
WHY **POLAND**?



Polish Information and Foreign Investment Agency
(Polska Agencja Informacji i Inwestycji Zagranicznych S.A. – PAIiZ)

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PEOPLE INDUSTRY **OPPORTUNITY** BUSINESS ENERGY **OPPORTUNITY** **OPPORTUNITY** **BUSINESS**

1. Poland – one of the best-educated societies in Europe

Poland has a lot of gifted graduates and students of higher education institutions, who constitute an excellent human resources base for businesses

- Poles are one of Europe's youngest societies – half of the nation is below the age of 35.
- At the same time Poland holds second place in terms of number of students.
- There is a large number of education centres in Poland:
 - 126 state higher education academies including 17 universities and 18 universities of technology,
 - 301 private schools of tertiary education.

They employ over 100 thousand scientists – half of them hold a Ph.D. degree.

- Two million young people currently studying at the university level make up almost half of the student age population. The education index illustrates the relation of the number of students aged 19 – 24 years old to the overall number of people of this age. For the academic year 2004/2005 it was 48% and it is rising.
- In 2003 the number of graduates was 366 thousand, while 2004 figure increased to 384 thousand.
- Studying is becoming increasingly popular among youths from smaller towns and rural areas.

Excellent knowledge of foreign languages

- Polish students are excellently acquainted with foreign languages.
- Over half (55%) have achieved a good level of English language knowledge and the majority have an elementary grounding.

- The second language in terms of popularity amongst Polish students is German, where 13% declare good knowledge and 35% define their skills as 'rather good'.
- The third most popular language among Polish students is Russian, 17% of them declare at least intermediate knowledge.
- Following on in the rank order are the Roman languages: French (10%) and Spanish (5%).

(Source: Student News, www.studentnews.pl)

2. Poland – country of scientific achievements

Information and communication technologies (ICT)

- Poland distinguishes itself in terms of ICT graduates, whose numbers amount to 40 thousand a year.
- The high standard of ICT education is backed up by the successes achieved by Polish students in international computer programming competitions. Poles are winning in the prestigious Top Coder ranking and also achieving high positions in the worldwide Google Code Jam Competition and the IBM Linux Scholars Challenge.
- Polish IT specialists are much sought after abroad. Without difficulty they find employment with the largest IT companies in the world.
- Poles constitute a large share of managers responsible for research and development (R&D) activities in the multinational corporations such as Microsoft and Nokia.
- Over 300 Polish IT engineers are employed at the Silicon Valley.

Biotechnology

- Two thousand people graduate annually from university faculties providing biotechnology education. Such large number of highly qualified alumni creates the possibility of dynamic development of biotechnology sector in Poland and carrying out innovative projects.
- Schools teaching this particular branch of science have recognized the need to work with commercial companies. That is why the Jagiellonian University in Kraków, the Agricultural University of Kraków and the Polish Academy of Science have set up the Małopolska Biotechnology Centre.
- Polish scientists have the chance to achieve successes especially in genetic diagnosis, production of biologically active proteins, enzymes and insulin.
- In 2005 the Polish Technology Platform of Biotechnology was established with aims to coordinate projects in research centres and to establish collaborative links with biotechnological firms.

Management

- In April 2005 The Cracow University of Economics graduates won an international management contest – EUROMANAGER in Lisbon. The idea of the contest is to manage a virtual company in simulated conditions of free market economy. Qualified teams play the role of Management Boards of companies and make complex decisions on all areas of functioning of a modern organization.
- Poles participated in this event for the fifth time in a row. They took over teams from France, Macau and China. The successes of Poles in this competition show that foreign investors can find well-qualified managerial staff in Poland.

