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Inward FDI in Poland and its policy context, 2012

by
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Good economic performance, one of the best in European Union (EU) economies during the global crisis of 2008-2009 and the subsequent economic slowdown in Europe in 2009 and 2010, did not save Poland from experiencing a decline in foreign direct investment (FDI) inflows during 2008-2010. Inflows in 2010, at US$ 9 billion, were only 38% of their peak value of 2007. In 2011, inflows started to recover, reaching US$ 14.3 billion. In 2010, the FDI stock in Poland surpassed US$ 200 billion for the first time and was by far the largest among the stocks held in the new member economies of the EU from Central and Eastern Europe. Economic prospects of Poland are favorable, but the ongoing debt crisis and the continuing economic slowdown in Western Europe, the dominant home region for multinational enterprises (MNEs) investing in Poland, put a question mark on the strength of any further recovery of FDI inflows.

Trends and developments

Country-level developments

Poland, the only country of the European Union (EU) that avoided the economic recession in 2009, was among the top 3-4 performers in the EU in terms of GDP growth during the economic slowdown of 2010 and 2011,[1] reaching in 2010 a record level of IFDI stock that surpassed US$ 200 billion; that was by far the largest stock among those EU economies from Central and Eastern Europe that had become new members of the EU in 2004 (annex table 1). Good economic performance and an improved position in the rankings of attractiveness of FDI host economies (see the section on "The policy scene" below) had not, however, saved

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[1] See: Eurostat, available at:
http://epp.eurostat.ec.europa.eu/tgm/table.do?tab=table&init=1&plugin=1&language=en&pcode=tsieb020

Poland from experiencing declining inflows of FDI during 2008 and 2009. The contraction of inflows continued into 2010, when inflows (of US$ 9 billion), represented 38% of the record level of 2007 (annex table 2). This decline is comparable to that of FDI inflows in the entire EU-27 during the same period.[2] Apparently, poor economic conditions in major home economies reduced the appetite of those economies' MNEs for investing abroad, including in economically well-performing Poland (see the discussion below on FDI flows from major home economies). In 2011, inflows resumed positive growth, reaching a level of US$ 14.3 billion, considerably higher than that in 2010.

After a peak of more than US$ 9 billion in 2007, re-invested earnings by foreign affiliates turned negative in 2008, pulling down FDI inflows (annex table 2A). They partly recovered in 2009 to US$ 5 billion and to US$ 6 billion in 2010. There was also a sharp decline of intra-company lending by MNEs to their Polish affiliates, from US$ 7 billion in 2007 to US$ 6 billion in 2008, US$ 3 billion in 2009 and US$ 117 million in 2010, and of equity capital, from a peak of almost US$ 10 billion in 2008 to US$ 3 billion in 2010 (annex table 2A). The profitability of foreign affiliates has remained relatively strong: after declining from US$ 19 billion in 2007 to US$ 13 billion in 2008, the total income of foreign affiliates grew in the next two years, reaching US$ 15 billion in 2010. In 2010, for the first time, repatriated earnings of foreign affiliates in Poland, at US$ 9.1 billion, matched FDI inflows.[3]

The declining FDI inflows that reflect the reduced financing of investment in foreign affiliates by their parent companies mask a much better overall investment performance of foreign affiliates in Poland that takes FDI as well as other sources of financing into account. In 2008, the decline in FDI inflows by 45% in national currency terms (and by almost 37% in US dollars)[4] did not prevent foreign affiliates from increasing investment expenditures by 9% in *złoty* terms (and even more, by a quarter, in dollar terms, owing to a stronger *zloty*-dollar exchange rate) as affiliates turned to the financing of investment from non-FDI sources,[5] which increased 3.8 times, accounting for 56% of total investment of affiliates (in 2007, it was only 13%), (annex table 2A).

In 2009, FDI inflows were lower than those in 2007 by 32% in national currency terms (and by 45% in dollar terms). But the total investment of foreign affiliates in national currency was only 11% lower than that of 2007, reflecting again a strong financing of investment from non-FDI sources, which accounted for 40% of total investment. Strong financing of investment from non-FDI sources continued into 2010, with a share of 57%. While FDI inflows fell to 40% of 2007 levels, investment expenditures were only 18% lower (annex table 2A). To sum up, relatively high rates of growth of GDP in Poland in 2008-2010 did not prevent FDI inflows from declining steeply, but they prompted foreign affiliates to maintain investment expenditures at a relatively high level by drawing on other sources of finance.

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[2] In 2010, FDI inflows into the EU-27 represented 36% of the inflows in 2007 (see, UNCTAD FDI/TNC data base, available at: http://stats.unctad.org/fdi).

[3] Narodowy Bank Polski (NBP), Statystyka bilansu płatniczego, Bilans płatniczy 1994-2011, dane roczne (USD), available at: http://www.nbp.pl/home.aspx?f=/statystyka/bilans_platniczy/bilansplatniczy_r.html.

