

Figure 7.4
Potential Benefits of a Joint Venture

For Western Partners

- increases influence or control over joint production;
- secures access to Polish market;
- uses Polish location to improve trade with other West and East European countries;
- takes advantage of lower labour costs;
- increases profitability.

For Polish Partners

- increases exports and improves market access to home country of venture partner and other western countries;
- provides a source of capital;
- provides technology transfer and modernization of production;
- enables contribution of western partner to be used as a substitute for other imports and thus saves money;
- overcomes domestic shortages and bottlenecks;
- trains personnel and improves labour productivity;
- increases profitability.

assist in contract negotiations. The most efficient of these companies maintain operations in Poland and in one or more western countries and employ staff who are familiar with both western and Polish business practices. They serve as a bridge during the initial period while a business relationship is being created and solidified.

Once an opportunity has been identified, foreign investors must decide on the legal form their Polish activity will take. Under Polish law, a firm can take the form of a limited liability company or a joint stock company. The limited liability company is by far the most common. It requires less rigid incorporation procedures and allows the parties more latitude in shaping the firm's internal structures and operations. The limited liability company is comparable to the private limited company under English law. The joint stock company, on the other hand, offers greater latitude in the treatment of capital, and has the ability to collect capital from the public through the issuing of shares. This form is comparable to the public limited company in English law.

The major difference between the limited liability company and the joint stock company lies in the relationship of their members to corporate ownership and control. Polish law refers to the members of the limited liability company as partners, and to the members of a joint stock company as shareholders. Partners are assumed to be directly involved in the day-to-day operations of a company whereas shareholders exercise their voice through the company's annual general meetings. Under Polish law, it is possible to incorporate a limited liability company with only one partner but a joint stock company must have at least three members.

Though joint ventures are the most common method of investing in Poland, there are several other ways to establish a presence in the country. Figure 7.6 offers a quick summary of some alternatives based on the actual practices of companies currently operating in Poland.

Financing Investments

Poland has pioneered many of the dramatic changes now sweeping Eastern Europe. This role has attracted considerable support from the advanced industrialized nations. Recognizing the size and critical strategic importance of Poland in the new European order, various nations and international institutions have offered financial assistance to help the country maintain its ambitious pace of transformation.

Figure 7.5
Establishing a Joint Venture in Poland

- identify a Polish partner;
- negotiate the terms of the joint venture;
- engage a neutral intermediary to prepare a feasibility study in order to verify project assumptions;
- prepare a valuation of the contributions of the respective partners;
- draft the terms of the agreement, using both western and Polish legal help;
- secure necessary project funding, and western government guarantees, or credits;
- open a Polish bank account and deposit initial capital;
- notarize the company's charter;
- register the joint venture in a court of law;
- commence operations.