Polish scientific achievements

- High level of education leads to very tangible achievements. Polish scientists are responsible for such break-throughs in science as:
 - the discovery of the first extra solar planetary system,
 - the discovery of the practical implementation of blue laser,
 - the design of the technology for the manufacture of the smallest synthetic diamonds in the world,
 - the discovery of a substance which induces cancer cells to self destruct.
- Polish scientists can also take pride in other achievements such as:
 - constructing an artificial heart,
 - producing Polish insulin,
 - designing unique scald bandages,
 - designing nano-crystals for the purposes of 3G mobile telephony systems.
- The quality of the Polish scientific and technical achievements is reflected by the fact that the world's largest corporations locate their R&D centres in Poland.

3. Poland – R&D center of Central and Eastern Europe

International corporations are very interested in Poland as a location for their research and development (R&D) centres

- It is estimated that foreign companies will invest roughly USD 100 million in R&D centres in Poland in 2004.
- R&D is an innovative sector based on science and commercialisation of scientific developments. R&D is an opportunity both for Poland, as well as for foreign investors. It allows for:
 - increasing efficiency,
 - lowering costs,
 - improving the quality of products,
 - possibility of diversification of company's basic activities.
- There are roughly 30 R&D centres in Poland and the number increases each year. Polish R&D centres of foreign enterprises achieve very good results and thus foreign investors are expanding them. Currently they employ 1.8 thousand people. According to the estimates, R&D centres will employ additionally 3 thousand people by the end of the year.
- Above all Poland is chosen because of the availability of highly qualified labour force, the presence universities, as well as the support of authorities, both on the central and regional level.
- Polish R&D centres of foreign enterprises achieve very good result and thus they decide to expand them. Their positive experience influences the decision of their international enterprises to choose Poland.

Many foreign companies placed their research and development centres in Poland



4. Poland – European shared services centre

International corporations see Poland as an excellent location for transferring non-production functions of a company, such as the accounting department or call centres

- Poland is becoming the European centre of modern Business Process Offshoring (BPO) services. BPO is the name given to a service sector in which international companies depute the realization of certain business support operations to foreign companies that offer lower running costs.
- Since 2005 investors can locate BPO resources in Special Economic Zones, which offer for example tax exemptions.
- In the near future alongside accountancy and financial services 'back-office', the call centres 'front-office' are expected to develop dynamically.
- Poland has the opportunity to be at the forefront of the foreign direct investments (FDI) inflow to the BPO sector.
- Firms providing BPO services in Poland work mainly for big international companies and provide a broad range of services which include amongst others:
 - IT systems,
 - finance and accountancy,
 - research and development,
 - storage and warehouse logistics.
- The launching of BPO centres has a significant impact on the development of the Polish labour market, since one new work place in this sector requires a relatively low outlay. It is estimated that 550 thousand people will find employment in the BPO sector by the end of the year 2010.

Many international corporations have already set up their BPO service centres in Poland



5. Poland – Aviation Valley

Poland draws its knowledge from a hundred years of aviation traditions and 70 years of Polish experience in aviation

- Poland is famous not only for its aviation industry but also pilot training centres.
- Poland is known for production and maintenance of airplanes of all types. Manufacturing companies in Poland produce:
 - light sports, passenger, agricultural and training aircrafts,
 - helicopters,
 - gliders,
 - aircraft parts and accessories.
- In general, there are roughly 55 aviation companies operating in Poland which employ a total of 16 thousand people.
- Rising production of civil planes created new development opportunities for the existing factories. A significant share of their output is exported, mainly to: the USA, Venezuela, Italy, Greece, Canada, Spain, Germany, South Korea, Indonesia, Vietnam and Iraq.
- A rapid growth of production in the aviation sector is achieved thanks to cooperation with the world's largest corporations. This envisages production of parts and components for planes in Poland, which will later be assembled abroad.
- Poland specializes mainly in elements made of aluminium alloys (riveting, pressure welding and etching).
- Poland has also the potential to become world's leading production and servicing centre of light aircrafts. It has the experts, tradition and the necessary infrastructure.

