999	2000*
A. Total Market Size	345	375	390
B. Total Local Production	125	140	150
C. Total Exports	40	45	50
D. Total Imports	260	280	290
E. Total Imports from U.S.	14	16	17

* The above statistics are unofficial estimates.

Sector Rank: 15
Sector Name: School and Office Supplies

ITA Industry Code: BUS

The market for school and office supplies is expected to grow by 2-5% within the next three years. Consumer demand for higher quality and more fashionable products has resulted in increasing imports that amounted in 1999 to USD 277.3 million. The largest suppliers were Germany (32%), Italy (9%), France (7%), China (6%), United Kingdom, Belgium, and Austria (5% each). EU countries supplied 72% of total imports.

In 1999, Poland's total school and office supplies export amounted to USD 98 million. EU countries received 50% of total Polish exports, and Eastern European countries received 25%. Major buyers were Germany (33%), Ukraine (8%), the Czech Republic (5%), and Russia (4%).

The total value of local production of schools and office supplies for 1999 cannot be estimated. The GUS Central Statistical Office does not provide such information and school and office products are included in broad product categories. Branch experts estimate that the 1999 production of paper office supplies was USD 90 million, paper school supplies was USD 55 million, writing and drawing instruments was USD 40 million, drafting equipment was USD 20 million, and special purpose school equipment was about USD 5 million.

Polish manufacturers of school supplies dominate the paper notebook segment of the market. Local producers also enjoy a strong position in the pencil and colored crayon segments of the market.

Among school and office supply products, the best sale and import potential over the next three years will be desk accessories, organizers and planners, filing supplies and accessories, and plastic school supplies.

USD Millions	1998	1999	2000*
A. Total Market Size	N/A	N/A	N/A
B. Total Local Production	N/A	N/A	N/A
C. Total Exports	105	98	100
D. Total Imports	280	277	285
E. Total Imports from U.S.	5.7	6.3	6.7

* The above statistics are unofficial estimates.

Sector Rank: 16
Sector Name: Insurance Services
ITA Industry Code: INS

The Polish insurance market has experienced rapid development in during the last decade, more than tripling in volume. Increasing demand for insurance products, particularly in the life insurance segment, is due the low number of insurance policies held by the Poles and the high rate of economic growth.

Overall gross insurance premiums collected in 1998 were USD 4.45 billion, equal to 2.83% of GDP, while gross premium collections in the life insurance segment were USD 1.53 billion, equal to 0.98% of GDP. The overall growth rate of the insurance industry's premium collections was 26.6% in 1998. Growth in premium collections for life insurance products was 32.5%.

In 1999, the Polish insurance market continued to be regarded by foreign financial institutions as very attractive. Foreign investments in the Polish insurance sector increased by 91.5% in comparison with 1998, to reach a value of more than one billion PLN (approximately USD 234 million). Foreign entities invested 399.5 million PLN in life insurance companies. At the end of December 1999, several new joint venture companies obtained Ministry of Finance licenses for operating in the Polish insurance sector.

Poland is an under-subscribed insurance market. The average Pole spent USD 115 on insurance in 1998, with USD 40 spent on life insurance. Poles spend more on non-life insurance than on life insurance. In EU countries, these proportions are usually reversed.

With a population of almost 40 million, a relatively low insurance subscription rate and a high rate of economic growth, the Polish insurance market offers tremendous opportunities for potential U.S. investors.

Sector Rank: 17
Sector Name: Defense Equipment
ITA Industry Code: DEF

The sweeping economic and political changes that have transformed Poland since the collapse of communism in 1989 have had significant effects on the Polish defense sector, as it applies to both government and industry. With its entry into NATO, Poland's enemies of forty years are now its allies. From the ashes of a centrally planned economy, a vibrant free-market economy has emerged. The Government of Poland has identified full and active participation in NATO as one of its top foreign policy goals. NATO force goal requirements are driving equipment-related decisions, ranging from aircraft and helicopter to air navigation and communications equipment, to tank turrets and computers, to name just a few.

The current forces of change in the military, the defense industry and the economy are expected to bring new opportunities for U.S. companies. A long delayed reorganization and privatization plan for the defense industry is expected to materialize in 2001. Poland's membership in NATO has already brought opportunities for equipment upgrades and adjustment. Defense firms, still reeling from free market reforms, are seeking western partners. Opportunities for American firms exist mainly in investment, technology transfer, and co-production work. The latter is proving particularly key as the GOP weighs pending multi-role fighter aircraft and helicopter contracts. Receptivity to American companies is high due to a belief in the high quality of American defense products, and friendly feelings toward the United States.

Sector Rank: 18
Sector Name: Transportation Services
ITA Industry Code: TRN

The geographical location of Poland is ideal for rapid development in the transportation services sector. The development of this sector depends to a great extent on the development of the transport infrastructure and long awaited privatization of the government owned railway monopoly, PKP.

The total weight load of shipments in Poland amounted to 1359.2 million tons and was 3.4% lower than in 1997. Rail cargo, road, air cargo and sea shipments declined while pipe and inland waterway shipments increased.

The demand for passenger transportation (except local public transport systems) has been in decline, in large part due to the spectacular increase in the number of passenger cars registered in Poland in recent years.

Rail transport accounts for approximately 60% of the total transportation sector, compared to 82% in 1970. The role of road transportation continues to steadily increase, as it has in EU countries. The road system is inadequate for the increasing number of cars and trucks. The number of cars in Poland exceeds twelve million, more than double the number in 1990. There is especially a lack of adequate highways between major cities capable of carrying the increased volume of trucks necessary to the growth of Poland's distribution systems. An extensive road network upgrade is planned over the next 10-15 years, but much of this is not even in the design phase. Rural road travel is particularly difficult and very dangerous at night. There are 96,000-100,000 road transportation companies in Poland, but the majority of them are small, family-owned firms.

Prospects are especially good for companies that offer combined transportation services.

Sector Rank: 19
Sector Name: Health Care Services
ITA Industry Code: HCS

The health care services market in Poland offers opportunities for U.S. companies. Poland is the largest healthcare market in Central Europe. A major health care reform law took effect on January 1, 1999. This reform transferred the responsibility of ownership and management of health services to local governments. Local governments administer "Patients' Funds" that contract out services from healthcare providers for consumers. The reform has decentralized the national health care system. The new system is expected to create a solid foundation for the development of private healthcare services, including the potential of introducing private health care providers.

The health system in Poland consists of public hospitals and outpatient clinics that provide free services, and a slowly growing private sector. In 1999, there were about 700 general hospitals operating in Poland with a total number of available beds of 200,000. Approximately five million Poles were hospitalized in 1999. The average hospital stay was 10 days. The most common causes of death in Poland are cardiovascular disease, cancer, injuries and accidents, and accidental poisoning. Contagious diseases, especially tuberculoses and hepatitis, are still an important concern. About 24% (9.5 million) of the population is retired, and another 11.5% (4.5 million) are considered handicapped. These groups are the biggest consumers of healthcare services in Poland.

Private medical firms (Polish and foreign) offer health care services for individuals and companies. These companies provide basic medical services internally, while contracting some or all specialized services with third parties. They cooperate with specific hospitals to provide clients with hospitalization services. As Poland's economy continues to improve and health reform is fully implemented, it is expected that consumers will increasingly turn to private health care companies.

B. Best Prospects for Agricultural Products:
(In thousand metric tons, unless otherwise noted)

Sector Name: Corn
PS&D Code: 11

Continuing expansion of Poland's livestock sector should increase utilization of higher-quality feed inputs and demand for imported corn. Both poultry and swine production based on commercially produced feeds are expanding as the transition to the market economy continues. Similar to the import barriers existing for wheat and durum, traders complain that U.S. corn is precluded by the risk of having a shipment rejected at the Polish border if authorities fined any traces of several common weed seeds which are on the quarantine list in Poland.

Thousand Metric Tons	1999	2000*	2001*
A. Total Market Size	1,000	1,000	1,000
B. Total Local Production	496	599	500
C. Total Exports	0	0	0
D. Total Imports	237	200	500
E. Total Imports from U.S.	0	0	50

* The above statistics are unofficial estimates.

Sector name: Wheat

PS&D Code: 11

Normally, the Polish grain market is protected by high tariffs. Additionally, traders avoid imports of U.S. grain and soybeans due to the risk that shipment can be rejected at the Polish border if authorities fined several common weed seed which are on the quarantine list in Poland. Poland usually imports a significant amount of high quality wheat for blending with local wheat to improve baking parameters. However, high tariffs constrain imports to lower levels than normally would be used. The drought that occurred early in 2000 reduced Poland's domestic wheat crop and stocks significantly. As a result, milling and feed wheat imports are expected to be significant. Despite the existing barriers, part of the imports will be comprised of U.S. wheat.

Thousand Metric Tons	1999	2000*	2001*
A. Total Market Size	10,000	10,000	10,000
B. Total Local Production	9,537	9,051	8,200
C. Total Exports	395	20	0
D. Total Imports	378	250	1,100
E. Total Exports	33	20	200

* The above statistics are unofficial estimates.

Sector Name: Poultry Meat
PS&D Code: 53

Polish poultry meat production is expected to decrease in 2001 due to growing feed costs. Poultry meat imports are constrained by high tariff rates. Tariff rate quotas linked to domestic production levels provide some relief. Imports of poultry meat for processing and re-export are not constrained by tariffs. Imports of poultry meat are expected to recover after decreasing significantly following the Russian crisis in 1998. Poland has become an important transshipment point for poultry meat to Ukraine.

Thousand Metric Tons	1999	2000*	2001*
A. Total Market Size	400	400	385
B. Total Local Production	575	580	550
C. Total Exports	44	44	40
D. Total Imports	14	25	30
E. Total Imports from U.S.	7	12	15

* The above statistics are unofficial estimates.

Sector name: High Value Beef
PS&D Code: 52

In 1999 traders began importing high value beef (HVB) to supply Poland's top restaurants and hotels. As a result of the U.S. Meat Export Federation promotion U.S., corn fed

HVB is rapidly gaining a niche on the Polish market. HVB is imported to Poland within the tariff rate quota for beef at a within quota tariff of 30 percent.

Metric Tons	1999*	2000*	2001*
A. Total Market Size**	11	220	880
B. Total Local Production	0	0	0
C. Total Exports	0	0	0
D. Total Imports	1	20	100
E. Total Imports from U.S.	1	20	100

* The above statistics are unofficial estimates.
** Total market size is reported in thousands of dollars.

Sector name: Beef Offal
PS&D Code: 52

After Mexico, Poland is the largest importer of U.S. beef tripe. U.S. tripe is imported for processing and production of the traditional Polish soup called “Flaki”. Demand for U.S. and Australian tripe has remained stable for the past several years. The U.S. share of the market fluctuates from 50 to 80 percent depending on the prices.

Thousand Metric Tons	1999*	2000*	2001*
A. Total Market Size (million USD)	7.2	7.2	7.2
B. Total Local Production	30	30	30
C. Total Exports	0	0	0
D. Total Imports	12	12	12
E, Total Imports from U.S.	6	6	6

* The above statistics are unofficial estimates.

Sector Name: Soybeans
PS&D Code: 06

Relying largely on rapeseed as an input for the domestic oilseed crushing industry, Poland typically imports less than 10,000 tons of soybeans annually. However, 50 percent of this total is imported by companies equipped with extruders to utilize full-fat soybean soybeans in feed formulas. According to industry sources, the feeds produced based on the full-fat formula are in high demand. Periodic shortages of domestic rapeseed, increasing demand for soybean meal and occasional favorable prices for US soybeans relative to South American soybeans offer potential for substantially higher imports of US soybeans. With increasing foreign investment in the Polish oilseed crushing, capital is available to retool facilities to capitalize on favorable conditions for processing soybeans when they arise.

Thousand Metric Tons	1999	2000*	2001*
A. Total Market Size	10	10	10

B. Total Local Production	0	0	0
C. Total Exports	0	0	0
D. Total Imports	7	7	8
E. Total Imports from U.S.	0	0	0

* The above statistics are unofficial estimates.

Sector Name: Soybean Meal
PS&D Code: 06

Feed manufacturing requirements for the Polish swine and poultry industry results in stable import demand for soybean meal in Poland. U.S. suppliers must contend with Polish government restriction on a perceived risk of live weed seeds in low-protein soybean meal resulting in increased risk. New GMO regulations which became effective in Poland in 2000 require an official permit for production or sale for any GMO materials. Processed products containing approved GMO components do not have to be re-approved. Unlike EU regulations, the Polish regulations do not provide for any threshold level. To date, no negative effects from the new GMO regulations have been observed with regard to soybean meal imports. However, soybean meal trade could potentially be affected by the new GMO regulations. There is generally a certain window of time during each year when U.S. soybean meal is competitive with alternative suppliers. During that time, substantial imports of high-protein U.S. soybean meal enter Poland.

Brazil and the United States supplied 12 and less than 1 percent respectively of the soybean meal imported in CY 1999. The remaining came from the EU, which is Poland's source for soybean meal. Multinational companies with feed processing investments in Poland often import meal from their own EU soybean crushing operations, which are often crushing U.S. soybeans.

Thousand Metric Tons	1999	2000*	2001*
A. Total Market Size	1,000	1,000	1,000
B. Total Local Production	0	0	0
C. Total Exports	2	0	0
D. Total Imports	769	850	850
E. Total Imports from U.S.	1	40	40

* The above statistics are unofficial estimates.

Sector Name: Durum Wheat
PS&D Code: 11

Growing demand for potato alternatives such as pasta together with growing competition between major pasta producers is providing the framework for more focus on quality. Consequently, U.S. durum should be in a good position to secure a strong share of the market. However, traders express concern about the risk of importing (even) durum stemming from

Poland’s insistence on maintaining a zero tolerance on several weed seeds commonly found in imports of U.S. grain and oilseeds.

Thousand Metric Tons	1999	2000*	2001*
A. Total Market Size	120	120	120
B. Total Local Production	0	0	0
C. Total Exports	0	0	0
D. Total Imports	98	100	110
E. Total Imports from U.S.	19	40	40

* The above statistics are unofficial estimates.

Sector Name: Peanuts
PS&D Code: 06

Growing incomes and proliferation of roadside convenience stores along with increased vehicular travel have contributed to a strong growth in demand for snack foods in Poland. Foreign investment in the Polish confectionery industry has also supported import demand from the United States for this product in particular. These trends should continue to support continued strong growth in imports of this product.

Thousand Metric Tons	1999	2000*	2001*
A. Total Market Size	28	30	30
B. Total Local Production	0	0	0
C. Total Exports	2.5	2	.4
D. Total Imports	29	30	30
E. Total Imports from U.S.	2.5	2.8	2.8

* The above statistics are unofficial estimates.

Sector Name: Cotton
PS&D Code: 04

The U.S. has been priced out of this market due to cheap Uzbek cotton and the false notion that Polish machinery cannot utilize U.S. cotton. Polish importers have been able to successfully utilize U.S. cotton donated to Poland in FY 1996. According to Polish statistics, Poland imported over $6.3 million worth of cotton from the U.S. in 1997 when U.S. prices were favorable to other suppliers. Given the recent experience with U.S. cotton, imports of U.S. cotton are poised to resume during period when prices between U.S. and Uzbek cotton narrow.

Thousand Metric Tons	1999	2000*	2001*
A. Total Market Size	75	76	76

B. Total Local Production	0	0	0
C. Total Exports	1.5	1.5	1.5
D. Total Imports	54	52	54
E. Total Imports from U.S.	.1	.2	.2

* The above statistics are unofficial estimates.

Sector Name: Seafood
PS&D Code: 54

Poland's marine catch is declining at the same time domestic fish consumption and exports of processed fish are growing. As a result, opportunities to supply raw materials to the Polish fish processing industry and consumer-oriented fish products to the Polish retail market are increasing. Poland's per capita consumption of fish is estimated at 6.6 kg/person; roughly one-third of per capita consumption in the EU. As Poland's economy continues to improve and dietary focus shifts to healthier dishes, fish consumption and imports are expected to sharply increase.

Thousand Metric Tons	1999	2000*	2001*
A. Total Market Size	216	217	218
B. Total Local Production	90	85	85
C. Total Exports	45	45	45
D. Total Imports	226	230	240
E. Total Imports from U.S.	.9	1.2	1.5

* The above statistics are unofficial estimates.

Sector Name: Dried Prunes
PS&D Code: 10

Growing incomes and proliferation of roadside convenience stores along with increased vehicular travel have contributed to a strong growth in demand for snack foods in Poland. Foreign investment in the Polish confectionery industry has also supported import demand from the United States for this product in particular. These trends should continued to support continued strong growth in imports of this product.

Thousand Metric Tons	1999	2000*	2001*
A. Total Market Size	.5	.7	.7
B. Total Local Production	0	0	0
C. Total Exports	1.6	1.6	1.7
D. Total Imports	2.0	2.1	2.1
E. Total Imports from U.S.	2.0	2.0	2.0

* The above statistics are unofficial estimates.

Sector Name: Grapefruit
PS&D Code: 24

Despite a lower import tariff for Spain and 0% import tariff for Israel, and Turkey, US exports of grapefruit (primarily ruby red) to Poland have tripled from 1993 to 1999 and U.S. market share increased from 2% to 20%. US grapefruit sales are handled almost exclusively through Dutch and, to a lesser extent, German intermediaries who offer some credit terms and increased flexibility regarding size and timing of shipments to Polish importers. Direct imports from the USA started in 1998 after several Polish importers visited the U.S. and met with U.S. exporters under USDA's Cochran Training Program. Even if Poland doubles grapefruit imports as expected by 2002, per capita consumption levels will still be substantially below average Western European levels.

Thousand Metric Tons	1999	2000*	2001*
A. Total Market Size	29	29	30
B. Total Local Production	0	0	0
C. Total Exports	2.2	2.1	2.3
D. Total Imports	29	28	30
E. Total Imports from U.S.	6.5	6.1	6.5

* The above statistics are unofficial estimates.