[4] The discussion in national currency makes sense because foreign affiliates invest in this currency, not in dollars or Euros. Investment in dollar terms followed a pattern similar to that in the national currency, with certain modifications resulting from a stronger zloty in 2008, compared to 2007 (14% stronger vis-à-vis the US dollar, as measured by annual average exchange rates reported by the National Bank of Poland), and a weaker one in 2009 (by 13%, compared to 2007). Annex table 2A provides data in both currencies.

[5] Apart from equity capital, loans from parent firms and re-invested earnings, foreign affiliates can finance their investment from non-FDI sources such as loans from domestic and international financial markets.

Services accounted for 65% of Poland's FDI stock in 2009, with financial services as the largest industry, accounting for nearly 19% of the total stock, followed by trading services (16%) and other business services (10%), (annex table 3). The large stock in financial and trading services reflects the domination of Polish banking and supermarkets by foreign affiliates (see also the discussion below on the largest foreign affiliates). All top five trading companies in Poland are foreign; in banking, four out of top five are foreign.[6] Business services (see the section below on special developments), telecommunications and power generation have also attracted significant foreign investments.

IFDI in the primary sector is minimal. In manufacturing, which accounted for 32% of IFDI stock in 2009, the largest industries for FDI, as measured by FDI stock, include food (6%), motor vehicles and parts (5%) and metal products (4%). During the crisis years of 2008 and 2009, FDI inflows into many industries fell (compared to 2007), and in some cases even turned negative – reflecting divestment (2010 industry data are not yet available). By sector, FDI inflows into manufacturing, which in 2008 fell to only one third of the 2007 level, partly recovered in 2009, more than doubling on a year-to-year basis.[7] FDI inflows in the services sector fell in both 2008 and 2009.

Nearly all IFDI in Poland originates from developed economies, predominantly the EU-15, which accounted for over 82% of the total IFDI stock in 2010 (annex table 4). The three home economies with the largest FDI in Poland in 2010 (similarly to earlier years) were the Netherlands (with 19% of the stock), Germany (15%) and France (13%). Luxembourg took the fourth place (9%)[8] and the United States the fifth (7%).[9] IFDI from economies such as the Netherlands and notably Luxembourg is often FDI from other economies that is routed via holding companies or regional headquarters located in these economies. Apart from the United States, the only significant non-European source-economy is Japan, with a stock of US$ 1.5 billion (less than 1% of the total stock) in 2010. The stock held in Poland by investors from developing economies is very small, US$ 2.8 billion in 2010, or 1.5%.

In 2010, inflows from a number of the largest home economies for FDI in Poland (including the Netherlands, France and the United States) that had previously been fuelling the economy's IFDI every year, turned negative, pulling down overall inflows.[10] Divestment by MNEs located in the Netherlands was particularly large that year, amounting to -US$ 2.8 billion, while that by those from the United States (-US$ 173 million) and France (-US$ 134 million) was much smaller. The reduction of equity capital and recalls of intra-company loans were the main forms of divestment in the case of FDI by the Netherlands and the United States (in contrast, re-invested earnings were quite large in both cases). In comparison, French

[6] *Pięćsetka Polityki. Ranking największych polskich firm w 2010.* Lista 500 (Polityka Top 500) [The ranking of the largest Polish firms in 2010. The list of 500], available at: http://www.lista500.polityka.pl.

[7] See, Narodowy Bank Polski (NBP), *Zagraniczne inwestycje bezpośrednie w Polsce w 2009 roku. Aneks Statystyczny* (2010), available at: http://www.nbp.pl/publikacje/zib/zib2009.pdf.

[8] Most of FDI by Luxembourg originates from MNEs of other countries that choose to channel their investments through Luxembourg for tax reasons. See Zimny, July 9, 2010, *op. cit.*

[9] FDI data underestimate investment by United States MNEs, because many of them have chosen to invest in Poland via subsidiaries or holdings located in Western Europe, often in the Netherlands. Out of 50 largest United States foreign affiliates in Poland, 24 have direct owners registered outside the United States (see, American Chamber of Commerce in Poland and KPMG, 2010, *20 lat amerykańskich inwestycji w Polsce*, Raport Amerykańskiej Izby Handlowej w Polsce i KPMG, Warsaw, AmCham, p. 22).

[10] NBP, *Foreign Direct Investment in Poland 2010. Annex* (Warsaw: NBP, October 2011), available at: http://www.nbp.pl/home.aspx?f=/publikacje/zib/zib.html.

MNEs increased their equity capital by more than US$ 400 million, but withdrew more than US$ 550 million, mainly in the form of intra-company lending.

