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What Poland offers SA

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POLAND is open for business, and savvy SA companies already have a strong presence there. The country is a hub for trade and investment in Europe, bridging north, south, east and west, in the same way that SA is a gateway to sub- Saharan Africa.

SABMiller, Mondi, Naspers, furniture retailer Steinhoff and its Pepkor homeware and clothing subsidiary all have substantial Polish investments. Pepco Polska started operating in 2004, more recently expanding into neighbouring Czech Republic and Slovakia and opening up in Hungary.

Steinhoff says Pepco is the top nonfood retailer in Poland. It has 582 stores across the country selling brands that include Pep, Ackermans and John Craig. Meanwhile, SABMiller unit Kompania Piwowarska is the largest Polish brewer, with a market share of about 36%, according to the group’s website.

JSE- listed construction and engineering firm Group Five operates toll road concessions in the country, while Mediclinic invested in facilities there after the Polish government started outsourcing health care to private companies.

There are numerous investment advantages in Poland for SA businesses, not least that country’s stable zloty currency. Despite its accession to the EU in 2004, the nation has not yet adopted the euro and is firmly an emerging market.

This makes volatile rand investments into Europe far more cost effective in a fast-growing, entrepreneurial and welcoming business environment.

Ryszard Kokoszynski, a member of the board of the Polish National Bank, the country’s central bank, says Poland is a stable investment destination for foreign direct investment. "We have never observed capital flight," he says. "Poland is the only country that never showed negative growth during the global financial crisis."

He says the bank has a strong obligation to monitor large institutional cross-border capital flows. And between 2008 and 2009, at the height of the global markets meltdown, Poland had surplus positive capital flows.

The ambition of Poland’s government across the political spectrum is to build a knowledge- based economy and climb the value chain, says Maciej Falkowski, deputy director of the department for economic co-operation in the ministry of foreign affairs.

The country’s cheap labour force is a "fleeting advantage", Falkowski says, and the focus is on hi- tech, creative and innovative industries. "Our prime role is to open doors for business. We promote those companies that want to invest in Poland. We are among the EU countries, and want to compete in it. [But] there is a rising appetite on the part of exporters to go beyond the neighbourhood. "

Falkowski says there is a strong interest in SA markets among Polish mining machinery and cosmetics manufacturers as well as among agriprocessors, energy- related firms and pharmaceutical groups.

It is easy to think that a group like Shoprite would flourish in Polish domestic and regional markets. These include cross- border commerce with primary trading partner Germany, as well as with Scandinavia, Latvia, Lithuania,Estonia and a rapidly modernising Belarus.

Poland offers ready access to the Ukraine, whose desire to look west has resulted in Russia invading the Crimean peninsula — ostensibly to hold onto its historically strategic Black Sea naval port. The Czech Republic, Slovakia peninsula — ostensibly to hold onto its historically strategic Black Sea naval port. The Czech Republic, Slovakia and Hungary are also easily accessible.

If based in Poland, many SA firms would probably be competitive in Danish, Swedish, Norwegian and Finnish import markets. SA suppliers would also have ready logistical access to a broader range of consumers in the EU.

There is one caveat: Henryk Kowalczyk, a lawmaker of Poland's eurosceptic Law & Justice party, which won the national election recently, was quoted in Puls Biznesu newspaper as saying that the party plans to loosen rules to enable more spending next year. The party wants to finance the increased spending with a tax on banks and supermarkets, among other legislation.

But Poland's economy, the largest in the former communist Central Europe and the sixth- largest in the EU, has grown by nearly 50% in the past decade. The new government has pledged to keep the fiscal deficit below the EU's ceiling of 3%.

For investors in manufacturing, there are 14 special economic zones in Poland. One of these, the Pomeranian Special Economic Zone, operates in and around the modern and easily accessible Baltic port city of Gdansk, once Germany's Danzig. The zone was opened in 1997 for a period of 20 years and offers a tax discount of up to 50% to investors.

Income tax exemption is the biggest incentive in Poland's 14 special economic zones, which have dozens of regional sub-zones, says Anna Rozycka, director of the Pomeranian zone's investment development department. The zone has attracted investment of US$2,5bn from 110 investors, creating 18400 jobs. "We help our investors with every step of investment," Rozycka says.

Poland tops ease of investment and productivity listings issued by global multilateral institutions and consultancies, including EY, which found the country to be the most attractive for investment in 2013 in Central and Eastern Europe.

Nearly 60% of the 38,5m Polish citizens are under 44 years of age and 17% of the population has tertiary education. By 2002 multinational companies had opened more than 400 regional service centres in sectors ranging from aerospace, electronics & telecommunications and the automotive, food processing and cosmetics sectors.

With an average monthly income of about $1000 — a third of the average income in Western Europe — Poland's reservoir of well- educated and skilled workers is helping the country attract foreign direct investment. This includes investment for research & development facilities for pharmaceuticals and biotechnologies. There is also investment potential in construction markets and for clothing, accessories and leather goods.

Like SA, Poland is reliant on coal for electricity and is contemplating nuclear generation in the energy mix. An abundance of thermal coal stocks has given rise to a large cluster of mining machinery and equipment manufacturers, the biggest of which are listed on the main Warsaw Stock Exchange.

One of the most powerful driving forces of the Polish economy is the country's pride in its independence. For more than 1000 years it has vacillated from being regionally dominant to becoming a pepper grinder between dynasties and great powers — even disappearing from the map completely for 123 years, from the late 1700s. It bloodily absorbed Nazi occupation, and 25 years ago eventually shrugged off Soviet domination when the Berlin Wall fell.

Since then it has steadily opened up its markets to foreign investors and expanded trade into Western Europe and beyond. About 7500 former state- owned companies have been privatised. The biggest of the remaining ones are listed on the Warsaw Stock Exchange, and are mandated to make profits. About 80% of the economy is now in private hands.

Foreign retail bankers make up about 65% of the Polish banking market. Meanwhile, Poland is the largest recipient of EU funding, which is spent on infrastructure, manufacturing and research & development. A new round of funding worth €90bn over seven years has recently begun.

The broadly entrepreneurial national economic strategy has included focusing on China, India and, more recently, Africa. The government's official "Go Africa" programme has brought about a steady rise in trade between Poland Africa. The government's official "Go Africa" programme has brought about a steady rise in trade between Poland and the continent to about $5bn/year, and this is growing rapidly.

In 2014 alone, rates of growth in trade with Morocco, Nigeria and Algeria rose between 34,5% and 87,8%. Trade with Senegal and Zambia rose between 10,9% and 16,5%, while bilateral trade with top African trading partner SA has more than doubled in recent years to nearly $1bn, or 20% of the total.

Commerce between Poland and the continent is only 1% of total Polish trade, but the goal is to increase this to 3% within three to four years.

There is much room to grow in the areas of fisheries, insurance, biomass technologies, mines and mining machinery, equipment for police and defence forces, information technology networks and agriprocessing equipment such as tractors.

• The writer was a recent guest in the country of the Polish ministry of foreign affairs