Interview: Michael Kern – Director General, German Chamber of Commerce, Poland



"Poland must adapt to the new global trend of digitalisation to remain competitive within the region and attract further investment."

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Michael Kern, director general of the German Chamber of Commerce in Poland, discusses the evolving economic and business landscape in Poland and the overall impact of German companies. Furthermore, he highlights the services of the chamber and the steps that must be taken to stimulate the next influx of foreign direct investment into a nation with significant untapped potential.

How has the Polish business environment, as well as the relationship with Germany, developed over the years?

Poland's economic evolution has been very dynamic for years, not only from an economic point of view, but equally in terms of the relationship between the two neighbouring nations of Poland and Germany. This started many years ago, in the early '90s, when the nation enforced strict and rigid reforms, similar to the modern approach Germany put in place in the '60s. This initial structure, set up by the Polish government, has acted as the building block for further development.

Additionally, Poland has a safe banking and financial sector and there is a strong drive of entrepreneurship compared to other countries in the region, such as the Czech Republic, Slovakia or Hungary. Of course, Poland's introduction into the EU in 2004 acted as a catalyst for growth, though studies show this positive uptrend was always going to occur, and the EU entry was more of

an accelerant.

In 2011, we saw another shift in the nation’s structure. Since the fall of communism, some 25 years ago, Poland had always been viewed as a low labour country with a niche as a cost-effective solution for areas such as production outsourcing. But over the last four to five years we have witnessed a shift, as many medium sized domestic companies now have the financial strength to produce their own products and distribute or position an office abroad.

This movement is important for us, as we are not only facilitating the movement of investment for companies to Poland from Germany, but also vice-versa. In fact, at the start of this year more Polish companies enquired to move to Germany than the other way around, a significant change from years past.

What is the impact of German companies in Poland today?

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There are more than 6000 German enterprises that operate in Poland currently and directly create roughly 400 thousand jobs. They have been able to bring their highly automated production procedures and R&D capabilities, which has had an extremely positive influence on the Polish economy. Furthermore, Polish suppliers working with and against the German industry, now have the opportunity to function in a more competitive business landscape, which allows them to shape their processes to become more efficient and modern. In fact, the indirect impact of foreign direct investment through experience exchange is very important in driving forward Poland’s growth.

What are the services offered by the chamber to help facilitate the relationship between the two nations?

As a chamber our main role is to encourage bilateral trade between both countries and we do this in three main areas. Firstly, consulting. We assist companies to find the appropriate business partners within the other country and we offer a bevy of services to help them reach this goal.

Secondly, member services. As membership is not an obligation, we must create a benefit for companies to become and remain members. The highest demand put upon us is to stimulate networking, such as exchange of information, contacts and experiences. To achieve this, we have an array of instruments, such as publications and events, hosting annually around 200 that range from breakfasts to conferences. Furthermore, we have several regional offices in Poland and another in Munich.

Lastly, we act as the platform for our members' interests towards authorities, especially for mid-sized enterprises that do not carry the resources to undertake such tasks independently. This activity is divided within specific social committees, such as compliance, HR, media, energy and gas or pharmaceuticals.

How important is the pharmaceutical sector within your operations?

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Traditionally, our major sectors are the areas which are strong in the German economy, such as mechanical engineering, electronics and chemistry. Nevertheless, the pharmaceutical environment is also important, and we offer the aforementioned platform for companies to network through our pharmaceutical committee. This allows them to openly discuss issues between themselves and toward the Polish government, with the German chamber acting as an independent neutral player throughout the process.

What more can be done in Poland to attract further foreign direct investment?

Naturally, foreign investors are pleased with Poland's EU membership, as well as with the availability of local suppliers and overall productivity, motivation and education of the labour force. Now this begs the question: what more can be done?

Firstly, despite the improvement of Poland's infrastructure over the years, especially in the roads, more must be done to establish a solid transport network, such as railways, so Poland can compete at a higher level in the future. This investment must also be placed in setting up high-speed Internet to further attract companies to invest, in areas such as shared service centers.

Secondly, the Polish population has a well-developed higher education workforce, though recently we have witnessed a decrease in vocational education. As a result, five to ten years down the line we will encounter a concerning lack of blue collar workers; therefore, Poland must act now to stimulate this area for the future.

Thirdly, the tax system is complicated and not overly reliable, that in turn has created uncertain business conditions for companies and has had a negative impact on companies looking to enter the market. Furthermore, the predictability of the economy is crucial for investors, and this must be improved, along with social stability.

Nevertheless, these concerns are generally from the side of potential investors, rather than companies that have been here for years and understand how to tackle the situation. Therefore,

we must help the potential market entrants understand the offerings that are present in Poland and give them access to our vast networking platform as the largest chamber in the nation.

What do you see as the future challenges in Poland as the economy evolves?

Poland must adapt to the new global trend of digitalisation to remain competitive within the region and attract further investment. The workforce must be educated to function within a digitalised company environment, as many companies are driving forward this approach.

What advice would you give to German companies looking east towards Poland?

You have to be open. When we go abroad we notice that Poland’s potential is not yet seen. People have an image of a country that is not progressive, and the Polish government is now attempting to squash this false portrayal by being present in many international trade fairs around the world.

Additionally, the nation is extremely proficient in IT and has the potential to be a world leader in this area, with many Polish students already winning international prizes in computing and programming. In summary, the overriding advice I would offer companies is to look more into the details and take advantage of Poland, a land of opportunities.

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