C. Significant Investment Opportunities:

Privatization is considered by foreign investors to be slow, especially in what the Polish Government regards as "strategic sectors": banking, insurance, telecommunications, mining, steel, defense, transportation, energy, and broadcasting. A bill passed by Parliament in 1995 gave much of the authority for privatization to the Parliament and emphasized "commercialization," turning State enterprises into treasury-owned joint stock companies before truly privatizing them.

The privatization plans for 2000 and 2001 include: privatization of insurance giant PZU S.A., the national airline LOT, the telecom monopoly TPSA, the Polish Oil and Gas Company, iron and steel works, the spirits sector and a series of power generation plants. The Government has a 52.1% stake in the copper holding company KGHM Miedz and plans to sell part of its shares to a few institutional investors. Privatization of the chemical sector (including pharmaceuticals and synthetic fertilizers) and several trade entities and distribution chains (Domy Centrum, Orbis, Ruch) which started in 1996, will continue. In 1996, companies under the Mass Privatization Program moved closer to privatization, and many of them were sold to strategic investors. The National Investment Funds, which manage the Mass Privatization firms, have been listed on the Warsaw Stock Exchange since June 1997.

The Government of the United States acknowledges the contribution that outward foreign direct investments make to the U.S. economy. U.S. foreign direct investment is increasingly viewed as a complement or even a necessary component of trade. For example, roughly 60% of U.S. exports are sold by American firms that have operations abroad. Recognizing the benefits that U.S. outward investment brings to the U.S. economy, the Government of the United States undertakes initiatives, such as Overseas Private Investment Corporation (OPIC) programs, investment treaty negotiations and business facilitation programs, that support U.S. investors.

Banking and Financial Services

The post-1989 reforms of the banking and financial sector led to the Polish National Bank NBP being divided into nine medium size regional banks for eventual privatization. A majority of them have already been privatized. There are many foreign banks licensed to operate in Poland.

A logical trend towards consolidation of the banking industry began in 1998 with mergers between Polish banks and some acquisitions of Polish banks by foreign banks. More than 70% of the Polish banking sector is now owned by foreign banks. In 2000, Citibank acquired 87.83% of Bank Handlowy, the second largest bank in Poland. The consolidation of the banking sector has also involved insurance companies and will likely lead to the creation of major financial institutions. According to international financial experts, the Polish banking market is likely to be the fastest growing in Europe over the next five years. During this period, average real annual growth rates in Polish zloty terms are forecasted to be 13% to 15% for the assets of Polish banks and 16% to 18% for retail deposits. According to international consulting firms, the number of permanent users of banking services is increasing at the rate of 2% yearly, and has already reached 35% of households. The number of individual accounts is increasing dramatically each year. Banking service usage is still far below the 80% usage rate of neighboring Germany, making Poland a promising market for those who enter.

Insurance

Competition from foreign investors and the move toward a fully open and free market have started a trend towards consolidation in which large banks are taking part in the insurance industry. The Polish insurance market continues to be liberalized. As of January 1, 1999, insurance companies located outside Poland are allowed to sell their policies directly in Poland. There are 55 licensed insurance companies, including more than 20 with foreign capital. Of the 55, 24 are in the life-insurance business and 31 in the non-life business. In 1998, non-life insurance companies collected USD 2.91 billion in premiums, while life insurance companies collected USD 1.53 billion.

PZU S.A. (Panstwowy Zaklad Ubezpieczen) still dominates the Polish market with about a 63% share and collected premiums in 1998, the latest year for which statistics are available, totaling more than USD 1.7 billion. PZU was privatized in 1999 – 30% of company shares were sold to the consortium of pan-European insurance group Eureko (20%) and BIG Bank Gdanski (10%). The Ministry of State Treasury plans to sell an additional 20-25% of its shares either to a strategic investor or through a public offering.

Poland is the biggest insurance market in Central and Eastern Europe. Strong economic development, a decreasing level of inflation, and the progressive adjustment of legal regulations to EU directives create a good climate for investment opportunities in the insurance sector.

Power Industry

The Polish electrical power sector presently consists of three subsectors: generation, transmission, and distribution. As a system it is the largest in Central and Eastern Europe. Power is generated in 56 thermal power plants, of which 33 are combined power and heat plants. The installed generating capacity of the power stations is 35,700 MW. In 1999 the gross domestic production of electricity reached 143,000 gigawatts. All thermal power plants are coal-fired.

The Polish electrical power sector has been in dire need of modernization and refurbishment in order to create an economically efficient industry capable of meeting national energy requirements. The cost of modernization by 2010 is estimated at USD 50 billion. Modernization is needed to replace 16 gigawatts of obsolete installed capacity and to satisfy stricter ecological standards that will take effect between the years 1999-2001. Out of this amount, USD 15 billion is needed for the modernization of existing power plants. A substantial portion of the modernization cost will be covered by income generated from privatizing the power enterprises.

The sector is currently undergoing significant changes as it prepares for deregulation. The major trends in the power sector include liberalization of the electric energy market, deregulation, and privatization of energy sector enterprises. In December 1997, a new energy law created a solid legal framework for a competitive energy market based on third party access and a licensing system. The independent Energy Regulatory Agency was created to ensure competition within the energy sector.

The 1997 energy law opens the way to privatization of power generation enterprises and places Poland's energy sector on an equal footing with more liberal European countries. The law safeguards and facilitates foreign investment in Poland's energy sector, which, over the next 5-6 years, will lead to the development of a privatized electricity market. Eventually, prices for power producers, distributors, and trading companies will be verified by the electricity exchange and contract market. The Energy Regulatory Agency only supervises compliance with license and market rules. Currently, 70% of power produced is sold through long-term power purchase agreements, and the remaining 30% is subject to a more competitive market, led by a newly established energy exchange, which will begin operation in July/August 2000.

The privatization of Polish power plants and distribution companies has been accelerated during last year. According to government plans, all Polish power plants and distribution companies will be privatized by 2002.

Multilateral lending institutions such as the World Bank and the European Bank for Reconstruction and Development are interested in investing in Poland's power sector. The

EBRD is focusing on joint venture arrangements in large turbines, gas-fired turbines, and hydro turbines as the best opportunities in the sector. The World Bank is also heavily involved in financing the Polish power sector, including modernization projects within power generation, transmission, and distribution.

Oil and Gas Industry

The Polish Oil and Gas Company (POGC) is the major producer of oil and natural gas in Poland. The POGC holds a monopoly on the importation, transmission, storage, and distribution of natural gas. In order to reduce the overwhelming dependence on domestic coal and imported gas, Poland intends to develop exploration and production of methane gas from hard coal deposits in Silesia. In 1991, licensing was made available to foreign companies for oil and gas exploration and production in Poland. Several U.S. and foreign oil and gas companies are involved in the exploration of methane, natural gas, and oil in Poland.

According to government forecasts, by 2010 gas consumption will increase to 22-27 billion cubic meters annually (from USD 11 billion cubic meters today). To meet the increasing requirements for gas, Poland is participating in the construction of a natural gas pipeline from Siberia to Western Europe. In 1996, the Polish Oil and Gas Company and Russian Gazprom signed a contract for delivery of 250 billion cubic meters of natural gas over the next 25 years through the Yamal pipeline. Annual shipments will amount to 14 billion cubic meters of natural gas. The implementation of an investment of this type creates the need for improved distribution systems and increased gas-storage capacity.

The Polish Government has designated the oil industry as one of the sectors of strategic importance for national security. The domestic refining industry only partly meets the demand for oil products; approximately 20% of liquid fuels are imported. The oil sector, for both production and distribution, has required substantial investments in order to be competitive with the rest of the world. Major problems faced by the petroleum industry in Poland include lack of capital, obsolete technology, poor energy efficiency, excessive use of raw materials, low utilization of existing capacity (below 80%), and burdens on the environment.

The majority of refineries in use today were constructed in the 1960s and 1970s and need privatization that should lead to modernization. The two largest refineries, Plock and Gdansk, are embarking on modernization programs worth more than USD 1.5 billion. The Plock and Gdansk refineries are eager to use U.S. technology, which enjoys an excellent reputation among Polish specialists, in their modernization investments. In addition, there is a need for additional storage capacity for fuel reserves.

The government has signed agreements with the World Bank and the European Investment Bank on loans for the energy sector. A substantial part of the loans to Poland were allocated for technological development in the oil and gas sector. The gas extraction industry was recognized as a key element in the restructuring of the overall national economy and the protection of the natural environment. Out of a total USD 310 million allocated, some USD 200 million will be used for technical restructuring in the oil industry, including the purchase of new equipment for geophysics, drilling and production installations.

The Yamal-Europe Transit Gas Pipeline Construction

The Yamal-Western Europe transit gas pipeline, more than 4,000 km long, will carry natural gas supplies from the richest Siberian reserves to Germany and other Western European countries across the territories of Russia, Belarus and Poland. This enormous investment project is estimated to cost USD 35 billion.

The Polish and Russian governments signed an agreement for the pipeline construction in 1994. According to this agreement, a tendering process selects construction companies and suppliers, primarily from Polish and Russian bidders, on a strictly competitive basis. Other international companies are considered if neither Polish nor Russian companies qualify.

The Polish section of the gas pipeline is being designed, constructed and managed by EuRoPol GAZ S.A., a joint-venture founded in 1993 between the State-held Polish Oil and Gas Company (48%), Russian Gazprom (48%) and a Polish company, Gas Trading S.A. (4%). EuRoPol GAZ S.A. will be the owner of the Polish section of the gas pipeline.

The construction cost of the Polish section of the pipeline is estimated at USD 2.5 billion, making it the largest infrastructure investment in Poland to date. The Polish section of the pipeline runs from Kondratki, on the Polish border with Belarus, to the German border town of Gorzyca and will carry 65.7 BCM of natural gas annually. Two parallel gas pipelines are planned, each 665 kilometers long. The first pipeline has already been constructed and is planned to become fully operational in 2000, along with five compressor stations. The second line will be completed in 2010.

For more information, please contact:

EuRoPol GAZ S.A.
Mr. Jerzy Adamczyk, President
Aleja Stanow Zjednoczonych 61
04-028 Warsaw
tel: (48-22) 813-25-85
fax: (48-22) 813-34-75

Restructuring and Privatization of the Polish Oil Industry

The oil sector generates 8.5% of Poland's gross domestic product and over USD 400 million of annual profit. The petroleum industry needs restructuring in order to successfully face the foreign competition that will result from the reduction of fuel import quotas and customs barriers. The total cost of restructuring is estimated at USD 3 billion.

In accordance with the government program for oil sector restructuring, the state-owned joint stock company, Nafta Polska S.A., was created in 1996, holding minority stakes in the strategic companies of the petroleum sector.

Nafta Polska S.A. is responsible for the supervision and implementation of the government's program for oil sector restructurization and privatization. In 1999, the largest Polish refinery, Petrochemia Plock, was merged with the fuel distributing and retailing company CPN, creating a new company called Polish Oil Concern (PKN). PKN will be privatized through a public share offering on local and foreign stock exchange markets.

The second largest refinery, Gdansk Refinery, was planned to be privatized by the end of 1998 through the sale of more than 50% of its shares to a strategic investor. In July 1998, Nafta Polska extended invitations to firms seeking a controlling stake in Gdansk Refinery. However, only three companies have expressed interest in the offer, and only one has placed a bid. Nafta Polska did not accept the offer because the price proposed was only one-third of that predicted in the pre-privatization analysis. The Ministry of State Treasury has prepared several new proposals for possible Gdansk Refinery privatization. One possibility is to look for a strategic investor again; others include company privatization through the public offering on the stock exchange or selling the refinery share package to the Polish Oil Concern.

The three remaining refineries in southern Poland will be privatized separately. In the case of Czechowice, the prospective investor is requested to expand the plant's processing capacity to 2 million tons and participate in financing for the petrochemical segment of the planned Poludnie complex.

For more information, please contact:

Nafta Polska S.A.
Mr. Grzegorz Zarebski, President
ul. Jasna 12
00-013 Warsaw
tel. (48)(22) 827-05-25
fax. (48)(22) 827-31-05

Tourism Development

Poland is widely recognized as an important destination in the global tourist market. It ranks among the top ten countries in the world with regard to the number of visitors and about 13th with regard to the revenue generated from tourism (in comparison to 64th in 1991). The growth of Polish tourism has outpaced growth in traditional tourist giants such as Greece and Switzerland. Each year, Poland is visited by almost 90 million foreigners, five times more than in 1990. The tourist sector has been growing and this trend is expected to continue in the future. Tourism has encouraged the development of infrastructure and accommodations in Poland. In 1997, the latest year for which detailed statistics are available, the number of accommodation facilities increased by 800 and reached a total of 12,000. The number of rooms in hotels rose by nine percent to 45,000. The number of rooms in boarding houses rose by 16 percent to 8,050.

Poland is a leader among Eastern European countries that supply visitors to the U.S. The number of Polish visitors to U.S. accounted for 20% of all Eastern European visitors (382,486 in 1997). The number of Polish travelers to the U.S. is increasing at a 20% annual rate. The potential for growth in outgoing tourism to the U.S. is significant. Poles have begun to travel more frequently than citizens from some Western European countries. The U.S. has a special image as a country of freedom to Poles, which makes the U.S. a popular tourist destination. The significant barrier limiting the growth and development of Polish tourism to the U.S. is the requirement to obtain a visa prior to entering the U.S.

According to the World Bank and International Monetary Fund reports, the Polish tourism industry has great potential to contribute to the restructuring of the national economy and Poland's competitiveness in the European market. PHARE TOURIN funds have been assigned by the European Community to support development of the Polish tourism sector.

Poland possesses adequate assets and tourist attractions as well as a sufficiently developed network of tourist services. Poland's diversified natural conditions provide potential for tourism in the mountain regions, at the seaside, in the lake districts, and in the countryside. Foreign capital engaged in the Polish tourism sector amounted to USD 1.5 billion in 1999.

There is a strong demand for new hotels in Poland, especially in large cities. Orbis S.A., the leading Polish travel agency and owner of the largest hotel chain in Poland, is in the final stages of privatization. Orbis Hotels owns 54 hotels in Poland. Several international hotel companies have recently developed hotels in large Polish cities. Holiday Inn Worldwide signed a franchise agreement this year with a Polish company, Global Hotels Development Group Poland S.A. (GHDG) to develop 20 hotels in Poland within the next 10 years. The total investment is estimated at USD 116 million and will include construction of four luxury Crowne Plaza hotels, ten Holiday Inn Express hotels at USD 5 million each, and four standard Holiday Inn hotels at USD 12 to USD 18 million each. GHDG also plans to modernize existing hotels and introduce them into the Holiday Inn chain. There is a tremendous need to develop moderate tourist accommodations in Poland to meet European and world demand. Moreover, investment in leisure activities, such as ski lifts, tennis courts, open and indoor swimming pools, golf courses, and bowling centers, is desperately needed.

Rail and Road Transportation

Poland's transportation network, suffering from years of neglect, is in dire need of upgrade and refurbishment. Only 15% of roads can be classified as good quality, some 50% of roads are not in satisfactory condition and need immediate upgrading work, and 35% are considered very poor.

To help meet this need Poland has planned a new system of toll roads operating alongside the already existing transportation infrastructure.

The program calls for approximately 2,500 km of highways to be built in Poland over the next 15 years with a total cost estimated at USD 8 billion. The plan, approved by the Parliament in 1994, provides for the construction of four highways. They will channel traffic between Western Europe and Poland's eastern neighbors and connect the Baltic coast with the southern borders. Each segment of the highway will be built individually by prime contractors. The projects have experienced delays due to financing problems. Recent studies have shown lower traffic density than was initially expected. The government of Poland is adopting legislation allowing the financing schemes to change from build-operate-transfer (BOT) systems into public-private partnerships (PPP). Legislation was approved by the Polish parliament in September 2000 that would allow PPP arrangements. The law is currently awaiting the President's signature, which is expected in the near future.

Highway routes were selected on the basis of traffic volume. Tollways were supposed to be built under a license, with both private and public investors participating in forming a consortium. Significant financial contributions will come from international institutions. The first tenders have been announced, and the first concessions that allow contract negotiations have been granted.

The contracting authority is:

The Agency for Construction and Operation of Highways
(Agencja Budowy I Eksploatacji Autostrad)
Mr. Andrzej Urbanik, President
ul. Chalubinskiego 4/6
00-928 Warsaw
tel: (48-22) 624-43-65
fax: (48-22) 830-05-84

The importance of railways in Western Europe has a significant effect on the development and modernization of rail transportation in Poland. Poland's location forces integration of a portion of the Polish railway network with the European transportation system. Its integration with the European network and competitiveness with international traffic requires a higher standard of service in both passenger and freight transportation. The share of railways in the transport of goods in Poland is now approximately 50%. The share of mixed road and rail transport is very low due to underdeveloped computer systems and lack of appropriate platforms, rolling stock for the transport of semi-trailers or containers, and the lack of equipment for container handling. However, mixed transport has the best prospect for growth in Poland.

The Polish State Railways (PKP) is the third largest railway in Europe in terms of line length with 25,000 kilometers of rail, but in terms of quality of equipment and service it is far behind EU countries. About 60-80% of PKP's rolling stock is outdated and needs modernization. PKP is in a very poor financial situation – only cargo shipments are profitable, passenger traffic results in losses to the company. There are plans for privatization of PKP (its three parts – passenger, cargo and infrastructure). The Polish parliament passed a new law in the summer of 2000 that is aimed at restructuring, commercializing and privatizing PKP. The law is now awaiting approval of the President, which is expected in the near future.

The Polish railway modernization project involves modernization of the main railway line from Warsaw to Kunowice (German border). The project will include the purchase of track rehabilitation machinery, signaling cables, power supply cables, signaling equipment, steel parts for standard turnouts, as well as hot- and flat-wheel detection equipment. The project's estimated value is USD 580 million. A financial contribution of USD 60 million will come from the EBRD. Other international agencies will provide USD 275 million.

