

# Report on the survey evaluating the Polish business environment and the Special Economic Zone system

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Japan External Trade Organization (JETRO) Warsaw Office

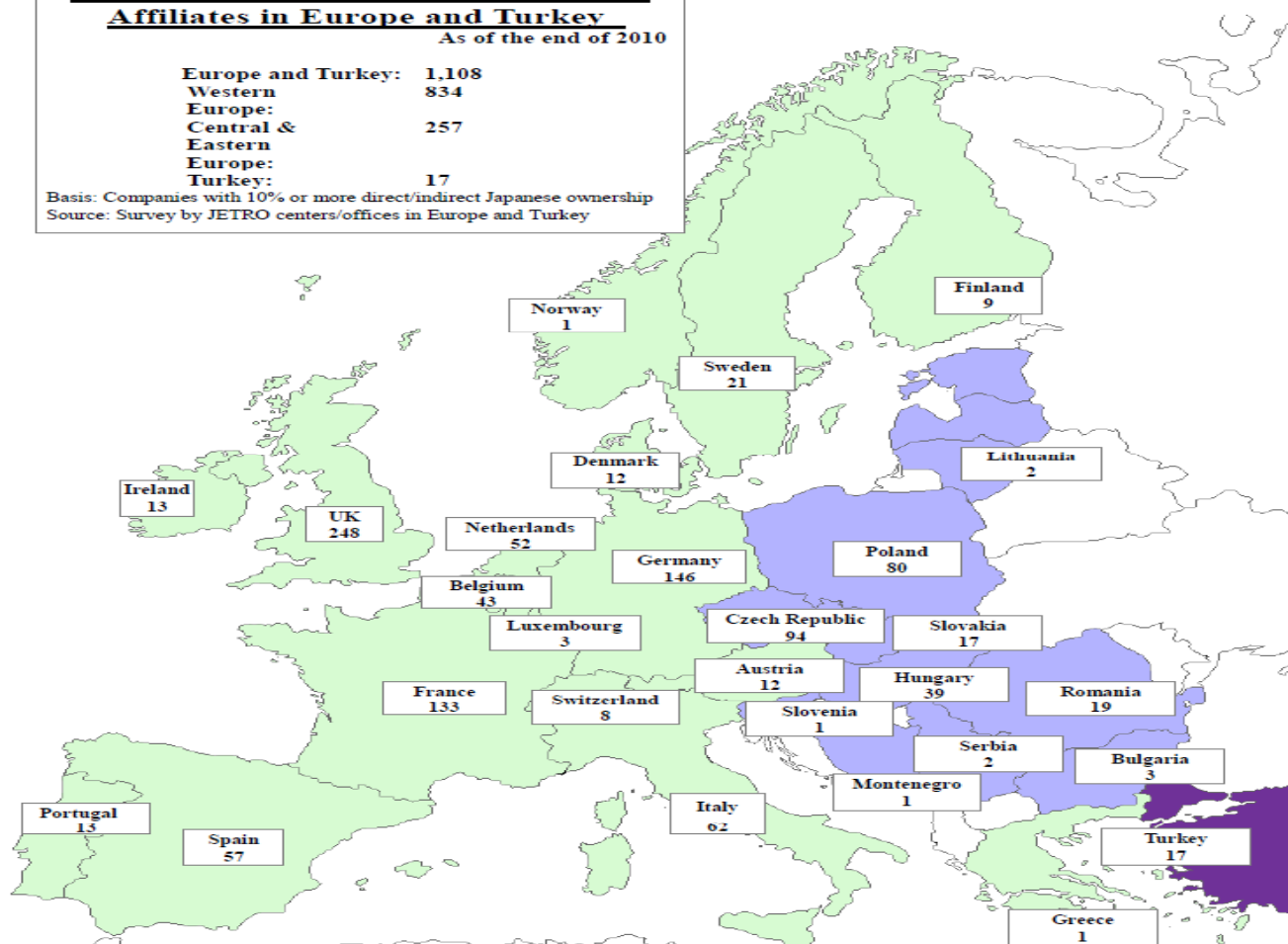
The Embassy of Japan in Poland

