

Factors to Consider When Deciding to Enter the Polish Market

The decision to enter any market is highly complex. Business people thinking of doing business in Poland should be aware of both the opportunities and the difficulties presented by this market.

Opportunities

1. Poland is a relatively large market of almost 40 million people.
2. Located in the geographic centre of Europe, it is equidistant from the established markets of the European community and the emerging markets of the former Soviet Union.
3. Poland is characterized by ethnic homogeneity and relative stability.
4. Poland's population is relatively well educated, especially in technical disciplines.
5. Labour costs remain competitive by west European standards.
6. Poland has been experiencing an export boom that marks its reintegration into the world economy.
7. Entrepreneurship is on the rise as literally thousands of new companies are being created.
8. The process of privatizing the Polish economy is well under way and is accelerating.
9. Many assets remain undervalued and can be acquired at a reasonable price.
10. The Polish government encourages inward foreign investment and has established a favourable legislative framework that provides for full repatriation of profits.

Challenges

1. Poland continues to experience a deep and persistent recession caused by far-reaching efforts to transform and restructure the economy.
2. Implementation of further economic reforms has been delayed by the political impasse which arose as a result of the Parliamentary elections in late 1991.
3. Most factories are badly outdated and in need of significant capital investment for modernization.
4. Unemployment continues to rise and Polish consumers have low purchasing power.
5. The process of policy-making remains in flux and it is often difficult to know what laws are applicable or to get clear decisions from the government administration.
6. Despite the government's efforts, inflation continues to be a serious problem. Though it is now convertible, the *zloty* remains subject to periodic devaluation.
7. Poland's infrastructure remains underdeveloped, especially in critical business areas such as telecommunications, banking, transportation, and distribution.
8. Because Poland's external debt remains a problem, bank credits may be difficult to obtain and alternative means of financing must be employed.
9. The period of transition has been accompanied by an increase in various types of crime. Security of personal and corporate property can be a concern in certain areas.

\$US 1 billion currency stabilization fund assembled by the International Monetary Fund (IMF) has not been needed. On present trends, it is likely that the *zloty* will be made fully convertible in the near future.

Another positive sign can be seen in the rapid development of the Polish private sector. New companies are springing up throughout the country. Some of them are growing quickly, accumulating capital, and providing a base for further economic activity. The private sector already accounts for more than 44% of employment in six major sectors. According to some estimates, one quarter of all industrial production is now privately-produced. About one third of Poland's construction services and 80% of its agriculture are already in private hands.

Poland's foreign trade has also grown rapidly, signalling the country's reintegration into the global economy. In 1990, exports rose faster than imports, generat-

ing a substantial trade surplus. The situation was reversed in the first half of 1991 because of the virtual collapse of trade with the Soviet Union. By the end of 1991, Polish trade had been redirected to western countries and was roughly in balance with high levels of both exports and imports.

The most visible outcomes of the reforms are seen daily on the streets of Poland's cities. The queues and shortages that characterized the communist economy have almost disappeared. In Warsaw, the capital, it is now possible to buy a wide variety of goods that were not generally available before 1989. However, prices have crept up to world levels, wages remain low, and purchasing power has fallen. As a result, Polish consumers have become both cautious and demanding as they assess the latest western offerings.