Changes and Challenges in the Modern World Economy

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Changes and Challenges in the Modern World Economy

Recent Advances in Research on International Economics & Business

Edited by
Tomasz Rynarzewski, Maciej Szymczak

Poznań 2016

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ISBN 978-83-7417-918-8

POZNAŃ UNIVERSITY OF ECONOMICS AND BUSINESS PRESS
ul. Powstańców Wielkopolskich 16, 61-895 Poznań, Poland
phone +48 61 854 31 54, 61 854 31 55
www.wydawnictwo-ue.pl, e-mail: wydawnictwo@ue.poznan.pl
postal adress: al. Niepodległości 10, 61-875 Poznań, Poland

DTP: Wydawnictwo eMPi²
Reginaldo Cammarano

Printed and bound in Poland by:
UNI-DRUK Wydawnictwo i Drukarnia
ul. Przemysłowa 13, 62-030 Luboń, Poland
tel. 61 899 49 99
www.unidruk.poznan.pl, e-mail: biuro@uni-druk.pl

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Tomasz Rynarzewski[1], Ewa Cieślik[1], Katarzyna Nawrot[1]

The use of the economic potential of the African continent by Polish entrepreneurs: selected aspects of mutual cooperation on the example of regions of West and East Africa[2]

Introduction

African markets encounter a growing interest from the developed countries, including Poland. As expected, despite the awareness of the major challenges and developmental threats facing African countries, in the coming decades Africa will remain on the path of rapid growth, which will increase its importance in the global economy. Polish entrepreneurs have seen the enormous potential of the continent, but they are still exploiting it insufficiently. Trade cooperation and capital flows between Poland and Africa remain marginal as compared to increased trade and intense capital flows between our country and Europe. However, a dynamic development of the Polish-African economic relations may be expected in the coming years.

The aim of this article is to present the current state of Polish economic cooperation with selected countries in West and East Africa. Its implementation takes place in the broader context of the opportunities and risks to development processes of African countries. The first part of the article defines the possible barriers and opportunities, and on their basis the perspectives of the future development of this group of countries. Part two focuses the discussion on the characterization of the economies of West and East Africa in terms of their economic potential. Part three of the article presents trade and investment flows between Poland and its selected partners from these two regions in the years 1994–2013. The article assumes the division of Africa into regions as developed by the United Nations.

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[2] The article is the result of the research project "Theoretical, institutional and empirical conditions and premises of economic potentials synergies of African countries and Polish economy" financed by the National Science Centre, Poland (decision no. DEC-2012/07/B/HS4/00743").

1. Opportunities and threats to development of African countries

1.1. Opportunities to enhance the growth

In the last 15 years, the African continent has recorded an exceptionally high average GDP growth rate in excess of 5%, which differed significantly from the value of this indicator for the entire global economy. In the years 2001–2013 African countries (excluding North Africa) reached a growth rate of GDP per capita by 0.6 basis points compared with the 0.3 points of growth in Asian countries provided as an example of a very high growth rate [MDG 2015, p. xiii]. In selected recent years, the annual GDP growth rate has been as follows: 6.6% (2012), 4.8% (2013) and 5.3% (2014) [African Economic Outlook 2013, p. 7]. Some African countries with an average GDP growth rate of up to 11% are in the forefront of the fastest growing countries in the world [CEED 2013 p. 15]. The result of high growth rates was the reduction of the population on the continent living below the poverty line from 56.5% in 1990 to 48.4% in 2010 [MDG 2015, p. xiii][3].

The main impulses for economic growth in African countries are primarily the growing domestic demand, in terms of both consumption and investment determined by an increase in income of employees, intensification of credit campaigns and incoming money transfers from indigenous migrants working outside their home countries. On the supply side, the enhancement in growth dynamics in African countries is influenced by the growing volume of production of raw materials and a prominent revival of agricultural production and the development of the service sector [African Economic Outlook 2013, pp. 7–8].

With regard to relations with foreign countries, attention should be paid to the gradually increasing inflow of foreign direct investment, sustained since 2005 at the level of tens of billions of dollars a year and to official foreign financial aid for this group of countries provided in a similar amount [African Economic Outlook 2013, p. 12]. Exports of goods from African countries significantly increased in the years 2000–2011 from $148.6 billion to $581.8 billion, but the absolute values of exports abroad remain at a relatively low level [African Economic Outlook 2013, p. 14].

1.2. Real and potential threats to economic growth

African countries face a great number of barriers, which impede the maximization of their development. A multitude of threats makes the clear visions where the future decades are called "Africa time" not fully convincing.

Some of the barriers are political, historical and institutional, others are global threats to civilization of an objective nature, and others still result from the impact of the low level of development on the features of the economy.

[3] The percentage of the population living on less than $1.25 a day.

The first group of threats includes political instability in the countries of Africa, the diversity of societies in cultural, religious and ethnic terms, as well as institutional weakness and underdevelopment of the broadly interpreted infrastructure. In addition, there is a huge barrier of widespread corruption, which significantly hinders both the lives of average citizens and the normal functioning of the business [Szukalski 2013, pp. 260–264].

