

The next stage

AmCham explores new opportunities for the Polish and American economies that offer mutually beneficial business paradigms

By Tom Ćwiok

In April, the American Chamber of Commerce in Poland published a white paper entitled *The Next Level: Polish-American Economic Cooperation, 2012 and Beyond*, in collaboration with the Polish Confederation of Private Employers Lewiatan and the US-Poland Business Council. The document adopts a pragmatic American approach to business. Along with summarizing the results of over 20 years of US companies' direct involvement in business with Poland, the authors pinpoint impediments to further business development and emphasize areas of cooperation that would most directly bring mutual benefits to the Polish and American economies.

The report is a run-up to a high-level government business summit scheduled for June 20 in Warsaw, with the US delegation led by Secretary of Commerce John Bryson. The summit comes as a result of US President Barack Obama's 2011 visit to Poland. After talks with Polish Prime Minister Donald Tusk, Obama asked the chamber to propose a set of Poland-US business concepts to serve as a springboard for preparing the agenda for the summit.

Good timing

The white paper and the summit could not have come at a better time for Poland. Torn by the eurozone crisis and the mounting sovereign debt of some EU member states, the European Union has lost some of its appeal for Polish business. In addition, with the new EU financial perspective (2014–2020) approaching fast, it is clear already that Poland will not be given as much financial assistance from EU cohesion and development funds as it was for 2007–2013 or earlier. Facing the imminent shrinkage of external financing, it is crucial for Poland to open up new avenues of inward foreign investment and attract more investors, who will create new jobs, transfer new technology and benefit the Polish economy in direct and indirect ways. The US is surely one of the most important sources of capital and business acumen Poland can look to.

The United States, meanwhile, is trying to get its own economy back on track after a period of economic turbulence involving the largest financial crisis since the Great Depression. For the US, Poland offers a window of opportunity in sectors like energy, R&D, e-commerce, and aviation, in which US companies are the unquestionable leaders. American business knows that "a good crisis must not be wasted." This is one reason US companies are looking at Poland now.

Opportunities in energy

The AmCham white paper focuses on business opportunities which, if explored, would generate immediate benefits for both the US and Poland. Four energy segments are singled out for their significance.

Poland's nuclear power program is identified as a natural recipient of knowhow from the US nuclear industry. As the authors stress, "The transfer of the US experience in the whole nuclear energy value chain would benefit Polish industry, R&D, and the country."

The potential of Poland's nascent shale gas sector was captured by President Obama during his May 2011 visit to Warsaw, when he said: "Shale gas is an opportunity. It has to be developed in an environmentally secure and sensitive way. We believe that there is the capacity technologically to extract that gas in a way that is entirely safe, and what we want to do is to be able to share our expertise and technology with Poland in a fully transparent and accountable way—because we think that consumers, environmentalists, everybody should look at the data and say this is something that can actually work."

In the renewable energy sector, the au-

E-commerce seems like a natural choice, considering that Poland, like many other countries, bases its e-commerce solutions on those already established in the US market. More dynamic cooperation in this respect would help e-commerce in Poland grow.

When it comes to e-government, according to the report, "The US federal and state governments have been pushing e-government initiatives for many years in an attempt to innovate at a pace on par with the private sector, as expected by its citizens and demanded by budget constraints." In this sphere, Poland's ambitions are huge, but the actual execution is another matter. Therefore, the transfer of knowledge and experience from the US to Poland would be more than welcome.

Innovation and R&D

Analysis of the business and growth potential in any economic sector today does not add up without taking into consideration the sphere of innovation and research and development.

The white paper attaches critical importance to this area, arguing that "the times and task call for a concentrated effort and a strategic group devoted to the

Well-functioning business-academia cooperation is of key interest to American investors, as it impacts their current operations and their future innovative capabilities.

thors of the white paper stress the experience that American companies have already generated in Poland: "One of the first and largest US manufacturers in Poland is also one of the biggest industrial producers of green energy, generating 50% of its electricity from biomass." (The company was not identified by name because the white paper is not meant to endorse any particular company, but rather business ideas and opportunities.)

When it comes to Poland's petroleum reserves, the white paper states that "considering the US experience in strategic petroleum storage, it would be of great importance to establish closer US-Polish cooperation." This is a natural conclusion for the US, as the country which has the world's largest stock of petroleum reserves, of 727 million barrels, and a drawdown capacity of 4.4 million barrels per day.

E-commerce and e-government

Apart from strategic areas of cooperation, such as the energy sector, the white paper identifies e-commerce and e-government as areas with huge potential for US-Polish cooperation.

development of innovation in Poland." The concept is to establish a Polish-American Innovation Council, which would be a joint initiative to share expertise and resources, made up of individuals with the relevant experience from industry, academia, NGOs and government.