The corporate players

With ever-growing FDI, foreign firms have become a prominent part of the Polish economic landscape. In 2010, 52 of the 100 largest firms in the economy, ranked by sales, were foreign.[11] Annex table 5 lists the largest 20 foreign affiliates, which include eight trading companies. The parent MNEs of the affiliates listed are mainly from France, Germany and the United Kingdom. Metro Group (Germany) is at the top of the list with sales of nearly US$ 14 billion in 2010, followed by the largest telecommunication company in Poland, Telekomunikacja Polska (Telecom France) (US$ 11 billion), and the Fiat group (US$ 7.6 billion) (annex table 5). The list also includes two affiliates of MNEs in the automotive industry (in addition to Fiat, Volkswagen and Toyota)**,** as well as one bank and one mobile telecommunication provider (Polska Telefonia Cyfrowa, an affiliate of T-Mobile, Germany).

The list of the top 20 foreign affiliates also includes six manufacturing companies: one in the steel industry, three in tobacco, one in electronic appliances, and one in pharmaceuticals (annex table 5). The six manufacturing companies, along with the Lidl trading company, are new entrants to the list since 2008. Most MNEs present on both lists increased their sales in national currency between 2008 and 2010, sometimes very rapidly. For example, Jeronimo Martins, a Portuguese trading company, doubled its sales. Most of the other MNEs on both lists have also increased their sales in national currency, but owing to the depreciation of the Polish *złoty* against the US dollar, this has not always translated into increased dollar sales.[12] For example, sales of Fiat, which rose in national currency during that period by almost 25%, did not change in US dollar terms.

The geographical origin of principal foreign affiliates (annex table 5) corresponds only partly to the geographical origin of Polish FDI (annex table 4): seven firms are affiliates of MNEs based in France and Germany, which are major home economies for Polish FDI. But firms from Luxembourg, the fourth largest home economy, are absent. The Netherlands, the largest source of FDI in Poland, is represented on the list of largest affiliates by Philip Morris, a United States MNE, that has opted to register a subsidiary in the Netherlands to invest in Poland and thus appears as Dutch investment in FDI statistics. Another company registered in the Netherlands, Politra B.V., which is a majority owner of its Polish affiliate, Eurocash, is owned by a Portuguese investor. While there are Dutch MNEs that have invested in Poland, the position of the Netherlands as a large home economy (as well as that of Luxembourg, Switzerland and a couple of others) is associated to a significant degree with the activities of "Special Purpose Units" (SPUs), foreign affiliates in Poland through which MNEs channel funds for reasons of tax optimization.[13]

In recent years the lion's share of FDI inflows has been accounted for by greenfield projects, judging from the ratio of cross-border M&A sales to total FDI inflows, which was, on

[11] Rzeczpospolita, *Lista 500*, 20 April 2011, *op cit.*

[12] On average, the Polish złoty depreciated by 25%, from 2.4092 złotys per 1 US$ in 2008 to 3.0157 in 2010.

[13] SPUs have minimal or no employment and do not produce anything; rather, they serve to transfer capital among units of an MNE (often a financial group) located in different countries or undertake other (unspecified) financial operations on their behalf. The characteristic feature of this capital is that it arrives in a host country of transit (and, satisfying statistical concepts, is registered there as inward FDI flow) and, in the same year it is invested by an SPU in another country, often the same as the country of origin of the funds (and, satisfying statistical concepts, is registered as outward FDI flow). For details see Zimny, July 9, 2010, *op. cit.*

average, 5% during 2005-2010, increasing to 11% in 2010.[14] However, M&A activity related to FDI was quite significant during 2008-2010. Annex table 6 lists 30 main M&A deals that took place in Poland during 2008-2010, including the top 10 deals in each of the three years. The average size of a deal (US$ 214 million) was less than a third of that of the announced value of an average greenfield project (US$ 670 million), during the same period (annex table 7). Most M&A deals took place in the services sector (24 out of 30), with commercial and real estate services leading the number of deals (9).

Annex table 7 lists 30 main greenfield FDI projects announced in Poland during 2008-2010, including the 10 largest by actual or announced value in each of the three years. The largest number of greenfield projects announced were in the manufacturing sector (13 out of 30), with a strong representation of projects in the automotive parts industry (6). With several similar projects already under operation (among others by Toyota, Fiat and Delphi), Poland is becoming a power-house in the production of auto parts. Six large greenfield projects were announced in electricity, with values ranging from US$ 700 million to as much as US$ 3.5 billion. Mirroring the trend in FDI inflows into Poland in the same period, the value of the main announced greenfield projects declined from US$ 13 billion in 2008 to US$ 5 billion in 2009 and US$ 2 billion in 2010. Since, however, the implementation of an investment project can take several years, projects announced during 2008-2010, totaling US$ 20 billion, are fuelling (and will continue to fuel) FDI inflows in the next couple or more years.

