

Opportunities

Investment opportunities abound in the highly fluid Polish market. The privatization of former state monopolies has opened entire sectors of the economy to both Polish and foreign business ventures. But long-term business relationships require more than just the sale of western goods to Poland. The Poles want to develop and modernize their own industrial base. They therefore seek partners who can sell them know-how as well as products. Many companies are combining the export of products, components, technology or know-how with an investment in production at the Polish end. The following is a partial list of promising areas which are currently attracting investor interest.

Construction and Building Materials

Since the Second World War, Poland has endured a chronic shortage of housing. On a per capita basis, it has one of the lowest rates of hotel accommodation in Europe. And it is difficult to find modern office space in larger centres such as Warsaw. These shortages of housing, office space and hotel space constitute one of the biggest bottlenecks in the Polish economy. Housing is scarce everywhere in the country (see Figure 8.1), and this makes labour force mobility — one major condition of a free market economy — practically impossible to achieve. If Poland is to succeed in its reforms, the construction sector requires major reorganization as well as a substantial amount of capital investment.

Essential to this reorganization is the introduction of new more efficient building techniques. Traditional house construction in Poland is expensive and time consuming. The typical building cycle is two-years for multi-family homes, and three years for single-family homes. Polish house construction typically uses up enormous amounts of materials, to produce energy-wasteful homes. Western architectural models, insula-

tion, windows, plumbing, electrical systems, and heating can all contribute to a more efficient industry. Some of these models are already in evidence, as Poles take a greater interest in western model homes and pre-fabricated units. The key to success will be price. The company that can make western style housing accessible to average Poles will sweep the marketplace.

Some major problems must be overcome to unblock the housing bottleneck. Poland still lacks a developed system of accessible mortgages. The situation is further complicated by the lack of clear title of ownership to a good deal of the land. As well, there are laws that protect the occupants of a dwelling from eviction, even if they have ceased paying rent or loans. Much housing remains heavily subsidized, and the overall housing cost picture is therefore severely distorted. Finally, the cost of even modest housing puts it beyond the reach of most Poles.

Some half a million homes are currently under construction, but building methods are slow and many projects are stalled because funds have run out. To improve the situation, a Housing Construction Development Bank (*Bank Rozwoju Budownictwa Mieszkaniowego*) has been established, and the construction of housing will be subsidized from the central budget. Several joint ventures are already importing building materials or manufacturing them in Poland. Others aim to build western-style, pre-fabricated housing. The Central Planning Commission predicts that the share of the GNP spent on housing construction may double by the end of the 1990s, as Poles strive to end a housing crisis that has lasted for half a century. Anticipating the increased demand, several Polish builders and housing cooperatives are actively seeking partnerships with foreign investors. Major priorities are manufacture of finishing equipment for public buildings, metal plumbing, plastic products, finishing and insulating products, sanitary equipment, and measuring equipment for energy, water, and gas.

Figure 8.1
The Housing Crisis in Poland, 1989

Number of households	10,898,700
Number of separate rooms	37,039,700
Average no. of rooms per household	3.4
Average area of a household	59.4 square metres
Area per person	17.4 square metres
Average no. of people per household	3.41
Average no. of people per room	1.0

Source: Polish Statistical Year Book, 1990.

Electronics and Components

Poland's existing electrical and electronics industry is blessed with a large, trained, and experienced labour force, and has many achievements to its credit. Nevertheless, the industry requires modernization through capital investment and installation of the latest technology.