The agency responsible for this project and its contracting authority is:

PKP CBZIS "FERPOL"
Mr. Zbigniew Palczewski, Director
Wojciech Stroinski, Commercial Director
ul. Grojecka 17
00-973 Warsaw
tel: (48-22) 822-14-30
fax: (48-22) 822-26-28

Chemical Industry

The chemical industry in Poland continues to grow, with production figures increasing in all branches of the industry and in all groups of chemical enterprises. Figures from 1999 show that the sales of chemicals, chemical products and chemical fibers rose by 9%, while sales of rubber and plastic products rose by 20%.

A new program for modernization and privatization of the Polish chemical industry calls for 105 investment ventures through the year 2005 for a total value USD 3 billion. It is expected that 30% of the financing will come from Polish chemical companies, 20% from a Polish investment consortium, and 50% from foreign investors. Almost all Polish chemical firms expect sales to continue growing. Interested companies may wish to contact:

Polish Chamber of Chemical Industry
Mr. Konstanty Chmielewski, President
ul. Zurawia 6/12
Warsaw
tel/fax: (48-22) 625-3178

Environmental Industry

The environmental services sector has only recently emerged in Poland's growing market economy, and is in a state of flux. The new Polish environmental strategy emphasizes the principle of sustainable development. It encourages firms to rely on clean technologies, pollution prevention, and waste minimization in designing their production process. It discourages "end-of-the-pipe" control technologies.

Poland faces enormous environmental challenges, but this situation also presents opportunities for western companies with the equipment, advanced technology, and know-how that Poland requires. The most promising areas are air pollution control, wastewater treatment, waste disposal, and recycling technology. The importance of the environmental sector is widely recognized by Polish authorities and strongly supported by international financial institutions. Credit lines are available for environmental protection investments on preferential conditions, thanks to funds provided by internal sources as well as the World Bank, European Bank for Reconstruction and Development, and others. Poland has adopted the "polluter pays" principle. Fees and fines for use and pollution of the environment are collected by the National and Regional Funds for Environmental Protection and Water Management. In turn, these Funds offer preferential loans for environmental projects.

Automotive Industry

Automobile sales in Poland continue to grow. The automotive industry represents not only great sales opportunities, but is also a very good investment opportunity. Several companies have already decided to take advantage of that by locating either production or assembly plants in Poland. Major investors include Fiat, Daewoo, GM-Opel, Ford, Volkswagen, Peugeot, Scania, and Volvo. The auto parts industry is also very promising for potential investors, as the majority of investors in car production commit themselves to sourcing their parts in Poland, not from abroad. Nearly 20% of foreign investment in Poland has been in the automotive industry.

Telecommunications

The Polish telecommunications sector is a key industry and a major part of Poland's infrastructure. Although the Polish telephone network is growing at 20% a year, the Polish infrastructure is far behind other European countries with approximately 26 telephones per 100 inhabitants.

The national telephone operator, Telekomunikacja Polska S.A. (TPSA) still holds a 94.7% market share in fixed-line services, with independent operators serving less that 500,000 subscribers. Local operators plan to invest $3-4 billion in the next few years to increase their market share to 20% by 2002.

The process of privatization of the national telephone operator, Telekomunikacja Polska S.A. (TPSA), is currently under way. Fifteen percent of TPSA's shares were successfully floated on the stock exchanges in November 1998. In July 2000, a consortium made up of French Telecom and Kulczyk holding was selected by the Ministry of State Treasury to become a strategic investor in TPSA. The consortium paid $4.3 billion for a 35% stake in TPSA, and has the option of increasing their stake to 51% in 2001.

TPSA will continue to have a monopoly for voice international services until 2003. Three new operators, Netia 1, NG Koleje Telekomunikacja and Niezalezny Operator Miedzystrefowy, received licenses for telephone inter-zone services in spring 2000. The government is planning not to issue new licenses for local or inter-zone telephone services until 2002, when these services will become open for competition with limited licensing requirements and no restrictions on foreign investments.

Foreign ownership in in-country data transmission services is currently limited to 49%. Companies might obtain licenses without going through a tender procedure, but only Polish-owned companies might receive licenses for international data transmission services.

A new telecommunications law that would comply with EU standards is was signed by the President in August 2000 and will come into force on January 1, 2001.

Chapter 6: Trade Regulations, Customs and Standards

A. Trade barriers, including tariff and non-tariff barriers

Poland complies with the Harmonized Tariff System. Tariff rates are subject to change once a year (January). Depending on the country of origin, products are divided into three categories:

1. Developing nations
2. Members of the World Trade Organization
3. Countries with which Poland has a bilateral or multilateral customs agreement (e.g., free trade agreements, CEFTA)

In 1992, Poland signed an Association Agreement with the European Union (EU) that lowered or eliminated tariffs on many EU produced goods imported into Poland, while tariffs on U.S. products did not change. At that time, the U.S. managed to negotiate more favorable rates for some product categories, but many U.S. products are still at a disadvantage compared to EU competitors.

For some luxury and strategic products (e.g. alcohol, cosmetics, cigarettes, sugar confectionery, video cameras, satellite antennas, passenger cars, gasoline, and oil) an excise tax is also applied. Excise tax is levied on top of the customs tariff.

Duty free quotas have been applied within certain industries including the automotive, computer, and pharmaceutical sectors in Poland. U.S. and foreign firms have benefited from these quotas. In some instances the quotas are targeted on products originating from specific export regions (e.g. cars from the EU as a result of the Association Agreement), and in others they have been assessed to help protect local industry (e.g. pharmaceutical), to help develop industries (e.g. computer parts and components), or to protect the environment.

Refunds are possible for customs duty paid on raw materials, semi-finished goods, and products used in the manufacture of goods for export within thirty days, contingent on documentation certifying customs duty was paid on the goods when they were imported.

Agricultural Tariffs

Poland implemented its Uruguay Round requirements in 1995. This established for the first time bound tariffs for all products in the Polish tariff schedule and replaced variable levies for import-sensitive agricultural products with tariff rate quotas.

Tariff rate quotas represent significant import protection for products such as beef, pork, poultry meat, wheat and rye flours, rapeseed oil, some processed food products, yeast, sauces, alcohol, tobacco, and tobacco products. For U.S. agricultural trade, tariff rate quotas have had the largest impact on access for poultry meat. The tariff rate quota for poultry meat, which will be adjusted upward annually as Poland's domestic output expands, is estimated at 36,460 for 1998. The above-quota tariff is presently set at 60%, which is one-half the maximum rate that Poland may apply under the Agreement.

B. Customs regulations and contact information

Customs rates (duty) are based on the CIF value of the product. The import tax and excise tax, if applicable, are levied on CIF plus duty, and VAT is levied on CIF and the duty. Customs officials are extremely strict with regards to proper documentation. It is essential that exporters take care to fill out documents properly to avoid costly delays in customs clearance. For further information on Polish customs regulations, please contact:

Customs Information
Ul. Swietokrzyska 12
00-916 Warsaw
tel: (48-22)694-4479, 694-3194

C. Tariff rates

Customs duties apply to all products imported into Poland. Tariffs range from 0 (zero) to nearly 400% (strong specialty spirits). The Polish tariff schedule has different rates for the same commodities depending on their country of origin. The most recent revision of the Polish tariff rate schedule took place on January 1, 2000, and is done annually.

D. Import Taxes

Poland rescinded its import tax in 1997. As in much of Europe, a Value Added Tax (VAT) is also assessed. There are three VAT rates: 0%, 7%, and 22% depending on the product.

VAT is levied on the CIF value of the product plus duty plus excise tax (if applicable). There is also an excise tax on certain goods, including alcohol and cigarettes cars. On imported goods, this is collected at the border on the basis of the CIF value.

E. Import License Requirements

In general, the trade of goods and services is not restricted in Poland. In some areas, including imports of strategic goods (e.g. police and military products, radioactive elements, weapons, transportation equipment, chemicals) a license or concession is required. Imports of beer, wine and strong alcoholic beverages, gas, and certain agricultural and food products (including dairy, poultry, and tobacco products) are also licensed. A permit is necessary to sell imported alcoholic products. A phytosanitary import permit issued by Plant Quarantine Inspection Service is required for the import of all live plants, fresh fruits, and vegetables into Poland. Several common weed seeds have quarantine status which hampers U.S. grain and oilseed exports to Poland.

Certain goods are subject to import quotas in Poland. These include: gasoline, diesel fuel and heating oils; wine and other alcohol; and cigars and cigarettes.

The Ministry of Economy issues import permits and concessions and regulates quotas. However, other Polish ministries have special jurisdiction over products such as tobacco (Ministry of Agriculture); permits related to air, sea, or road transport (Ministry of Transportation); or natural resources (Ministry of Environmental Protection). The list of products requiring import certification in Poland is always subject to change, and appears to be growing. U.S. exporters should ascertain whether their product requires import certification before shipping.

In most cases, before an issuing ministry grants import permission on a product, the product must be reviewed and recommended for import into Poland by one or more inspectorates or technical associations, depending on the nature of the product. This can be a costly, lengthy, and confusing process for the U.S. exporter and the Polish importer alike. It is often necessary to submit samples of products or equipment for testing, regardless of the issuance of previous U.S. or international certificates. The presentation of detailed documentation on a product is a must, and all requests by relevant inspection agencies should be strictly adhered to in order to speed-up certification procedures.

Once an application and supporting materials have been submitted, the inspecting agency will make a positive or negative recommendation for import to the appropriate Polish ministry. When the import of a specific product is approved, further imports of that product are free from additional regulation. U.S. companies with several lines of like products (e.g. pharmaceutical, food preparation, or chemical products) should begin the approval procedure on all products as early as possible.

Some products, once imported, also require registration. This is particularly true of products that come into contact with or can affect the health of the consumer. In the case of hazardous materials the importer must receive permission to use the product before applying for a concession to import the product into Poland.

Importers of meat, meat products, and offal must obtain a veterinary permit and each consignment must be accompanied by the health certificate issued by USDA's veterinary authorities. Veterinary permits are also required for the import of live animals. Veterinary permits for breeding livestock, semen, and embryos are not issued unless a positive opinion for the importation is received from the Central Animal Breeding Office.

Polish regulations require imported products, including food and agriculture products, to be inspected for compliance with Polish standards. The inspection agency, Centralny Inspektorat Standardyzacji (CIS), is charged with ensuring the "quality" of products offered on the Polish market.

F. Temporary Entry

A license is also required for temporary import of goods, which takes place under the supervision of Polish customs officials. Written confirmation is required, stating that the goods will be sent out of Poland on specific dates. A deposit is required for the import of the goods subject to clearance, which must be equal the value of the goods to be exported or the total import customs duty and taxes. Commercial samples of zero or low value can usually be imported free of customs duty by means of a written statement to Polish customs confirming the value of the sample and that it will stay in the possession of the importing entity. Temporary imports may also enter Poland under an ATA Carnet. Promotional materials must be clearly marked "no commercial value" in order to clear customs.

G. Special Import/Export Requirements and Certifications

Import documentation in Poland is compiled under a "Single Administrative Document" (SAD) and includes a customs declaration and certificate of origin. The SAD contains 56 questions about the goods, importer, the place of origin, and method of payment. A completed customs value declaration is attached to the SAD. An original invoice or pro forma invoice proving the value of the goods is also required.

H. Labeling requirements

As noted above, certificate of origin documents are required for importation. Labeling and packaging requirements also vary depending on the product. Consumer goods require a product description in Polish somewhere on or inside the package. Packaging should clearly indicate the country of manufacture. Packaged or canned food products require Polish language labels containing: the product composition, nutritional value, an outdate, the name and address of the producer, and the product weight. The Polish government is considering requiring food products using Genetically Modified Organisms (GMOS) to be so labeled. Some U.S. companies have found that using the English language somewhere on the packaging (e.g. product name, promotional slogan) helps give the product additional prestige or value in the eyes of the Polish consumer.

I. Prohibited imports

The import of some products is prohibited. These include two-stroke engine cars; automobiles, racing cars, and vans older than ten years; trucks older than six years; and automobiles with no proof of the year in which they were manufactured.

J. Warranty and Non-warranty repairs

Items sent for repairs under warranty do not have duties placed on them when they are returned to Poland. The same applies to parts imported under warranty for repairs in Poland.

K. Standards

(1) “B” Safety Certificates

Poland has developed an extensive system of standards and certification to protect consumer interests; in the main they do not appear to be harmonized with international norms. Many of these product standards are mandatory and must be certified by accredited Polish testing agencies. A Polish "B" safety certificate has been required since 1994 for imports and domestic production of many goods. Poland does not automatically accept the EU "CE" mark or other international product standards, nor self-certification by manufacturers, primarily because it has no product liability legislation (although pending). Non-acceptance of many international standards, certification, and conformity testing procedures have been associated with long delays, involving expensive testing processes.

Foreign certificates, such as the European CE mark and ISO 9000, accelerate the current certification process. However, the law is not clear and guidance from the PCBC and testing centers is vague. Information regarding prices for testing products is also inconsistent and sometimes vague or unavailable. In most cases testing procedures are lengthy. The Commercial Service advises U.S. exporters to contact CS Warsaw at Warsaw.Office.Box@mail.doc.gov to determine whether or not their products would be subject to the requirements and for the latest information on the issue.

Harmonization of standards, certification, and testing procedures with the EU, including greater reliance on voluntary standards, is now the main objective of Polish standardization policy. Under the European Conformity Assessment Agreement of 1997, Poland agreed to introduce an EC-compatible certification system. Poland agreed to gradually align its regulations and certification procedures with the EU; to remove from mandatory certification those products free from certification in the EU; and to automatically provide a B safety certificate to EU products subject to mandatory certification. However, while the list of products requiring mandatory certification in Poland was reduced from 1,400 industrial products to 700 in 1997, major delays have occurred in implementing the agreement. Products covered by the B-mark requirement cover about one third of all goods marketed in Poland. They include wire rods, steel pipes and castings, motor vehicle components, bicycles, personal computers, fertilizers, and shampoo. The number of B certificates issued increased from 8,594 in 1997 to 11,810 in 1998.

(2) Other Polish Standards

Polish standards describing a wide range of products have been developed over the years by a central institution, the Polish Standards Committee (PKN). Poland's Standardization Law, effective from 1 January 1994, provides the foundation for moving towards a system based on voluntary standards and for greater harmonization with EU and international norms. The Polish Committee for Standardization (PKN) sets Polish standards. Much of its recent work has focussed on reviewing Polish standards. There are currently 18,000 Polish standards, of which about 75% comply with EU norms, and about 15% cover international standards (ISO and IEC) not adopted by the EU. The remaining 10% of standards are Polish-based. The objective is to have at least 80% of Polish standards harmonized with EU norms by 2002. Poland will invoke EU norms in cases where there are different EU and international standards. Legislation allowing type approval of vehicles entered into force on 1 July 1999.

(3) Introducing Building Products: Technical Approvals

No standards exist for many building products that are new to Poland. However, when introduced into the Polish market the products must have documentation certifying that they are in conformity with existing standards. They must therefore receive technical approval, a document issued by designated research and development institutes.

The central institution performing these tests for the vast majority of building products and materials is the Institute for Building Technology (ITB) in Warsaw. It deals with products such as siding, roof shingles, windows and bricks.

Some building products, after receiving technical approval, may still require the “B” Certificate. They must then go through the certification process designed by PCBC, as described above. The standards for the “B” Certificate are available only at the PCBC. This certification process can some time to complete. However, official regulations specify that this process should not exceed 3 months.

With the new regulations requiring a large number of products to have a certificate, the workload of the institutes conducting the tests has increased immensely. As a result, these institutes are often unable to meet deadlines. Since time is often one of the most important factors for a company seeking to market new products, this is one of the most important problems that needs attention from the Polish authorities.

Conformity with ISO 9000 is relatively rare, although over 60 Polish companies are in fact certified.

Useful contacts:

Instytut Techniki Budowlanej (ITB)
ul. Filtrowa 1
00-950 Warsaw
tel: (48-22)825-04-71
fax: (48-22)825-13-03

Centralny Osrodek Badawczo-Rozwojowy Przemyslu Izolacji Budowlanych
ul. Korfantego 193
40-153 Katowice
tel/fax: (48-32) 58-35-53

Centralny Osrodek Badawczo-Rozwojowy
Technologii Instalacji
ul. Ksawerow 21 (COBRTI)
02-656 Warsaw
tel: (48-22) 843-14-71
fax: (48-22) 843-71-65

Panstwowy Zaklad Higieny (PZH)
Zaklad Higieny Komunalnej
(Urban Hygiene Dept.)
ul. Chocimska 21
Warsaw
tel: (48-22) 849-40-51

L. Free Trade Zones/Warehouses

Duty free zones can be established by the Council of Ministers and are managed by the authorities designated by the Council, which is usually the provincial governor who issues the operating permit for a given zone.

Bonded warehouses and customs and storage facilities are available. They are operated under permission issued by the President of the Central Office of Customs. They can be operated by commercial code companies.

Customs duties are repaid to the importer for re-exports of products within 12 months of the date of customs clearance in full or partially, depending upon their length of time in country.

See the Investment Climate statement below for more details on this topic.

M. Membership in Free Trade Arrangements

EU Association Agreement: As mentioned above, Poland began implementing the trade provisions of the Association Agreement with the European Union in 1992. This has lowered or eliminated duties on most EU exports to Poland.

CEFTA and FTAs: Poland is a founding member of the Central European Free Trade Association, whose members include the Czech Republic, Slovakia, Hungary, Romania, Slovenia, and Bulgaria. The CEFTA Agreement, signed in December 1992, allows for a staged reduction of customs duties on three separate lists of products among the member states through 2001. Poland also has free trade agreements (FTAs) with the European Free Trade Association (EFTA) countries (Iceland, Norway, Switzerland, and Liechtenstein) as well as with Israel, Lithuania, Estonia, Turkey, and Latvia. These agreements grant firms from these countries certain tariff preferences over U.S. competitors and give lower tariffs to Polish companies exporting to these countries. The Polish government is also negotiating an FTA with Croatia.

Chapter 7: Investment Climate

A. Openness to Foreign Investment

General Attitude: Foreign capital is widely acknowledged as essential to the development and modernization of the Polish economy. Since 1989, successive Polish governments have sought to attract and maintain foreign investment. Despite some debate about the appropriate level of foreign ownership in certain strategic sectors, all mainstream political parties and social groups generally welcome foreign investment. One exception is foreign ownership of agricultural land, which remains a sensitive issue subject to strict controls.