Poland's Aviation Valley has one of the best locations in Central Europe for conducting and developing projects associated with aviation

- This region, which lies in the south-western part of Poland, has focused within its area many manufactures associated with the aeroplane industry, such as scientific

research centres and training centres, including a university with a department of mechanical engineering and aviation.

- Poland's Aviation Valley provides employment for 8 thousand highly qualified workers. Over 75% of all national aviation products are manufactured in this area. It offers the services of specialists associated with the Rzeszów University of Technology and 21 other institutions and firms, some of which are listed below:
 - *WSK Rzeszów* (manufacturer of engines),
 - *PZL Świdnik* (manufacturer of helicopters),
 - *PZL Mielec* (manufacturer of delivery and agricultural aeroplanes),
 - *Pratt & Whitney Kalisz* (manufacturer of engine parts),
 - *Wytwórnia Zespołów Kooperacyjnych* (subcontractor of doors for Boeing aeroplanes),
 - *Zakłady Narzędziowe w Mielcu* (producer of processing lines for the aviation industry),
 - *Stamet Zakład Mechaniczny S. Stachura* (producer of aeroplane parts).
- One of the Polish enterprises – *Serwis Samolotów Historycznych* – operating in the Aviation Valley specializes in production of replicas of old aircrafts. The company sells almost 100% of its production to foreign markets – to Canada, Switzerland and the EU countries.
- Aviation corporations are interested in making use of the production capacity of Polish aviation companies, which are very competitive mainly in terms of high quality and low labour costs.
- Further investments in Poland are considered by such aviation giants like:
 - Pratt & Whitney,
 - EADS,
 - British Aerospace,
 - Lockheed Martin,
 - Boeing,
 - R&D Precision.

6. Poland – centre of the automotive sector suppliers

Poland's location in the heart of Europe creates the possibilities of cooperating with other automotive plants in the neighbouring countries

- In 2004 Poland was placed in the top three of countries offering the best location conditions for companies producing car components for the automotive industry.
- Foreign investors are invariably attracted to Poland by low labour costs, high qualifications of the labour force, as well as a network of 650 subcontractors, with 200 of them having the highest certificates of quality, the ISO/TS 16949. This is confirmed by the report prepared by Ernst & Young based on the managers' views regarding the choice of the best location for new establishments.

Polish factories are characterized by the highest quality and efficiency combined with very low costs

- The flow of foreign direct investments into the car manufacturing sector resulted in a dynamic development of the Polish subcontractors' base.
- Automotive giants such as:
 - Toyota,
 - Isuzu,
 - Volkswagen,
 - MAN,
 - Volvo,
 - General Motors (Opel, Fiat)encourage companies cooperating with them to shift production to Poland.
- The snowball effect following automotive investments (or re-investments) is the stimulation of development for more companies and creation of new jobs. Currently there are many companies – suppliers of the automotive sector, with the share of both Polish and foreign capital. For instance, the list includes seven car engine plants. Engines are slowly becoming 'Polish speciality'.
- Poland is also a leading manufacturer of components, such as:
 - tyres,

- car seats and upholstery,
 - car electronics,
 - electric cables,
 - car brake's systems.
- Components manufactured in Poland are installed in cars of many brands, such as:
 - Mercedes,
 - Nissan,
 - Opel,
 - Porsche,
 - Toyota,
 - Volkswagen,
 - Isuzu,
 - Fiat,
 - Citroen,
 - Honda,
 - Peugeot,
 - Volvo,
 - BMW,
 - Rolls-Royce,
 - Lamborghini,
 - Ferrari.
- Automotive sector production centres are grouped around four agglomerations:
 - Katowice,
 - Wrocław,
 - Poznań,
 - Warsaw.

The Polish automotive sector is becoming more and more promising

- This has been acknowledged by businesses presently operating on our market, which have recently taken steps to develop existing establishments (e.g. Michelin).
- Polish market is witnessing the arrival of new investors e.g.:
 - Grupo Antolin,
 - TRW,
 - Lear,
 - Nord,
 - Voss,
 - NTK,
 - Dacel,
 - NGK,
 - Stahlschmidt & Maiworm.