Special developments

Poland has emerged in less than a decade as an important destination for FDI in knowledge-based business services in Europe.[15] By 2010, Poland was host to 282 business service centers belonging to 220 foreign investors, out of which 205 are in business process outsourcing (including also IT) and shared services centers, and 77 in R&D centers.[16] The centers employ close to 70,000 people, 90% of whom hold tertiary-education degrees. They are spread in more than 30 locations throughout the country, but the four largest cities account for more than half of them. Investors include dozens of world-renowned MNEs from the Global 500 *Fortune* list. After good experiences with an initial operation, an increasing number of investors have multiplied their investments. For example, IBM has four centers in four separate locations. More than 70% of the projects were implemented since 2004. The 2008-2009 global crisis slowed –but did not halt- the expansion of projects in business services: at least 20 new projects were launched in 2009 and in 2010; employment in the centers grew in 2010 by 50% compared to 2008, owing also to a significant expansion of employment inexisting operations.[17]

The EU's MNEs account for more than 52% of the centers but the single largest home economy for investments in such centers is the United States, with US MNEs operating 88 centers. An estimated 76% of foreign affiliates in business services have upgraded their operations, introducing more advanced services. Services are provided in 32 languages. Two thirds of the centers employ expatriate managers, but only in 7% of the centers are expatriates a majority among managerial personnel. FDI in business centers in Poland is set to grow

[14] See, UNCTAD FDI/TNC database, *op. cit.*
[15] M. Kaczmarski, "Poland shifts to knowledge-based business landscape", *fDi Intelligence*, 09/12/2011, available at: www.fdiintelligence.com/Special Reports/Poland-shifts-to-knowledge-based-business-landscape?ct=true.
[16] Association of Business Services Leaders in Poland, *Business Services Sector in Poland* (Warsaw: 2011).
[17] Ibid. pp. 15-19.

rapidly and is expected to cross the mark of 100,000 employees in a couple of years, shifting overall FDI in Poland toward knowledge-based operations.

The policy scene

Having had a favorable FDI framework for years, including high standards of protection regarding entry and the treatment of foreign investors, as well as a viable system of FDI promotion, Poland has focused its efforts on improving the general investment climate for all investors. During the recent crisis years, and in spite of declining FDI inflows, good economic performance promoted Poland in global rankings of preferred locations for FDI, according to investor surveys.[18] An annual assessment of the investment climate in 2011, based on interviews with investors in Poland (most of them foreign) has also pointed to an improving investment climate. Over 60% of the surveyed firms evaluated the investment climate in 2011 as good or very good, giving it, on a scale from 1 (very bad) to 5 (very good) an average rating of 3.6, the highest since 2007, when the survey was done for the first time.[19]

Out of 19 areas assessed, the highest ratings were not given to policy factors but to economic and political factors: the size of the market (including access to the EU market), political stability and the availability and cost of skilled human resources. Infrastructure, and especially the road infrastructure remain weaknesses in the investment climate in the country,[20] and some policy and institutional factors were given the lowest ratings. As regards the regulatory framework, tax regulations (as well as the level of social taxes and VAT) and regulations regarding government procurement were assessed worst by the surveyed firms, although they registered slight improvement compared to 2007. Cooperation between investors and local administrations was evaluated as better than that with the central administration. In sum, the survey results indicate that the investment climate in Poland is improving, although the regulatory framework and the administration of business require greater attention.

In the years to come, Poland will increasingly face a formidable policy problem related to the planned termination of the functioning of its 14 special economic zones (SEZs) in 2020 (it agreed to adjust its legislation to the EU rules in this respect when becoming an EU member in 2004). Since their inception in 1995 until 2010, the zones attracted 1,354 projects with

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[18] In 2010, Poland was sixth on the A. T. Kearney's global list of preferred host countries (although in 2012 it plummeted back to the 23rd position, nearly the same as in 2007, "as the glow from its strong showing through the global recession faded", The 2012 A. T. Kearney FDI Confidence Index, *Cautious Investors Feed a Tentative Recovery*, available at: http://www.at Kearney.com/index.php/Publications, p. 8). In 2011, it was also sixth in the world among host countries, as indicated by MNEs surveyed by UNCTAD for preferred locations for FDI in 2011-2013 (UNCTAD, *World Investment Report 2011: Non-equity Modes of International Production and Development* (New York and Geneva: United Nations, p. 19). It was high in the ranking of 2010 locations produced by Ernst & Young (Ernst & Young, *Restart. Ernst & Young's 2011 European Attractiveness Survey*, available at: www.ey.com/attractiveness).

[19] TNS Pentor and Invest in Poland, *Investment Climate in Poland. Report from the Survey Conducted by TNS Pentor, September 2011*, PAIiIZ, 2011, available at: http://www.paiz.gov.pl/files/?id_plik=17314.

