

# Everything you wanted to know about POLAND\*



**\*but were afraid to ask...**



The goal of the **Polish Information and Foreign Investment Agency** is to increase Foreign Direct Investment (FDI) by encouraging international companies to invest in Poland. **The Agency** guides investors through all the necessary administrative and legal procedures along the way to realization of their investment project.

**The mission of the Agency** also includes creation of a positive image of Poland abroad and promotion of Polish products and services.

**The Agency offers investors:**

- quick access to comprehensive information concerning the economic and legal environment for investment,
- assistance in locating appropriate partners, suppliers, and investment locations.

**The Agency also acts as:**

- an OECD National Contact Point,
- the secretariat of the Polish-Japanese Economic Committee.

**The Agency** also promotes the Polish regions, and organizes conferences, visits by foreign journalists and trade missions.

**The Agency** has established a network of Regional Investor Service Centres throughout Poland, whose mission is to improve the quality of regional services for investors and to provide access to the most current information such as the latest investment offers and regional microeconomic data. These specialized offices are staffed by PAIIZ-trained employees and financed from local funds.





## Chapter 1.

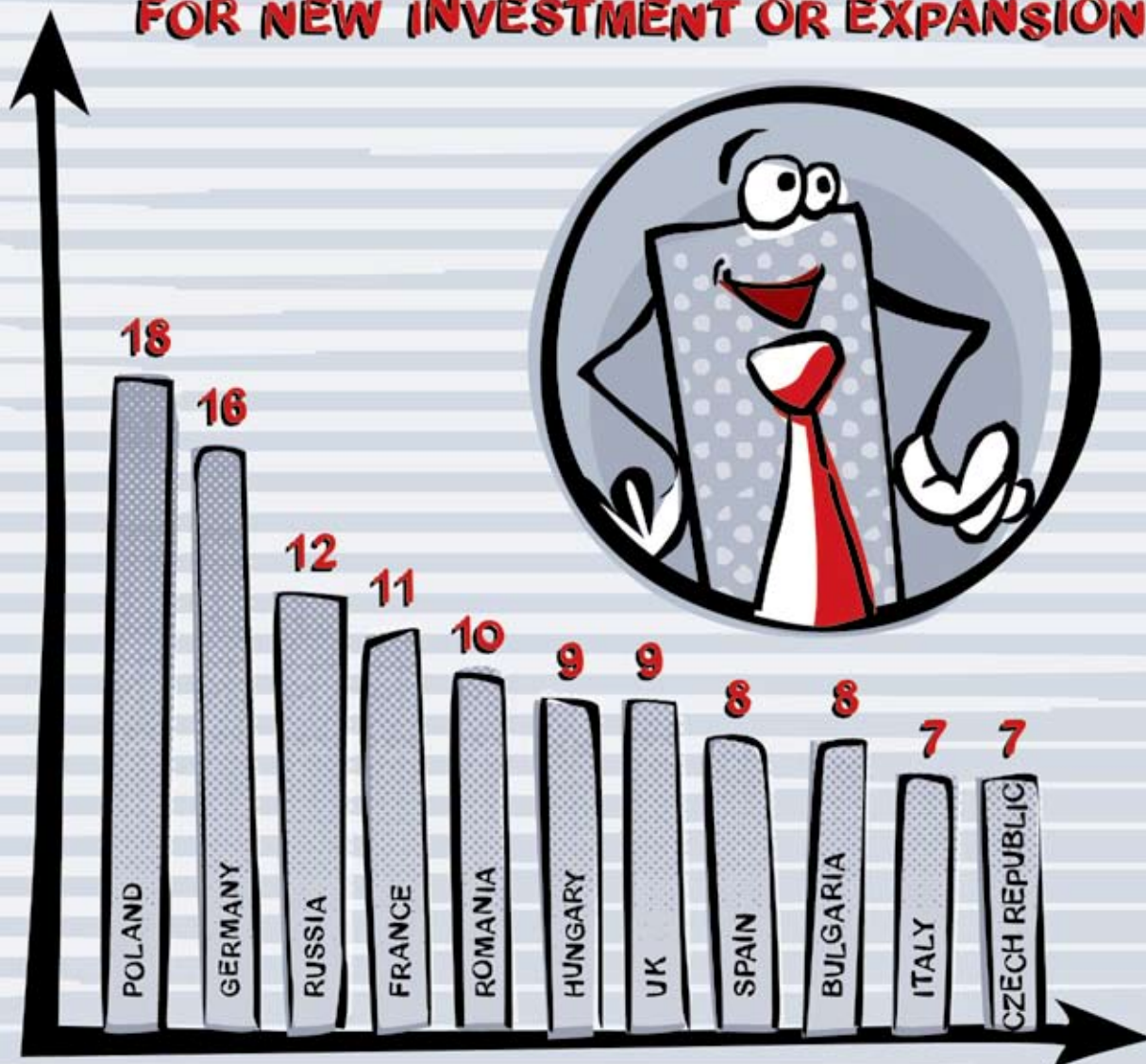
# Where is it? (just a reminder and some facts)

