“Doing Business in Poland and Romania” Webinar
Conference formed in June, 2015

Chief executives of Illinois, Indiana, Michigan, Minnesota, New York, Ohio, Ontario, Pennsylvania, Québec and Wisconsin are working as equal partners to grow the region’s $5 trillion economy and protect the world’s greatest freshwater system.

The Council of Great Lakes Governors serves as secretariat.
CGLSLGP Trade Missions have assisted over 330 Great Lakes companies to export their products and services to 20 international markets:

- Abu Dhabi
- Argentina
- Australia
- Brazil
- Chile
- Czech Republic
- Colombia
- Dubai
- Germany
- India
- Indonesia
- Mexico
- New Zealand
- Peru
- Poland
- South Africa
- Qatar
- Québec
- Thailand
- Turkey
- Vietnam
- UAE
- and the United Kingdom
Doing Business in Poland – The biggest chunk of the cake in Central and Eastern Europe

Stefan Peikert & Michal Bronowski
Germany Trade Office (Berlin)
Conference of Great Lakes and St. Lawrence Governors and Premiers
International Business Development specialist with a Focus on B2B markets!

Berlin - Heidelberg – Cologne Germany

20+ years in business, 15 team members

Key Services

Corporate Desk - Business Development for companies entering the German / European market

Public Trade Development - Investment Promotion – Capacity Building

www.ahp-international.com Your Business Hub for Europe!
Trade Representation for

- Conference of Great Lakes and St. Lawrence Governors and Premiers
- Commonwealth of Pennsylvania
- State of Michigan
- State of Wisconsin
Michal Bronowski

- Polish Native, Masters degree and a diploma in international business relations from the Technical University in Freiberg (Germany) and Business University in Poznan (Poland). In addition he gained master degrees in investment law from the University in Wroclaw (Poland) and in property management from the Technical University in Wroclaw (Poland).

- He started his career in the near and Middle East working as commercial manager on large building and infrastructure projects.

- Michal joined our Berlin team in 2012. Within AHP International Michal is responsible for corporate consulting for German and International Clients, Poland (the German-Polish border is just 50 miles from Berlin) is a natural focus of his activities.

- CGLSLGP - Project languages: English, Polish (mother tongue)
Stefan is founding partner and managing director of the AHP Group and AHP International. He holds a Masters degree in Business Administration and has been active as an independent consultant in the field of strategic business development, internationalization, sales & marketing, economic development as well as inward investment promotion for more than 20 years.

Stefan started his first consulting activity in international trade while still studying in the early 1990s. He is active in the Polish market since 1999. Ever since he is considered one of the key experts for business development in Germany’s neighboring market.

Stefan also represents AHP International in the Management Team of our sister company Creatives Loop International in Berlin, a joint venture with the UK based Partner Creatives Loop Ltd. active in creative, digital and media industries.

CGLSLGP Project language: English
Poland – truly a big fish in the European pond

Area: 312 700 sq km – 6th in European Union

Population: 38,5 million – 6th in European Union

Currency: Polish Zloty (1 USD ~ 3.9 PLN)

GDP: USD 500 billion (estimate 2016) – 9th in all Europe

GDP per capita: USD 12,800 – USA 54,700 / Canada 51,000

GDP growth: 3.5% (2016 est.), 3.5% (2015), 3.0% (2014)
USA 1% (2016 est.) – Canada 0.6% (2016 est.)