[20] Road infrastructure has improved, however, considerably, after the survey was done, when a new highway connecting central Poland (near the big city of Łódź) with the German border was completed at the end of 2011. In the first half of 2012, the highway should be extended to Warsaw, the capital of Poland. This highway and another one, in the South of the country, extending from the German border to the city of Kraków, connect a substantial part of southern and central Poland to its principal export markets in the European Union. In addition, the construction of a North-South highway, starting in a port city of Gdańsk, is well advanced. Moreover, airports are being upgraded in four major cities at the cost of more than US$ 500 million, in connection with European Soccer Championships 2012, to be held in Poland.

investments totaling US$ 25 billion, creating more than 167,000 jobs.[21] Many FDI operations, especially in the manufacturing sector, are located in SEZs, offering investors tax incentives. They include, for example, automotive companies such as Toyota, Volkswagen, General Motors, Delphi, Lear, and one of the Fiat plants; electronic firms such as LG Electronics, Sharp, Motorola, and Dell; and chemical firms such as Saint Gobain and Procter & Gamble.[22] Nearly all investors currently surveyed by Ernst & Young cited the exemption from the corporate income tax (CIT) as a major advantage that prompted them to locate their business in SEZs.[23] The rapidly approaching deadline for the discontinuation of the zones increases investor uncertainty and poses a danger that new investors will not be coming, as the nine remaining years might not be sufficient fully to benefit from investment incentives.

In addition, investors already operating in the zones may leave Poland and relocate to economies offering them better fiscal conditions. The survey of investors in the zones shows that the risk is real: more than 50% of investors would not consider new projects if the zones ceased to exist in 2020. By contrast, should the zones continue to operate after 2020, 81% of firms would undertake new investments.[24] The Government thus faces the challenge of keeping the zones operational beyond 2020 through re-adjusting the legislation regarding the zones in such a way that it complies with the rules of the common regional policy of the EU.[25] The sooner it is done, the lesser the risk of losing FDI projects.

Conclusions

After reaching an all-time high in 2007, FDI inflows to Poland declined during the next three years, at a rate similar to that in the entire EU. Smaller inflows translated into a slower build-up of IFDI stock, which nevertheless crossed for the first time the mark of US$ 200 billion in 2010. In 2008-2010, with the Polish economy performing well, foreign affiliates continued to invest quite strongly to increase their production capacity. Facing reduced financing from their parent firms, they turned to financing investment increasingly from non-FDI sources. The recovery of FDI inflows, which started in 2011, should continue into 2012, when large greenfield FDI projects, especially in electricity, real estate and financial services, announced during 2008-2010, will be implemented, at least partly. The latter projects are oriented toward the domestic market; with Polish GDP projected to grow at 2.5% in 2012 (much faster than the EU's expected GDP growth of 0.6%),[26] they should not be jeopardized by the ongoing financial crisis and economic slowdown in Western Europe. In addition, PAIiIZ, the Polish investment promotion agency, has reported recently that the value of projects it assisted was, at the end of 2011, higher by 170% on a year-to-year basis.[27] Prospects for FDI in export industries will, however, depend on how quickly Western Europe, not only a home for companies investing in Poland but also the dominant market for Polish exports, will overcome the crisis and return to faster economic growth. An improving investment climate and a

[21] Ernst & Young, 2011, *Specjalne Strefy Ekonomiczne po 2020 roku. Analiza dotychczasowej działalności i perspektywy funkcjonowania* (Warszawa, 2011), p. 6, available at: http://www.paiz.gov.pl/files/?id_plik=16335.
[22] KPMG and Polish Information and Foreign Investment Agency, 2009, *A Guide to Special Economic Zones in Poland* (Warszawa, 2009).
[23] Ernst & Young, 2011, op. cit., p. 7.
[24] Ibid.
[25] Ernst & Young, 2011, op. cit., p. 69.
[26] See: Eurostat, *op. cit.*
[27] See: the website of PAIiIZ, available at: http://www.paiz.gov.pl/20120112/inwestycje_w_2012_przewaza_optymizm (retrieved 12 January 2012). While releasing this information, the agency referred to projects as "closed" in 2011, which means that they are ready for implementation.

depreciating Polish currency, if continued, should act favorably as factors stimulating further FDI in the country.

Additional readings

Instytut Badań Rynku, Konsumpcji i Koniunktur (IBRKK), *Inwestycje zagraniczne w Polsce 2009-2011* (Warszawa: IBRKK, 2011).

Useful websites

PAIiIZ, Polish Investment Promotion Agency: http://www.paiz.gov.pl/en?lang_id=12.

Central Statistical Office: http://www.stat.gov.pl/gus/index_ENG_HTML.htm.

National Bank of Poland: http://www.nbp.pl/Homen.aspx?f=/srodeken.htm.