- Poland is located in the very heart of the continent of Europe and has an area of 312,685 km<sup>2</sup> – the sixth-largest country in the European Union, comparable in size to Great Britain, a little larger than the American states of Nevada and Arizona, or half as big as Texas.
- It is a parliamentary democracy in which executive authority is exercised by the government and the president plays a chiefly ceremonial role.
- There are more than 38 million Polish citizens. The majority live in cities. By European standards, it is a relatively young society, with about half the population professionally active (with the greatest number, 8.3 million, in the service sector, followed by industry and construction, 4.7 million, and agriculture and forestry with 2.2 million).
- Poland borders on Germany to the west (with a long border on the Oder River), the Czech Republic and Slovakia to the south (mountain borders), and Ukraine, Belarus and a bit of Lithuania to the east (romantic landscapes!) A small, separate fragment of Russia known as the Kaliningrad Oblast borders part of Poland to the north. The rest of the northern border comprises the golden beaches of the Baltic Sea.
- It is to the Baltic that the longest river in Poland – the Vistula (1,047 km) – flows after passing through Kraków, Warszawa and other sites, as does the second-longest river, the Oder.
- Poles go skiing in the southern part of the country, where rise the rocky Tatras, part of the Carpathian Mountains, with the highest peak at 2,499 m.
- It is thus no surprise that one of the most popular sports is ski jumping, alongside basketball and swimming. Soccer is our unrequited love, but we're working on it.
- The Polish currency is (still!) the zloty. Approximate exchange rates  
EUR 1 = PLN 3.7, USD 1 = PLN 3.0,  
GBP 1 = PLN 4.5

### SOME BORING FACTS

- CIT - 19%
- PIT - 18%, 32%
- VAT - 22%, 7%
- GDP per capita (2007) - EUR 8.100
- Average monthly wage  
in 2Q 2008: EUR 881
- Distances:  
2 hours by air from London,  
6 hours to New York

## TOP EUROPEAN LOCATIONS CONSIDERED FOR NEW INVESTMENT OR EXPANSION



Source: Ernst & Young European Attractiveness Survey 2008

## Chapter 2.

# So, what about this „hot Spot“?

According to Ernst & Young European Attractiveness Survey 2008 Poland has been ranked the most attractive destination for new foreign investment in Europe. Moreover, Poland was placed in the 2nd position in Europe in the job-creation ranking and in the 7th place in the foreign direct investment ranking.

Last year, due to new foreign investment projects, 18 399 new workplaces were created, what gives Poland the 2nd place in Europe after the UK. In terms of number of foreign investments, Poland was placed in the 7th position in Europe with 146 projects realised in 2007.

### The main reasons for ranking our country so highly are:

1. EU accession (2004), which means improved access to the common market and dropping of barriers, and last but not least, access to EU structural funds, and

2. internal factors:

- dynamic economic growth in **2007** at a level of **6.7%**; (**5.9% for the 1st half of 2008**), supported by booming exports,
- low taxes for businesses – CIT at **19%** is one of the lowest in Europe,
- highly qualified workforce (about which more below).

One characteristic of Polish economic growth (which is not quite so rapid as in a few other countries of the 'new EU') is that it is based on a solid and rigorous monetary policy, stable low inflation, 9.5% growth in industrial production (2007), and exports by numerous small and medium-sized enterprises. The Warsaw Stock Exchange, the largest in the region, is also doing exceptionally well.

The automotive, chemical, machine and IT industries are considered to be the most favourable sectors for investment in Poland. The secret to the attractiveness of our country is the combination (nota bene!) of efficiency of capital-intensive production requiring highly qualified personnel, and cost competitiveness in heavy contributions of physical labour. To put it simply: two-in-one ... and in the EU.

We are thrilled that Poland was found to be a particularly favourable location for R&D centres (third place worldwide). But more about that on the next page...







