

only the firms that don't need loans qualify for them. This is slowly getting better. One advance has been the arrival of Citibank, which now offers letters of credit and other services to multinational companies through its new offices in Warsaw.

By Western standards, most physical distribution facilities in Poland are inadequate. Baltic seaports may be properly equipped, but inland truck and rail connections are poor: major cities are often connected by only a single line of tracks, and a planned system of four-lane highways throughout the country is not yet complete. Many major multinationals have had to build their own distribution systems as they go along. Here too, the situation is slowly improving. The Baltic seaport of Kaliningrad, for instance, is increasingly promoting itself as a gateway into such eastern European countries as Lithuania, Belarus, Ukraine, Slovakia, the Czech Republic and Russia.

A general lack of concern with customer service is another big challenge to any foreign company setting up shop. While the managers may have a well-developed entrepreneurial spirit and may be very open to Western business practices, apathetic workers can easily hurt a firm's prospects. But again, this is an area where training, time, effort, and persistence can eventually pay off.

**Government Not A Barrier.** The government, perhaps surprisingly, imposes few restrictions on the foreign investor. Import licenses are not required for most products and standards have not been employed as any sort of major barrier. Poland recently adopted the harmonized tariff schedule. An intellectual property rights law was also recently passed, though it's too early to tell how tough enforcement will be. Currency convertibility and hard-

currency profit repatriation are no longer problems.

Some 60% of the whole economy and nearly all of retail trade have been privatized. And even where the state retains much control, many of the bureaucrats are helpful and understand the needs of the business community.

Many investors expressed considerable concern at the recent election of many former Communist Party members in local elections. But most economists believe the economy has irretrievably swung in the direction of free trade.

**Consumer Goods.** The Polish people's infatuation with Western goods is cooling down, but a big advantage of U.S. firms over their European competitors is that Poles still love anything about America, if perhaps a little less so than in the past.

Some of the first firms to capitalize on this love for America and its products were large multinationals like Coca Cola and Proctor & Gamble. Now only a few years after the fall of the Berlin wall, they already hold impressive shares in their markets.

With earnings of less than \$250 a month, the Poles cannot afford to pay Western prices for many products. But they are willing to pay Western prices for products that are important to them — over 70% of Polish households now own a color television and 40% own video cassette recorders.

In fact, pent-up demand for many consumer products continues to sustain high growth, with automotive products providing one of

the best examples. After driving slow, inefficient, pollution-spewing cars for many years, Poles will now buy almost any product for their cars.

Stomil tire factory, for instance, is considering switching production from truck and tractor tires to passenger cars. The firm Valbot is expanding from producing mining equipment to opening car and bus service stations and selling shock absorbers, mufflers and suspension systems.

**High Tech.** Having been denied access to Western technology for a half century, Poland is a particularly good market for high-tech products, especially in the areas of

### Poland at a Glance

Population:	38.4 million
GDP:	\$86.5 billion
GDP annual growth:	4.5%
GDP per capita:	\$2,238
Total imports:	\$16.5 billion
US exports to Poland:	\$960 million
Inflation estimate:	27%
Unemployment:	16%
Foreign Debt:	\$47 billion
Principal Imports from the United States:	
	Commercial Aircraft, Corn, Boring and Sinking Machinery, Chicken and Wheat.

*Source: International Trade Administration. All figures are estimates for 1994.*

telecommunications and computers.

Sprint Telecommunications worked closely with R.P. Telekom to design and install fiber-optic networks in Poland's Pila and Katowice districts.

Another example is Polon-Krakow, which makes CAMAC and VME system modules to European standards, as well as bus-boards and power supplies for the telecommunications and electronics industries. **ET**