Civilizational threats occur in African regions with particular intensity, thus often significantly determining the execution of planned development projects. These include climate change, environmental degradation, or increasingly frequent terrorist attacks [Szukalski 2013, pp. 263–264].

Barriers related to the impact of the characteristics of the low level of development on the effectiveness of the economies primarily refer to their often monocultural structure in many African countries, and despite the passing decades, the increasing petrification of raw materials specialization in exports. The high degree of concentration of exports, primarily regarding mineral or agricultural resources is one of the main reasons for the high level of fluctuations in export revenue in this group of countries [Rynarzewski 2013, p. 72]. In half of African countries, the share of exports of raw materials in total exports reaches 80% [South Centre 2005, p. 11]. High amplitude of export income fluctuations is an important determinant impeding economic growth in developing countries [for more, see: Rynarzewski 1992]. Raw material specialization of this group of countries means that due to the long-term trend of deterioration of terms of trade of unprocessed goods in relation to industrial goods, they obtain significantly lower benefits from the international division of labour compared to developed countries [Rynarzewski 2013, p. 74]. Despite the various controversies regarding the empirical confirmation of the secular deterioration in the international exchange relation of raw materials in relation to processed goods, it is reflected in the research of both UNDP for years 1960–2009 and in the results presented by UNCTAD for the years 1977–2001 [UNDP 2011, p. 63; UNCTAD 2004].

1.3. Prospects for the development of African countries as the basis for forming their economic potential

The future development of African countries depends on the prospective evolution of the world economy and the choice of the proper domestic economic policies. Focus on raw material specialization means that the channels transmitting changes in economic situation in the world economy are directly transmitted to their economies [Rynarzewski 2010, pp. 35–43].

Lack of large-scale industrialization processes in most African countries will determine their small export capacity, the petrification of monocultural production structure and dependence of economic growth on fluctuating export revenue. As a result, their import capacity will continue to be respectively small. In implementing

their development objectives, African countries in the years 2012–2014 recorded the deficit of the trade balance of approximately 7% of GDP [African Economic Outlook 2013, p. 9]. In countries heavily indebted in foreign financial institutions and exhibiting budget deficits, it can be a significant barrier to more dynamic processes of economic growth. The growing role of foreign direct investment complements, in a sense, the inflow of foreign capital, but its structure, characterized by a high concentration of financial resources in the production of raw materials is not effective for the economies of African countries in the long run. The significant role of money transfers from domestic emigrants confirms the still low capacities of African economies to generate accumulation and acceleration of development.

Despite the significant threats, not to be underestimated, the prospect of development of African countries can be perceived optimistically. The high rate of economic growth in the last 15 years in this group of countries, their relative resistance to the negative effects of the global financial crisis of 2008–2011, visible progress in the process of stabilizing the macroeconomic processes provide positive prospects for further development.

Undoubtedly, in order to implement these optimistic prospects African countries must meet many challenges now and in the coming years. One of the most important challenges is striving at diversification of economic structures by intensifying the processes of industrialization, systematic pursuit of improvements in the functioning of institutions and rational regulation of the economy and increasing competitiveness in the international division of labour, both by expanding the range of processed goods and by the implementation and compliance with international standards and norms.

Huge differences, which occur between the African countries, reflected in different levels of GDP per capita and between their political and economic systems mean that an extremely important postulate regarding their development policy is to avoid universal systemic solutions, but rather to seek ways of development based on including individual economic, political and social circumstances.

2. The economic potential of West and East Africa: an overview of key indicators

2.1. West Africa

In terms of key macroeconomic indicators, West Africa should be considered an unevenly developed part of the continent with considerable social inequalities and with clear signs of economic backwardness (see Table 1). All West African countries, with the exception of Mauritania, belong to the Economic Community of West African States (ECOWAS). Moreover, all countries except Burkina Faso are

members of the African Union, whereas Nigeria is the only country in the region belonging to the OPEC. The integration process is subject to serious constraints due to the political instability and conflicts in the region [USAID 2013]. The dynamic growth of the economies of West Africa is largely due to the presence of natural resources on the territories of many countries in the region. The most developed sectors of the West African economy are still the industries related to the production of low-processed goods, extraction of raw materials and their processing. Only Benin, Burkina Faso, Cape Verde and Gambia developed agriculture more than the mining industry [UNCTAD 2014].

West African countries are classified in the lowest positions in the world in the development rankings. According to the division developed by the World Bank, most countries belong to the group of countries with low per capita incomes; only Cape Verde, Ivory Coast, Ghana, Mauritania, Nigeria and Senegal are among the countries with lower average income per capita [The World Bank 2015]. Given the human development index (HDI), almost all countries discussed are in the group of countries with a low level of development. Only Ghana and Cape Verde are classified as countries with a medium level of human development. Niger has been ranking the lowest in the ranking for years. All the analysed countries slightly improved their positions in the HDI in 2013 [UNDP 2015]. In addition, according to the social progress index, the countries in the region are at a very low position in the world [Social Progress Imperative 2015].