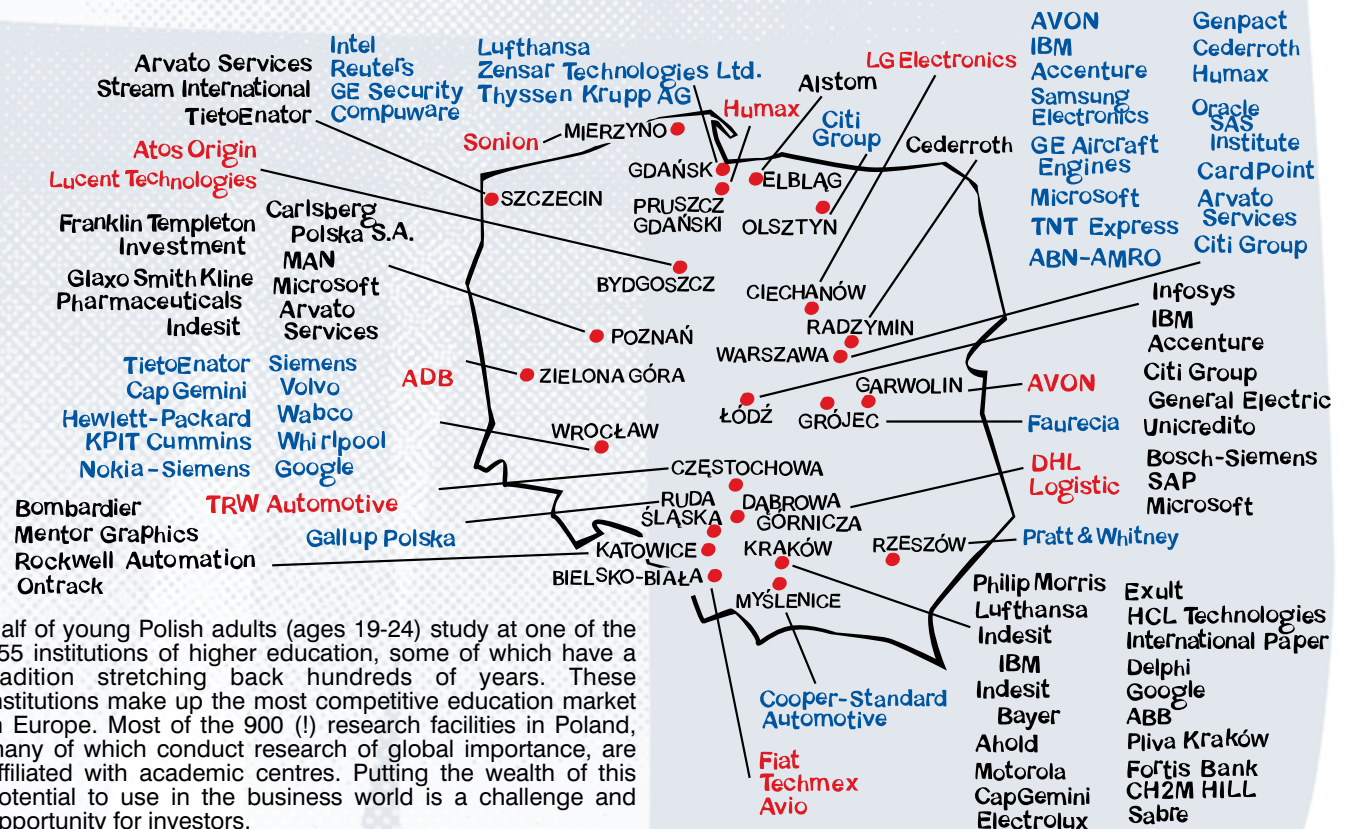
## Chapter 3. Innovation nation

The Poles have always been considered to be a very enterprising and resourceful nation (sometimes even a bit too much so :-). These characteristics are visible in business as well as science.

The high qualifications of Polish employees - skills based on a solid education - are praised by nearly all employers (both at home, and as we now know, abroad). The same can be said about the commitment and creative approach that Poles bring to their work. After all, these are all characteristics of youth, and it is not surprising to find them in one of Europe's youngest societies. Half of all Poles are below the age of 35.

Foreign investors have so far set up 40 research and development centres in Poland. Most of them operate in the IT, chemical and food processing sectors. The centres employ thousands of graduates of technical and business schools, whose students compete with Silicon Valley to win prestigious student IT competitions.

The location of the BPO and R&D centres in Poland is shown on the map below:



Source: PAIILZ, 2008

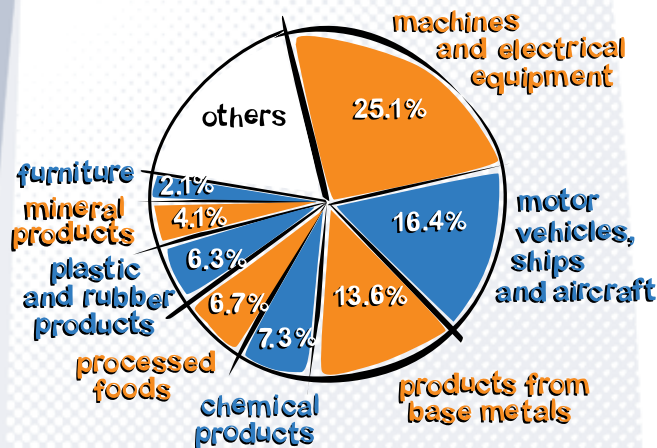


## Chapter 4. Trade Winds

Unsurprisingly, the profile of Polish exports largely coincides with the profile of FDI. Poland is a large market in its own right and frequently also serves as a convenient export platform both for the EU and for Eastern Europe. 85% of Polish exports currently go to highly industrialized countries.

