

Sunset over Warsaw's Old Town:  
The OECD expects growth of 1.4 percent  
in the Polish economy this year.

ALLAN BAXTER / GETTY IMAGES

# Warsaw

Central and East European financial hub

ECONOMY | Regional powerhouse

## Poland finishes 2009 with the EU's highest rate of economic growth

Poland's economy is proving remarkably robust in the face of world recession. According to the World Bank, it is forecast to grow 0.5 percent this year, 0.9 percent in 2010 and 3.5 percent in 2011. In fact, Poland is now Central and Eastern Europe's economic powerhouse.

"Poland will be the only European Union country to avoid recession," said Finance Minister Jacek Rostowski, speaking at the Warsaw-CEE Financial Hub conference held at the Warsaw Stock Exchange Nov. 26-27. "It will also be the OECD country with the highest economic growth in 2009." Poland, he said, is doing better than other economies thanks to the flexibility and efficiency of local businesses and consumers, in addition to well-judged government policies. Poland's strong economic performance has increased its international prestige, he noted.

Today, Poland is the only country in the 27-member EU to have maintained economic growth through the global recession. It is expected to top both the EU and the 30-nation Organization for Economic Cooperation and Development grouping this year, with 1 percent growth in output.

The largest of the 10 new ex-communist EU members, Poland was the first to institute major reforms, starting in 1990. This included liberalization and fast, deep institutional changes such as privatization and the establishment of the stock exchange and an independent central bank, says Leszek Balcerowicz, the former deputy prime minister, finance minister and central bank chief, who guided the economic transformation program in the 1990s.

Speaking at the Warsaw conference, Balcerowicz said that, while appreciating the strength of its economy, the country should remain aware that this success story could be short-lived if further reforms are not carried out. "The greatest problem is the poor state of public finances caused by extensive public spending, especially welfare expenditure, because much of the money is not going to those who really need it," said Balcerowicz, adding that public-finance reform was needed.

Jaroslawa Kochaniak, deputy mayor of Warsaw, pointed out that the latest "European Cities Monitor" report by Cushman & Wakefield confirms Warsaw's attractiveness, putting the Polish capital in 23rd place among European cities in terms of business friendliness. "The survey also showed that Warsaw is the place where the largest numbers of West European businesses want to set up shop in the next five years," he said.

Factors contributing to the country's greater investment appeal are political stability and the fact that consumers did not incur excessive debts. The OECD says that the Polish economy grew thanks to monetary easing, exchange-rate depreciation and relatively limited dependence on international trade.

As well, it credited a sound banking sector, tax cuts and other fiscal measures, and infrastructure investments linked to EU transfers as well as preparations for the UEFA Euro 2012 soccer championship, for

which Poland and Ukraine will be joint hosts.

Poland should put a greater focus on innovation, however, according to Danuta Hübner, chairman of the European Parliament's committee on regional development. For example, she says, it should invest in the information technology sector, which offers the country many opportunities for development.

Roman Durka, president of Fujitsu Technology Solutions, agrees. "Polish companies should search for niches on the IT market so that they can successfully compete internationally," he says. "Software seems to be the field in which we stand a big chance to succeed."

According to a recent government think-tank report, "Poland 2030: Development Challenges," the country's long-term economic growth from 2009 to 2030 will likely rise to at least 5 percent a year, while annual inflation should remain between 1 percent and 3 percent.

Technology-based exports are expected to increase to 40 percent from 3.1 percent today, while the contribution of high-tech



Leszek Balcerowicz, who steered Poland's economic reforms of the 1990s, at the Warsaw conference.

sectors to the gross domestic product would rise to 25 percent, the report notes. The long-term investment rate would increase from 18 percent to 25 percent.

The report identifies the 10 greatest challenges Poland is expected to face in the next two decades. These include problems associated with competitiveness, demographic developments, economic activity rates, infrastructure, energy and climate se-

curity, the development of a knowledge-based economy, the development of intellectual capital, solidarity and regional cohesion, and public administration.