A very high level of debt in West Africa is primarily due to expansionary fiscal policy financing investments in infrastructure with loans, pursued by the governments since the outbreak of the crisis in the euro zone. Apart from Cape Verde, Nigeria and Guinea, all the countries are classified by the World Bank to a group of highly indebted countries. In addition, these countries being among the poorest and least egalitarian in the world, have become important beneficiaries of ODA [African Economic Outlook 2015; OECD 2015].

The economies of West Africa are mostly characterized by moderate openness to foreign trade. Exceptions include only Mauritania and Liberia, where foreign trade turnover exceeds GDP (see Table 1). The share of West Africa in the global foreign trade remained low and in 2013, it was 0.8% for exports and 0.6% – for imports. West Africa covered 1/4 of exports and 18.5% of imports in Africa in 2013 [UNCTAD 2014]. The most prominent trade partners of the region are the EU, the other African countries, China, USA and India. Foreign trade in West Africa was dominated by Nigeria, which covered 69% of exports and 48% of imports in the region in 2013. The discussed countries made their exports dependent on a small group of agricultural and mineral raw materials (85% of exports), making their situation firmly linked with the prices of natural resources on global markets. The remaining important goods sold by West Africa abroad were gold (6.4%), cocoa beans (5.2%), iron ore (1.4%) and cotton (1%). With regard to imports, the countries

of West Africa are less active. They mainly imported crude oil (16%), ships and barges (5.8%), oil rigs (5.2%), passenger cars (3%), rice (2.5%), pharmaceuticals (1.9%), wheat (1.8%), trucks (1.5%), mobile phones (1.2%), fish (1.1%), cement and sugar (1%) (African Economic Outlook, 2015) [The World Bank 2015]. The position of the region in global value chains remains quite low. West Africa is mainly linked with supply chains in Europe and to a lesser extent, with Asian value chains [WEF 2015].

West Africa is becoming an increasingly important recipient of FDI on the continent. In 2013, $14.2 billion was invested into the region, which gave it 3rd place in Africa (24.8% share in FDI inflows to Africa). By 2013, West Africa had attracted more than $145 billion in the form of FDI, which meant a 21% share of cumulative FDI in the continent. Most FDI by the end of 2013 flowed to Nigeria ($82 billion), Ghana ($19.8 billion) and Ivory Coast ($8.2 billion) [UNCTAD 2014]. Foreign investors completely disregard Guinea-Bissau and Gambia. The main investors in the region are the US, China, the EU and Japan. Direct investment in the West African countries goes mainly to the mining industry (Guinea, Liberia, Mali, Mauritania, Niger, Nigeria, Sierra Leone, Togo), which has the largest share in the inflow of FDI to the region. However, the significance of the mining sector decreases in favour of other sectors: textile industry (Benin, Mali), tourism (Gambia, Cape Verde), real estate (Mauritania, Cape Verde), telecommunications (Benin, Ghana, Mauritania, Senegal), transport and logistics (Ghana), financial services (Ghana), food and beverages (Ghana, Senegal), agriculture (Liberia, Mali, Senegal, Sierra Leone, Togo), manufacture of rubber and plastic (Liberia), timber industry (Liberia) trade and infrastructure construction (Benin). One may also notice that the investments in sectors related to consumption grow dynamically [The World Bank 2015; USAID 2013; ADF 2015].

West Africa is not a major global foreign investor. In 2013, the countries in the region invested $2.2 billion in the form of FDI abroad, which gave 18% of all African capital outflows. By 2013, the share of FDI outflows from the region accounted for less than 10% of cumulative FDI from across the continent and was $15.8 billion. By 2013, Nigeria ($8.6 billion) and Liberia ($4.3 billion) invested most FDI abroad. The share of these two countries in the outflows of foreign investment in the region constituted more than 82% in 2013 [UNCTAD 2014]. Nigeria invests primarily in the countries of ECOWAS, and focuses on the financial, insurance, real estate and business services sectors. In turn, Liberia invests mainly in China and Kazakhstan and to a lesser extent in Hungary [IMF 2015]. Other countries are not active in this type of operations. In the last decade, Nigeria, Senegal, Ghana and Mauritania established national investment funds managing surplus outflows from the sale of raw materials, mainly crude oil [Cieślik 2014].

West Africa is one of the regions with a low level of competitiveness. This is evidenced by labour productivity measures, significantly deviating from the

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average productivity in the world (about $32.5 thousand)[4]. However, the growth rates of labour productivity in most countries of the region exceed the average for sub-Saharan Africa. Investments in public infrastructure increase the attractiveness of the region. Still, the main barriers to doing business in West Africa remain difficulties in meeting the demand for electricity, infrastructure shortages, social and political issues and a difficult business climate (e.g. corruption, incompetent officials). Accounting for the most important indicators of the competitive position of the area, no country ranks among the world's leaders. In terms of competitiveness index compiled by the World Economic Forum, Ghana and Senegal are considered the most attractive region's economies (111th and 112th place)[5]. Other countries are among the least competitive in the world [WEF 2015]. In the case of Ghana, the success of growth is partially attributable to the activities of local authorities, promoting agricultural production, especially of cocoa beans. Moreover, the expansion of gold oil and natural gas mining stimulates the economy of Ghana. The development of telecommunications and construction also contributes to increasing competitiveness. In the case of Senegal, mainly infrastructure projects stimulate the economy. On the other hand, high dependence on food and oil imports may cause destabilization and shocks coming from global markets [African Economic Outlook 2015]. Ghana and Senegal are also the best of the countries in the region in terms of Knowledge Economy Index, but the level of development of the knowledge economy is very low [The World Bank 2015].