## Number of Japanese Manufacturing Affiliates in Europe and Turkey

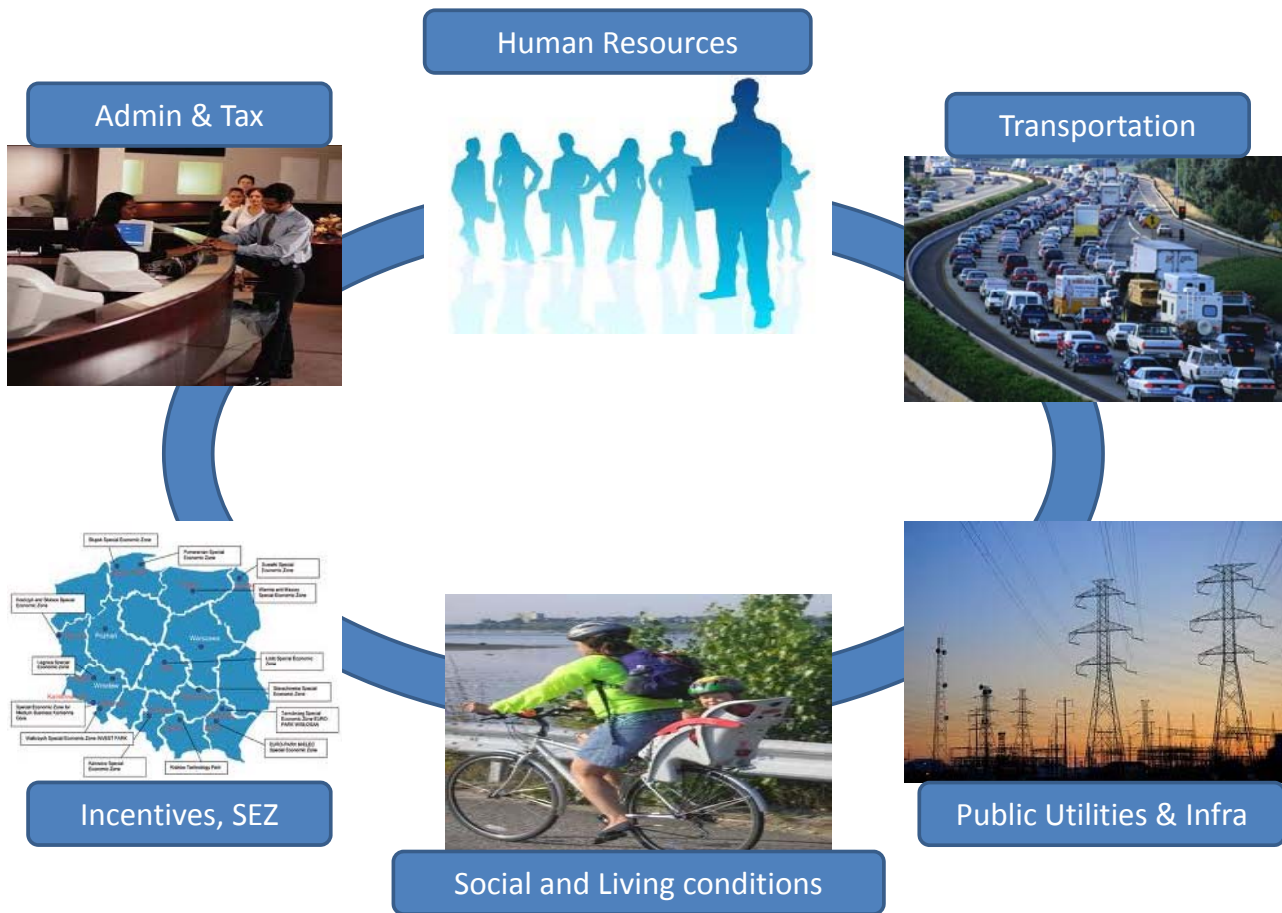
As of the end of 2010

Europe and Turkey:	1,108
Western Europe:	834
Central & Eastern Europe:	257
Turkey:	17

Basis: Companies with 10% or more direct/indirect Japanese ownership  
Source: Survey by JETRO centers/offices in Europe and Turkey