Major Laws and Regulations: As befits a member of the OECD and applicant for European Union membership (the Polish government's target is to become a full EU member in 2003), Poland has a legal regime that protects property rights and investment, allows private business activity in almost every sector of the economy, provides generally equal treatment for domestic and foreign companies, and permits the repatriation abroad of profits and capital. Overall, the legal regime comports with free-market principles and is supportive of foreign investment, although the government itself acknowledges that additional legal reform is necessary. This will come largely through the on-going process of harmonizing Poland's legal and regulatory framework to the EU's "acquis communautaire."

Poland's 1997 Constitution protects the rights of private ownership and succession and states that expropriation is allowed solely for public purposes and only with just compensation. Three new laws, designed to come into force in January 2001, will form what is being termed Poland's "economic constitution." This includes a new Commercial Code (under debate in parliament as of summer 2000), a new Law on Economic Activity (passed in December 1999 and partially in force in 2000), and a new law on Public Aid to Companies. These laws will replace existing legislation (including the 1934 Commercial Code, the 1991 Law on Companies with Foreign Participation, and the 1988 Economic Activity Act) and will conform to EU standards. They aim to limit the role of the state in economic and commercial life, notably by reducing the still burdensome level of government approvals and setting clear rules for state subsidies.

A foreign investor may enter the Polish economy by means of a new or "greenfield" investment or by acquisition of or merger with an existing Polish company. The Law on Companies with Foreign Participation permits any level of foreign investment up to 100 percent, with a number of sectoral exceptions discussed below. That law requires that companies with foreign investors be established as joint stock companies or limited liability companies; under the new draft Commercial Code this would be expanded to include partnership companies (similar to American limited liability companies) and limited and stock partnerships. In a number of sectors -- foreign trade, transportation, tourism and culture, banking and insurance -- a foreign enterprise may establish a representative office in Poland. Further, foreign investors from OECD and EU member countries have the right to establish branches, agencies and representative offices in the financial sector (banks, insurance companies, and brokerage houses); the process for setting up a branch office will be liberalized under the new Economic Activity Act. Foreign investments can be made in the form of Polish zloty obtained from the sale of convertible currencies or in-kind, in which case an audited valuation of the contribution is required.

Screening and Licensing: Poland does not have any general screening mechanism for entry and establishment of businesses by foreign firms. Authorization requirements and foreign equity limits do exist for a limited number of sectors. The Law on Companies with Foreign Participation requires a permit from the Treasury Ministry for certain major capital transactions, or lease of assets, with a state-owned enterprise. Furthermore, that law allows restrictions on investment to only Polish entities for considerations of "public security." Thus, only a Polish entity can establish an airport, but licenses and concessions for defense production and management of seaports and airports will be granted on the basis of national treatment for investors from OECD countries.

Other sectoral laws establish ceilings on the share of foreign ownership: air transport (49 percent); certain fisheries activities (49 percent); radio and television broadcasting (33 percent); international telecommunications through 2003 (0 percent); and gambling (0 percent). Furthermore, approval requirements are still in place for foreign investments above certain thresholds in the insurance sector. These limits are in the process of being revised to meet EU requirements.

The sale of agricultural land to foreigners has long been a sensitive issue for Poland. The 1920 Law on Acquisition of Real Estate by Foreigners prohibited a foreigner from acquiring real estate without permission. In 1996, Poland liberalized that law as part of its effort to join the OECD. The amended law allows foreign individuals and firms to own an apartment, 0.4 hectares (4000 square meters) of urban land, or up to one hectare of agricultural land without a permit. Also, foreign companies no longer need to obtain pre-approval for larger amounts of land before participating in bidding for a project or privatization. The acquisition of real estate exceeding the above limits, or the purchase of shares in a foreign-controlled Polish company owning real estate, still requires approval from the Ministry of Interior, with the consent of the Defense and Agriculture Ministries.

Foreign and domestic investors alike must obtain governmental concessions, licenses or permits to engage in certain activities. The 1988 Economic Activity Act provides that: the National Bank of Poland and the Finance Ministry issue banking licenses; the Finance Ministry provides permission to operate an insurance company; the Securities and Exchange Commission grants licenses for brokerage activities; the Communications Ministry provides licenses for telecommunication services and courier services; the National Broadcasting Council issues radio and television broadcasting licenses; the Economy Ministry gives permits for foreign trading in certain goods and services, processing of gems, precious metals and non-ferrous metals; the Health Ministry authorizes permits for the pharmaceutical and medical materials sectors; the Transport Ministry provides licenses for air, international road, rail and maritime transport, and the construction and exploitation of highways; local governments provide permits for buses and taxis, waste disposal, pharmacies, and extraction of minerals; the Interior Ministry licenses the arms industries and security services; and the Agriculture Ministry provides permits for alcohol and tobacco industries. This process will be significantly liberalized from 2001, however, with the number of sectors in which concessions are required reduced from 27 to 7, namely broadcasting, aviation, energy, weapons, rail transport, highway construction, and private security services. Several of the remaining sectors in which concessions are currently obligatory will continue to require a permit, but in others no government approval will be required. The new Economic Activity Act also sets out procedures to streamline the government approval process.

Privatization Program: Poland has privatized almost all of its small state-owned enterprises, most medium-size enterprises, and many large ones. The government has set a goal of privatizing 70 percent of the remaining state-owned enterprises by the end of its four-year term in 2001, including the telephone company (TPSA), national airline (LOT), dominant insurance company (PZU), banks, steel mills, oil refineries, and the electrical energy sector. To date, the government in each major privatization has invited foreign investors to compete for a strategic interest. This openness to foreign investment has drawn objections from some commentators and politicians (including a number of politicians in the governing party) who fear that foreigners are acquiring too large a share of the Polish economy. Concern is frequently voiced about the level of foreign ownership of the banking sector, where foreign firms currently hold nearly three-quarters of assets; in response the government has announced that the two remaining state-owned banks (PKO BP, the largest savings bank, and BGZ, an agricultural bank) will be privatized without a foreign strategic investor. But foreign investors will still be able to purchase a significant equity stake after privatization.

Discrimination against Foreign Investors: Generally, foreign investors receive similar treatment as domestic investors both at the time of their initial investment and after the investment is made. Foreign firms do face potential discrimination in public procurement contracts. Poland's 1994 Government Procurement Act, which is based on the United Nations model, allows for a twenty-percent price advantage for domestic firms. There is also a fifty-percent domestic material and labor content minimum required for all bids. Under that law, a joint venture between foreign and domestic firms will qualify as "domestic" for procurement considerations.

B. Conversion and Transfer Policies

Restrictions on Converting or Transferring Funds: Poland provides full IMF Article VIII convertibility. The Foreign Exchange Act of 1998 provides for unrestricted conversion of currency for current operations and for direct investments (other than portfolio investments). Certain capital controls do remain in place, although the government has said it intends to lift these in 2001 to conform to the OECD Codes of Liberalization of Capital Movements and Current Invisible Operations. A foreign investor currently must obtain a permit from the National Bank of Poland for foreign exchange conversions in connection with most portfolio investments and short-term capital operations. Further, the law allows for the Council of Ministers to promulgate a six-month regulation that would establish special restrictions on capital operations other than direct investments, by imposing an obligation to maintain a non-interest bearing deposit in a bank account established specifically for such purpose. The Council of Ministers may only impose such special restrictions if the stability of the domestic currency is at risk or the supply of money is increasing too rapidly as a result of movement of capital.

A foreigner without need of a permit may convert or transfer currency to make payments abroad for goods or services and also may transfer abroad its share of after-tax profit due from operations in Poland. Capital brought into Poland by foreign investors may be freely withdrawn from Poland in instances of liquidation, expropriation, or decrease in capital share. Full repatriation of profits and dividend payments is allowed without obtaining a permit. The 1991 Law on Companies with Foreign Participation guarantees the availability of foreign currency for payment of dividends to shareholders. However, a Polish company (including a Polish subsidiary of a foreign company) must account for withholding tax to the Polish tax authorities on any distributable dividends unless a double taxation treaty is in effect; there is a double taxation treaty with the United States. An exporter may open foreign exchange accounts in the currency it chooses.

Availability of Foreign Exchange and Remittance: Foreign exchange is widely available through commercial banks, as well as exchange offices. Payments and remittances in convertible currency may be made and received through a bank authorized to engage in foreign exchange transactions; most banks have such an authorization. Poland does not prohibit the remittance through a legal parallel market, including one utilizing convertible negotiable instruments (such as dollar-denominated Polish bonds in lieu of immediate payment in dollars); as a practical matter, however, such payment methods are rarely, if ever, used. Foreign investors have not complained of any significant difficulties or delays in remitting investment returns such as dividends, return of capital, interest and principal, lease payments, royalties or management fees.

C. Expropriation and Compensation

Since the collapse of communism in 1989, potential expropriation in Poland has not been an issue. The Law on Land Management and Expropriation of Real Estate provides that property may be expropriated only in accordance with statutory provisions such as the construction of public works, national security considerations or other specified cases of public interest. Full compensation, at market value, must be paid for the expropriated property. Article 21 of the Constitution states that "Expropriation is admissible only for public purposes and upon equitable compensation." Although there have been no cases of expropriations since reforms began in 1990, the implementation of a major highway construction program in Poland may involve some expropriations of land under the above-mentioned law.

D. Dispute Settlement

Government’s Handling of Investment Disputes: There have been sporadic investment disputes between foreign investors and the government. Frequently these involve state-owned enterprises, whose numbers continue to decline. One example concerns the privatization of the largest Polish press distributor, Ruch. The government's 1997 decision to reopen bidding for Ruch came after apparently reaching an informal agreement to sell the firm to the French publishing company Hachette. Hachette has brought a civil action to compel the government to allow it to buy Ruch; that case is still pending. Another example concerns the U.S. firm Greenbrier, which owns a rail car manufacturing facility in Poland. Greenbrier alleges the state-owned railroad, PKP, discriminated against it in favor of a consortium of firms closely linked with PKP during a 1999 tender. In this and other disputes the government has generally taken steps necessary to safeguard the rights of foreign investors. The continuing sale of state-owned enterprises, the government's move towards full adoption of EU regulations, and the recent passage of legislation more clearly defining the role of the state in economic activity should all lead to a reduction in the sort of investment disputes seen over the past decade.

The Polish Legal System: Generally, foreign firms are wary of the over-burdened Polish legal system and prefer to rely on other means to defend their rights, notably international arbitration. Similar to the French and German systems, the Polish legal system is a prosecutorial one. Contracts involving foreign parties normally have a dispute settlement clause that gives terms for arbitration of possible dispute in a third country court (in Britain or Switzerland, for example, in the case of a dispute between U.S. and Polish parties). Poland has a bankruptcy law. Prior to 1998, a secured creditor’s position could be superseded by subsequent tax arrearages and other secured credits. The new Mortgage Banking Act of 1997 and the Law on Registered Pledges and Pledge Registry of 1997 protect qualified mortgagors and secured creditors against subsequent tax liens and other secured and unsecured claims. Monetary judgements are usually made in local currency.

International Arbitration: Most foreign investors have chosen to protect their rights through international arbitration rather than use the Polish courts to resolve their investment disputes. Decisions by an arbitration body have not been automatically enforceable in Poland. Poland is party to four international agreements on dispute resolution, with the Ministry of Finance acting as the government's representative:

The 1923 Geneva Protocol on Arbitration Clauses
The 1958 New York Convention on the Recognition and Enforcement of International Arbitration Awards
The 1961 Geneva European Convention on International Trade Arbitration
The 1972 Moscow Convention on Arbitration Resolution of Civil Law Disputes in Economic and Scientific Cooperation

Poland is not a member of Washington Convention on the Settlement of Investment Disputes between States and Nationals of Other States.

E. Performance Requirements/Incentives

Trade-Related Investment Measures (TRIM) Notification/Compliance: Poland notified the WTO that on January 1, 1997, it terminated the measure notified previously under Article 5.1 of the TRIMs. This measure, which had concerned tax rebates limited to domestic cash registers, was the only one that Poland had given notice of to the WTO.

Performance Requirements: Poland generally does not impose performance requirements for establishing or maintaining an investment. However, in connection with the privatization of certain large companies the government and the purchasers have negotiated terms that included performance requirements. For example, Fiat and Daewoo agreed, among other things, to meet certain negotiated production targets and investment and employment levels when they bought state-owned car plants. As discussed above, there are limits on foreign participation in certain economic activities, such as broadcasting and telecommunications.

Investment Tax Incentives: There are performance requirements, however, for access to investment tax relief and incentives for investments in areas of high structural unemployment (see below, Foreign Trade Zones/Free Ports). These performance requirements include: a minimum value of investment (at least euro 2 million), transfer of technology, creation of employment, and export orientation (exports that generate more than 50 percent of total revenue).

Foreign Participation in Government Financed Research: Foreign companies have not participated in government-funded research and development projects managed by the Committee for Scientific Research (KBN). Nonetheless, there is no proscription against such participation.

Visa and Work Permit Requirements: Foreign investors can and do bring personnel into Poland. Poland's visa and work permit requirements allow foreigners to live and work in Poland. However, many firms and foreigners in practice have had difficulty in obtaining both documents. Work permits are issued by local authorities, which vary in the speed with which they issue permits. Poland requires an applicant to receive their visa in his or her home country, rather than in Poland or in neighboring countries. This procedure is burdensome.

Discriminatory or Preferential Export/Import Policies: The government supports exporters through export credit guarantees from a state-owned insurance entity (KUKE). KUKE does provide credit guarantees for all firms registered in Poland (this includes foreign firms and firms with foreign capital). However, for products subject to export contracts, the Minister of Economy (in agreement with the Minister of Finance) establishes a minimum percentage share of components of Polish origin in the final product for it to be considered a domestic product. Currently, the minimum percentage share is 50 percent.

F. Right to Private Ownership and Establishment

Rights of Ownership and Establishment: Domestic and foreign private entities have a general right to establish and own, as well as dispose of, a business and to engage in almost all forms of lawful economic activities. Article 64 of the Constitution provides: "Every person has the right to ownership, other property rights, and the right of inheritance. Ownership, other property rights, and the right of inheritance are subject to legal protection that is equal for all. Ownership may be restricted only by law and only to the extent to which it does not abridge the essence of the right of ownership." In the case of land, a second form of title is the perpetual lease, under which the lease holder generally controls the property for 40 to 99 years, and which can be extended for up to 99 additional years. Such a perpetual tenant has the right to dispose of its interest in the land by sale, gift, or bequest. As discussed above in Section A.1., there are a few sensitive areas in which participation of foreigners is restricted, e.g., telecommunications and broadcasting; further, foreign ownership of other than a small amount of real estate requires a government permit. Apart from these restrictions, foreign entities can freely establish, acquire and dispose of interests in business enterprises.

The Civil Code, as amended, regulates property rights between individuals or legal entities. The amendment of July 1990 reintroduced the basic standards of free market economy and ownership. Civil Code regulations are based on the principles of equality of all parties, regardless of their ownership status, equivalency of obligations, discretion, and freedom of contracts.

Competitive Equality: The private sector has expanded rapidly since 1989 and now dominates almost every sector of the economy, although state-owned enterprises still dominate such sectors as coal, steel, and utilities. The private sector is estimated to employ over two-thirds of Poland's labor force and to produce over 70 percent of GDP. Competition between privately owned and state-owned enterprises is steadily being replaced by competition among private firms. Officials at various levels of government occasionally exercise their discretionary authority to help state-owned enterprises. For example, tax authorities have not pressed some large, troubled state-owned enterprises to pay their taxes, in order to avoid putting them into bankruptcy. In line with EU standards governing competition, new legislation taking effect next year (see Section A.1.) aims to establish a fully level playing field.

G. Protection of Property Rights

Real Property: Poland's legal system protects and facilitates the acquisition and disposition of property. Mortgages do exist, and the mortgage market is expanding, albeit slowly. The 1997 Mortgage Banking Act provides that a recorded mortgage by a licensed mortgage bank will take priority over subsequent tax liens and other secured and unsecured claims.

Chattel/Personal Property: The 1997 Law on Registered Pledges and Pledge Registry provides protection for secured creditors and establishes a new registry system. Creditors will be able to place liens on assets and rights, both present and in the future.

Legal System: Poland has a non-discriminatory legal system accessible to foreign investors that protects and facilitates acquisition and disposition of all property rights, such as land, buildings and mortgages. Many investors -- foreign and domestic -- complain about the slowness of the judicial system, however. Foreign investors often voice concern about frequent or unexpected issuance of or changes in laws and regulations.

Intellectual Property Rights: The protection of intellectual property in Poland is improving, but it remains an important concern. After some delays, Poland's new copyright law went into effect in July 2000, thereby bringing Poland into compliance with its TRIPs obligations. The exclusivity period for pharmaceutical test data remains comparatively short (about three years in Poland as opposed to five in the U.S. and 10 in the EU) and Polish pharmaceutical patents provide only 20 years of protection from the date of filing (the EU provides 25 years of protection). These shortcomings put producers of research-based drugs at an undue competitive disadvantage against producers of generics on the Polish market.

H. Transparency of the Regulatory System

Transparency/Bureaucratic Burden: The government acknowledges that its policies are not as transparent as they ought to be and that bureaucratic requirements continue to impose a burden on investors. Reforms designed to deregulate, increase transparency and promote competition are underway as part of the broader process of EU accession.

Competition: Competition policy in Poland remains an area of concern, especially because almost a quarter of output still comes from the state-owned sector. The government seeks to encourage the competition necessary for a free-market economy primarily through privatization of most of the remaining large state-owned enterprises and deregulation. In addition, the Office for Competition and Consumer Protection is responsible for the tracking and elimination of anti-competitive practices.