The "Doing Business" reports give the highest rates to Ghana. The strengths of the country include the possibility of obtaining a loan and the protection of minority investors. Ghana presents as the weakest in terms of the occurrence of barriers to foreign trade. However, it should be kept in mind that the country has reduced considerably the number of documents needed for international exchange of documents and introduced electronic services in recent years. The lowest in the reports of the World Bank are the positions of Guinea-Bissau, Guinea, Ivory Coast and Niger [IFC 2014]. The business environment to a large extent is linked with the level of economic freedom prevailing in a given country. In this respect, the Republic of Cape Verde and Ghana are the best in the West African region, since they belong to the group of economies with moderate economic freedom. The worst in terms of the lack of restraint of activity are the same countries, which close the "Doing Business" ranking [The Heritage Foundation 2015].

[4] The low labour productivity in the countries concerned is accompanied by low wages. For example, the monthly minimum wage in Nigeria in 2013 was approx. $90, in Ghana $37, in Senegal approx. $59 [Bhorat, Kanbur and Stanwicz 2015].

[5] In the case of Ghana, the level of financial market development and innovation was rated as quite high. Senegal was rated the highest in terms of efficiency of the internal and labour market. The main problem of the two countries remains access to sources of financing (WEF 2015).

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While equity markets in West Africa are among the less liquid and rather small, in recent years they have provided considerable returns. The most important stock exchange in the region is Nigerian, implementing approximately 7.7% of market capitalization in sub-Saharan Africa. In recent years, the stock market in Lagos has been facing competition in the form of stock exchange in Ghana. However, the market is characterized by low levels of capitalization and turnover [Deutsche Bank 2012]. Furthermore, the credit risk in the West African region is particularly high, and investments in securities issued by countries in the region are considered to be speculative [Standard & Poor's 2015].

With the introduction of innovations in agriculture, industrialization, domestic consumption, tourism and broadly interpreted business services will be a priority in the policy of improving the level of competitiveness for West Africa in the coming years, especially for the more developed countries in the region. Increased production diversification will contribute to the stabilization of economies. Improving the quality of the workforce and the fight against unemployment are proving to be one of the most important challenges for the governments of the countries in the region. The attractiveness of West Africa will depend on skills (mostly government)

Table 1. Economic potential of the countries of West Africa, 2014

Country	Population (million) 2014	GDP (current prices, USD billion)	GDP per capita (current prices in USD)	Consumption (% of GDP)*	Private investment (% of GDP)*	Foreign trade (% of GDP)*	Average annual rate of economic growth in 2006–2014 (%)
Benin	10.32	8.24	798.2	76.5	11.7	58.30	4.6
Burkina Faso	16,93	11.88	701.7	58.7	12.5	62.80	6.1
Cape Verde	0.50	2.11	4,236.2	68.4	30.9	90.60	3.7
Ivory Coast	20.32	27,74	1,365.2	88.4	9.7	95.00	3.7
Gambia	1.85	0.91	491.6	60.9	10.4	71.30	3.3
Ghana	25.90	45.18	1,744.1	60.9	21.1	86.00	7.0
Guinea	11.75	6.81	580	90.8	15.1	57.80	2.4
Guinea-Bissau	1.70	0.89	521.6	94.5	2.7	54.60	3.0
Liberia	4.29	1.66	385.5	87.5	38	292.30	7.4
Mali	15.30	11.07	723.6	63.3	10.9	66.40	3.9
Mauritania	3.89	4.07	1,045.6	71.1	38.3	169.20	4.7
Niger	17.83	7.64	428.6	70.0	23.9	48.20	5.6
Nigeria	173.62	284.35	1,637.8	55.5	10.6	60.60	6.3
Senegal	14,13	15.11	1,069.1	76.6	22.2	80.90	3.4
Sierra Leone	6.09	5.32	873.6	101.3	10.1	92.90	8.1
Togo	6.82	4.32	634	79.6	18.2	83.60	4.2

* Data for 2013.

Source: Own study based on data The World Bank [2015] and African Economic Outlook [2015].

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of building proper infrastructure, legal system, elimination of poverty, social inequality and reducing corruption and stimulating the development of financial systems. The privatization processes, especially in key sectors of economies of these countries are often indicated as a factor in raising competitiveness of the region. Small business support, lack of proven standards and quality of production, poor integration with the global economy, fragmented regional markets, low effectiveness of the fight against terrorism[6] and frequently contradictory national and local development strategies reduce the attractiveness of the region, making West Africa lose in competition with major operators of the global economy, such as the BRICS countries. In addition, haemorrhagic fever epidemic, which broke out in June 2013 contributed to the decline in the attractiveness of the region.