Cooperation between business and academia, a theme that has been raised over and over again by AmCham for years, in policy papers and at meetings with policymakers and industry leaders, had to be touched on. As the report states, "Well-functioning business-academia cooperation is of key interest to American investors, as it impacts their current operations and their future innovative capabilities."

Supported by charts picturing industry-academia cooperation models in Poland, the white paper provides powerful testimony to the positive impact the American approach can have on the way the Polish academic community approaches business. The authors also underline the shortcomings of Polish universities in such areas as their limited flexibility for dynamically addressing the skills shortage that companies face: "The need for cooperation in education is re-

Cover Story

Polish-American economic cooperation

lated to matching demand for specific skills generated by industry with supply of those skills by university education programs.”

Some key industries

When it comes to specific industries, the report singles out business services and software development, aviation, defense, and biotech. The report notes, “Poland is one of the world’s leading centers of cross-border business and is clearly a preferred destination in Europe with foreign investors driving the business service sector.”

The authors highlight Poland’s Aviation Valley, a successful cluster of aviation-related companies in southern Poland offering “comprehensive and highly advanced added value within the whole aerospace value chain.” The continued engagement of US aviation companies is a must.

Speaking specifically about Poland’s defense budget (PLN 29 billion this year, 20% of which is supposed to be allocated to acquisitions), the white paper notes that the Polish armed forces have gone through the process of technical modernization, and the US is a natural source of defense equipment and knowhow—particularly after signing of the Reciprocal Defense Procurement Agreement last year, which is expected to “greatly reduce barriers to trade in defense equipment.” For instance, the authors of the report note, the agreement opens the US military market to equipment produced in Poland, “as countries that have signed the RDPA with the US Department of Defense are exempt from the ‘buy-American’ requirements for federal procurement.”

There can hardly be a better base for attaining high-level synergy between Poland and the US in the defense sector. American partners in the defense industry may, therefore, be pivotal in helping Poland’s defense industry survive on an integrated EU defense market.

Another area singled out by the report for its wealth of business opportunities is biotech. As the authors write, “Poland has established a wide network of biotech and life sciences clusters, con-

The trade between the US and the EU has a lot of room for improvement. It could support many more jobs than the current 15 million, if only several barriers to trade were abolished.

centrated around the strongest academic institutions.” Nonetheless, they see room for improvement in such areas as the regulations governing the distribution of grants and public sector R&D funding.

The discussion concludes with a strong call for more institutional cooperation “on a variety of levels, including policy, R&D funding, business-academia collaboration and innovation clusters.”

Transatlantic relations

In the introduction to the white paper, the authors point out that “as an emerging leader of the EU and the leader among Central & Eastern European nations, Poland can bolster transatlantic dialogue and influence key issues concerning overall European-American economic relations.”

The idea of a transatlantic market is not new. After years of rejecting such an initiative, this year the EU and the US at last created a High Level Working Group to assess options for strengthening their economic relationship. The group will issue an interim report this spring and final recommendations in December.

A lot of groundwork for establishment of the working group was done by the US Chamber of Commerce and Business Europe, the European Center for International Political Economy, the German Marshall Fund, and Warsaw-based think tank demosEuropa. Organized labor is also behind the concept. It has won the endorsement of the AFL-CIO, which said that increasing trade ties with the EU could be beneficial to US workers.

The idea of a free trade agreement between the US and the EU is certainly not new for Leslaw Kuzaj, GE CEO for Poland. In the early 1990s, Kuzaj was among Polish intellectuals like Jan Nowak-Jeziorański and Prof. Zbigniew Brzeziński who tried to persuade US President George H.W. Bush to take a special approach to Poland by entering into a bilateral free trade agreement. “It was a sort of romantic idea,” Kuzaj said. “The economic imbalance between Poland and the US was too gigantic at that time for the US to eye Poland as a privileged trade partner.”

Now, after 20 years, Kuzaj’s perspective has become more pragmatic: “When we talk about economic partnership with the US, we should think about a partnership between the US and the EU. This is the only way to get rid of the economic dis-

proportions between the US and small EU countries. My dream now is TAFTA—the Transatlantic Free Trade Agreement—an area of free trade that ranges from North America to the east-

ern border of the EU.”

Such a free trade area would change the global economy for the better, according to Kuzaj. He noted that the EU and the US already generate half of the global gross domestic product. Transatlantic trade accounts for one-third of the world’s cross-border trade and supports 15 million jobs. The level of US investment in the EU is three times the total foreign direct investment in all Asian countries. FDI from the EU in the US is eight times higher than all EU investments in China and India. “These numbers show the scale of EU and US trade,” Kuzaj said. “This is a gigantic trade enterprise not known in history before the establishment of the EU.”