Notwithstanding the outdated image of a Polish producer as a simple farmer on a horse cart, a stereotype which sadly still happens to be cultivated by the Western press, it is the technologically advanced equipment and modern management systems that determine the largest share of production destined for export from Poland.

### SALES ABROAD IN 2007



Source: Central Statistical Office (GUS)

Data from the Central Statistical Office (GUS) show that during the past four years, the value of Polish exports almost doubled, from EUR 56.7 billion to EUR 101 billion.

Polish exports are growing steadily – at an average of 14% annually [2004-2007 (in EUR)], despite the strength of the national currency, the zloty (PLN), creating a healthy foundation for stable economic growth. And the foreign trade deficit is steadily being reduced, despite overall increase in the volume of trade.

The greatest increase in Poland's trade in 2008 was noted in exports to Russia, Ukraine, France, the Netherlands, Italy.

The list above does not reflect a key category of exports which are without exception produced by foreign investors: offshoring of business process services. These are chiefly finance centres or shared-services centres, servicing activity conducted in other countries. Unlike the older generation, young Poles know foreign languages, so this sector is blossoming, enjoying growing popularity among European SME's. The global giants are already here.





## Chapter 5.

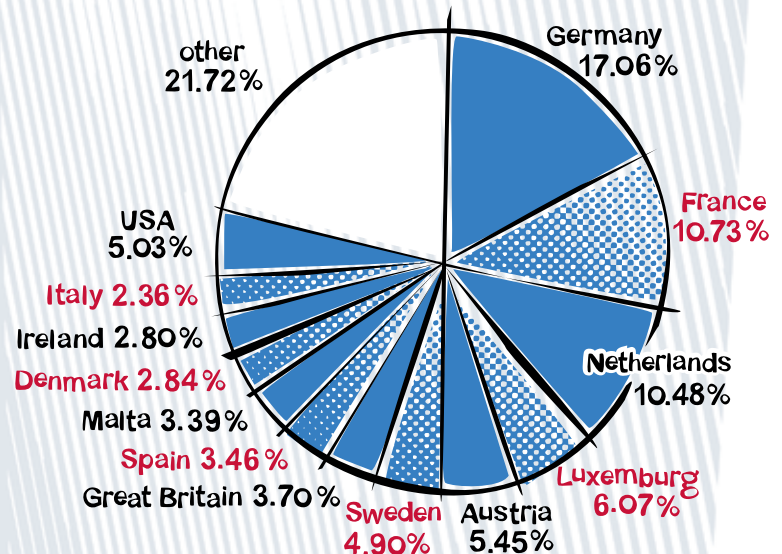
# Foreign Direct Investment (FDI)

FDI is flowing into Poland very quickly. Greenfield investments, bringing completely new facilities to the site, are strongly rooted here and growing at a spectacular pace. In 2007, FDI to Poland was EUR 16.6 billion. The countries investing most intensively in Poland include Germany, France, the Netherlands and the United States.

Poland's position as the major recipient of FDI among the Central and Eastern Europe states is confirmed by the increasing interest of British and US companies. Known for making cautious and thought-out decisions, they are following in the footsteps of their compatriots whose presence has been most profitable (the largest of which include Cadbury, Glaxo SmithKline, Shell Overseas, Dell, Motorola, HP and Intel).