Tax, Labor, Health and Safety, and Other Laws as Impediments: Foreign and domestic investors must comply with a variety of laws concerning, among other things, taxation, labor practices, health and safety, and the environment. Complaints about these laws, especially the tax system, center on the lack of clarity and often-draconian penalties for minor errors. The actual tax burden, labor, health and safety requirements, and environmental rules generally are not excessive when compared with those in the EU. Overall, these laws and regulations have been neither a significant attraction for investors nor a major impediment to investment in Poland. When Poland completes the harmonization process, these laws should be comparable to those in the EU.

Revisions to the corporate tax code in late 1999 introduced greater transparency and lower rates with a view to spurring new investment. Taxes on corporate income fell from 34 percent in 1999 to 30 percent in 2000, and will continue to decline: to 28 percent in 2001 and 2002, 24 percent in 2003, and finally to 22 percent from 2004.

I. Efficient Capital Markets and Portfolio Investment

Capital Markets: Poland's policies generally facilitate the free flow of financial resources. Banks can and do lend to foreign and domestic companies. Companies also can and do borrow abroad and issue commercial paper. Poland has developed healthy and growing equity markets. The 1991 Law on Public Trading in Securities and Trust Funds created the regulatory framework for operations on the capital market and introduced its major agents: the Securities and Exchange Commission; the stock market; and the stock-broker. Since the opening of the Warsaw Stock Exchange (WSE) in 1991, the number of listed joint stock companies has increased from 5 to 221 at the end of 1999; over the same period the capitalization of the WSE has grown from USD 142 million to more than USD 30 billion. An over-the-counter market (CeTO) began operations in 1996. The 1997 Investment Funds Act allows for open-end, closed-end, and mixed investment funds. The declining rate of inflation and a growing economy should lead to financial institutions offering more and longer-term products and services. The introduction in 1999 of mandatory pension funds managed by private firms marked a major step forward in the development of the Polish capital markets.

Credit Allocation: Credit allocation has been on market terms. The government, however, has some programs offering below-market rate loans to certain domestic groups, such as for farmers and homeowners.

Access: Foreign investors and domestic investors have equal access to the Polish financial markets. Most private Polish investment is still financed from retained earnings, while foreign investment is mainly direct investment, using funds obtained outside of Poland. More and more Polish firms are raising capital in Europe or the U.S.

Legal, Regulatory and Accounting Systems: Poland’s legal, regulatory and accounting systems often lack transparency and -- for the time being -- differ significantly from those in EU countries and the U.S. Poland is in the process of harmonizing these systems with those in the EU, which sometimes also lack transparency. The major international accounting firms provide services in Poland and they are familiar with the U.S., EU and Polish accounting standards.

Portfolio Investment: The Polish regulatory system fosters and supervises the portfolio investment market. Both foreign and domestic persons may place funds in demand and time deposits, stocks, bonds, futures and derivatives. The stock and Treasury bill markets are fairly liquid, but many other investments are not, such as Treasury bonds. The Polish Securities and Exchange Commission has built a strong reputation for supervising the stock market.

Banking System: The Polish banking system is sound and considered one of the best regulated and supervised in Central and Eastern Europe. As of the end of the first quarter of 2000, the banking system had total assets of over USD 90 billion. The National Bank of Poland reported that, among commercial banks, 15.5 percent of assets were non-performing at the end of the first quarter of 2000, compared with 15 percent at the end of 1999 and 17.5 percent at the end of 1998. These stable levels have been achieved despite the downturn in the business cycle through 1999.

Cross-shareholding: Cross-shareholding arrangements are rare and play a minor role in the Polish economy.

Hostile Takeovers: Neither the government nor private firms have taken measures to prevent hostile takeovers by foreign or domestic firms. Hostile takeover attempts are still rare, but have been occurring more frequently. A recent example was Deutsche Bank's failed attempt to take over BIG Bank Gdanski in early 2000.

Standards-setting Organizations: Governmental agencies, and not companies, set industry standards. These agencies are not required to consult with domestic or foreign firms when establishing standards, though the former much more than the latter tend to play an influential role in the process.

J. Political Violence

Poland is a politically stable country. There have been no confirmed incidents of politically motivated violence toward foreign investment projects in recent years. Poland has neither belligerent neighbors nor insurgent groups. The Overseas Private Investment Corporation (OPIC) provides political risk insurance for Poland.

K. Corruption

Corruption is widely recognized as an issue in Poland, as well as a restraint on economic growth and development. The past year has seen increased public debate about the prevalence and cost of corruption at all levels of society. It remains to be seen how quickly this debate will translate into concrete improvements.

Anti-Corruption Laws and Regulations: Polish laws and regulations provide a legal basis for combating corruption. Bribery is a criminal offense and bribes are not tax-deductible. The Finance Ministry’s tax authorities concede, however, that bribes are often disguised as other payments, which are deductible. One of the chief tools in preventing corruption is a transparent system of government procurement by open tender at all levels of government. A 1997 law restricts economic activity for people holding public positions. This law prevents a public official from engaging in business activities where he or she would have a conflict of interest while he or she is an official and for one year thereafter. The law applies to parliamentarians, government officials, and local officials.

OECD Anti-Bribery Convention: Poland signed the OECD Convention on Combating Bribery in 1997 and is in the process of ratifying that convention and enacting implementing legislation. This process is expected to be completed by the end of 2000.

Cases of Corruption: Reports of alleged corruption are publicized. They often appear in connection with privatization, government contracting, and the issuance of a regulation or permit that benefits a particular company. Reportedly, corruption by custom and border guard officials, tax authorities, and local government officials often occurs and, if discovered, is usually punished. Businesses report that Polish officials have asked for political campaign contributions in return for favorable treatment. Overall, U.S. firms have not considered bribe seeking by low level officials to constitute a major impediment to their operations in Poland.

Combating Corruption: Despite increasing public debate, there has not been a significant improvement in enforcement of anti-bribery criminal laws by the police authorities. Nonetheless, the government has sought to reduce the opportunities for corruption, including through its attempts to deregulate and reduce the state's role in the economy. The private sector is now paying greater attention to fighting corruption. In 1998, concerned Poles established the Polish chapter of Transparency International. Several other NGOs have launched campaigns to increase public awareness. Business groups, including the American Chamber of Commerce, are also becoming increasingly vocal on the subject.

Bribery of a Domestic Official: Bribery and abuse of public office are crimes under the Polish criminal code, Articles 239-245. Also, a violation of the Public Procurement Act of 1995 is considered to be a violation of the Budget Law of 1991. Article 62 of the Budget Law specifies penalties, including warnings, reprimands, and fines up to three times the average monthly salary; Articles 65-68 authorize the establishment of investigative commissions in cases of suspected bribery.

Bribery of a Foreign Official: The Justice Ministry states that existing Polish laws and regulations treat the payment of a bribe to a foreign official as a criminal offense, the same as if it were a bribe to a Polish official. Further, a bribe to a foreign or a Polish official is not tax deductible, according to the Finance Ministry. Pending amendments to the criminal code, designed to bring the OECD Convention into force, will further clarify this issue.

Enforcement Agencies: The Justice Ministry and the police are responsible for enforcing Poland's anti-corruption criminal laws; the Finance Ministry administers tax collection and is responsible for denying the tax deductibility of bribes. The police are in the process of setting up provincial-level coordinators to oversee anti-corruption activity.

Convictions: No foreign investor or major government official has been found guilty of corruption. A number of officials have been investigated and fewer charged, but these cases do not seem to reach a conclusion.

L. Bilateral Investment Agreements

Bilateral Investment Agreements: As of June 2000, Poland had ratified 58 bilateral investment agreements: Albania (1993); Argentina (1992); Australia (1992); Austria (1989); Bangladesh (1999); Belgium and Luxembourg (1991); Belarus (1993); Bulgaria (1995); Canada (1990); China (1989); Croatia (1995); Cyprus (1993); the Czech Republic (1994); Denmark (1990); Egypt (1996); Estonia (1993); Finland (1991); Former Yugoslav Republic of Macedonia; France (1990); Germany (1990); Greece (1994); Hungary (1995); India (1998); Indonesia (1993); Iran (1997); Israel (1992); Italy (1992); Kazakhstan (1995); Kuwait (1993); Latvia (1993); Lithuania (1993); Malaysia (1994); Moldova (1995); Morocco (1995); the Netherlands (1994); Norway (1990); Portugal (1993); Romania (1995); Singapore (1993); Slovenia; Slovakia (1996); South Korea (1990); Spain (1993); Sweden (1990); Switzerland (1990); Syria (1996); Thailand (1993); Tunisia (1993); Turkey (1994); Ukraine (1993); United Arab Emirates (1994); the United Kingdom (1988); the United States (1994); Uruguay (1994); Uzbekistan (1995); and Vietnam (1994).

Agreements with the United States: The United States and Poland signed a Bilateral Commercial and Investment Treaty (BIT) in 1991; it entered into force in 1994. The Treaty grants U.S. investors domestic privileges and provides for international arbitration in the case of investment disputes. In 1974, the United States and Poland signed a double taxation treaty.

M. OPIC and Other Investment Insurance Programs

OPIC: The Overseas Private Investment Corporation (OPIC) provides political risk insurance for U.S. companies investing in Poland against political violence, expropriation, and inconvertibility of local currency. OPIC offers medium- and long-term financing in Poland through its direct loan and guarantee programs. Direct loans are reserved for U.S. small businesses or cooperatives and generally range from USD 2-10 million. Loan guarantees are issued to U.S. lending institutions and range from USD 10-75 million, and in certain instances up to USD 200 million.

MIGA: The World Bank's Multilateral Investment Guarantee Agency also provides investment insurance similar to OPIC's for investments in Poland.

Foreign Exchange: Embassy Warsaw estimates that it uses approximately USD 5 million worth of Polish zlotys per year. It obtains the foreign currency from banks at the market rate, which usually is close to the official parity rate. In March 2000 the government freely floated the zloty; given that most analysts believe the currency is slightly overvalued, some real depreciation of the currency is possible over the coming year. Although they have promised to refrain from routine intervention to manage the zloty, Polish monetary authorities maintain adequate reserves and policy instruments to respond to any potential currency crisis. The government's goal is to enter the European Exchange Rate Mechanism (ERM2) on becoming an EU member, and to adopt the euro at the earliest possible opportunity.

N. Labor

Poland has a well-educated, skilled labor force. Productivity remains below western standards, but is rising. Unit costs remain competitive. In 1999, the average gross wage in Poland rose to over USD 450 per month. There are shortages of persons with foreign language skills and training in contemporary management, finance, and marketing. Polish workers are usually eager to work for foreign, especially American, companies. Most aspects of employee-employer relations are governed by the 1996 Labor Code, which lists employee and employer rights in all sectors, both public and private, and is in the process of being revised. The Polish government adheres to the International Labor Organization (ILO) Convention protecting worker rights.

Poland's economy employed approximately 15 million people in 1999, with 13 percent registered as unemployed. Many of the registered unemployed actually work full- or part-time in the unofficial, gray economy, which adds an estimated 12-15 percent to the official GDP. Overall, employment in the public sector continues to shrink as the private sector grows. Employment has expanded most quickly in mostly private service industries such as retail trade, finance, insurance, as well as in the clothing, fuel, power, timber, and food processing sectors. The state-owned sector is still about a quarter of the labor force, though employment in such fields as coal mining, steel and energy is declining.

The impact of unemployment varies dramatically by region. Major urban areas such as Warsaw, Krakow, and Poznan have unemployment rates between three and six percent, while jobless in the agricultural areas in the northeast and northwest can exceed 25 percent.

For more detailed labor related information, please consult the Embassy's Labor Trends report published by:

Department of Labor
Bureau of International Affairs
200 Constitution Avenue, NW
Room "S" 5006
Washington, D.C. 20210
Tel (202) 219-6234
Fax (202) 219-5613

In Poland, please consult:

Embassy Labor Attache
U.S. Embassy
Al. Ujazdowskie 29/31
00-540 Warsaw
Tel (48-22) 628-3041

O. Foreign Trade Zones/Free Ports

The operation of foreign trade zones or "free customs areas" (WOC) in Poland is regulated by the 1997 Customs Law, the December 1998 Resolution of the Council of Ministers on the Conditions and Criteria for Establishing and Closing WOCs (Dz.U. 164, art.1163, 12/30/1998), and the October 1999 Resolution of the Minister of Finance on detailed conditions of operating in WOCs. Business activities pursued within WOCs are based on the same principles as those applied in EU member countries. Foreign-owned firms have the same investment opportunities as do Polish firms to benefit from foreign trade zones, free ports, and special economic zones.

In 1999 there were six free customs areas: Gliwice (southern border), Malaszewicze/Terespol (eastern border), Warszawa-Okecie International Airport (duty-free retail trade within the airport), Szczecin, Swinoujscie, and Gdansk (all Baltic ports)

Most activity in the free trade zones involves storage, packaging and repackaging. Bonded warehouses and customs and storage facilities are available, although it can be difficult for a company to obtain permission to build or buy its own facilities.

In October 1994 Poland enacted the Law on Special Economic Zones (SEZ). SEZs offer exemptions from income tax, local taxes and fees, and accelerated amortization of fixed assets;

they are intended for areas with significant unemployment. Since 1994, seventeen SEZs have been established in Poland (fifteen are operating and the remaining two will be closed when the new law on public aid is enacted). In June 1999, in response to EU concerns about competition stemming from the SEZs, the Polish government agreed to stop opening new zones or expanding existing ones. New legislation due to take effect in 2001 would also lower the level of tax benefits for new investors in the SEZs, although existing investors will retain their current benefits.

The Polish government is working on an alternative set of financial instruments to support regional development. Local governments are being encouraged to create their own instruments to attracting investors, e.g. public-private partnership. In June 2000, the government established the Ministry of Regional Development and Housing to promote regional development and reduce the economic gap between the richer and poorer parts of the country. A new law on regional development support should be passed before the end of 2000. Regions will also benefit from EU assistance.

P. Foreign Direct Investment Statistics

Investment Trends: In recent years, Poland has been attracting high levels of foreign direct investment (FDI). Foreign companies choose Poland for a variety of reasons, including, its size, skilled work force, and low labor cost. It is expected that 2000 will be another good year for FDI in Poland. These expectations are based on the government's plans to continue to privatize major Polish companies from the telecommunication sector (TPSA), petroleum sector (KPN Orlen and Rafineria Gdanska), insurance (PZU), copper industry (KGHM), Polish airlines (LOT) and several power plants.

Polish Investment Abroad: Poland is a net capital importer. Compared to the amount of foreign capital invested in Poland, Poland's foreign investments are very small. One of the reasons for the low level of Polish foreign investment is the low level of savings of Polish companies. According to data from the National Bank of Poland, through the end of 1999 Polish firms had invested USD 841 million abroad (24 percent up from USD 678 million in 1998). Poland's foreign investments are largest in Germany, Great Britain, the United States, and France. Over 50 percent of Poland's foreign investments are connected with the financial sector, other investments are in trade and services, transport, communications and warehouse management, manufacturing, and construction.

Levels of Foreign Direct Investment: According to data collected by the Polish Agency for Foreign Investment (PAIZ), foreign direct investment (FDI) in Poland reached around USD 8 billion (5.1 percent of GDP) in 1999. Total FDI reached USD 38.9 billion (24.9 percent of GDP) at the end of 1999. Out of this total, large investors (USD one million or more) invested USD 35.2 billion and small investors (below USD 1 million) invested 3.7 billion. Commitments to make additional investments during this period totaled USD 13.4 billion. PAIZ estimates that between USD 8 - 10 billion FDI will be raised in 2000.

According to official statistics, the U.S. is for the second time since 1989 in second place with regard to the volume of capital invested in Poland, behind Germany. Germany also ranks first in terms of the number of firms operating in Poland. Several investments by U.S. firms have been attributed to other countries because they were made by the European subsidiary of the U.S. parent (e.g., Adam Opel/General Motors and Coca Cola). At the end of 1999, U.S. investments accounted for 15 percent of the total value of foreign investments in Poland. The manufacturing sector remains the most popular sector with foreign investors in Poland. In the period 1989-1999, USD 17.3 billion was invested in that sector, of which USD 4.6 billion was invested in the food industry and USD 4.4 billion in the automotive industry. The second most attractive sector for foreign investors was financial services, followed by trade and repairs, and construction.

As of December 1999, 799 companies from 35 countries had invested over USD one million in Poland. Among foreign firms and financial institutions, the largest capital investment was made by Korea's Daewoo, which by December 1999 had invested over USD 1.55 billion. Fiat has dropped to a second place with investments worth USD 1.47 billion, followed by French Vivendi (USD 1.2 billion), United Pan-Europe Communications (USD 1.2 billion), Gazprom (USD 1.1 billion), UniCredito Italiano (USD 1.0 billion), HypoVereinsbank AG (USD 1.0 billion), Allied Irish Bank Plc (USD 747 million), EBRD (USD 650 million), Eureko B.V (USD 601 million), Metro AG (USD 600 million), and Polish American Enterprise Fund (USD 520 million).