But the giant scale of the two economies is something that works against closer cooperation, as each economy separately is big enough to absorb the attention of its leaders. “Until the crisis struck, the issues of the US and the EU trade relations were not in the focus,” Kuzaj said. “Following the initial shock of the global economic crisis, when both the US and the EU were separately looking at their own problems—and to an extent they continue to do so—a debate opened about how to battle the crisis. Both the US and the EU took a closer look at their trade.”

And here is where great potential lies to be unleashed, Kuzaj said. “The trade between the US and the EU, although it seems to be good at first glance, has a lot of room for improvement.” In his view, trade between the US and the EU could support many more jobs than the current 15 million, if only several barriers to trade were abolished. “The main barrier is the trade tariffs,” Kuzaj said. “When it comes to barriers, the trade between the US and the EU is far away from the trade between, say, the UK and Germany. Why can’t we get rid of those barriers?”

Another impediment to reaching the full trading potential in transatlantic relations, according to Kuzaj, is imposed by non-tariff barriers, such as different administrative regulations—for example health and safety regulations. “They impede the trade between the EU and the US and, in the case of some product categories, thwart it altogether.”

Another problem lies in the lack of common standards in the EU and the US across a range of products and technologies. “For instance, the EU has been working now on its own standards for shale gas production,” Kuzaj said. “Meanwhile, those standards are already well established in the US.”

Different standards require different



LUXURY LIVING IN THE SKY

Złota 44 is a place where you can break free from the chains of time.

Imagine your moments in the clouds. Savour aromatic coffee, your favourite music floating from the speakers in your luxury apartment suspended in the sky. Your thoughts run higher and you start to see your everyday life from a different perspective. The sky is no longer a limit.

It is a place like no other in the very heart of Warsaw. The only place where the notion of distance is not just symbolic. Rising to a height of 192 meters, Złota 44, residential tower will define luxury in Poland for years to come.

Złota 44. Luxury shape of living.

ORCO PROPERTY GROUP AL. JERUZOLIMSKIE 81, 02-001 WARSAW TEL. +48 22 595 49 44
WWW.ZLOTA44TOWER.COM WWW.ZLOTA44BLOG.PL


Z Ł O T A 4 4
ORCO PROPERTY GROUP

Cover Story

Polish-American economic cooperation

certification systems. Oftentimes products certified for compliance with environmental regulations in the EU cannot be sold in the US, and vice versa. They need to be certified separately for the US and the EU markets.

"There are a lot of standards developed in the EU which then become standards in Asia, Australia and even the US," Kuzaj explained. "If we had more cooperation on the transatlantic level, both our economies would become more competitive, while the standards agreed upon by the US and the EU would automatically become global standards and other countries would have no choice but to adjust to them."

Apart from closer cooperation in the field of standardization and commerce, Kuzaj sees benefits in closer cooperation between top policymakers in the EU and the US, such as central banks, finance ministers, and other institutions that can put their weight behind the improvement of trade and commerce between the two largest global economies. "Unfortunately," he said, "both the EU and the US focus on their own policies, and such high-level meetings take place almost exclusively when problems appear."

Cooperation in diplomacy

With business and trade in the foreground, the AmCham white paper did not focus on what amounts to a huge and stable form of cooperation between Poland and the US: diplomacy.

Almost by default, Polish diplomats represent the interests of the US in countries where US diplomats cannot work. Such was the case in Iraq between the first and second Iraqi wars, and now in Syria, where in February Polish diplomats in Damascus helped with the evacuation of the body of American journalist Marie Colvin, who had been killed in shelling.

According to Marek Matraszek, founding partner of CEC Government Rela-

tions, Poland and the US work closely in the Community of Democracies, a think tank whose mission is to help build democratic societies and free-market economies in countries that have recently gotten rid of authoritarian rule. This year it plans to hold a summit in Mongolia.

"The Community of Democracies is a very important initiative, substantially

driven by Poland and the US," Matraszek said. "It has a new lease of life thanks to Polish Minister of Foreign Affairs Radosław Sikorski and US Secretary of State Hillary Clinton."

Poland is also working in the EU on a project to establish a European Endowment for Democracy, based on the concept of the influential American institution, the National Endowment for Democracy. The European counterpart would be a nonpartisan instrument to make grants to local democratic movements, support NGOs, and encourage the transition to democracy in states neighbouring the EU and beyond. It would not create any other new institutions and would be co-managed, "at arm's length," by the European External Action Service, the European Commission, and the European Parliament.

The endowment, which could gradually grow to a maximum of around EUR 100 million per year, would be financed by the EU budget and additional contributions from EU member states. It could support democratic movements in countries as diverse as Belarus, Burma, and Zimbabwe.