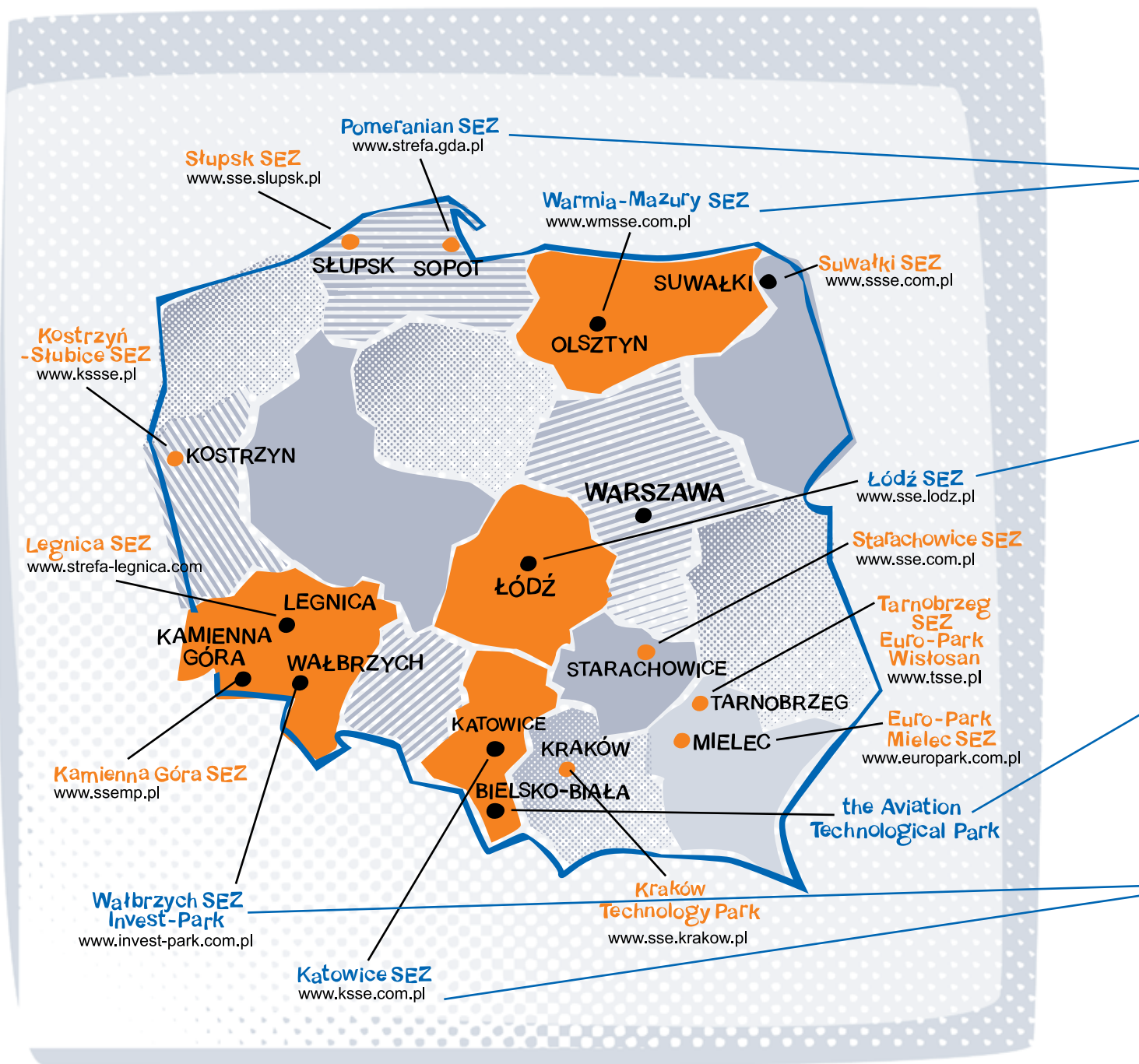
In addition to the qualifications of the workforce and optimistic economic indicators, the 'traditional' pluses of Poland which are mentioned by investors active here are

- competitive labour costs,
- strategic location on transit routes, and
- large internal market.



Source: National Bank of Poland, 2008

Although the formal business environment requires further modifications, actions to make life easier for businesses are already well advanced. According to the World Bank, Poland is ranked among the Top 10 Reformers of business conditions.





# 5.1 Special Economic Zones

## Ahoy!

There are 969 firms in Poland who build and service boats and ships. The leading field is for small and medium-sized yachts, most of which are sold to buyers in Western Europe. They are known for high-quality laminates, precision fittings and modern construction.

## Something for the Home

Łódź is the largest centre in Europe for production of consumer white goods. There are 440 firms active in the sector! True, refrigerators and stoves are not vehicles, but people can be creative...

## High-Flying

The long tradition of Polish aviation is visible in the activity of over 70 producers of aircraft and parts for leading global marques. The new park will specialize in production of light aircraft.

## Cars, cars, cars

As a centre for the automotive industry and a location for major manufacturers in the sector, Poland offers a huge base of suppliers (about 700 firms), top quality and productivity. Engines are a local specialty.

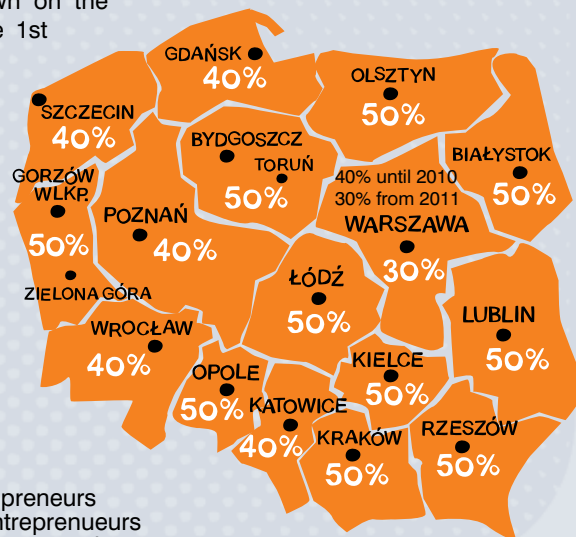
The Special Economic Zones (SEZ's) are 14 separately administered areas offering favourable terms for doing business.