The report's editor, Michal Boni, head of the strategic advisers' team to Poland's Prime Minister Donald Tusk, said the country needs a long-term strategy, because the crisis may offer government and business an opportunity to modernize the country. ■

VIEWPOINT | Rafal Baniak, undersecretary of state in the Ministry of Economy

## 'Poland will join the biggest economies in the EU'

Rafal Baniak undersecretary of state in the Ministry of Economy, recently spoke about Poland's economy, the country's attractiveness to investors and its commitment to environmental protection, particularly through the development of renewable energy sources.

According to a Bank of America-Merrill Lynch report, Poland is Europe's only large economy to avoid recession. How has it managed that?

Poland's economy and investment appeal have sufficiently strong fundamentals to soothe turbulence in times of crisis. European Union membership, an absorbent internal market, educated labor and investment incentive schemes — these are the factors that make investing in Poland attractive. Moreover, we have a more restrictive banking policy than elsewhere and a stable foreign debt level, and the economy is less dependent on stock exchange performance than, for example, in the United States. The growth of Poland's gross domestic product, which in the third quarter of 2009 was 1.7 percent, is mainly the result of growing consumption and investment. And this has helped us to avoid recession.

How has Poland's entry into the European Union in 2004 helped the economy? Has it had a major influence?

After Poland entered the EU, the level of investment in the Polish production sector increased. Food processing saw complete modernization. A direct result of EU accession was also growth in exports. For foreign companies, Poland is now the gateway to Europe.

What's the economic outlook for Poland going into 2010?

Global forecasts for 2010 are optimistic. There is more and more of a feeling that the crisis is ending. In this time of turmoil, the Polish GDP was the only one in Europe to be positive. This gives us a better starting position. Poland will join the biggest economies in the EU. This year, the Polish GDP has

already outstripped such reliable members of the EU as Sweden and Belgium.

In view of the recent Copenhagen climate change conference, how is Poland balancing its new development with environmental concerns?

In Copenhagen, we underlined that countries that emit the most carbon dioxide and other greenhouse gases should make concrete commitments to reducing these emissions. Emerging markets, particularly the least-developed countries, should receive financial, technological and organizational aid to be able to adapt to climate change. We believe that the amount of contributions to the global fund should depend on GDP per capita. For Poland,

environmental protection is highly important. We have more and more investments connected to renewable energy sources. We are developing clean coal technologies. Poland offers various instruments of support for investments using renewable sources of

energy. These alternative energy sources are becoming increasingly popular in Poland, especially the wind energy sector. What is interesting is that, as a result, the sector is crisis-resistant, which may additionally influence its development. Poland has a large area and favorable wind conditions, which make it one of the most attractive wind farm locations in Europe. In comparison with other European countries — particularly the ones whose use of renewable energy sources is advanced, such as Germany, Spain or Denmark — Poland is only beginning its wind power adventure. This energy source was practically unused in Poland before the year 2000. As we are a new market in this area, investors may still find great investment opportunities.

Are there any other important factors we haven't covered?

We have satisfied our basic needs — now we can focus on self-actualization. The first step is the evolution of the Polish economy from production to service orientation, from simple repeatable activities to knowledge, invention and creativity. Poles are very smart, educated people with plenty of common sense. ■



Rafal Baniak, undersecretary of state in the ministry of economy.

MINISTRY OF ECONOMY

## Warsaw-CEE Financial Hub conference brings together officials, investors and entrepreneurs

Thanks to Poland's growing economy, Warsaw may soon become Central and Eastern Europe's financial hub. That was the consensus of the international Warsaw-CEE Financial Hub conference, held in the headquarters of the Warsaw Stock Exchange Nov. 26-27.

Investors, entrepreneurs and economic experts interested in the area's markets attended the event, which was jointly organized by the International Herald Tribune and The Warsaw Voice, Poland's English-language weekly.

Speaking at the conference, Finance Minister Jacek Rostowski added, "Poland will be the only European Union country to avoid recession, and it will

also be the OECD country with the highest economic growth in 2009." He stressed that Poland's strong economic performance had increased its international prestige, thus improving Warsaw's chances of becoming a regional financial hub.

Polish financial market players are pinning considerable hope on the government's new privatization plan for treasury-owned companies. "Under the government's plan," said Deputy Treasury Minister Adam Leszkiewicz, "large companies in sectors such as energy and financial services will be sold via the stock exchange."