Foreign Investments in Poland 1990 - 1999

(USD Millions)	Year	Equity and Loans	Commitments
Grand Total:			
	1989	4.0	N/A
	1990	88.0	N/A
	1991	490.0	N/A
	1992	1,423.0	N/A
	1993	2,828.0	4,649.0
	1994	4,320.8	4,932.5
	1995	6,832.2	5,249.6
	1996	12,027.7	7,933.3
	1997	17,705.4	10,777.1
	1998	27,279.6	13,326.8
	1999	35,171.0	13,397.0
Investment in Individual Years:			
	1990	84.0	N/A
	1991	402.0	N/A
	1992	933.0	N/A
	1993	1,405.0	N/A
	1994	1,492.8	283.5
	1995	2,511.4	317.1

1996	5,195.5	2,683.7
1997	5,677.7	2,843.8
1998	9,574.2	2,549.7
1999	7,891.4	70.2

Total Investment United States:

1991	N/A	N/A
1992	N/A	N/A
1993	1,028.0	1,010.0
1994	1,413.7	1,534.3
1995	1,698.0	1,520.0
1996	2,965.6	2,669.9
1997	3,981.8	3,167.0
1998	4,911.2	3,654.4
1999	5,152.9	2,973.4

United States Individual Years:

1993	N/A	N/A
1994	385.7	524.3
1995	284.3	-14.3
1996	1,267.6	1,149.9
1997	1,016.2	497.1
1998	929.4	487.4
1999	241.7	-681.0

Foreign Direct Investments (by countries of origin)(December 1999)

Country	Total Equity and Loans (USD Millions)
Germany	6,077.0
U.S.A.	5,152.9
France	3,854.7
Holland	3,233.2
Italy	3,208.0
International	2,589.3
Great Britain	2,068.0
Korea	1,616.3
Russia	1,112.2
Ireland	813.7
Austria	799.4
Sweden	789.2
Switzerland	634.6
Denmark	541.4
Norway	456.0

Japan	374.4
Belgium	289.8
Portugal	288.2
Spain	259.3
Canada	259.0
Finland	214.0
Grand Total (FDI over USD 1 mln)	35,171.0

Foreign Direct Investments (by industry sector destination – Dec.1998)

Sector	Equity and Loans (USD millions)	Commitments (USD millions)
Manufacturing	17,318.4	5,836.3
of which:		
- Food products, beverages, tobacco products	4,617.4	986.7
- Transport equipment	4,404.6	1,331.2
- Other non-metal goods	2,091.9	1,066.5
- Pulp, paper, paper products, publishing and printing	1,383.8	411.7
- Chemicals, chemical products	1,304.2	469.2
- electrical machinery	1,269.5	322.4
- other machinery and apparatus	536.1	322.4
- rubber and plastics	451.3	253.9
- basic metals and metal products	399.8	243.1
Financial Intermediation	7,861.8	1,096.1
Wholesale and retail trade, repairs	3,398.4	2,507.6
Construction	1,930.3	1,168.1
Transport, storage and Communication	1,891.7	728.3
Community, social, individual services	1,585.3	529.1
Electricity, gas and water supply	473.0	1,111.0
Hotels and restaurants	423.1	187.2

Real estate and business activities	190.2	220.6
Mining and quarrying	68.3	4.4
Agriculture	30.1	8.0

Top Twenty Major Foreign Investors in Poland (December 1999)

Investor	Equity and Loans (USD millions)	Origin	Branch
Daewoo	1,552.3	Korea	car production, electronic equipment, construction, insurance
Fiat	1,470.1	Italy	car manufacture, banking
Vivendi	1,204.2	France	telecommunications
United Pan-Europe Communications	1,200.0	Netherlands	media and entertainment
RAO Gazprom	1,109.6	Russia	construction (gas pipelines)
Bayerische Hypo Und Vereinsbank	1,000.0	Germany	banking
Allied Irish Bank Plc	746.7	Ireland	banking
EBRD	703.4	Int’l	banking, capital investment
Eureko B.V	601.4	Int'l	insurance
Metro AG	598.0	Germany	retail and wholesale trade
Polish-American Enterprise Fund	520.0	USA	capital investment
Adam Opel AG	500.0	Germany	car manufacture
ING Group	470.0	Netherlands	banking
IPC	465.0	USA	pulp and paper
Commerzbank AG	460.0	Germany	banking
Reemtsma Cigaretten Fabriken GmbH	417.1	Germany	tobacco industry
Philip Morris International	372.0	USA	tobacco industry
Saint Gobain	362.0	France	glass, insulating materials
Coca-Cola Beverages	360.0	G.Britain	soft drinks production
Lafarge	357.0	France	other non-metal goods
ABB	341.6	Int’l	power supply systems, turbines, electric engines
Harbin BV	325.9	Netherlands	brewing
Nestle	309.0	Switzerland	food processing
Pilkington	295.0	G.Britain	glass

Finance Corp.	284.2	Int'l	capital investment

--- Top 20 U.S. Investors in Poland (December 1999)

Company	Value of Investments (USD millions)
Polish-American Enterprise Fund	520.0
IPC	465.0
Philip Morris	372.0
Citibank	236.0
PepsiCo	203.0
Epstein	200.0
Procter and Gamble	190.0
Mars Incorporated	160.0
Delphi Automotive Systems Holding Inc.	148.0
Enron Int'l	132.0
Goodyear	112.0
McDonald's	107.0
Curtis	100.0
D.Chase Enterprises	100.0
J.P.Morgan	100.0
Central European Media	85.0
Schooner Capital Corp/ White Eagle Industries	80.0
Sheraton Warsaw	80.0
R.J.Reynolds Tobacco	70.0
Wm.Wrigley Jr.Company	69.0
Texaco Inc.	68.6

Major Investments by Country of Origin, Number of Companies, Total Value, (Percent Share of Total), through December 1999

1. Germany, 180 companies, USD 6,007.3 million (17.3 percent)
2. United States, 125 companies, USD 5,152.9 million (14.7 percent)
3. France, 67 companies, USD 3,854.7 million (11.1 percent)
4. Holland, 49 companies, USD 3,233.2 million (9.2 percent)
5. Italy, 67 companies, USD 3,208.0 million (9.1 percent)
6. International, 20 firms, USD 2,589.3 million (7.4 percent)
7. Great Britain, 35 companies, USD 2,068.0 million (5.9 percent)
8. South Korea, 4 companies USD 1,616.3 million (4.6 percent)

Source: PAIZ.
Note: PAIZ data is collected by means of a survey. The methodology applied by PAIZ is based on the OECD benchmark definition of FDI. The definition of FDI includes:
- equity contributed by foreign investors to the companies established by them in Poland (the foreign investor's share must be at least 10 percent);
- medium- and long-term loans granted by foreign investors to the companies established by them in Poland;
- the value of re-invested profits reduced by dividend exported from Poland to the country of origin of investor.

Chapter 8: Trade and Project Financing

A. Brief Description of Banking System

Poland's banking system continues to adapt and modernize. With the gradual installation of new telecommunications and the advent of increased competition between domestic and foreign banks, services are becoming increasingly more user friendly and efficient.

Although the availability of banking services varies from one bank to another, commercial banks generally offer a variety of money transfer and cash management services, but they do not usually provide access to cheap credit or extensive personal banking services. Banks set their own interest rates based on several factors, particularly the inflation rate, reserve requirements, and the National Bank of Poland (NBP) rates. In 1999, commercial lending rates were between 17 and 26%. Special services such as cash management, counseling, and risk management for foreign currency transactions vary the most.

The majority of Polish banks are now privatized. A number of large banks have shares listed on the Warsaw Stock Exchange, and more are planned for the future. The majority of the Polish banking sector's assets, deposits, and equity are in the hands of the private sector.

Foreign companies do not have special restrictions on access to local finance as long as funds are used for activities in Poland. Obtaining a loan can be easier if the project is export oriented. Banks usually request proof of solvency and a business plan, as well as security. Security often takes the form of a large deposit (equal to the amount of the loan plus interest) earning a relatively low rate of interest. As property values in Poland are difficult to determine, banks often require property pledged as security to be worth two to three times the value of the loan. Loans are also available to smaller businesses that can produce credible offshore guarantees.

A growing number of foreign banks are establishing banking operations in Poland, either through local subsidiaries, fully operating branches, or participation in consortium banks, which may also include Polish bank shareholders. Several U.S. banks have offices in Poland. While some banks have branches all over Poland, many are regional or have few branches. Businesses with banking needs in varying areas should carefully consider the location of their bank and availability of branches.

The zloty is, for most purposes, fully convertible. Companies operating in Poland have free access to foreign currency to finance imports, but they must exchange their hard currency export earnings, which are held in zloty accounts. Though still much opposed by foreign business, the system itself has not proven problematic (owing to the stability of the zloty). There have been no failures of the banking system to provide hard currency on demand. Profits can be repatriated by law, including repatriation through bonds and securities.

Polish companies may utilize zloty earnings to buy foreign currency to pay for imports. This helps to open the market for western goods. Transfers of hard currency abroad, other than as payments for trade transactions, are controlled.

The banking system is supervised by the central bank, the National Bank of Poland (NBP). NBP is responsible for the issue of money and control of the monetary and credit policy in Poland. It grants banking licenses and foreign exchange permits. Today there are 83 banks in Poland that are privately owned or operate as commercial companies. In addition, there are 1,295 independent cooperative banks. As of mid-1998, 26 foreign banks were operating in Poland. U.S. banks and branches include American Bank in Poland (AmerBank, in which Bankers Trust is a shareholder), Citibank, Bank of America, American Express (which operates a full travel related services office in Warsaw), GE Capital, Ford, and General Motors. Fifteen Polish banks have been approved by the Ex-Im Bank for bank guarantees and currently engage in foreign trade financing.

It sometimes can take two to four weeks to collect money on a sale within Poland, so cash management services can make a significant difference in business profitability.

Business counseling ranks high among the features of some foreign banks in Poland, and most encourage their clients to call before investing. These banks offer counseling services to western firms on regulations and business practices in Poland, and some spend considerable time counseling Polish businesses on western business practices, business plans, and financial plans.

B. Foreign Exchange Controls Affecting Trading

Since the beginning of 1996, domestic business entities have not been required to resell foreign currency payments from abroad to a foreign exchange bank. Instead, they may have a Polish bank account denominated in the foreign currency and keep these payments in that account. However, if a Polish business entity does want to resell a foreign means of payment received from abroad, it can do so only to an authorized foreign exchange bank (i.e. the banks indicated by the President of NBP). When these businesses need foreign exchange, the invoice for goods to be purchased must be presented to prove the currency is needed. Most banks insist that there is no problem acquiring foreign currency. Several banks guarantee wire transfers within 48 hours, although the general rule is that foreign banks are faster than domestic ones. A transfer can be as quick as one day if it is between affiliated banks or banks on the SWIFT system and if the order is placed early in the day. It is best to have a contact at the bank monitor the transaction.

C. General Financing Availability

All commercial banks in Poland offer funds transfers and investment or working capital loans. Banks are limited by law in their exposure to any one creditor. Due to these capitalization requirements, large loans must sometimes be shared between two or more banks. The National Bank of Poland (NBP) influences interest rates for deposits or loans via the interbank offer rate. Banks charge rates of interest based on the NBP lombard rate plus bank surcharges and front-end fees.

D. How to Finance Exports/Methods of Payment

Import financing procedures in Poland adhere to western business practice. All payments go through qualified foreign exchange banks. The safest method of receiving payment for a U.S. export is through an irrevocable letter of credit (L/C). However, most banks in Poland require the importer to deposit funds prior to issuance of a letter of credit. So, for most Polish importers, the L/C is not a financing tool but a payment mechanism.

Difficulties in obtaining U.S. bank guarantees on Polish letters of credit seem to stem from considerations of Poland's overall debt performance. They do not necessarily reflect the actual performance of Polish banks on L/Cs, which is generally considered excellent. Typically, letters of credit are opened for a period to cover production and shipping, and they are normally paid within seven working days of receipt of the goods. Cash payment or down payments provide an extra measure of security for export sales.

Polish companies sometimes offer to pay for U.S. exports cash-in-advance, as it can be difficult for them to get Polish bank guarantees. U.S. exporters who request cash-in-advance payments (usually through money orders or certified bank drafts) need to be aware that many Polish companies are strapped for cash and may need time to organize their funds. Their delays are not a result of lack of interest, but more often a result of the need for time to arrange financing or loans. Finally, cash payments often arrive in the U.S. in installments and not as a single payment.

E. Types of Export Financing and Insurance Available

Sources of financing for projects in Poland vary depending upon specific financial requirements and needs. Financing is found under special programs such as those of the World Bank, the International Finance Corporation (IFC), the European Bank for Reconstruction and Development (EBRD), and other financial assistance programs created by western governments.

In addition to local financing through Polish banks, self-financing, and financing through U.S. sources, the following organizations provide financing and/or insurance for investments made in Poland.

(1) Export-Import Bank of the United States (Ex-Im Bank)

The Ex-Im Bank provides guarantees of working capital loans for U.S. exporters, guarantees the repayment of loans, and makes loans to Polish purchasers of U.S. goods and services. The Ex-Im Bank also provides credit insurance that assists U.S. exporters shipping on short and medium term credits by insuring against nonpayment by foreign buyers. Working Capital Guarantees cover 90% of the principal and interest on commercial loans to creditworthy, small and medium sized companies that need funds to buy or produce U.S. goods or services for export. Export Credit Insurance policies protect against both the political and commercial risks of a foreign buyer defaulting on payment. There are no discretionary credit limits for short-term comprehensive credit insurance. Coverage is generally limited to irrevocable letters of credit issued or guaranteed by one of the eight banks that Ex-Im recognizes as having an international reputation for creditworthiness. Other transactions are examined on a case-by-case basis. In addition, Ex-Im Bank offers direct loans, which provide foreign buyers with competitive, fixed-rate financing for their purchases from the United States. For additional information on these programs contact CS Warsaw at Warsaw.Office.Box@mail.doc.gov.

For more information on Ex-Im Bank programs, please contact:

Ex-Im Bank
811 Vermont Ave., N.W.
Washington, D.C. 20571
tel: 1-800-565-EXIM, 202-565-3946,
fax: 202-565-3380
http://www.exim.gov

(2) USDA Export Credit Guarantee Programs

USDA has three credit guarantee programs to support exports of U.S. food and agricultural products to Poland. The Supplier Credit Guarantee Program (SCGP) is available for Poland for the first time in Fiscal Year 1998. Under the SCGP, USDA guarantees up to 50% of the principal offered on credit terms of 15, 20, 30, 45, 60, 90, 120, 150, and 180 days. SCGP has a limit of USD 10 million for Poland and does not require a letter of credit.

USDA guarantees payment of letters of credit issued by Polish banks in favor of U.S. exporters under the GSM-102 and GSM-103 program. GSM-102 export credit guarantees of USD 25 million for 90 days to three years through approved banks are available for Poland. GSM-103 export credit guarantees of up to USD 5 million on credit terms in excess of three years, but not more than five years, are also available for exports of U.S. breeding livestock. Further information on these programs can be obtained from:

U.S. Department of Agriculture
Foreign Agricultural Service
tel: (202) 720-7115

Or by checking news releases for these programs on the Foreign Agricultural Service homepage:

www.fas.usda.gov/scriptsw/PressRelease/pressrel_frm.idc

(3) Commercial Bank Financing

Until very recently commercial bank financing for U.S. exports to Poland was limited due to Poland's poor credit rating. Since the signing of the London and Paris agreements, however, more banks have been willing to offer financing for U.S. exports to Poland.

F. Project Financing Available, Including Lending from Multilateral Institutions and Types of Projects Supported

(1) The World Bank

The World Bank serves as a source of loans for economic development and reform programs in Poland. The World Bank finances projects in six main areas: support of Government efforts in the energy sector, improvement of municipal and basic infrastructure, development of key Polish institutions and systems to support a market oriented economy, and development of the social and financial sectors.

The World Bank uses guarantees to support and attract private investment for projects that demand large sums of long term financing, or are in areas of high political risk. Guarantees are used to stimulate investment, and the World Bank only provides partial guarantees, sharing the risk with private lenders. The World Bank utilizes two types of guarantees in addition to the possibility of issuing a World Bank loan. A Contractual Compliance Guarantee protects private lenders against specific risks identified by the host Government, the private party, and the World Bank. A Partial Credit Guarantee protects private lenders against possible late loan payments and finances extensions of medium term loans.

A summary of projects and procurement financed by the World Bank is printed in a bi-monthly publication available by contacting:

Development Business
UN Department of Public Information
PO Box 5850 Grand Central Station
New York, NY 10163-5850
tel: 212-963-1515
fax: 212-963-1381

Further information on World Bank programs can be obtained from:

Public Information Center
World Bank Headquarters
1818 H Street, N.W., Room GB 1-300
Washington, D.C. 20043
tel: 202-477-1234

or

World Bank Resident Mission
ul. Emilii Plater 53
00-113 Warszawa, Poland
tel. (48)(22) 520 8000
fax. (48)(22) 520 8001

(2) International Finance Corporation (IFC)

The IFC is a member of the World Bank Group, which provides non-government guaranteed direct investment in private businesses. Its purpose is to attract foreign and host country investors to supply additional debt and equity financing. IFC has been active in Poland since 1987. IFC investment will continue at the same level as last year. To date, IFC has invested over USD 505 million in 26 projects in various sectors. For additional information, please contact:

International Finance Corporation Resident Mission
ul. Emilii Plater 53
Warsaw, Poland
tel: 48-22-520-61-00
fax: 48-22-520-71-01

(3) U.S. Trade and Development Agency (TDA)

TDA promotes U.S. exports through direct assistance to middle-income countries, including Poland. TDA accomplishes this by financing feasibility studies and related planning services and training programs. These projects must, as a rule, offer good opportunities for U.S. export of equipment and services. TDA has feasibility study financing available to the public and private sectors. The public sector program comprises more than 90% of TDA financing. It offers grants to foreign governments for feasibility studies to be performed by U.S. firms in large-scale public sector projects. The private sector program offers cost-sharing of feasibility studies with U.S. investors on a reimbursable basis. TDA has provided more than USD 10 million in feasibility grants to Poland over the last four years. For further information contact:

U.S. Trade and Development Agency,
Washington, D.C. 20523-1602
tel: (703) 875-4818
fax: (703) 875-4009

(4) European Bank for Reconstruction and Development

The European Bank for Reconstruction and Development (EBRD) operates as both a development bank and merchant bank, providing government guarantees and commercial loans. The EBRD lends and invests exclusively in projects in Central and Eastern Europe, and at least 60% of its funding is targeted to private sector companies or state-owned companies going through the privatization process. With an emphasis on the environment, the EBRD requires proposals that demonstrate good products or services with sound market prospects, significant capital commitments by project sponsors, dependable technology, sound environmental management, a high return on investment, and overall financial viability of the borrowing enterprise. For further information, please contact:

European Bank for Reconstruction and Development
U.S. Office
London, England
tel: 44-71-338-6569
fax: 44-71-338-6487

Polish Office
Ul. Emilii Plater 53
Warsaw, Poland
tel: 48-22-520-5700
fax: 48-22-520-5800

(5) Overseas Private Investment Corporation (OPIC)

OPIC is a self-sustaining U.S. government agency that provides investment information, financing, and political risk insurance for U.S. companies investing in emerging markets like Poland. OPIC offers medium to long term financing in Poland through its direct loans and guarantees program. Direct loans are reserved for U.S. small business or cooperatives and generally range in amounts from USD 2-10 million. Loan guarantees are issued to U.S. lending institutions and range in size from USD 10-75 million, and in certain instances to USD 200 million. OPIC can insure U.S. investments against political violence, expropriation, and inconvertibility of local currency.