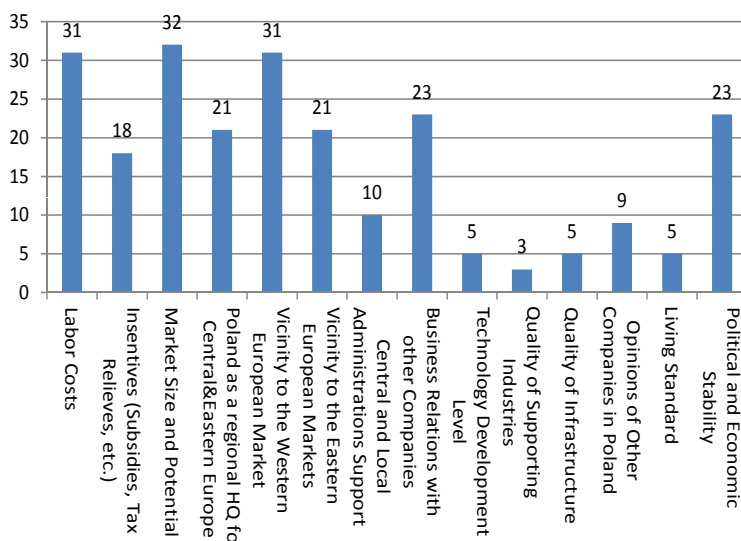
## 6 Crucial Elements for Japanese Investment



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## Reasons for investing in Poland

Reasons for Investing in Poland



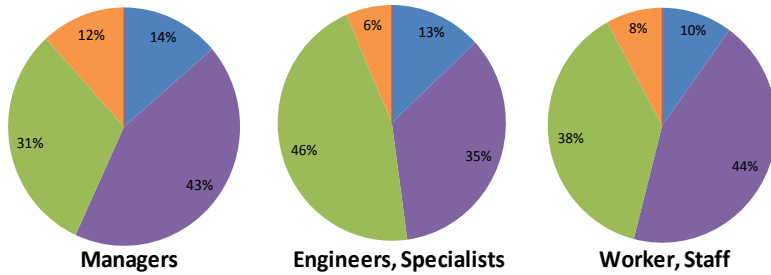
- Poland's attractiveness:
- market size and potential
  - geographical location
  - comparatively low labor costs
  - political and economic stability

- Large number (about 50%) of non-manufacturing companies regard Poland as the HQ for CEE region.
- Investment incentives, especially SEZ scheme, are significant for manufacturing companies. 75% of such companies invested in SEZ attracted by incentives.

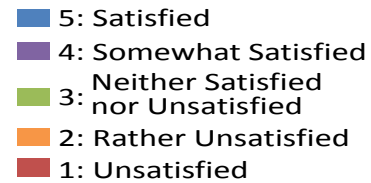
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## Human resources

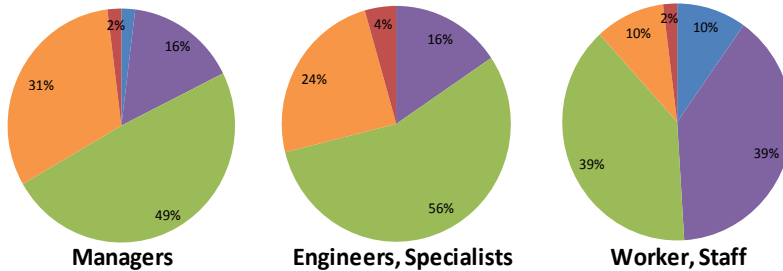
### Quality of Human Resources



- The quality of Polish human resources is good. In each group of worker type the satisfaction level reaches 50%.
- Polish workers are seen as competent, responsible and diligent.



### Availability of Human Resources



- The recruitment of workers and staff is not problematic.
- It is more and more difficult to find managers, engineers and specialists.