2.2. East Africa

The geographical region of East Africa in sub-Saharan part includes eighteen countries, classified into several sub-regions. Burundi, Kenya, Rwanda, Tanzania and Uganda – located in the central part of East Africa, also referred to as the Great Lakes Region – form the EAC – East African Community. Countries of the Somali Peninsula – Djibouti, Eritrea, Ethiopia and Somalia – are known today as the Horn of Africa. Comoros, Mauritius and Seychelles are small island countries in the Indian Ocean, like adjacent Madagascar. Mozambique is in the southern part of the subcontinent, as well as Malawi, Zambia and Zimbabwe, which in the years 1953–1964 were part of the Federation of Rhodesia and Nyasaland. East Africa also includes South Sudan. Egypt and Sudan – located geographically in East Africa – are classified as countries of North Africa and therefore have not been included in this analysis[7]. Most countries in the region – except for Mozambique, Somalia, South Sudan and Tanzania – are part of the Common Market for Eastern and Southern Africa (COMESA).

The countries of East Africa are largely varied. This applies not only to the size of economies, growth, or the level of socio-economic development, but also to cultural, geographical and historical aspects.

According to the World Bank classification, most East African countries belong to the group with low income per capita. Mauritius is among the countries with upper middle incomes, and the group of economies with lower middle incomes comprises Kenya and Zambia. Seychelles is a country with high income. Low-income countries vary considerably. The level of per capita income fluctuates from $250 per

[6] In the rankings showing the level of security, Nigeria has been presented as the worst in the West African region for several years [Institute 2015].

[7] Burundi and Rwanda in some international rankings are classified in the Central African region; Mozambique, Malawi, Zambia and Zimbabwe in the Southern African region and South Sudan in the region of North Africa. This applies, for example, to UNCTAD bases.

capita in Malawi and $270 per capita in Burundi, is twice as high in Eritrea ($530) and Ethiopia ($550), and in Tanzania and South Sudan it exceeded $900 in 2014 (see Table 2). Similarly, the highest level of human development measured by the HDI is listed in Mauritius and Seychelles, classifying countries into the group with high levels of HDI. Zambia is among the countries with a medium HDI level – 141st in the ranking. In other countries of the region, the level of human development has been estimated as low [UNDP 2014]. Particularly large shortages are observed in education. The average number of years of education in East Africa was 4.9 in 2013, and in Burundi, Ethiopia and Comoros did not exceed three years. Life expectancy is about 60 years [UNDP 2014].

East Africa has the largest number of countries affected by problems of poverty and socio-economic underdevelopment. In nine of them – Zimbabwe, Burundi, Malawi, Zambia, Tanzania, Rwanda, Mozambique, Uganda and Madagascar – the percentage of the population living below 1 dollar the poverty line exceeded 50% in 2013 [Nawrot 2014]. In Kenya and Ethiopia, it was 43.4% and 39% [Nawrot 2014]. According to the calculation of multidimensional poverty index MPI, the countries of East Africa rank in the top of the ranking among all developing countries, and in many of them, the number of people living in extreme poverty exceeds 70% of the population [UNDP 2013]. Extreme poverty in the countries contrasts with the high pace of economic growth seen in African countries in recent years. The highest average annual rate of economic growth in the years 1985–2014 was recorded in Mozambique (6.4) and Uganda (6.1%), and Ethiopia (5.8%), Tanzania (5.2%) and Rwanda (5.0%). The lowest growth rates, below 2%, occurred in Djibouti, South Sudan and Zimbabwe (see Table 2). The level of savings in GDP is significantly below the world average, while countries in the region are among the most indebted ones, in which development aid plays a vital role. The largest recipient of development aid in the region in terms of share in the national income is Burundi, where, in 2010 ODA accounted for 30% of GNP [Nawrot 2014]. In 2013, the share of ODA in Burundi decreased to the same level as in Somalia – 20.1%. The values of ODA per capita of East African countries, including those with the highest incomes, are surprising. The highest values of ODA per capita are received by Seychelles – $282.5, South Sudan – $126.4 and Mauritius – $117.8 and Comoros – $109. The level of development aid per capita, well above the average for sub-Saharan Africa remains in Rwanda – $97.6, Somalia – $96.6, Mozambique – $87.4, Kenya – $74.1, and Tanzania – $68.3 [The World Bank 2015].

In terms of inequality in income distribution East Africa is largely varied. The lowest level of inequality measured by the Gini index was observed in Ethiopia, where in 2000–2010 it amounted to a yearly average of 29.1. The low level of inequality is estimated in Burundi (33.3) and Tanzania (39.2). The highest level of inequality exceeding 50 points according to the Gini index is in Zambia and Rwanda – respectively 54.6 and 53.1 [Nawrot 2014].

Based on the analysis of key macroeconomic indicators, it may be concluded that East Africa is one of the poorest and least developed areas in the modern global economy.