Membership: EU, NATO, OECD, WTO, Schengen Zone
Poland – Understanding the size - American References

- GDP equals Georgia or North Carolina
- Population equals California
- Area equals New York, Pennsylvania and Indiana combined
Poland – Regional Centers and Distances
Services and Manufacturing Hubs in Poland (1)

**AUTOMOTIVE**
- Gliwice, Tychy
- Wrocław, Jelcz Laskowice, Wałbrzych
- Poznań

**HOUSEHOLD APPLIANCES**
- Łódź, Radomsko
- Wronki
- Wrocław, Kobierzyce

**ELECTRONICS**
- Gorzów Wielkopolski
- Tczew, Kwidzyn

Other Manufactures:
- Delphi
- Cooper Standard
- Pilkington
- Scania
- Bedia
- Exide Technologies
- Philips
- Electrolux
- Tekna
- Toshiba
- Sharp
- Orion Electric Co. Ltd.
- Flextronics
- Jabil
- Sanyo
- LG
Main Market Drivers

- EU incentives 2013-2020 - 160 billion US$

- Poland is the strongest manufacturing partner for Germany in CEE – as long as Germany does well Poland will benefit strongly

- Consumers keep driving the market – rising wealth

- More and more successful exports from Poland

- Absence of OEMS of technical products – final products are imported

- Continued strong growth of imports (> 6% in 2016)

- Continued GDP growth (> 3% in 2016)
Current Sector Opportunities

• **Advanced Manufacturing – Machines – Automation**
  strong investment creates opportunity  for imported systems

• **Automotive**  Growing market  – again rising investments

• **Chemical Industry:** Polish  industry  invests in manufacturing capacities – import of product rising

• **Construction:** Commercial and private buildings market keeps growing, infrastructure projects wait for release of EU-subsidies

• **Electronics:** Growing demand in all applications

• **ICT :** Sector  grows two times faster than the global average
Current Sector Opportunities

- **Cleantech**: Investments because of EU-regulation, Polish consumers more and more environmentally aware

- **Medical / Health Care** – EU funds available once Polish legislation is complete – new round of investments ahead

- **Railtech** – Poland one of the biggest markets and also suppliers with full supply chain. EU funds drive with billions of US$

- **Energy** – Investments in grid and generation drive market

- **Aerospace** – Poland has become a global manufacturer with more and more complete value chain
Distribution in Poland

- Poland has a tradition of importing technology and advanced products from abroad.

- As a result there are usually distribution partners available (if going through partners makes sense at all, which is not always the case)

- Distribution has grown regional Polish distributors almost never cover the country – so a one partner strategy usually fails or falls short.

- More and more OEM supply opportunities in Poland – this business needs to be developed directly.

- In general Polish clients / users prefer Polish contacts

- Check Polish Competition – if existing this can kill your project.

- Learn from German, Austrian, Scandinavian and Dutch competitors – they can be your benchmark in the Polish market
Polish Privately Owned Businesses as Partners

- Polish Entrepreneurship has seen an ever strong growth since the end of the communist system in 1990.

- A new group of medium sized privately owned business is in place
  - Driven by Entrepreneurs
  - Family Ownership
  - Privately financed – very often through diverse activities in the family
  - Flexible and more and more internationally active

- Polish Entrepreneurs engage in the following sectors
  - Industrial Supply
  - Transportation Equipment (SOLARIS, PESSA)
  - ICT (COMARCH Software)
  - Food and Food Processing
  - Professional and Industrial services, Logistics

- Polish businesses are strong in their home market and usually have a good access to Germany and other developed markets.

- They offer partnership and JV opportunities.
<table>
<thead>
<tr>
<th>Strengths</th>
<th>Weaknesses</th>
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<tbody>
<tr>
<td>Large Consumer Market with almost 40 million people</td>
<td>Frequent changes in laws and regulations</td>
</tr>
<tr>
<td>Well trained and highly motivated human resources</td>
<td>Inefficient juridical system, settling a case can take very long</td>
</tr>
<tr>
<td>Well developed supply industry</td>
<td>Partly outdated energy infrastructure can cause (minimal) blackouts</td>
</tr>
<tr>
<td>Logistical hub connecting Western and Eastern Europe</td>
<td>High deficit of Polish state budget</td>
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<tr>
<td>Robust economy with favorable development</td>
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</tbody>
</table>
## Poland SWOT