The concept for the European Endowment for Democracy was outlined by Poland during its EU Presidency but has been stalled in the EU's bureaucratic mechanism.

American business ethics

One of the more universal issues not dealt with specifically in the AmCham white paper is knowledge transfer in the form of high-quality corporate governance and business ethics represented by the US companies. Business ethics are a form of knowhow that generates value.

In the way they operate and do business, American companies reflect the principles of the free market and democracy, which are embedded in their corporate culture, best practice and work ethic.

According to former AmCham Chair-

man Roman Rewald, a partner at law firm Weil, Gotshal & Manges, "Since the time of their first contacts in Poland, US companies, from government-hired consultants to independent entrepreneurs, banks and big companies, all have had a tremendous, positive impact on the development of the Polish business culture."

One of the staples of American business culture is its belief in business meritocracy: you win business because you have the best offer on the market. The market is a playing field, and it must be level for all players. Then you play according to the rules, and the best player should win.

This approach has been codified in US laws applicable to the overseas operations of US affiliated companies, through the Foreign Corrupt Practices Act, passed in 1977 in response to shocking reports of bribes paid at that time to foreign officials by hundreds of major American companies to win contracts or obtain special treatment for their foreign operations. The FCPA forbids US companies abroad from paying or accepting bribes and forbids US citizens who work abroad from doing the same.

Jan Grygo, a partner at law firm Łaszczuk & Partners, explained that a foreign entity funded with US investments quickly learns that it is not enough to hire lawyers to solve existing problems: "Compliance officers must also be appointed to provide oversight and assure that the company's operations comply with the law and internal procedures governing business ethics, fair hiring, and anti-corruption—to prevent problems. But an American entity will typically not stop at obtaining an undertaking from a foreign partner to comply with ethical principles, but will also share the tools it uses in its own operations to make all stakeholders aware of the specific behaviors that are not acceptable and how to react to any signals of irregularities. US firms are eager to provide guidelines to persons they work with abroad that will help them deal with ethical issues, such as codes of employee conduct, Q&A, and case studies for identifying problem areas."

Role model

Following the success of the FCPA in the US, American lawyers successfully pushed for adoption of the same principles across the OECD. According to Roman Rewald, "Now every OECD country has relevant legislation which is equivalent to the FCPA in the US. The difference is that the US State Department enforces and executes the law and goes after companies who violate it. That is not the case with many other countries, unfortunately."

Because US lawmakers have led the way in setting standards for transparency in business and preventing corruption for the purpose of obtaining or keeping business, today America remains the most

outspoken advocate for spreading and implementing ethical business standards throughout the world. Grygo said, "The spread of corporate governance principles and other standards for transparent, ethical business operations can also be traced to American initiatives. The zero-tolerance approach to corruption by the US pays off for US companies. As a result, in Poland they are perceived as especially safe, transparent and desirable investors."

Agnieszka Wardak, partner and head of the criminal litigation practice at Salans, appreciates the way American companies influence European business when it comes to business ethics. "This translates, for example, into having internal company rules and standard operating procedures that set out in detail how employees or other relevant entities should behave in a variety of situations, such as in relations with public officials. That way US companies make an important contribution to the transparency of de-

Today America remains the most outspoken advocate for spreading and implementing ethical business standards throughout the world.

veloping democracies and support the rule of law. Importantly, it also protects people in business. On many occasions I have heard from employees of US companies, 'Perhaps I can't use some of the sales tools others in the field use, but I do feel safe in what I am doing.' The same regularly applies to suppliers, distributors and assorted others. Compliance is often viewed by US companies as a competitive advantage, rather than merely a painful obstacle to doing business."

Adam Kapitan Bergmann from Bergmann & Associates, a business consultancy, explained, "As a director of an American company in Poland, it was extremely important for me to be absolutely sure that all of our employees and all of our personnel knew exactly what these anti-corruption rules were. We had courses taught, and we had ethics classes that we attended. We were certified each

year."

Bergmann admits that the FCPA is also a trade barrier of sorts, because US law prevents Americans from doing things that their competitors can do. "Americans are not able to influence government officials in certain ways, whereas companies from other countries can."

Both Bergmann and Wardak say that US anti-corruption regulations are a force for good and enhance legal awareness and responsibility overseas because they impose a far higher degree of transparency and clarity than is required of companies in the EU. As Wardak says: "Those concerns subject to US anti-corruption regulations, whether directly or indirectly, come with an extra layer of protection for their business partners: greater trust."

YES!

WE'RE MOVING WITH UNIVERSAL

UNIVERSAL EXPRESS

UNIVERSAL EXPRESS RELOCATIONS Sp. z o.o.
tel. (48 22) 878 35 55,
e-mail: office@uer.pl