Table 2. Economic potential of the countries of East Africa, 2014

Country	Population (thousands) 2014	GDP (current prices, USD billion)	GNP per capita PPP (current prices in USD)	GNP per capita (current prices in USD)	Savings (% of GDP)	Investments (% of GDP)	Export (% of GDP)	Average annual rate of economic growth in 1985–2014 (%)
Burundi	10 816	3.1	790	270	–9.9	18.4	7.8	2.1
Djibouti	876	1.6	2 180*	n/*	17.4**	37.5**	n/*	1.7
Eritrea	5 110	3.9	1 180	530	–18.4**	11.1**	n/*	3.7
Ethiopia	96 958	54.8	1 500	550	10.5	25.5	11.7	5.8
Kenya	44 863	60.9	2 890	1 280	4.3	21.2	16.4	3.9
Comoros	769	0.65	1 530	840	–21.1***	12.4***	17.5	2.1
Madagascar	23 571	10.6	1 400	440	8.9***	32.9***	n/a	2.3
Malawi	16 695	4.3	780	250	5.6	15.6	45.8	3.9
Mauritius	1 260	12.7	18 290	9 710	13.2	25.4	53.7	5.0
Mozambique	27 216	16.4	1 170	630	7.7	24.3	27.2	6.4
Rwanda	11 341	7.9	1 530	650	2.3	21.4	14.9	5.0
Seychelles	91	1.4	24 630	13 990	n/*	n/*	84.1	4.2
Somalia	10 517	n/a	n/a	n/a	–12.5****	15.5****	n/a	2.4
South Sudan	11 911	13.1	2 030	960	48.1	n/*	42.1	1.5
Tanzania	50 822	49.2	2 530	930	17.5	36.6	19.5	5.2
Uganda	37 782	26.3	1 690	660	13.8	24.6	19.8	6.1
Zambia	15 721	27.1	3 860	1 760	33.9	24.9	40.9	4.3
Zimbabwe	15 245	13.7	1 710	860	24.3	22.8	26.5	1.2

*Data from 2013; **Data from the 2007; ***Data from the 2010; ****Data from 1990; n/a – not available.

Source: Own study based on data from the World Bank [2015].

Economies in East Africa are only somewhat open to foreign trade. Shares of exports in GDP of the countries in the region are well below 100%, and in many cases are below 20% – Ethiopia (11.7%), Rwanda (14.9%), Tanzania (19.5%), and Uganda (19.8%) – Table 2. The region's share in global trade remains negligible, not exceeding 1%. The most important trading partners – similarly to West Africa – are the EU, other African countries, China, India and the USA. The structure of exports is dominated by mineral resources, agricultural products and crude oil. Agricultural products prevail in the exports of Ethiopia, Kenia, Uganda, Burundi and Malawi, Comoros, Mauritius, Seychelles, Somalia, Tanzania and Zimbabwe. Crude oil is the main export product of South Sudan, and mineral resources of

Mozambique and Madagascar [WTO 2015]. There are also records of the growth in exports of commercial services in East Africa, which occurred as a result of the expansion of air transport services of Ethiopia and tourist services of Tanzania and Uganda [WTO 2015].

East Africa has the lowest share in the continent in the inflow of capital in the form of foreign direct investment. In 2014, FDI inflow exceeded $6.7 billion, which accounted for 12.6% of FDI inflows to Africa. Most investments in 2014 were sent to Tanzania, Ethiopia and Uganda. These countries by 2014 had also attracted the most FDI, respectively, $17 billion; $7.2 billion; $9.9 billion. The cumulative value of FDI in 2014 amounted to $55.4 billion, which accounted for 7.8% of FDI inflows to Africa [UNCTAD 2015]. The increasing inflows of investment to Mozambique and Zambia, classified by UNCTAD to the Southern African region should also be noted. FDI inflow to Mozambique in 2014 exceeded $4.9 billion, and to Zambia $2.4 billion. Cumulative FDI inflows in Mozambique exceeded 25.5 billion US dollars, and in Zambia, US $15 billion [UNCTAD 2015]. Very few investments are made in the Comoros and Eritrea, and Somalia, Djibouti and Malawi, and the inflow in 2014 ranged from $10 million to $130 million.

The countries of East Africa are not major foreign investors. The value of the outflow of FDI in 2014 amounted to only $99 million, representing 0.75% of the capital flowing out of the continent. Madagascar, Mauritius, Seychelles, Uganda and Kenya remain FDI donors. The cumulative value of the outflow reached $2.1 billion in 2014, which accounted for 1% of cumulative outflows from African countries [UNCTAD 2015]. The cumulative value of FDI outflows from Zambia at the end of 2014 amounted to more than $2.4 billion. FDI outflows throughout the continent declined in 2014 by 18% from $16 billion to $13 billion.

Most foreign investment on the continent – 48% – is located in services. The cumulative value of FDI in services between 2001 and 2012 quadrupled, but it is not a share comparable to other developing countries. The share of the manufacturing sector in the cumulative value of FDI in 2012 was 21% and the primary sector 31%. In contrast to North, West and South Africa in 2014, East Africa has seen an increase in FDI inflows by 33% and 11%, reaching a value of respectively, $12 billion and $6.7 billion. Major investments were made in natural resources (gas) in Tanzania and in the industrial sector – in textiles – in Ethiopia, attractive due to its low labour and electricity costs. None of the African countries is at the forefront of economies attracting large amounts of foreign direct investment. Both the inflow and outflow of FDI remain unchanged. Africa's share of world FDI inflows in 2014 reached 4.4%, and 1% in outflows. The same values have been maintained since 2012. The main investors in East Africa are China, other countries in Africa (mainly South Africa), India, the EU and the USA. The main investors from developing countries include China, India, South Korea., Brazil and South Africa.