<table>
<thead>
<tr>
<th>Opportunities</th>
<th>Threats</th>
</tr>
</thead>
<tbody>
<tr>
<td>170 billion US$ subsidies from Brussels until 2020</td>
<td>Shortage of skilled workforce</td>
</tr>
<tr>
<td>Liberal public procurement system with a high portion of foreign winners</td>
<td>Labor cost less and less advantageous compared to Western Europe</td>
</tr>
<tr>
<td>Rising salaries and less unemployment stimulate consumption</td>
<td>Risk sharing in public projects to the disadvantage of the bidder</td>
</tr>
<tr>
<td>Rising R&amp;D spending: demand for technology transfer/exchange</td>
<td>Energy mix based on coal not in line with EU approach on climate protect.</td>
</tr>
<tr>
<td>Modernization of vocational education might help overcome shortages</td>
<td></td>
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</tbody>
</table>
In Poland titles and functions are more important than the surname – the need to be mentioned, esp. when using the Polish terms pan (Mr.) or pani (Ms.) – so “pan dyrektor”, “pan doktor” and definitely not “pan Miller”.

Even when starting to be closer it is more popular to use the first name in a formal way. So you will soon be „pan Mike“, „pani Kate“ so “Mr. Mike” and “Ms. Kate”. This signals that one is closer but not yet friends.

Using the last name (and no title) when talking to a Polish counterpart feels very rude to Polish ears.
Personal Contacts

❖ If you are a woman be prepared to have your hand kissed by a contact 50/60 years plus – even in business 😊

❖ If you state you are “interested” or that something is “interesting” the Polish party will understand this as a clear and enthusiastic YES – when this interest (which maybe was just meant to be polite) is not followed by action the Polish side will be extremely disappointed. Be careful not to be too promising while being friendly. If in doubt how to give the right signal involve us during the trade mission.
More Do‘s and Don‘t‘s

♫ The personal factor cannot be over estimated

Polish business partners will value an invitation to your house or any private context much more than a dinner in an exclusive restaurant.

♫ The “name day” (saint‘s day) is more relevant than the birthday

Being closer to a (95% catholic) Polish business relation you should know this name/date. A present is not necessary, sending regards will impress.

♫ Criticism is always taken as a personal offense

Openly stated criticism is automatically perceived as attacking the person. Poles themselves act very indirect. Even extremely critical issues might only be mentioned in a side remark or note. Caring about the other‘s face is very important and a matter of politeness.
More Do’s and Don’ts

- **Allow exceptions from the rule**
  
  Reaching a target by flexible improvisation is a strength and a sport of your Polish counterparts. Rules, regulations, procedures are interpreted as a motivation to break them.

- **ASK!!!**
  
  Americans often take aspects of a collaboration as given or for granted. One thinks the other has fully understood. In reality the Polish counterpart does not want to disclose that he has not fully gotten the message.

- **The absence of appreciation for written documentations is a constant source of issues, delays and even problems when working with Polish partners.**
Documentation & need to meet in person

<table>
<thead>
<tr>
<th>in the U.S.</th>
<th>in Poland</th>
</tr>
</thead>
<tbody>
<tr>
<td>Memos/Minutes shared</td>
<td>Each party takes their own notes</td>
</tr>
<tr>
<td>Official Letter</td>
<td>Phone Call</td>
</tr>
<tr>
<td>Phone Call</td>
<td>Meeting</td>
</tr>
<tr>
<td>Conf. Call (Video)</td>
<td>Meeting</td>
</tr>
<tr>
<td>Meeting</td>
<td>Meeting</td>
</tr>
</tbody>
</table>
Generating Decisions

✦ One step ahead and 0.8 back...

Negotiations in Poland are flexible and have the form of a helix. Thinking in milestones is not matching the Polish mentality. Really critical / decisive aspects of a process (intention to sell / buy, M&A model, pricing, strategy) once agreed will most likely be discussed again in the next meeting. This takes time and can be exhausting.