Poland is doing better than other neighboring economies, he added,

## Poland in facts & figures

- Surface area: 312,690 square kilometers (120,730 square miles)
  - Population (2008): 38.12 million
  - Gross domestic product (2008): €362.41 billion (\$517.71 billion)
  - GDP change (third quarter, 2009): 1.7 percent
  - FDI inflow: €10 billion
  - Exports: €78.93 billion
  - Imports: €86.52 billion
  - External trade turnover: €165.45 billion
  - External trade balance: -€7.59 billion
  - Inflation rate (November 2009): 3.8 percent
  - Unemployment rate: 11.1 percent
  - Time required to start a business: 31 days
- (Sources: Polish Information and Foreign Investment Agency, World Bank)

thanks to the flexibility and efficiency of local businesses and consumers, in addition to well-judged government policies.

Slawomir Majman, president of the Polish Information and Foreign Investment Agency, said, "I have no doubts that Poland has recently become even more attractive to foreign investors. This is proven by the fact that, for the first time in three years, Poland has improved its ratings in terms of the investment climate."

As Poland's capital, Warsaw participates in international trade fairs, conferences and investment events, presenting its opportunities, including public-private partnership projects.

FINANCIAL HUB | Attracting investment

## A stable, reliable partner for investors

While the Warsaw Stock Exchange (WSE) is promoting itself as an aspiring regional financial hub, the city itself is working to attract both domestic and foreign investment.

According to the city of Warsaw press office, "Warsaw has a lot of investment potential that is attractive not only to national but also international investors." Warsaw's mayor, Hanna Gronkiewicz-Waltz, says the city's greatest assets include the low costs of hiring qualified staff and renting high-end office space. These costs are moderate compared with those in Western Europe.

In addition, Poland's educational standards are high, producing a skilled and educated work force. Warsaw is Poland's leading academic center, with more than 75 universities — among them the University of Warsaw (Uniwersytet Warszawski) and the Warsaw University of Technology (Politechnika Warszawska) — and 642 science and research institutes.

"We have to speak English, Russian, Ukrainian and other languages," says Ludwik Sobolewski, president of the Warsaw Stock Exchange. The University of Warsaw is helping to meet that demand, offering a wide range of foreign languages. Fifty percent of graduates can communicate in English and 56 percent in Russian. The city has a young, educated labor market: nearly 60,000 graduates enter the work force each year. Forty-five percent of the population is under 45 years old.

"Warsaw, like all of Central and Eastern Europe, is still a hungry market with a lot of development potential," according to the press office. "As the capital of Poland, Warsaw is a reliable and stable partner for long-term investments, as testified by the credit ratings it enjoys."

As an investment incentive, the city offers tax relief on real estate for investments in the tourism sector. It also provides swift access to information on investment conditions in Warsaw, on the economic and legal environment, and on companies and investors associations.

**'Warsaw is a hungry market with a lot of development potential'**

"We are already using innovative financial tools offered by the market," say city officials. "We run entrepreneurship support programs through providing more access to information on starting up and running businesses, including grants for setting up companies."

The first president of the WSE, Wieslaw Rozlucki of the Polish Institute of Directors, also supports the concept of Warsaw as a regional financial hub. Speaking at the Warsaw-CEE Financial Hub conference in November, he said that while WSE managers were working to strengthen the position of the Warsaw exchange in the region, only joint efforts could lead to real success.

"Large-scale measures should be taken as soon as possible to promote Warsaw as a regional financial hub," Rozlucki said.

Iwona Sroka, head of the National Depository for Securities, agreed that a regional financial hub cannot be created in Warsaw without cooperation

from all market players. The city is also making improvements in a number of other areas. In 2009, Warsaw will have spent more than four times as much on cultural infrastructure as it did last year. It has launched such investments as the modern Copernicus Science Center, the Museum of the History of the Polish Jews, the renovation and adaptation of the Old Town cellars, and the modernization of the Powszechny Theater in the Praga neighborhood.

"City Hall wishes to make Warsaw a city that is permanently pro-investment and pro-development," according to the city's press office. At the same time, it wants it to be a comfortable and interesting place for both residents and visitors. ■

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