The most favourable climate for business according to the "Doing Business 2015" reports is in Mauritius and Rwanda – respectively 28th and 46th position in the ranking of 189 countries in the world. Mauritius draws attention with the ease of foreign trade transactions and tax issues. Furthermore, the protection of minority investors and procedures related to starting a business are also highly rated. In recent years, Rwandan has undertaken a number of actions aimed at improving the business environment. The country ranks particularly high in terms of credit opportunities, property rights and fiscal policy favourable for business. Moreover, the procedures related to building permits and the availability and cost of electricity have been simplified. Further positions in the ranking among the East African countries included Seychelles (85), Zambia (111), Mozambique (127), Tanzania (131), Ethiopia (132) and Kenya (136). Further down the ranking classified Uganda (150), Burundi (151), Djibouti (155), Comoros (159), Madagascar (163) and Malawi (164). Climate in Zimbabwe (171), South Sudan and Eritrea (189) was rated as the worst [The World Bank 2015]. In all these countries, the problem areas include the availability of electricity, the enforcement of contracts, obtaining permits and other business documents and difficulties in foreign trade.

Mauritius and Rwanda have also been rated highest in terms of competitiveness according to the classification of the World Economic Forum – respectively 39th (4.52[8]) and 62nd (4.27) position. Other countries in East Africa ranked as follows: Kenya (90; 3.93), Seychelles (92; 3.91), Zambia (96; 3.86), Ethiopia (118; 3.60), Tanzania (121; 3, 57), Uganda (122; 3.56), Zimbabwe (124; 3.54), Madagascar (130; 3.41), Malawi (132; 3.25), Mozambique (133; 3.24), and Burundi (139; 3.09) [WEF 2014].

East African countries are therefore characterized by an exceptionally low level of competitiveness. According to the World Economic Forum classification, none of the countries in the region is in the stage of innovation stimulated development. Mauritius and the Seychelles are in a transition phase from a group of countries with efficiency stimulated growth to the innovation stimulated development. Almost all countries in East Africa have been classified to the stage of factors-stimulated development. This group includes Burundi, Ethiopia, Kenya, Madagascar, Malawi, Mozambique, Rwanda, Tanzania, Uganda, Zambia and Zimbabwe. There are no countries with efficiency stimulated development, or in the phase of transition to the efficiency stimulated economy. The countries of the region are characterized in particular by lower levels of innovation and technological readiness. Furthermore, a very low level of infrastructure, institutional solutions and education is emphasised.

Corruption is a significant barrier in the East African countries. Its level is visible in comparative analysis of corruption perception indicators, as well as the indices of economic freedom. Economies of the region where freedom is repressed include

[8] The value of the index according to the WEF [2014] can be found in parentheses.

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Table 3. Comparison of indicators illustrating the potential of selected economies in West and East Africa in 2013

	West Africa		East Africa	
Indicator	Ivory Coast	Nigeria	Kenya	Mozambique
Nominal GDP (USD million)	27,736.04	284,351.67	60.9	16.4
Participation in the regional economy	6.30%	65.00%	19.8%	5.33%
Real GDP growth (%)	7.2	6.6	5.3	7.2
GDP per capita (USD)	1,365.2	1,637.8	1,358.3	585.6
GDP per capita growth (%)	6.45	2.49	2.58	4.2
Natural resources (agricultural and mineral)	crude oil, natural gas, diamonds, manganese, iron ore, cobalt, bauxite, copper, gold, nickel, tantalum, silica sand, clay, cocoa beans, coffee, palm oil, bananas, palm kernel, corn, rice, cassava (tapioca), sweet potatoes, sugar, cotton, rubber and wood	crude oil, natural gas, tin, coltan, iron ore, coal, limestone, lead, zinc, cocoa, peanuts, palm oil, maize, rice, sorghum, millet, cassava (tapioca), yams, cattle, sheep, goats, pigs; wood industry; fish	tea, coffee, sugar cane, gardening products, nature	coal, titanium, natural gas, hydropower, tantalum, graphite; agricultural products: cotton, cashew nuts, sugarcane, tea, cassava (tapioca), corn, coconuts, sisal, citrus and tropical fruits, potatoes, sunflowers; beef, poultry
Most developed sectors of the economy	foodstuffs, beverages; wood products, oil refining, truck and bus assembly, textiles, fertilizer, building materials, energy, ship building and repair	crude oil, coal, tin, coltan, oil, palm oil, peanuts, cotton, rubber, wood, hides and skins, textiles, cement and other construction materials, food products, footwear, chemicals, fertilizers, ceramics, steel	consumer goods (plastic, furniture, batteries, textiles, soap, cigarettes, flour), processing of agricultural products; oil refining, cement; tourism	food, beverages, chemicals (fertilizer, soap, paints), aluminium, petroleum products, textiles, cement, glass, asbestos, tobacco
HDI (ranked)	171	152	147	178
(Social Progress Index) – place in the world / 133 (%)	n/a	125	104	120
Exports of goods	12,372.33	94,766.4	6,115	4,725
Imports of goods	10,157.48	51,161.15	18,395	8,747
Export of services for 2012	984.4	2,410.83	4,935	1,272
Imports of services for 2012	2,834.53	24,044.28	2,934	3,671