✦ Invite your (potential) strategic partners to the U.S.

Misunderstandings and a lack of inside knowledge of American businesses and processes can be a challenge for a new joint venture. A visit to the U.S. helps. No Polish partner will come and visit with empty hands. He will find an excuse not to fly over if he is not fully convinced / interested. So an invite can also serve as a test.
Typical Mistakes

- Under estimating the distances and not taking the regional structure of the market into account
- Too little C-level attention / Your „project Poland“ requires seniority
- Thinking too small and thus too little investment of resources in the market (benchmarking with European competitors can help)
- No focus on creating personal relationships
- Inadequate choice of key staff in Poland
- Relying on American/Canadian Poles („Polonia“) – Yes for market management – NO for activities on the ground
Special Relationship – USA & Canada

- Over decades millions of Poles have migrated to the USA and Canada.
- The majority of them are living in the CGLSLGP member States and Provinces.
- Chicago is considered to be the “2nd largest Polish city” after Warsaw.
- The community of Poles living outside Poland is called “Polonia”. “Polonia” Poles still have special rights including limited voting in elections.
- The USA and Canada have been dream destinations for generations.
- This only changed slightly with the gain of self-confidence as result of the EU membership in 2005 and the positive economics in the 2008/2009 crisis.
- Still for every Pole it is more than special to do business with the U.S. and Canada and represent / work with U.S. or Canadian business partners.
- You have an emotional advantage when offering business partnerships.
We look forward to seeing you in Poland!

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www.ahp-international.com
Romania
Country overview

Area: 237,000 sq km
Population: 20.1 million
Capital: Bucharest (1.93 million)
Distances: W-E = 735 km, N-S = 530 km
Currency: Romanian Lei (RON)
Exchange rate: USD 1 = RON 3.94

- 2nd largest among EU member countries in CEE
- 2x state of Ohio area
- 1st in Europe for internet speed
- Regional center with strong imports
Did you know?

- The second spoken language in Microsoft is Romanian.
- The jet engine was invented by a Romanian (Henri Coandă) in 1910.
- Insuline was invented by Nicolae Paulescu in 1916.
- Romania was the first country in the world with an oil production officially registered in the international statistics (1938).
- Romania hosts a strategic NATO base at Deveselu.
- Romanian sport “oină” is seen as the „parent” of baseball.
People

Nicolae Ceausescu
Nadia Comaneci
Gheorghe Hagi
Zoltan Mekso
Inna

Jean DeLorean
Edward G. Robinson
Ana Aslan
George Emil Palade
Constantin Brancusi
Political overview

• Unitary semi-presidential republic
• Politically stable, yet President is right wing while Parliament is left
• Technocrat Government
• President: Mr. Klaus Werner Iohannis
• Prime-Minister: Mr. Dacian Cioloș
• Next Presidential elections: 2018
• Next Parliamentary elections: 2016 (in autumn)
• Main Parties: Social Democrats, Liberal Democrats, National Liberals, Hungarian Minority Party
• Member of EU (s. 2007), NATO, OECD, UN, IMF/WB, WTO, IBRD
Economic overview

- GDP 2015: USD 178.65 bn (EUR 161 bn)
- Economic growth: 2.2% (2011) | 3% (2014) | 3.7% (2015)
- Unemployment rate: 7.3% (2013) | 6.8% (2015)
- Export growth: 4.1% (2015) | 73.7% in EU
- Import growth: 7.6% (2015) | 77.2% from EU
- Export growth drivers: industry & agriculture
- Own currency: RON
Economic benchmarks

- Average gross monthly salary: RON 2,930 (USD 740)
- Average house/apartment price (Q4, 2015 – price/m2):
  - Cluj-Napoca: USD 1211 (EUR 1111)
  - Bucharest: USD 1193 (EUR 1094)
  - Constanța: USD 1000 (EUR 917)
  - Iași: USD 902 (EUR 827)
  - Pitești: USD 802 (EUR 735)
- Corporate tax: 16%
- VAT (value-added tax): 20% (9% on selected items)
Foreign trade

Exports (USD 60.58 billion in 2015):
• Products: cars & transportation equipment (44.5%), other manufactured products (32.8%), agro-food & beverages (8.8%)
• Destinations: Germany, Italy, France, ...