7. Poland – white goods centre

Poland is an excellent location for factories manufacturing domestic appliances

- Majority of well known brands' production is exported and the companies which have already invested in Poland continue to develop their production lines.
- Most of the foreign companies involved in this line of business have already placed their investment in Poland.
- Among the most positive Polish traits that the investors name are:
 - package of investment incentives,
 - strong support given by local authorities,
 - lands ready for investments,
 - well educated workforce.
- Moreover, Poland's geographical location in the centre of Europe is considered by most companies to be a very worthwhile place for developing export production.
- Some of the key players of the world's leading domestic appliances manufacturers have located their factories in Poland:
 - BSH Bosch und Siemens Hausgeräte GmbH,
 - Indesit Company,
 - Whirlpool,
 - Electrolux,
 - The Fagor Electrodomesticos Group.

Thanks to the foreign investments the city of Łódź became the largest white goods production centre in Europe

- Foreign investors from the white goods sector, who have located their business in the Łódź Special Economic Zone, as the main advantages of the zone underline the possibility to lower both production and logistic costs.

- Such incentives encouraged the German concern Bosch Siemens Hausgeräte (BSH) to build three plants in Łódź. In June 2005 a new factory was opened by BSH for the production of clothes dryers. BSH's investments have also flourished in terms of attracting foreign subcontractors to Poland such as:
 - Coko Werk GmbH & Co. KG (Germany),
 - Wirthwein AG (Germany),
 - HIRSH Porozell GmbH (Austria),
 - HSV (Holland),
 - Calex doo (Slovenia),
 - Prettl (Germany),
 - Mecalit GmbH (Germany),
 - Drahtzug Stein GmbH & Co. KG (Germany),
 - E.G.O. (Germany).

From amongst more than 440 companies engaged in the white goods sector in Poland many are successfully competing abroad:

- *Amica* - the largest Polish producer of domestic appliances sells around 40% of its production to 40 foreign markets,
- *Zelmer* is the largest domestic manufacturer of home appliances and a significant international player on the vacuum cleaners market - the company sells half of its production on the foreign markets.

8. Poland – leading yacht producer

Precise crafting and highest quality

- Polish boat builders have specialized in small and medium sized yachts of up to 7.5 metres in length.
- Polish shipyards are leaders in terms of sales to West-European Countries:
 - Spain,
 - Germany,
 - France,
 - Great Britain.
- Polish vessels are associated with high quality laminates, precise outfitting and modern construction.
- Precise hand crafting and attention to details ensures the highest quality of a finished product.

Polish yacht production sector

- Poland is a real hive of boat building activity which provides thousand of people with employment.
- The official government statistical office figures state that at the end of the year 2004 there were 845 registered boat building and servicing businesses.
- The so called 'Big Five' of the Polish boatyards export nearly 100% of their production – it includes:
 - Balt Yacht,
 - Delphia Yachts,
 - Galeon,

- Ostróda Yachts,
 - Ślepsk.
- The yacht production sector has grown by more than fivefold over the last five years, while the value of its sales reached almost PLN 500 million.
- The companies also managed to double the number of their employees.
- Amongst other boatyards systematically chasing the leaders are:
 - Skipper Yacht,
 - Tes Yachts,
 - Teras,
 - Mirage,
 - Sasanka.
- Polish boatyards thanks to a boost in export (together with a much better financial condition) are beginning to invest in the production of much larger vessels. An example of such case can be taken from Delphia Yachts which presented its new model, the Delphia 44, at the 2004 boat shows in Düsseldorf and Genoa, where more than a dozen of these yachts were sold on the spot.