Since 2005, investments in SEZ's in the sector of modern services have been eligible, like production investments, to receive public aid. Interestingly, Poland is specializing more and more in production of transport vehicles – land, water and air.

## The SEZ's offer:

- exemption from income tax on income earned from doing business in the zone (CIT or PIT),
- plots of land fully prepared for investment, at competitive prices,
- free assistance in arranging investment formalities,
- exemption from real estate tax,
- subsidies for hiring the unemployed and for employee training.

The maximum permitted level of aid in each Polish region is shown on the map of regional aid. From the 1st January 2007 a new map of regional aid is in force for the years 2007 – 2013. In accordance with the map, the basic maximum level of regional public aid is expressed in percentages of the amount of aid which qualifies for the receipt of assistance.



Plus additional  
20% for small entrepreneurs  
10% for medium entrepreneurs  
up to 70% of investment outlays

AFTERNOON SNACK



## Chapter 6.

# Eco farming

At the other end of the economic spectrum, and luckily far away from the industrial parks, there are farms producing high-quality natural foods. More and more farmers realize there is a growing demand for bio-products and are seeking the relevant certifications.

Foreign importers, for their part, correctly conclude from the taste of milk or fruit produced on small farms in ecologically clean regions of Poland that the quality is high.

Exports of agricultural and food products from Poland grew by 26% from 2006 to 2007 (to USD 11.6 billion) and continue to grow. The buyers are primarily from EU countries, chiefly Germany, the Netherlands, Great Britain, Italy and the Czech Republic, and outside the EU, Russia.