Imports (USD 69.86 billion in 2015):
• Products: cars & transportation equipment (37.3%), other manufactured products (31%), chemical products (13.7%), agro-food & beverages (8.5%)
• Partners: Germany, Italy, Hungary, ...
Business sectors

• Automotive
• ICT
• Oil & Gas
• Pharmaceutical
• Telecommunications
• Energy
Bluechips & key players

Automotive

DACIA  Ford  Continental  Michelin  Delphi

ZF  TRW  LEONI  Johnson Controls  SEWS-R  Flextronics

IT&C

Oracle  Intel  Microsoft  IBM  HP

Bitdefender  Siveco  Romania  SA  SAP  Endava  TotalSoft
Bluechips & key players

Oil & Gas
- OMV Petrom
- ROMPETROL
- Weatherford
- Schlumberger
- LUFKIN

Consumer goods
- British American Tobacco
- Philip Morris Romania SRL
- Coca Cola
- P&G
- Heineken
- Nestle
- Mondelez International
- ROMAQUA GROUP
- Bunge
- European Drinks
Bluechips & key players

Pharmaceuticals

Construction

Agriculture

Recycling
Key economic centres

• **Bucharest** – main center of the economy, industry, trade, culture and education; 2.3 mil. inhabitants (incl. suburbs)
• **Braşov** – wood processing, industry; 235,000 inhabitants
• **Timișoara** – automotive parts, IT&C, agriculture; 319,000 inhabitants
• **Piteşti** – automotive vehicles & parts; 155,000 inhabitants
• **Constanţa** – port & shipyards; 283,000 inhabitants
• **Cluj-Napoca** – industry; 324,000 inhabitants
• **Ploieşti** – oil; 210,000 inhabitants
Geographical distribution

Selected technology and R&D centers

**N-V Region**
- DeLonghi / Continental
- Robert Bosch / TRW / Michelin
- Eurobody (CEFIN)
- Fujikura Automotive
- Trelleborg
- Transcarpatica
- Emerson
- Grovinvest

**Vest Region**
- Delphi Packard
- Eybl-Automotive
- Continental / Leoni / TRW
- Siemens Automotive
- Kromberg&Schubert
- Lisa Drexlmayer
- Bosch / Sumitomo Electric

**S-V Oltenia**
- Ford
- Pirelli
- TMK-ARTROM
- Continental

**SUD Muntenia**
- Dacia-Renault / Valeo
- Roehling Automotive
- Euro-APS / ANA IMEP
- Leoni / Michelin

**N-E Region**
- Continental
- Delphi Diesel Systems
- ARCELOMITAL TUBULAR PRODUCTS

**CENTRU**
- Daimler, LaFarge,
- Ina Schaeffler, Autoliv, Preh,
- Kuhnke, Takata Petri, Siemens,
- Kromberg&Schubert, Continental,
- Airbus Helicopters

**S-E Region**
- ArcelorMittal
- Alewijnse Marine Galați
- Promex
- Rompetrol (KMG)
Geographical distribution of FDI

TOTAL: EUR millions
60,198
100%

5,833
9.7%

4,646
7.7%

1,954
3.3%

4,194
7%

35,665
59.2%

1,624
2.7%

3,384
5.6%
Opportunities for US exporters:

- Environmental technologies
- Construction
- ICT
- Energy technologies, power generation equipment
- BPO
- Quarrying and materials handling
- Agriculture
- Precision Engineering
- Control & Process automation
- Transport
- Trade: consumer goods & retail products
What’s hot & what’s not ?