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The Vale Columbia Center on Sustainable International Investment (VCC), led by Lisa Sachs, is a joint center of Columbia Law School and The Earth Institute at Columbia University. It is a leading forum on issues related to foreign direct investment (FDI), paying special attention to the impact of such investment on sustainable development. Its objectives are to analyze important topical policy-oriented issues related to FDI and to develop and disseminate practical approaches and solutions. (www.vcc.columbia.edu)

Statistical annex

Annex table 1. Poland: inward FDI stock, 2000, 2008, 2009 and 2010

(US$ billion)

Economy	2000	2008	2009	2010
Poland	34	164	186	201
Memorandum: comparator economies				
Czech Republic	22	113	126	130
Hungary	23	89	99	92
Romania	7	68	72	70
Bulgaria	3	49	48	48
Slovakia	5	51	53	51

Source: National Bank of Poland, *Międzynarodowa Pozycja Inwestycyjna Polski w 2010 roku* (Warsaw: NBP, September 2011), p. 41, available at: http://www.nbp.pl/statystyka/dwn/iip2010.pdf, for data on Poland; UNCTAD, *World Investment Report 2011: Non-equity Modes of International Production and Development* (New York and Geneva: United Nations, 2011), p. 191; and UNCTAD FDI/TNCdata base, available at: http://stats.unctad.org/fdi for data on the comparator economies.

Annex table 2. Poland: inward FDI flows, 2000-2011

(US$ billion)

Economy	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Poland	9	6	4	5	13	10	20	24	15	13	9	13
Memorandum: comparator economies												
Czech Republic	5	6	8	2	5	12	5	10	6	3	7	n.a.
Romania	1	1	1	2	6	6	11	10	14	5	4	n.a.
Hungary	3	4	3	2	4	8	7	4	7	2	2	n.a.
Bulgaria	1	1	1	2	3	4	8	12	10	3	2	n.a.
Slovakia	2	2	4	2	3	2	5	4	5	0	1	n.a.

Source: The website of the National Bank of Poland, available at: http://www.nbp.pl/home.aspx?f=/statystyka/bilans_platniczy/bilansplatniczy_kw.html, for the data on Poland, and UNCTAD, FDI/TNC data base, available at: http://stats.unctad.org/fdi, for the data on other countries.

Annex table 2A. Poland: financing of investment expenditures of foreign affiliates (FAs), 2007-2010

(In national currency and US$)

	Polish złoty, billion				US dollars, billion			
Source and category	**2007**	**2008**	**2009**	**2010**	**2007**	**2008**	**2009**	**2010**
FDI sources, *of which*:	65.2	35.7	40.4	26.7	23.7	15	13	9.1
Equity capital	*21.1*	*23.6*	*16.5*	*9*	*7.7*	*9.9*	*5.3*	*3.1*
Reinvested earnings	*25.6*	*—2.3*	*15.5*	*17.3*	*9.3*	*—1.1*	*5*	*5.9*
Intracompany loans	*18.5*	*14.4*	*8.4*	*0.4*	*6.6*	*6.2*	*2.7*	*0.1*
Non-FDI sources	9.9	45.9	26.5	34.9	3.6	19.2	8.6	11.9
Total investment by FAs[a]	75.1	81.6	66.9	61.6	27.3	34.2	21.6	21

Source: Total investment: Central Statistical Office (CSO), *Economic Activity of Entities with Foreign Capital in 2007, 2008, 2009 and 2010* (Warsaw, CSO, 2008, 2009, 2010 and 2011); FDI data in both dollars and national currency: the website of the National Bank of Poland , available at; http://www.nbp.pl/home.aspx?f=/statystyka/bilans_platniczy/bilansplatniczy_kw.html. .

[a] Data in national currency are from the CSO (on total investment) and NBP (on FDI and FDI sources) sources indicated above**.** Data on total investment by foreign affiliates in dollars have been obtained by converting the national currency data at the exchange rates of the NBP, used for the conversion of FDI flows from the national currency into dollars. “Non-FDI sources” in both currencies are the difference between the total investment by foreign affiliates and “FDI sources”.

Annex table 3. Poland: distribution of inward FDI stock by economic sector and industry, 2000 and 2009

(US$ billion)

Sector/industry	2000	2009
All sectors	**34**	**186**
Primary	**0.3**	**1.1**
Manufacturing	**13.2**	**59**
Food	2.9	11
Metal products	0.7	7.5
Motor vehicles	2.1	8.4
Wood, publishing and printing	1.5	5.9
Chemicals	1.4	5.7
Rubber and plastic products	0.8	4.1
Mechanical products	0.5	3.2
Services	**20.5**	**121**
Financial	6.8	34.5
Trade	5.7	29.4
Business	1.3	18.9
Real estate	1.1	13.6
Telecommunications	2.3	8.8
Power	0.4	7.6
Construction	2.3	4.6

Source: Narodowy Bank Polski (NBP), *Zagraniczne inwestycje bezpośrednie w Polsce w 2009 roku. Aneks Statystyczny* (2010), available at http://www.nbp.pl/publikacje/zib/zib2009.pdf;; and NBP , *Zagraniczne inwestycje bezpośrednie w Polsce w 2000 roku* (Warszawa: NBP, 2001).