### Number of producers in ecological agriculture in Poland

Year	Number of producers
2004	3760
2005	7182
2006	9194
2007	11870
2008	15158

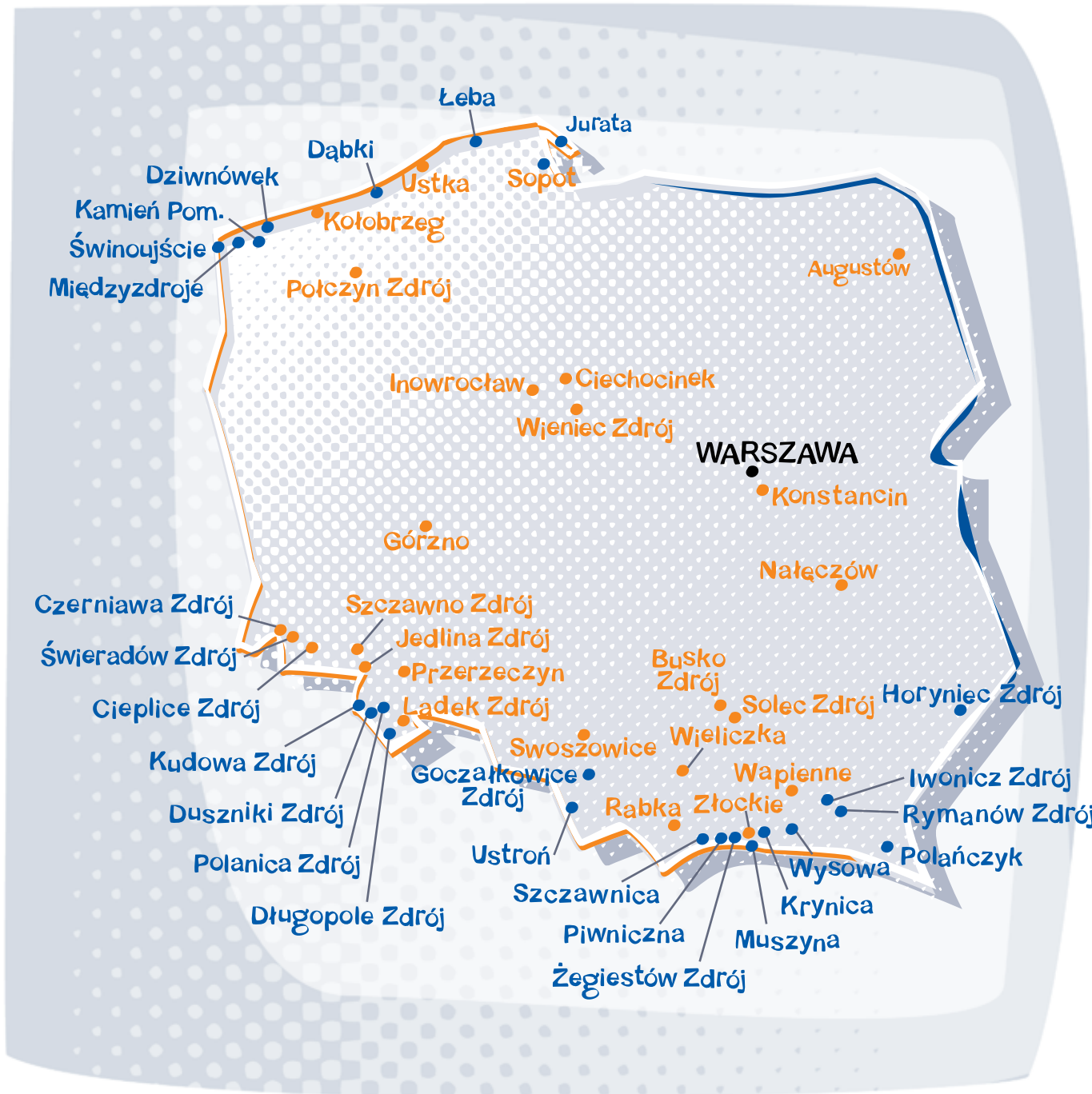
Source: IJHAR-S

The predominating export goods are meat, offal, baked goods and sweets, fruit, dairy products, chocolate and chocolate products. The fastest-growing exports are butter, eggs, rapeseed oil, and poultry.

Poland is Europe's largest producer of apples, and also specializes in soft fruits. Native producers of these fragrant treats are beating out the 15 'old' EU member states. Meanwhile, fans of traditional grills and roasts highly regard crispy Polish beef and pork.

Many ecologically aware farms also offer agro-tourism – more about this on the next page.



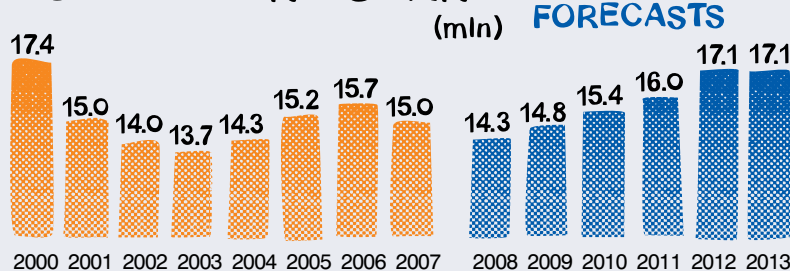


## Chapter 7.

# Tourism – the ultimate green field...

More and more foreigners are deciding to explore this mysterious country in the heart of Europe. We wish them a great time and good weather!

### TOURISTS IN POLAND



Source: Institute of Tourism, October 2008

There are virgin lakes, mountains with many faces, the sea (cool but oh so lovely) and some excellent landmarks. For the more snobbish, there are 23 golf courses near major urban areas.

Taking advantage of the growing popularity of going 'back to nature', the agro-tourism infrastructure has grown by leaps and bounds in Poland. Instead of staying in a luxury hotel in a large tourist centre, it has become fashionable to head for a pretty lakeshore (in Mazuria or Pomerania), or the mountains, and rent a room at a farm that has been adapted for agro-tourism. Abundant food is available, home-cooked by a friendly hostess. The silence is appealing, and the day may be spent hiking or biking on trails, swimming or fishing.

After a period of fascination with foreign cuisine, traditional Polish cooking has returned in great style. Restaurants serve noble feasts (wild game!) as well as treats from the peasant oven, using healthy ingredients that taste the way Mother Nature intended.

### ...and health tourism

Another hit among European tourists are the Polish spa resorts, and cosmetic and treatment clinics located in attractive natural regions with a healthy microclimate. Some half-million foreign visitors come each year for health-related holidays.

In addition to natural attributes, what is it that attracts visitors to Poland for a health-related rest?

- High standard of services and professionalism of specialists
- Low prices, about 40% of the cost of a similar vacation at home, and the possibility to have some treatments in Polish spas subsidized by the national health service
- Numerous low-cost airline connections
- Poland's membership in the EU – ease of border crossing

The British have especially become fans of our dental services. On average they spend 2 weeks in Poland, while saving thousands of pounds having their teeth fixed (treatments are about one-fourth the price at home).