OPIC has initiated a USD 65 million fund called Poland Partners. The fund is designed to provide capital for new projects, expansion of existing enterprises, and privatization of state-owned businesses. Poland Partners will focus on seven high growth sectors: 1. pharmaceutical and personal care products; 2. automotive after-market; 3. building supplies and home improvements; 4. financial services; 5. franchised services; 6. plastic molding; and 7. food processing. OPIC also has developed an environmental fund to provide capital to U.S. companies involved in projects linked to economic development and the protection of the environment in Poland and other countries in Central and Eastern Europe. For projects involving warehousing, industrial sites, and distribution, OPIC has established a real estate fund. For more information, please contact:

Overseas Private Investment Corporation
1100 New York Avenue, N.W.
Washington, DC 20527
tel: (202) 336-8799
fax: (202) 408-9859
OPIC FACTS LINE: 202-336-8700

G. List of Banks with Correspondent U.S. Banking Arrangements

Bank Przemyslowo Handlowy S.A. (BPH)
ul. Na Zjezdzie 11
30-527 Krakow, skr. poczt. 57
tel: (48-12) 618-7888, 618-7845
fax: (48-12) 618-7843

Pomorski Bank Kredytowy S.A. (PBKS)
Pl. Zolnierza Polskiego 16
70-551 Szczecin
tel: (48-91) 440-0100
fax: (48-91) 433-3114

Powszechny Bank Gospodarczy S.A.
Al. J. Pilsudskiego 12, skr. Poczt.12
90-950 Lodz
tel:(48-42) 636-6244
fax:(48-42) 636-7772

Bank Polska Kasa Opieki, S.A.
(Pekao, SA)
ul. Grzybowska 53/57
00-950 Warsaw
tel:(48-22) 656-0780, 656-0781
fax:(48-22) 656-0109

Bank Zachodni S.A. (BZ)
Rynek 9/11, skr. poczt. 1109
50-950 Wroclaw
tel: (48-71) 370 10 01
fax: (49-71) 344 7704

Gornoslaski Bank Gospodarczy S.A. (BGBK)
Bank Slaski SA

ul. Warszawska 6, skr. poczt. 1138
40-006 Katowice
tel: (48-32) 596231
fax: (48-32) 256 4178

Bank Inicjatyw Gospodarczych BIG S.A. (BIG)
ul. Kopernika 36/40, skr. poczt. 6
00-924 Warsaw
tel: (48-22) 657-5050, 657-5000
fax: (48-22) 626-7180, 657-5009

Bank Handlowy w Warszawie S.A. (BH)
(Commercial Bank SA)
ul. Koszykowa 54
00-950 Warsaw
tel:(48-22)630-8625
fax:(48-22)630-8609

Bank Rozwoju Eksportu, S.A. (BRE)
(Export Development Bank SA)
Plac Bankowy 2, skr. poczt. 728
00-950 Warsaw
tel:(48-22)637-2800
fax:(48-22)637-1879

Powszechna Kasa Oszczednosci
Bank Panstwowy (PKO BP)
ul. Nowy Swiat 6/12, skr. poczt. 639
00-950 Warsaw
tel:(48-22)637-1618
fax:(48-22)635-5855

Bank Gospodarki Zywnosciowej S.A. (BGZ)
(Bank for the Food Economy)
ul. Kasprzaka 10/16
01-215 Warsaw
tel:(48-22) 860-4000
fax:(48-22) 860-5045

Bank Depozytowo-Kredytowy S.A. (BDK)
ul. Wieniawska 12
20-071 Lublin
tel:(48-81)532-0171
fax:(48-81)534-3271

Bank Gospodarstwa Krajowego (BGK)
Aleje Jerozolimskie 7
Warsaw
tel: (48-22) 522 9112
fax: (48-22) 627 0477

Narodowy Bank Polski (NBP)
ul. Swietokrzyska 11/21, skr. poczt. 1011
00-919 Warsaw
tel: (48-22) 653-2335, 653-2571
fax: (48-22) 653-1321

Chapter 9: Business Travel

A. Business Customs

It is customary to greet by shaking hands in Poland. A businesswoman should not be surprised if a Polish man kisses her hand upon introduction, at subsequent meetings or saying goodbye. American men are not expected to kiss a Polish woman's hand, but may simply shake hands. Business cards are the norm in Poland and are generally given to each person present in a meeting. As Poles tend to bring more than one person to their meetings, U.S. visitors should bring plenty of cards. It is not necessary to have cards printed in Polish.

Business attire is generally formal, including a suit and tie for men, and a suit or dress for women. Casual wear, including jeans, is suitable for informal occasions, but more formal dress is usually customary for visiting or entertaining in the evening. Flowers, always an odd number, are the most common gift among friends and acquaintances. Sunday is the traditional day for visiting family and friends in Poland.

B. Travel Advisories and Visas

The principal problem encountered by visitors to Poland is property crime. Pick pocketing, hotel break-ins, and car theft are common, particularly in areas of heavy tourist activity. Visitors are advised to pay particularly close attention to their belongings while in airports and railway stations, as well as on trains. Violent crime remains rare, but is growing. Consult the Consular Information Sheet, prepared by the U.S. Department of State, for updates. This information is available from the U.S. Department of State's web site (http://travel.state.gov).

There are no visa requirements for U.S. citizens coming to Poland for business purposes of up to 90 days. Business visitors on temporary duty are required to obtain a work permit if they will be in Poland longer than 90 days. Applications for this permission must be filed with the District Employment Office (Wojewodzki Urzad Pracy) by prospective employers six weeks before the start of employment. The application fee is 650 Polish zloty. If after 14 days, the decision is positive, the office will mail a "Promesa" (an assurance of permit issuance) to the employer. The worker uses the "Promesa" to apply for a work visa at a Polish Embassy or Consulate abroad. People already in Poland are obliged to leave the territory of Poland to apply for their work visas. The work visa fee is approximately USD 170, payable in dollars. After arriving in Poland with the visa, the worker must obtain the work permit from the District Employment Office within seven days of commencing work. Permits are issued for 12 months. Permits may be extended at the request of the employer. The extension fee is 325 Polish zloty.

C. Holidays

The following public holidays are observed in Poland: New Year's Day (January 1), Easter Monday (day after Easter), Labor Day (May 1), Constitution Day (May 3), Corpus Christi (late May/early June), Assumption of the Virgin Mary (August 15), All Saints' Day (November 1), Independence Day (November 11), Christmas (December 25), and Boxing Day (December 26). One Saturday per month is, by custom, considered a working Saturday, but there is no consistency among institutions or exact observance as such. Poland operates in Central European Time (CET), the same time zone as continental Western Europe. Business hours are generally from 8:00 a.m. to 4:00 p.m.

D. Business Infrastructure

Transportation by air to and from Poland is excellent. International carriers fly to Poland many times per day from all over the world, and the Polish Airline LOT has direct flights to Warsaw from Chicago, New York, and Newark. Delta, American, Northwest and United have code share relationships with various European carriers that service Poland. No U.S. airline services Poland directly at this time.

Transportation within Poland is convenient. Flights operate between major cities and trains routes are extensive and are quite efficient. Rental cars are abundant, but due to significantly increased traffic over the past few years and a highway system that has not kept up, driving between Polish cities, especially at night, can be quite dangerous.

First class business hotels are available in most major Polish cities, and many are located in the heart of business districts. Some major western hotels offer air-conditioned rooms and direct dial telephone capability from rooms. Many hotels offer a business center with computers, business assistance services, and faxing capability. Almost all business hotels take major credit cards. Charges and room rates are seasonal and competitive, and business travelers are advised to check and confirm rates at hotels in advance of their travel.

Telephoning to and from Poland is much easier today than just a few years ago. AT&T, Sprint, and MCI calls can be placed from Poland. Direct dial around the world is possible and can sometimes be easier than placing local calls across town. The Polish telephone system in some areas is still rotary dial, making it difficult to link-up and use some modern telephone services in the United States.

Poland uses the metric system of weights and measures. Electrical appliances use 220 volts AC, 50Hz, with continental (two-prong) outlets.

E. Temporary Entry of Personal Laptops and Other Business Materials

There are no restrictions on the temporary entry of personal laptop computers or other business materials into Poland.

F. U.S. Commercial Service, American Embassy Warsaw

U.S. business visitors are encouraged to make an appointment with the U.S. Commercial Service in Warsaw prior to departure for Poland. Following is the contact information for the U.S. Commercial Service in Warsaw:

Mr. David Fulton, Commercial Counselor
Mr. David Ponsar, Commercial Attaché
Mr. Alain Bobet, Commercial Representative
Aleje Jerozolimskie 56 c, 00-803 Warsaw
tel: (48-22) 625-43-74
fax: (48-22) 621-63-27
Warsaw.Office.Box@mail.doc.gov
www.CSCentralEurope.org/Poland

CHAPTER 10: Economic and Trade Statistics

APPENDIX A: Domestic Economy

	1998	1999	2000(f)
GDP Current (USD Billions)	158	156	163
GDP Growth Rate (real % change)	4.8	4.1	5.3
GDP Per Capita			
(in current USD)	4,070	4,025	4,145
(at purchasing power parity)	8,000	7,800	N/A
Gov't Spending (% of GDP)	25.4	22.4	N/A
Inflation (% change Dec-Dec)	8.6	7.4	9-9.5
Unemployment (Percent)	10.4	13.0	13.8

Foreign Exchange Reserves(mln USD)			
-gross	27,382	25,500	N/A
-net	28,800	26,700	27,300
Average Exchange Rate (**)	3.4937	3.9675	4.3200
Foreign Hard Curr. Debt(mln USD)(***)	56,867	60,528	N/A
Foreign Debt Service (as % of exports)(****)	10.4	16.8	N/A

Notes:
Polish Government Statistics, unless otherwise noted
f = Forecast, straight line projections
N/A = Data not available
** = Polish Zloty per USD 1
*** = The external debt data for 1998 and 1999 are not directly comparable to the previous years as the coverage was changed.
**** = IMF

Appendix B: Trade Statistics

The following figures are from Poland's Central Statistical Office and are in USD millions, unless otherwise noted.

	1998	1999	2000*
Total Poland Exports(**)	30,200	26,300	27,800
Total Poland Imports (**)	43,900	40,700	43,900
U.S. Imports from Poland	755	755	N/A
U.S. Exports to Poland	1,790	1,650	N/A
U.S. Share of Polish Imports	3.8%	3.6%	N/A

Notes:
* = Estimated
** = NBP (Balance of Payments)

Five Principal U.S. Exports to Poland (HS) in 1999 @

1. Optical, photographic, measuring and checking instruments and apparatus (USD 143.2 million)
2. Automatic data processing machines (USD 117.4 million)
3. Electrical apparatus for line telephony or telegraphy (USD 94 million)
4. Pharmaceutical products (USD 77.4 million)
5. Transmission apparatus for radio-telephony, radio telegraphy, radio broadcasting or television (USD 54.7 million)

Five Principal U.S. Imports from Poland (HS) in 1999 @

1. Glass and Glassware (USD 59.4 million)
2. Machinery and equipment for road and earth works (USD 50.3 million)
3. Toys, games and sports requisites (USD 32.1 million)
4. Meat products (USD 27.6 million)
5. Articles of copper and copper alloys (USD 26.4 million)

Notes
Polish Central Office of Statistics Data, Unless Noted
@ = USDOC Estimate
a = Agricultural Policy Analysis Unit/ Foreign Markets Monitoring Unit
of the foundation Assistance Programs for Agriculture (FAPA)
b = U.S. Census Data

APPENDIX C: Investment Statistics

At the end of 1999, Poland faced negative effects of the Russian crisis. Despite the magnitude of the crisis, Poland defended itself and recovered relatively fast. The crisis had, however, some impact on the Polish economy. Due to the poor trade with Russia and Eastern European countries GDP was growing slower than expected. Also inflation was for the first time in many years higher than the year before. As macroeconomic conditions of the economy play a major role in attracting foreign investment, the less dynamic economic performance contributed to the slightly slower inflow of foreign capital to Poland in 1999.

Foreign direct investment in Poland reached, in 1999, US$ 8.0 billion, which was below the record level of US$ 10 billion in 1998, but more than in the years 1993-1997.

Foreign companies chose Poland for a variety of reasons, including: its size, skilled work force, relatively low labor cost, and expected admission to the European Union. Poland continues to attract the highest level of foreign investment among the Central European countries.

Note: State Agency for Foreign Investment (PAIZ) tracks only foreign investment in Poland by "major" investments, or those made by "large" foreign investors, totaling USD 1 million or more. According to PAIZ, at the end of 1999 there were 799 companies representing 35 countries that invested more than US$ 1 million.

The following investment information on Poland is based on PAIZ data and is cumulative to-date listed:

Foreign Investment, year-end 1999: $35,170.8 mln
Foreign Investment, year-end 1998: $27,279.6 mln
Foreign Investment, year-end 1997: $17,705.4 mln

Foreign Investment, year-end 1996:	$12,027.7 mln
Foreign Investment, year-end 1995:	$6,832 mln
Foreign Investment, year-end 1994:	$3,741 mln
Foreign Investment, year-end 1993:	$3,041 mln

Major Investments by Country of Origin, Number of Companies, Total Value, (Percent Share of Total), through December 1999

1. Germany, 180 companies, US$ 6,007.3 million (17.3 percent)
2. United States, 125 companies, US$ 5,152.9 million (14.7 percent)
3. France, 67 companies, US$ 3,854.7 million (11.1 percent)
4. Netherlands, 49 companies, US$ 3,233.2 (9.2 percent)
5. Italy, 67 companies, US$ 3,208.0 million (9.1 percent)
6. International, 20 firms, US$ 2,589.3 million (7.4 percent)
7. Great Britain, 35 companies, US$ 2,068.0 million (5.9 percent)
8. South Korea, 4 companies US$ 1,616.3 million (4.6 percent)

Industrial Structure of Foreign Investment in Poland

1. Manufacturing (49.2%)
   including:
   - Food Processing (13.1%)
   - Transportation equipment (12.5%)
   - Non-metal goods (5.9%)
2. Financial services (22.4%)
3. Trade and Repairs (9.7%)
4. Construction (5.5%)
5. Transport, storage, communication (5.4%)

Sectoral Breakdown of U.S. Investments in Poland

1. Food/Food Processing
2. Consumer Goods
3. Paper Industry
4. Banking and Finance
5. Automotive
6. Construction and Engineering
7. Chemicals and chemical products
8. Telecommunications

7\. Other

CHAPTER 11: U.S. and Country Contacts

U.S. Embassy Trade Related Contacts

Commercial (U.S. Commercial Service):

Mr. David Fulton, Commercial Counselor
Mr. David Ponsar, Commercial Attache
Mr. Alain Bobet, Commercial Representative
Aleje Jerozolimskie 56 c, 00-803 Warsaw
tel: (48-22) 625-43-74
fax: (48-22) 621-63-27
Warsaw.Office.Box@mail.doc.gov
www.CSCentralEurope.org/Poland

Agriculture:

Mr. James Higgiston, Agricultural Counselor
Ms. Maggie Dowling, Agricultural Attaché
Aleje Ujazdowskie 29/31, Warsaw
tel: (48-22) 628-30-41
fax: (48-22) 628-1172

Economic:

Mr. Richard Huff, Economic Counselor
Aleje Ujazdowskie 29/31, Warsaw
tel: (48-22) 628-30-41
fax: (48-22) 628-37-54

Office of Defense Cooperation:

Lt.Col. Peter Podbielski
Aleje Ujazdowskie 29/31, Warsaw
tel: (48-22) 628-30-41
fax: (48-22) 625-34-78

American Consulate General Krakow
Ms. Siria Lopez, Consul General
ul. Stolarska 9, Krakow
tel: (48-12) 429-66-55
fax: (48-12) 421-82-92

Chambers of Commerce and Bilateral Business Councils

National Chamber of Commerce of Poland
ul. Trebacka 4
00-074 Warsaw

tel: (48-22) 630-9600
fax: (48-22) 827-4673

American Chamber of Commerce in Poland (AmCham)
ul. Emilii Plater 53, Warsaw Financial Center
00-1163 Warsaw
tel: (48-22) 520-5999
fax: (48-22) 520-9998

Business Centre Club
Palac Lubomirskich
00-136 Warsaw
Plac Zelaznej Bramy 2
tel: (48-22) 625-3037
fax: (48-22) 621-8420

Country Government Offices

Ministry of Transportation and Maritime Economy
ul Chalubinskiego 4/6
00-928 Warsaw
tel: (48-22) 621-5676 or 628-5553
fax: (48-22) 830-0261 or 830-0089

Ministry of Environmental Protection
ul. Wawelska 52/54
00-922 Warsaw
tel: (48-22) 825-3355
fax: (48-22) 825-3355

Ministry of Agriculture and Rural Development
ul. Wspolna 30
00-930 Warsaw
tel: (48-22) 623-1654, 623-2024
fax: (48-22) 623-2750, 623-2751, 621-2326

Ministry of Finance
ul. Swietokrzyska 12
00-916 Warsaw
tel: (48-22) 826-5595
fax: (48-22) 826-6352

Ministry of Economy
Pl. Trzech Krzyzy 5

00-950 Warsaw
tel: (48-22) 628-6364, 693-5013
fax: (48-22) 629-5201

Ministry of State Treasury
ul. Krucza 36
00-522 Warsaw
tel: (48-22) 628-1689 or 695-8590
fax: (48-22) 628-1914