Annex table 4. Poland: geographical distribution of inward FDI stock, 2000 and 2010

(US$ billion)

Economy/region	2000	2010
World	**34.2**	**201**
Developed economies	**33.5**	**198**
Europe	30.1	184
European Union - 15	27.1	166
Netherlands	8.4	35.8
Germany	6.5	27.2
France	4.2	24.9
Luxembourg	n.a.	17.5
North America	3.3	12.6
United States	3.2	12.4
Other developed countries	0.2	1.7
Japan	0.1	1.5
Developing economies	**0.7**	**2.8**
Africa	0	0.2
Asia and Oceania	0.5	2.8
Rep. of Korea	0.5	0.8
Hong Kong, China	n.a.	0.4
China	0.0	0.3
Latin America and the Caribbean	0.1	0.2

Source: Narodowy Bank Polski (NBP), *Foreign Direct Investment in Poland in 2010. Annex* (Warsaw, October 2011), available at: http://www.nbp.pl/publikacje/zib/zib2010.pdf; and NBP, *Zagraniczne inwestycje bezpośrednie w Polsce w 2000 roku* (Warszawa: NBP, 2001).

Annex table 5. Poland: principal foreign affiliates ranked by sales,[a] 2010

Rank	Name of affiliate	Industry	Parent company[b] and home economy	Sales (US$ million)
1	Metro Group[c]	Trading	Germany	11,420
2	Telekomunikacja Polska[d]	Telecommunications	Telecom, France	7,768
3	Fiat[e]	Automotive	Italy	7,532
4	Jeronimo Martins	Trading	Portugal	6,704
5	Volkswagen[f]	Automotive	Germany	4,647
6	Arcelor Mittal	Steel	United Kingdom	3,987
7	LG Electronics[g]	Electronic appliances	Rep. of Korea	3,775
8	Tesco	Trading	United Kingdom	3,552
9	BP Polska	Trading	United Kingdom	3,552
10	Bank Pekao	Banking	UniCredit, Italy	3,325
11	Carrefour	Trading	France	3,017
12	Philip Morris	Tobacco	The Netherlands	2,938
13	Eurocash	Trading	Politra BV, Netherlands	2,584
14	Polska Telefonia Cyfrowa	Telecommunications	T-Mobile, Germany	2,436
15	Imperial Tobacco[g]	Tobacco	United Kingdom	2,431
16	British American Tobacco[g]	Tobacco	United Kingdom	2,166
17	Auchan	Trading	France	2,072
18	Lidl	Trading	Germany	2,023
19	Toyota[h]	Automotive and trading	Japan	1,681
20	GlaxoSmithKline	Pharmaceuticals	United States	1,678

Sources: Author's compilation based on: Rzeczpospolita, *Lista 500*, 20 April 2011; PAIiIZ, *List of Major Foreign Investors in Poland with Comment*, December 2011, available at http://www.paiz.gov.pl/files/?id_plik=16982; Rzeczpospolita, *500 Największych Firm Europy Środkowo-Wschodniej*, 8 September 2011; *PięćsetkaPolityki. Ranking największych polskich firm,* available at http://www.lista500.polityka.pl; and companies' websites.

Note: To the extent possible, the above list of foreign affiliates includes a consolidated list of firms owned more than 10% by individual foreign MNEs, even if the affiliates are registered in Poland as separate companies. The list excludes affiliates in which foreign shareholding exceeds 10%, when those affiliates are controlled by local investors.

[a] Sales of banks include revenues from interest, fees, commissions, shares, and other securities and gains from financial operations.
[b] If the name of a parent firm is different from that of a foreign affiliate.
[c] Consolidated affiliates including companies listed separately on the list of top 500 largest firms: Makro Group, Real, Makro Cash and Carry, and Media Saturn Holding.
[d] Including also PTK Centertel, a mobile telephone affiliate owned by Telekomunkacja Polska.
[e] Including Fiat Auto Poland (an assembly plant) and two auto component plants: Fiat GM Powertrain (a joint venture of Fiat and General Motors) and Magneti Marelli.
[f] Includes an assembly plant in Poznan, an engine factory in Polkowice and a trading company, Skoda Auto Polska in Poznań.
[g] Consolidated affiliates in Poland.
[h] Includes component factories in Walbrzych and Jelcz and a trading affiliate of Toyota, Toyota Motor Poland.