9. Poland – the best agricultural products

Polish dairy products, meat, vegetables and fruit are export winners

- Competitive prices, high quality as well as punctual deliveries are much valued by our foreign trade partners.
- Poland produces ecological and flavourful food offered at competitive prices.
- Polish agricultural goods have a very good reputation in Europe. They are considered healthy, organically grown and as having high nutritional values.
- Numerous companies from this sector took advantage of the opportunity created by Poland's accession to the European Union. Custom barriers disappeared and Polish products exported to other EU Member States do not need separate certificates to be sold there. This resulted in a very rapid increase in export of Polish products, such as milk, meat, fruit and vegetables.
- From January to the end of September 2005 Polish companies sent over EUR 5 billion worth of food abroad.
- During the first three quarters of 2005 the value of Polish food exports to EU market increased by 40%.

The strongest advantages of the Polish food production

Fruit and vegetables:

- Poland is the biggest producer of apples in Europe, the bulk of which is exported in either a fresh or processed state.
- Poland is also a European leader in the production of soft fruit. Polish farmers cultivate the same quantity of raspberries, blackcurrants, strawberries and cherries as all the producers of all the former European Union states put together.
- Many Polish companies engaged in fruit and vegetable processing, have been doing exceptionally well on the foreign markets.

Dairy products and meat:

- Polish dairy products are also becoming competitive on the EU market. Last year, besides powdered milk (up to now a Polish speciality) yoghurts and cheese have also been selling very well.
- After entry into the EU the demand for Polish meat rose abruptly. Beef and poultry are proving to be the most popular meats.

Juices and confectionery:

- Polish producers of juices and confectionery also conquer new markets. Their products are sold in Europe, the USA, Canada and the Gulf States. Some of them hold first or second place on the market in many countries e.g.: Bulgaria, Czech Republic, Slovakia, Rumania, Slovenia, Macedonia, Estonia, Russia and Lithuania.
- Polish confectionery brand names such as *Wawel*, *Solidarność*, *Jutrzenka* or *Odra* have been present abroad for many years.

Polish breweries:

- After the EU accession Polish breweries also commenced an exporting offensive.
- In terms of beer exports, 2004 was a record year - 400 thousand hectolitres.
- Sales of Polish beer abroad are steadily rising and not just amongst Polish expatriates. One can buy *Okocim* and *Żywiec* in Chicago (present on the American market for 40 years), or purchase *Carlsberg* (from Brzesko) in London. *Brok* is sold in Hungarian supermarkets and *Żywiec* exported its beer in 2004 to the USA, Canada, Great Britain and also to other countries, whereas *Okocim* sent its beer to Great Britain, Slovakia and Hungary.

10. Poland – health tourism destination

Polish health tourism has a proud two-hundred year old history

- In 75 places there are more than 321 health spas offering unique health facilities and treatments. There is even an underground spa in a former salt mine.
- Poland is ranked seventh in Europe in terms of numbers of health spas. The majority of them are located in the areas unique for their natural healing environments.
- The largest spas are in:
 - Nałęczów,
 - Krynica Zdrój,
 - Augustów,
 - Kołobrzeg,
 - Ciechocinek,
 - Rabka,
 - Duszniki Zdrój,
 - Wieliczka.
- The health spas are located in regions with varying environmental climatic conditions, usually bordering national parks and reserves. They offer the possibility of spending time outdoors and taking advantage of the virtues of eco-tourism by the sea, in the mountains or lakes. Tourists can choose between brine pools, thermal baths, the natural mineral water springs or cryotherapy chambers.
- Polish health spas offer:
 - high standard of medical services,
 - modern medical equipment,
 - high quality health treatments,
 - affordable prices (average price is EUR 30 for room&board + 2 or 3 treatments),
 - professional medical staff.

- Recently the range of Polish tourist services has been extended by the addition of 'beauty farms', SPA institutes and wellness or fitness centres (biological renewal). There are now many such facilities in Poland all of which guarantee European standards of service.