TUCHOLA  
FOREST

OSTRÓDA-ELBLĄG  
CANAL

SŁOWIŃSKI  
NATIONAL PARK

MAŁBORK  
CASTLE

MAZURY  
KES

ERVE

WOLIŃSKI  
NATIONAL PARK

BIEBRZAŃSKIE  
SWAMPS  
NATIONAL PARK

NAREW  
NATIONAL PARK

PIENINY  
NATIONAL PARK

BIAŁOWIEŻA  
NATIONAL PARK

NATU  
MONUME

JOJCOWSKI  
NATIONAL PARK

WIGRY  
NATIONAL PARK

ROZTOCZE  
NATIONAL PARK

WIELICZKA  
SALT MINE

BIESZCZADZKI  
NATIONAL PARK

BABIA GÓRA  
NATIONAL PARK

TATRA  
NATIONAL PARK



## TRIVIA

# Do you know that...

- Błędów Desert is the only natural desert in Europe and the largest area in Poland of sand suitable for gliding (32 km<sup>2</sup>). It is prized by gliders because of the hills rising above it and the favourable winds.

- 28% of the area of Poland (8 mn hectares) is forest.

- Białowieża National Park, on the UNESCO World Cultural and Natural Heritage List, is the only natural wilderness on the continent of Europe, a remnant of the many which once covered Europe.

- In this wilderness you may see the European bison, a cousin of the American bison, the largest mammal in Europe, which lives only in Poland. The bison became extinct in the wild at the end of World War I, but was successfully returned to the wild thanks to the efforts of Polish zoologists.

- The largest wetland in Europe – the Biebrza Swamp, which covers an area of 100,000 hectares – is a paradise for aquatic and wetland birds. Ornithologists from all over the world come here to see 270 species of birds, of which 180 are nesting species.

- The unique Ostróda-Elbląg Canal is a landmark of hydraulic engineering. Along a stretch of 23 km, in order to make up a 100 m difference in levels, ships are transported on land, on tracks.

- The Wieliczka Salt Mine, near Kraków, is the only salt mine in the world in use from the Middle Ages until the present time. 1.2 million tourists visit the mine every year. They also stay for treatment of asthma and allergies.

- In Poland there are 23 national parks and 1385 nature reserves (protected areas of 100,000 km<sup>2</sup> make up almost a third of the territory of Poland).

- Hundreds of picturesque rivers around the country are a paradise for kayakers.



## Chapter 8.

# And how to entertain body and soul?

What does a country which has always championed its own (somewhat hermetic) culture have to offer foreigners today?

- First and foremost, numerous music festivals and reviews – most of them during the summer – both classical and popular.  
Jazz in the broadest sense is one of the most active musical fields in Poland. During such events as Jazz on the Oder (in Wrocław) or the Warsaw Summer Jazz Days, world-famous performers appear alongside younger musicians.
- Lovers of classical music from all over the world enjoy the oratory festival Bratislava Cantans, the Mozart Festival, Warsaw Autumn and many others. The Chopin International Piano Competition is held in Warszawa every 5 years and enjoys a reputation as one of the most prestigious music competitions in the world.
- Fans of more energetic music arrive in hordes for summer festivals like the annual Open'er Festival at the seaside to hear international rock and hip-hop stars, and for the Woodstock Stop (Przystanek Woodstock) on the Polish-German border, whose guests in 2008 included more than 10,000 young foreigners. Mrągowo in the Mazuria lake district hosts the annual Country Picnic festival.
- Of great interest are the annual events related to the Jewish heritage in Poland, including the Festival of Dialogue of Four Cultures (Polish, Jewish, German and Russian) in Łódź and the Jewish Culture Festival in Kraków.
- As for the visual arts, Warszawa is notable for such institutions as the Poster Museum in Wilanów (the Polish School of poster art has been a worldwide success since the 1960's), as well as modern art galleries (run on a shoestring) featuring the work of daring younger artists.  
Traditionalists favour museums with works of the Old Masters, such as Leonardo's Lady with an Ermine (in Kraków) or The Last Judgment by Hans Memling (in Gdańsk).
- Many cultural landmarks in Poland are included in the UNESCO World Heritage List. Chief among these are the historic town centres of Kraków, Zamość and Toruń, the castle of the Teutonic Knights in Malbork, and numerous churches, both stone and wood, in southern Poland.
- Those who prefer low-brow entertainment over high culture may observe or participate in numerous summer contests in small towns all over Poland, such as the World Championship in Throwing a Hammer at a Television Set (held in Jonkowo near Olsztyn) or the wacky regatta of miscellaneous impromptu craft on Lake Necko in Mazuria whose name could be roughly translated as 'Whatever Floats Your Boat' (motto: 'If it doesn't sink, it was meant to sail').





WELCOME  
TO POLAND!

# To be continued ...?

Over the past few years, Europe primarily but the rest of the world also has come to know the Poles and their country better and better – as employees, tourists, and hosts.

Now, is a very exciting time in Poland's development and PAIIZ is committed to providing investors with the best possible support.

We look forward to welcoming you in Poland soon

**Now come and see  
for yourself.**









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