Annex table 6. Poland: main M&A deals by inward investing firm, 2008-2010

Year	Acquiring company	Home economy	Target company	Target industry	% of shares acq.	Value [a] US$ million
2010	Industry Funds Mgmt	Australia	Dalkia Polska SA	Refuse systems	40	520
2010	MGPA Europe Fund III	United Kingdom	Mayland Sp Zoo-malls	Real estate	100	271
2010	UniImmo: Global	Germany	Horizon Plaza,Warsaw	Real estate	100	138
2010	EPISO	United Kingdom	Centrum Handlowe Jantar	Real estate	100	121
2010	AgustaWestland	United Kingdom	WSK PZL Swidnik SA	Aircraft	88	116
2010	Nordea Bank AB	Sweden	Nordea Bank Polska SA	Banking	22	114
2010	RREEF Investment	Germany	Globe Trade Centre SA-Office	Real estate	100	113
2010	EBRD	United Kingdom	Iberdrola Renewables Polska	Alternative energy	n.a.	109
2010	WP Holdings VII BV	Netherlands	AmRest Holdings SE	Restaurants	25	106
2010	Canon Inc	Japan	Optopol Technology SA	Medical instruments	89	85
2009	SAB Miller PLC	United Kingdom	Kompania Piwowarska SA	Malt beverages	28	1 114
2009	Dragados SA	Spain	PRI Pol-Aqua SA	Engineering services	66	165
2009	Deka Immobilien Invest	Germany	DT SPV15-Office Bldg	Real estate	100	161
2009	Goodyear Luxembourg Tires	Luxembourg	TC Debica	Tires and inner tubes	34	99
2009	Fairfax Financial Holdings	Canada	The Polish Re	Life insurance	100	72
2009	Investor Group	Belgium	Kredyt Bank SA	Banking	5	61
2009	M2 Investments Ltd	United Kingdom	Multimedia Polska SA	Television services	29	58
2009	Penta Investments Ltd	Czech Republic	Drumet SA	Metal products	100	38
2009	Undisclosed Acquiror	Unknown	ICM Polska SP Zoo	Business consulting services	52	35
2009	Industria de DisenoTextil	Spain	Zara Polska Sp zoo	Family clothing stores	20	33
2008	GE Money	United States	BPH-Branded Branches	Banking	66	862
2008	Vattenfall AB	Sweden	Grupa Energetyczna ENEA	Electric services	19	608
2008	Fersa Energias Renovables	Spain	Eolica Ceiplowody Sp zoo	Alternative energy sources	100	338
2008	Vodafone Group PLC	United Kingdom	Polkomtel SA	Telecommunications	5	255
2008	DEGI	Germany	Marynarska Business Park	Real estate	100	246
2008	Investor Group	Cyprus	P4 Sp zoo	Telecommunications	23	192
2008	Union Investment Real Estate	Germany	GE Real Estate Central Europe	Real estate	100	129
2008	Vienna Insurance Group	Austria	Warsaw Office Tower	Real estate	100	108
2008	Polaris Finance BV	Netherlands	Bioton SA	Pharmaceuticals	10	88
2008	Balmain European Property	United Kingdom	Europa Eagle-Shopping Centers	Real estate	100	80

Source: The author, based on Thomson ONE Banker, Thomson Reuters.
[a] Estimated or announced value of transaction.

Annex table 7. Poland: main announced greenfield FDI projects, 2008-2010

(US$ million)

Year	Investing company	Home economy	Industry and activity	Investment, actual or estimated
2010	Neinver	Spain	Real estate	265
2010	Lotte Group	Korea (Rep. of)	Food	262
2010	Volkswagen	Germany	Automotive OEM	196
2010	GAIG Stock (Guangzhou Automobile)	China	Automotive OEM	196
2010	General Motors (GM)	United States	Automotive OEM	196
2010	Willis Group Holdings	United Kingdom	Financial services	191
2010	ECE Projekt Management	Germany	Real estate	180
2010	Kraft Foods	United States	Food	156
2010	International Truck Alliance (Intrall)	United Kingdom	Automotive OEM	148
2010	Bridgestone	Japan	Rubber	141
2009	Electricity Supply Board (ESB)	Ireland	Electricity	1,400
2009	Vattenfall	Sweden	Electricity	713
2009	Cemex	Mexico	Construction materials	514
2009	Mondi Group	United Kingdom	Paper, printing and packaging	505
2009	IKEA	Sweden	Wood products	417
2009	Fiat	Italy	Engines	372
2009	Jeronimo Martins	Portugal	Food	330
2009	FX Energy	United States	Natural gas extraction	300
2009	Dell Computer	United States	Business machines and equipment	277
2009	IKEA	Sweden	Real estate, trading	250
2008	Vattenfall	Sweden	Electricity	3,500
2008	RWE	Germany	Electricity	2,320
2008	State Street	United States	Financial services	1,495
2008	Auchan Group (Mulliez Group)	France	Retail trading	1,134
2008	Vattenfall	Sweden	Electricity	1,090
2008	TriGranit	Hungary	Real estate	782
2008	EFG Group	Switzerland	Financial services	747
2008	Toyota Motor	Japan	Automotive components	723
2008	Electricite de France (EDF)	France	Electricity	713
2008	Stora Enso	Finland	Paper, printing and packaging	588

Source: The author, based on fDi Intelligence, a service from the Financial Times Ltd.