Polish Center for Research and Certification
Polskie Centrum Badan I Certyfikacji (PCBC)
ul. Klobucka 23a
02-699 Warsaw
tel: (48-22) 857-9916
fax: (48-22) 647-12-22

Polish Agency For Foreign Investment
Aleja Roz 2
00-559 Warsaw
tel: (48-22) 621-6261, 621-8904
fax: (48-22) 621-8427

In-Country Market Research Firms

ALCAT COMMUNICATION WARSAW LTD.
ul. Karlowicza 9a
02-501 Warszawa
tel.845 2242, tel.848 4640
fax.848 6782
E-mail: alcat@wonet.com.pl
Web site: www.alcat.com.pl
Contact: Ms. Alma Kadragic

BURSON-MARSTELLER
ul. Smolna 12
00-375 Warszawa
tel.657 88 00,
fax.657 8905, 657 88 11
E-mail: none
Web site: www.bm.com
Contact: Mr. Piotr Filipek

COMPANY ASSISTANCE Ltd.

ul. Podwale 13
00-950 Warsaw
tel: (48-22) 635-8650, 635-8944
fax: (48-22) 631-7920
E-mail: cal@cal.com.pl
Web site: none
Contact: Ms. Agnieszka Palka

CRACOVIAN INTERNATIONAL CONSULTANTS (CIC)
ul.Sw.Jana 2/3
31-018 Krakow
tel.(012) 422 1636,
fax.(012) 411 1636
E-mail: cic@cic.com.pl
Web site: www.cic.com.pl
Contact: Mr. Witoslaw Stepien

D'ARCY, MASIUS,BENTON & BOWLES
ul. Goraszewska 7
02-910 Warszawa
tel. 408 020,
fax. 408 107
E-mail: warsaw@dmbb.com
Web site: www.dmbb.com
Contact: Ms. Maria Wojciechowska

IAS Polska, Sp.z o.o. (International Advisory Services Group Ltd.)
ul. Francuska 35
40-027 Katowice
tel: (48-32) 757-2649
fax: (48-32) 757-2649
E-mail: iaspl@ka.onet.pl
Web site: www.iasworldtrade.com
Contact: Miroslaw Malachowski

Country Commercial Banks and Financial Institutions

AMERBANK
ul. Marszałkowska 115
00-102 Warszawa
tel: 624 8505
fax: 624 9981
E-mail: amerbank@amerbank.pl
Web site: www.amerbank.com.pl

CITIBANK
ul. Senatorska 16
00-923 Warszawa
tel: 657 7200
fax: 657 7580
E-mail: not published
Web site: www.citibank.com.pl

PIERWSZY POLSKO-AMERYKAŃSKI BANK S.A.
ul. Marynarska 13
02-674 Warszawa
tel: 541 1800
fax: 541 1810
E-mail: mrecepcja@ppabank.com.pl
Web site: www.ppabank.com.pl

Chase Manhattan Bank
Warsaw Financial Center
ul. Emilii Plater 53
00-113 Warsaw
tel: (48-22) 520-5100
fax: (48-22) 520-5120
E-mail: kenneth.foretek@chase.com
Web site: www.chase.com

GE CAPITAL BANK Sp. z o.o.
ul. Waly Jagiellonskie 36
80-853 Gdansk
tel: (058) 304 0808
fax: (058) 304 0721
E-mail: joanna.michalowska@gecapital.com
Web site: none

GE HOUSING BANK (branch)
ul. Krolewska 27
00-060 Warszawa
tel: 828 1111
fax: 827 6729
E-mail: robert_lee@housingbank.ge.com
Web site: under construction

GE HOUSING BANK (headquarters)
ul. Poleczki 21
02-822 Warszawa

tel: 545 0500
fax: 545 0501
E-mail: robert_lee@housingbank.ge.com
Web site: under construction

BANK OF AMERICA
Al. Jana Pawła II 25
00-854 Warszawa
tel: 654 2500
fax: 654 2515
E-mail: stanislaw.popow@bankamerica.com
Web site: www.bacchannel.bankamerica.com

The following banks have been recognized by Ex-Im Bank for credit worthiness:

Bank Handlowy w Warszawie S.A.
(Commercial Bank S.A.)
ul. Chalbinskiego 8
00-950 Warsaw
tel: (48-22) 690-30-00
fax: (48-22) 830-01-13

Bank Polska Kasa Opieki, S.A.
(Pekao S.A.)
ul. Grzybowska 53/57
00-950 Warsaw
tel: (48-22) 656-0780, 656-0781, 656-00-00
fax: (48-22) 656-0109

Bank Rozwoju Eksportu, S.A.
(Export Development Bank SA)
ul. Senatorska 18
00-082 Warsaw
tel: (48-22) 829-0000
fax: (48-22) 829-0033

Powszechna Kasa Oszczednosci
Bank Polski
Plac Bankowy 2
00-950 Warsaw
tel: (48-22) 635-0500
fax: (48-22) 635-0855

Bank Gospodarki Zywnosciowej

(Bank for the Food Economy)
ul. Chelmska 19/21
00-916 Warsaw
tel: (48-22) 840-5209
fax: (48-22) 841-6131

Bank Slaski S.A.
ul. Warszawska 14
40-950 Katowice
tel: (48-32) 253-89-06
fax: (48-32) 253-99-44

Multilateral Development Bank Offices in Poland

European Bank for Reconstruction and Development
Ms. Irene Grzybowski, Head of the Warsaw EBRD Office
Warsaw Financial Center
XIII Floor
ul. Emilii Plater 53
00-113 Warsaw
tel: (48-22) 520-57-00
fax: (48-22) 520-58-00

World Bank
Mr. Christopher Hall, Office Manager
Warsaw Financial Center
IX Floor
ul. Emilii Plater 53
00-193 Warsaw
tel: (48-22) 520-80-00
fax: (48-22) 520-80-01

International Finance Corporation
Malgorzata Stepien, Program Coordinator
Warsaw Financial Center
IX Floor
ul. Emilii Plater 53
00-113 Warsaw
tel: (48-22) 520-61-00,
fax: (48-22) 520-61-01

Trade Promotion Coordinating Council Trade Information Center

Telephone: 1-800-USA-TRADE

U.S. Department of State, Bureau of Economic & Business Affairs

tel: (202) 647-7971
fax: (202) 647-5713

U.S. Department of Commerce

Ms. Betty Smith, Deputy Director, Eastern Europe
14th St. & Constitution Avenue NW
Washington, D.C. 20230
tel: (202) 482-5402
fax: (202) 482-2456

U.S. Department of Agriculture

Foreign Agricultural Service
Agricultural Export Services Division
Trade Assistance and Promotion Office
1400 Independence Avenue, S.W.
Room 4949 South Bldg., Stop 1052
Washington, D.C. 20250-1052
tel: (202) 720-7420
fax: (202) 690-0193

U.S.-Based Multipliers

Polish-U.S. Economic Council
U.S. Chamber of Commerce
1615 H Street, NW
Washington, DC 20062-2000
tel:(202) 659-6000
fax:(202) 887-3437

Trade Associations

Polish Chamber of Information Technology
and Telecommunications
(Polska Izba Informatyki I Telekomunikacji)
Mr. Waclaw Iszkowski, President
ul. Nowogrodzka 31, Room 204
00-503 Warsaw
tel: (48-22) 628-2260
fax: (48-22) 628-5536

e-mail: piit@ikp.atm.com.pl

Polish Chamber of Commerce for Electronics
and Telecommunications
(Krajowa Izba Gospodarcza Elektroniki I Telekomunikacji)
Mr. Stefan Kaminski, President
ul. Stepinska 22/30
00-739 Warsaw
tel: (48-22) 816-9023
fax: (48-22) 851-0300

Pomeranian Chamber of Commerce and Industry
Mr. Jerzy Kowalski, President
ul. Dlugi Targ 39/40
80-830 Gdansk
tel: (48-58) 301-13-25, 301-19-54
fax: (48-58) 301-02-16

Polish Homebuilders Association
(Polskie Stowarzyszenie Budowniczych Domow)
ul. Foksal 2
00-366 Warsaw
tel/fax: (48-22) 827 7750
Agnieszka Krzywicka, Director of the Office

Polish Association of Sanitary, Heating,
Gas and Air Conditioning Enterprises
(Polska Korporacja Techniki Sanitarnej,
Grzewczej, Gazowej I Klimatyzacji)
Mr. Tomasz Malowany, Director
ul. Grzybowska 4
00-131 Warsaw
tel: (48-22) 654-7320
fax: (48-22) 654-7323

The Association of Polish Architects (SARP)
Mr. Rafal Szczepanski, President of Warsaw branch
ul. Foksal 2
00-950 Warsaw
tel: (48-22) 827-8710, 826-7439
fax:(48-22) 826-7456

Polish Pharmaceutical and Medical
Equipment Producers Chamber
(Polska Izba Przemyslu Farmaceutycznego

I Sprzetu Medycznego - POLFARMED)
Mr. Zbigniew Cezary Sledziewski, Director
ul. Lucka 2/4/6
00-845 Warsaw
tel:(48-22) 654-5351
fax:(48-22) 654-5420

Polish Chamber of Cable Communication
(Ogolnopolska Izba Gospodarcza Kumunikacji Kablowej)
Mr. Andrzej Ostrowski, President
ul. Mieszka I 2/4
65-040 Zielona Gora
tel: (48-68) 324-0870/1/2
fax: (48-68) 324-5400

Association of Leasing Companies in Poland
Konferencja Przedsiebiorstw Leasingowych
Mr. Andrzej Plochocki, Director
ul. Filtrowa 71a apt. 3
02-055 Warsaw
tel/fax: (48-22) 825-19-43

Polish Cosmetics Association
Polskie Stowarzyszenie Kosmetyczne
Ms. Ewa M. Wanke, President
ul. Smocza 30, Apt. 32
01-048 Warsaw
tel/fax: (48-22) 838-61-59

Packaging Materials and Packaging
Manufacturers Association
Stowarzyszenie Producentow I
Uzytkownikow Materialow
Opakowaniowych I Opakowan (PROPAK)
Mr. Tadeusz Romanowicz, President
ul. Czackiego 3/5
00-950 Warsaw
tel/fax: (48-22) 828-6426
fax: (48-22) 773-19-32

Economic Chamber of Energy and Environmental Protection
(Izba Gospodarcza Energetyki I Ochrony Srodowiska)
Mr. Zbigniew Bicki, President
Mr. Slawomir Krystek, General Director
ul. Krucza 6/14, room 115

00-950 Warsaw
tel: (48-22) 621-65-72
fax: (48-22) 628-78-38

Polish Power Plant Association
(Towarzystwo Gospodarcze Polskie Elektrownie)
Mr. Slawomir Krystek, Director
ul. Krucza 6/14
00-950 Warsaw
tel: (48-22) 629-04-09
fax: (48-22) 628-60-00

Polish CHP Association
(Polskie Towarzystwo Elektrocieplowni Zawodowych)
Mr. Janusz Ryk, Director
ul. Krucza 6/14
00-950 Warsaw
tel: (48-22) 693-23-68
fax: (48-22) 628-69-93

Polish Chamber of Tourism
(Polska Izba Turystyki)
Mr. Wlodzimierz Sukiennik, President
ul. Astronomow 3/411
01-415 Warsaw
tel: (48-22) 836-9971
fax: (48-22) 836-9973

CHAPTER 12: Market Research

List of Available and Upcoming Industry Sector Analyses

Available

Airport Development Opportunities
Application Software
Automotive Lubricants
Automotive Parts and Components
Book Publishing
Building Materials
Computer Software
Electrical Power Generation Sector
English Language for NATO

Food Processing Equipment
Hazardous Waste Management & Disposal Equipment
Health Insurance
Heating Equipment
Household Appliances
Housing Industry
Industrial Chemicals
Internet Services
Life / Pension Insurance
Networking Hardware and Software
Packaging Sector
Personal Computers
Printing and Graphic Art Equipment
Rehabilitation Equipment
Renewable Energy Sources
Retailing Networks
School and Office Supplies
Sporting Goods
Steel Industry
Telecommunications
Toy Market
Travel and Tourism
Vitamins & OTC Drugs

Upcoming

Architectural Services
Highway Construction Projects
Lingerie
Medical Equipment
Plastic Production Machinery
Port/Shipbuilding Equipment
Value Added Telecommunication Services
Water Pollution Control Equipment & Services
Power Sector Liberalization
Insurance Services
Food Processing Equipment
Construction Machinery
Air Conditioning Equipment
Building/Construction Services
Automobile Tools and Equipment
Transportation Services
Automobiles and Trucks
Pharmaceuticals
Advertising Services

Defense Equipment
Franchising
Footwear
Furniture
Computer Services
Internet Security Solutions
Computers in Industry – CAD/CAM/GIS
Automobile Recycling
Recycling Equipment and Services
Solid Waste Management

List of Annual USDA/FAS Agricultural Reports

The following reports are prepared by the Agricultural Office of the American Embassy/Warsaw and are available at:

www.fas.usda.gov under “attaché reports”:

02/01/2000 Forest Products
02/28/2000 Oilseeds & Products
04/10/2000 Sugar Annual
04/30/2000 Grain & Feed Annual
05/10/2000 Tobacco Annual
06/01/2000 Cotton Annual
07/31/2000 Food and Agricultural Standards Report
08/01/2000 Livestock Annual
08/15/2000 Poultry Annual
09/10/2000 Fresh Deciduous Fruits Annual
09/30/2000 Exporter Guide
10/15/2000 Strawberry Annual
10/20/2000 Dairy Annual
11/15/2000 Retail Food Products

Market Briefs:
Seafood Products
Ice Cream
Peanuts
Snack Foods
Pet Foods

CHAPTER 13: Trade Event Schedule

MAJOR TRADE FAIRS IN POLAND

September 2000 - November 2001

2000

JESIEN
Autumn Consumer Goods Fair, Poznan Fashion Week
Poznan – September 5-8

MSPO
8th International Defense Industry Salon
Kielce - September 6-9

BATIMAT POLAND 2000 – EXPOBUD 2000
International Construction Forum
Warsaw – September 11-14

HPS
3rd International Fair of Hydraulics, Pneumatics and Controlling
Katowice – September 12-15

INSTALEXPO
International Fair of Sanitary, Heating, Gas and Air Conditioning Technologies
Warsaw – September 6-9

DOMEXPO
Autumn Consumer Goods Fair "Everything for the Home"
Poznan – September 19-22

PHARMACEUTICALS IN POLAND
International Pharmaceutical Fair
Warsaw - September 21-22

SOFTARG
Software International Fair
Katowice - September 12-15

TAROPAK
International Packaging, Storage and Handling
Exhibition
Poznan - September 19-22

MEDICA-LABORATORIUM, CONTROLA-OPTICA
International Medical Exhibition
Warsaw - October 25-27

TOUR SALON
International Exhibition of Tourism
Poznan – October 19-22

KOMTEL
International Telecommunications Fair, EUROINFO, INTERNET-EXPO
Warsaw - November 28-30

INVESTCITY
Investment Opportunities in Polish Cities
Poznan - November 21-24

POLEKO
International Ecological Fair
Poznan - November 21-24

POLAGRA
International Agro-Industrial Fair
Poznan – October 5-10

2001

COMPUTER EXPO
International Exhibition of Computers
Warsaw – January 23-26

BUDMA
International Construction Fair
Poznan - January 23-26

FAIR OF DRIVING UNITS AND CONTROL SYSTEMS
Gdansk - February 7-9

THERM
International Exhibition of Installation Technology
Warsaw – February 20-23

SECUREX
International Exhibition of Property Protection
Poznan – February 20-23

WIOSNA TAK
Spring Consumer Goods Fair - Poznan Fashion Week
Poznan – March 3-9

AMBERIFInternational Fair of Amber, Jewelry and Watches
Gdansk – March 8-11

INTERECO
Ecology International Fair
Katowice - March 7-9

INTERTELECOM
International Telecommunication Fair
Lodz - March 6-9

SALMED
International Trade Fair of Medical Equipment
Poznan – April 4-7

OKNA I DRZWI
6th Fair of Manufacturers, Cooperating
Parties and Sellers of Windows and Doors and
materials for their production
Gdansk - April 26-28

MULTIMEDIA
Publishing and New Media Fair
Poznan - April 24-27

INFOSYSTEM
International Fair of Electronics,
Telecommunication and Computer Engineering
Poznan - April 24-27

POLIGRAFIA
International Exhibition of Printing
Machines, Materials and Services
Poznan - April 24-27

DREMA
International Trade Fair of Woodworking
Machines and Tools
Poznan - May 8-12

MEBLE
Furniture and Furnishing Fair
Poznan - May 8-12

ECOENERGIA
Energy and Environment Fair
Gdansk – May 10-12

POLFOOD
International Agricultural Fair
Gdansk - May 24-26

International Fair of Automotive Industry
Poznan - May 24-30

73rd Poznan International Fair
Poznan - June 18-22

JESIEN
Autumn Consumer Goods Fair, Poznan Fashion Week
Poznan – August 28-31

MSPO
9th International Defense Industry Salon
Kielce - September 4-7

CEDE
Central European Dental Exhibition
Lodz - September 13-15

SOFTARG
Software International Fair
Katowice - September 18-21

TAROPAK
International Packaging, Storage and Handling Exhibition
Poznan - September 11-14

POLAGRA - FOOD
International Trade Fair for the Food Industry
Poznan - September 11-14

DOMEXPO
Autumn Consumer Goods Fair Everything for the Home
Poznan – October 4-7

POLAGRA – FARM
International Agricultural Trade Fair

Poznan – October 4-7

MEDICA, CONTROLA, OPTICA, FARMACJA
International Medical Exhibition
Warsaw – October 24-26

INTERBANK
International Exhibition of Banking Equipment
(Administration and Banking)
Warsaw – October 18-20

TOUR SALON
International Exhibition of Tourism
Poznan - October 25-28

KOMTEL
International Telecommunications Fair, EUROINFO, INTERNET-EXPO
Warsaw – November 27-29

INVESTCITY
Investment Opportunities in Polish Cities
Poznan - November 20-23

POLEKO
International Ecological Fair
Poznan - November 20-23