Tourists are also being attracted by dental surgeries and cosmetic surgery clinics

- From the moment of accession to the EU, Polish medical practices and clinics started signing agreements with the national health services of all member countries of the EU.
- Health care clinics cooperate with hotels, holiday centres, yachting marinas', golf courses and a number of travel agencies which allows for the possibility of linking health care with leisure breaks and holidays.
- In the immediate future it is expected that there will be a dynamic increase in medical tourism.

Tourism to Poland is becoming fashionable again

- In 2004 20% more tourists made their way to Poland than in the previous year.
- During the first ten months of 2005 nearly 52 million people visited Poland.
- Tourists most frequently visit Kraków, thanks to the cheap air fares.
- One can also cheaply fly to Wrocław, Gdańsk, Sopot and Gdynia.
- Polish health spas and medical centres are visited by many Germans.
- The Scandinavians have earmarked the Podlasie district.
- The Germans, Dutch and the British are becoming frequent weekend visitors to Poland.

11. Poland – leading stock exchange market

The economic revival after Poland's accession to the EU increased the confidence of foreign investors in our financial market

- Foreign equity funds positively influenced the share market.
- In 2004 Polish government approved a strategy for development of the capital market up to the year 2010 'Agenda Warsaw City 2010'. It includes plans for Warsaw to become a financial centre for Central and Eastern Europe. They assume the market's dynamic growth and the Exchange's consistent pursuit of its strategic goals.
- Increase in sales of stocks and shares was to a greater extent the effect of the privatisation of several large state-owned companies, such as *PKO BP* bank and *Wydawnictwa Szkolne i Pedagogiczne* publishing house.
- The year 2005 saw:
 - an increase in the number of debuts by private companies,
 - higher turnover,
 - the increasing ratio of market capitalisation.
- In 2005 the capitalization of the Warsaw Stock Exchange reached a record level of PLN 308.4 billion (43.9% more than in 2004).
- In 2005 the number of Exchange members increased from 26 to 31 – they includes:
 - brokerage houses,
 - banks with brokerage operations,
 - other banks with accounts at the National Depository for Securities.

- The large number of new companies and the market boom mean that the Warsaw Stock Exchange is coming to play an ever more significant role in the economy.
- The increased attractiveness of Polish market for foreign investors was confirmed by the interest shown by foreign brokers in the possibility of remote membership.

12. Poland – innovative construction sector

Polish industrial design and production possibilities present unique investment opportunities

- The construction sector is particularly noteworthy.
- A great deal of interest is shown in the Polish industrial production, especially:
 - foundry castings,
 - steel constructions,
 - products from synthetic materials,
 - sanitary products,
 - ceramic tiles.
- Polish industrial design joins the tradition of high quality with present day functionality. Craftsmen and workers are valued for their skills and work ethic.
- Many Polish companies sell their products and services worldwide.
- In 1990, foreign companies producing tiles, flooded Poland with their products cornering a 60% share of the market.
- Polish companies responded by raising quality and developing their range of designs which resulted in an almost total exclusion of the Italian and Spanish product from the market.
- At present, local producers have an 86% share of the Polish ceramic tile market which is increasing at the rate of 20% per year.
- Export sales are steadily increasing and already account for 25% of national production.
- Polish manufacturers of tiles have for example a significant stake in the Czech market which amounts to 30% and is the result of the implementation of the latest technology and original designs.

- An interesting case is the construction company *Buma* in Kraków which has achieved its success through a modular approach to house building from steel construction. It is a unique company in terms of the degree of processing products, as well as the short time needed to assemble a house and to dismantle and transport it. The company achieved spectacular success in Great Britain. The company's founder plans to continue the development of the company and expand into successive foreign markets.
- Other Polish construction companies can also take pride in their export successes in the East of Europe.
- One of the biggest producers of roof windows is the *Fakro* company which assigns 70% of its production for export. Its competitive edge results from a commitment to high quality products and satisfied clients on all continents. It sells its products in:
 - Germany,
 - Morocco,
 - Greece,
 - Turkey,
 - Ireland,
 - Great Britain.

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