HOT

• VAT decrease
• New government
• Parliamentary elections to come in autumn
• Historically low inflation
• Infrastructure: motorway building
• New gas resources (100 billion m3) discovered in Black Sea
• Waste Management: national strategy for EU compliance

NOT

• Aging population & inadequate pensions
• Low EU funds absorption
• Emigration
Key drivers

- Cheap and qualified labor force
- Excellent foreign relations with China & Arab countries
- Very strong ICT sector
- Largest harbour to the Black Sea
- Plenty of natural resources
- Largest market in the SE Europe region
- Positive growth expectations
Key challenges

• Commercial trade mainly with the EU
• Low labor productivity (low added value of goods and services)
• Red tape
• Underdeveloped infrastructure
Business climate

• Influenced by politics to some degree
• Free flowing currency
• High discrepancies between urban and rural activities
• Plenty of English speakers
• Privatization is not yet complete
Business culture

- Mixed, between multinationals and genuine Romanian companies
- The boss should know everything
- There is always tomorrow
- Romanians are “specialists” in all fields
- Overtime is always accepted, even without pay
- Face-to-face meetings are favored
- Best deals come at meals
Getting there and about

- Flight Bucharest - any other major city takes less than 1 hour
- Average driving time between major cities: 3 hours
- Average driving speed between cities: 75 km/hour
Driving distances
Thank you!
See you in Romania.
Poland & Romania Trade Mission 2016

- Multi-sector trade mission to Poland and Romania
  November 6-11, 2016
- Warsaw, Poland and Bucharest, Romania
- Customized one-on-one business appointments with interested distributors, agents and other prospective business partners set up by the CGLSLGP Europe Trade Office*
Poland & Romania Trade Mission 2016

• In-country market business briefings and networking events

• In-country staff support of CGLSLGP

• Group assistance with logistics

Québec

Brazil

Mexico
## Poland & Romania Trade Mission 2016

<table>
<thead>
<tr>
<th>Itinerary</th>
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</thead>
<tbody>
<tr>
<td><strong>Saturday, November 5</strong></td>
</tr>
<tr>
<td>Depart U.S. for Warsaw, Poland</td>
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<tr>
<td><strong>Sunday, November 6</strong></td>
</tr>
<tr>
<td>AM: Arrive Warsaw, Poland</td>
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<tr>
<td>PM: Country Briefing and Networking Dinner</td>
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<tr>
<td><strong>Monday, November 7</strong></td>
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<tr>
<td>Individual Business Appointments in Warsaw and Surrounds</td>
</tr>
<tr>
<td><strong>Tuesday, November 8</strong></td>
</tr>
<tr>
<td>Individual Business Appointments in Warsaw and Surrounds</td>
</tr>
<tr>
<td><strong>Wednesday, November 9</strong></td>
</tr>
<tr>
<td>AM: Travel to Bucharest, Romania</td>
</tr>
<tr>
<td>PM: Individual Business Appointments in Bucharest &amp; Surrounds</td>
</tr>
<tr>
<td>Date</td>
</tr>
<tr>
<td>--------------------</td>
</tr>
<tr>
<td>Thursday, November 10</td>
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<tr>
<td>Friday, November 11</td>
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<tr>
<td>Saturday, November 12</td>
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</tbody>
</table>
Poland and Romania Trade Mission 2016

November 6-11, 2016

**Mission registration deadline: August 31, 2016**

- Mission Participation Fee US$1,350 per person (each additional participant $400)
- Brief Market Research and Appointment Setting
  - MI $0
  - All other States and Provinces*
    - Poland $2,850
    - Romania $2,850
- Grant funding available in many States to offset travel costs and mission fees.
Website: http://www.cglslgp.org/projects/international-trade/trade-missions/poland-and-romania-trade-mission/

Indonesia and Vietnam: February 27-March 3, 2017

Mexico: April 3-7, 2017

Website: http://www.cglslgp.org/projects/international-trade/trade-missions/
Questions?

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