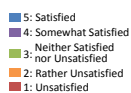
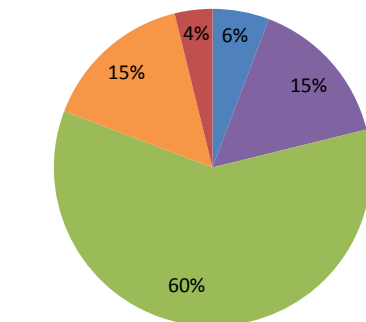
#### Issues of concern:

- ✧ Rapid wage increase
- ✧ Overuse of sick leave, easiness of obtaining sick leave
- ✧ Possibility of more flexible management of work time is expected

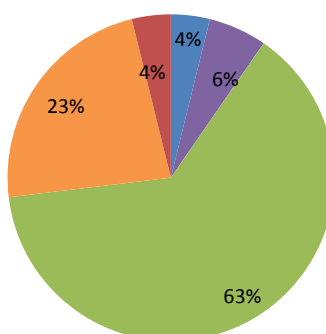
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## Public administration & tax system

### Public Administration & Service



### Tax System

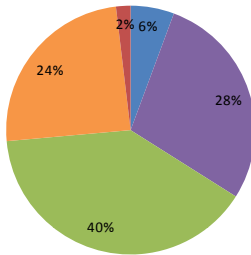


- Changes anticipated by investors:
  - simplification and shortening of administrative procedures
  - making regulations clear to avoid their different interpretations
  - allowing documents/applications to be filed in English
- Anticipation of improvement of administrative support not only for new investors, but also for companies which have already invested in Poland
- Issues of concern:
  - complicated and unclear regulations which cause confusing interpretations of law
  - frequent changes of regulations
  - lengthy custom inspections
  - regulations not harmonized with EU standards
  - different enforcement of tax reduction by local authorities
- SEZ tax system
  - Positive: tax incentive for SEZ companies are well evaluated

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## Public utilities infrastructure

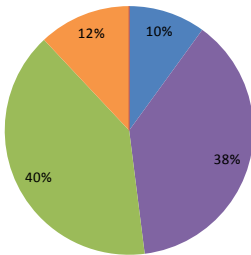
### Electricity Supply



#### ➤ Issues of concern:

- power supply interruption
- lengthy and expensive procedures to extend electricity supply for factories planning to expand.

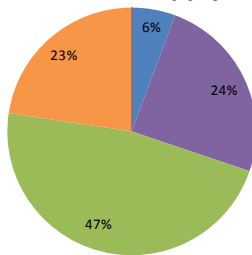
### Gas Supply



#### ➤ High satisfaction level - Conditions seen as normal or satisfactory by 88% of respondents

#### ➤ Issue of concern: increase of gas price

### Water Supply



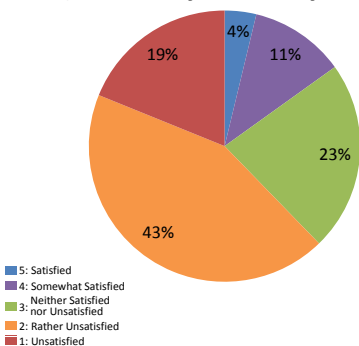
#### ➤ There are complaints for water stoppages and price increase with too short notice.

#### ➤ Improvement anticipation: tap water quality

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## Transportation infrastructure

### Transportation Infrastructure (Motorways, Railways, etc.)



#### ➤ Considerable dissatisfaction level: 62%

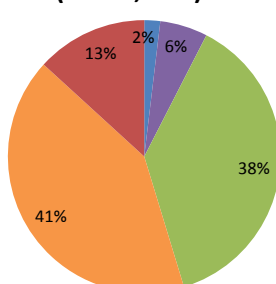
#### ➤ Dissatisfaction is expressed more often by non-manufacturing businesses: transportation, logistics, trading companies.

#### ➤ Companies appreciated the extension of the A1 and A2 highways, however they expect faster improvement of the network.

#### ➤ Poor road quality and congestion at toll gates

#### ➤ Improvement in railways is highly expected as well.

### Public Commuter Transportation (Buses, etc.)

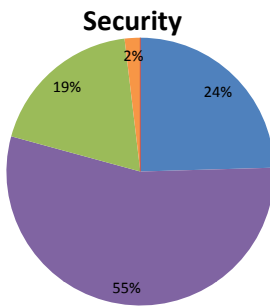


#### ➤ Considerable dissatisfaction level: 54%

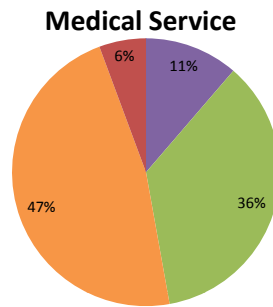
#### ➤ Issues of concern: there is insufficient local transportation system and companies often have to arrange commuter buses by themselves.

#### ➤ In addition, this causes a difficulty in employing personnel from distant places and younger people who do not own cars. The improvement of public commuter services could serve as a countermeasure against unemployment.

## Living environment

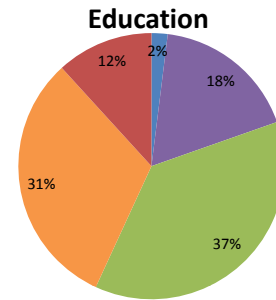


- 79% - Very high level of satisfaction
- Almost all comments from respondents are positive.



### Issues of concern:

- Inefficient public health care system on both basic and advanced level of medical care
- Occasional difficulties with communicating in English
- Lack of basic medical facilities within SEZs



### Issues of concern:

- Limited availability of education for foreigners in the countryside
- Unsatisfactory educational level of international schools

- Security level in Poland is very satisfactory for Japanese people, which is significant in terms of life conditions and helps attract companies to set up regional a hub for CEE region in Poland.
- However, in order for Poland to secure this position, further improvement in the living environment for foreigners is expected.

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## Comments on the Revision of the Special Economic Zone Law

### Japanese companies have the following expectations as to the SEZ Law revision:

- Extension of SEZ duration; extension of the expiration dates of already issued permits (CIT exemption applicable period)
- Relaxation of conditions for obtaining permits
- Carry-over of losses in the initial stage of operation
- Expanding the scope of the CIT exemption for revenues from operations conducted outside SEZ and those whose sources are difficult to classify
- New criteria for granting permits following the shift towards capital-intensive investments
- Granting additional permits and extending the duration of permits to companies which reinvest.

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## Other Expectations Regarding Special Economic Zones

**Furthermore, Japanese companies express following expectations:**

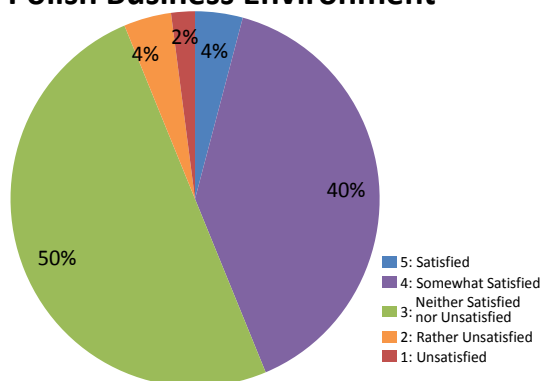
- SEZ management negotiations regarding electricity, water or gas-related facility expansion with providers, on behalf of companies present in the zones;
- SEZ management negotiations regarding public commuter service issues with local transportation companies, on behalf of companies present in the zones;
- strengthening intra-SEZ management (prompt snow removal, proper maintenance of street lights, etc.) and improving the existing infrastructure (local roads, electricity, gas, water distribution networks, medical facilities etc.);
- organizing seminars and recruitment events for companies in SEZs.

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## Summary

-Polish business environment satisfaction level-

**Satisfaction Level of  
the Polish Business Environment**



- Large percentage (94%) of either „satisfied” or „normal” evaluation of Polish business environment
- Very few negative opinions (3 companies out of 54)

➤ Satisfactory points:

- manpower
- political and economic stability
- economic development as a result of the EU membership
- SEZ incentive system
- public safety
- positive image and attitude among Polish people towards Japan

➤ Unsatisfactory points:

- infrastructure (especially road network)
- administrative procedures
- tax system
- inflexible labor regulations
- medical service, education

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## Proposals

### **Further business environment improvement is essential to be competitive in the global economy:**

- improvement of transport infrastructure: highways, railroads and other facilities essential for commuting;
- shortening and simplification of administrative procedures, unified law interpretation and implementation, tax system simplification, compliance with the EU standards;
- more employer friendly regulations regarding working conditions/company obligations;
- possibility of documents application in English, availability of more advanced medical care and education for foreigners.
- improvement of administrative support not only for new investors, but also for companies which have already invested in Poland

### **Review of SEZ:**

- Revisions of SEZ law to secure the extension and flexibility of SEZ;
- Invest incentives, especially SEZ scheme, are significant for investing companies especially in the current global economic slowdown