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Current account balance (% of GDP) for 2012	5.8	7.9	–10.59	–34.52
Openness of the economy (foreign trade / GDP)	95.00%	60.60%	53.00%	100.00%
Specialization in exports (3 commodity groups)	pearls, precious stones, gold, agricultural commodities, raw materials	pearls, precious stones, gold, fuels, other ores	tea, cut flowers, oil	aluminium, oil, bituminous coal
Commodity terms of trade	141.9	222.1	88%	95%
FDI inflows (USD million)	370.99	5,609	989	4,902
FDI inflows per capita (USD)	18.26	32.31	21.7	18.5
FDI as % of GDP	1.3	2	1.62	29.8
Cumulative FDI inflows (USD million)	8,232.5	81,977	4,370	25,577
FDI outflows (US $ million)	33.16	1,237	–	–
Cumulative FDI outflows	177	8,645	321	10
Labour productivity (thousand USD)	3.27	5.21	n/a	n/a
Productivity growth (%)	8.8 *	–11.7	n/a	n/a
Place in the „Doing Business" ranking	147	170	136	127
Index of Economic Freedom	58.5	55.6	55.6	54.8
Corruption Perception Indicator (place out of 175 countries)	136	144	145	119
WEF competitiveness index (position in the ranking from 2014 to 2015)	115	127	90	133
KEI (place in the ranking of 2012)	136	119	111	130
Rating (S & P)	n/a	BB-	n/a	n/a

Source: Own study based on (ADB, OECD, UNDP, 2014) [African Economic Outlook 2015; Ernst & Young 2013, 2012; IFC 2014; The World Bank 2010, 2015; WTO 2015; UNIDO 2011; UNCTAD 2014].

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Zimbabwe and Eritrea. Most of the East African countries are mostly restrained economies, including Burundi, Ethiopia, Kenya, Malawi, Mozambique, Seychelles, Djibouti, Tanzania, Zambia and Uganda. The group of moderate economic freedom includes Rwanda, and Mauritius has been rated as mostly free. South Sudan and Somalia have not been classified [The Heritage Foundation 2016].

The opportunities for cooperation in the countries of East Africa may be seen in infrastructure projects necessary in the countries of the region and in inter-regional terms, in development of services – in particular tourism and business, cooperation on industrial projects and in agricultural sector. Improving education will be essential for the growth of the quality of workforce and human capital. Infrastructure investment – in both transport and manufacturing – will improve the competitiveness of the region, increasing the attractiveness to potential investors. The road infrastructure in East Africa is very poorly developed. Furthermore, the availability of electricity and meeting the demand for electricity should also be emphasised, as they are significant barriers to doing business. Corruption remains an unsolved problem, hindering and delaying the dynamics of economies.

Comparison of indicators illustrating the potential of selected economies in West and East Africa in 2013 is presented in Table 3.

3. Polish economic cooperation with selected countries in West and East Africa

In recent years, trade relations between Poland and Africa have entered a new phase: the reorientation from the markets of North Africa toward sub-Saharan Africa. The phenomenon of increasing the role of this area in the Polish-African economic relations is evidenced by increasing growth and transformation in the structure of trade in goods and a marked increase in the interest of Polish investors in investing capital in the region. So far, the countries of North Africa and South Africa have been recognized by Polish entrepreneurs as the main directions of cooperation. However, Polish business marks its presence in West and East Africa with increasing frequency, mainly in the Ivory Coast, Nigeria, Mozambique and Kenya.

3.1. Polish economic relations with selected countries in West Africa: Ivory Coast and Nigeria

Ivory Coast got ahead of Nigeria in recent years, and became Poland's second trade partner in sub-Saharan Africa after South Africa and the sixth partner in the whole continent. Capital flows between Poland and Ivory Coast are virtually non-existent. High position of Ivory Coast in the ranking of Polish trade partners may

be explained by the country building a favourable environment for international cooperation after years of political instability. Ivory Coast is significantly higher than Nigeria in the “Doing Business” rankings [The World Bank 2015] and the index of economic freedom [The Heritage Foundation 2015]. Furthermore, it has a lower level of corruption [Transparency International 2015] and political risk than Nigeria, and most importantly, the country’s economy is much less dependent on raw materials. This image brought the interest of Polish companies in Ivory Coast, which began to be regarded mainly as a supplier of food.

The high value of trade with Ivory Coast is a consequence of significant Polish imports, amounting to more than $183 million in 2013. Polish exports to those markets remained low amounting to $20.7 million. Thus, Poland has a permanent trade deficit with Ivory Coast. Both exports and imports increased in the years 1994–2013, respectively 9-fold and 3.5-fold. The share of exports to Ivory Coast in total Polish exports was only 0.01% in 2013, while the imports were 0.09%. Our country imported primarily raw materials and semi-finished products from Ivory Coast in 2013 (respectively 50.84% and 48.9%). The leading group of goods imported from the local market were food products (mainly cocoa, coffee and palm oil), which accounted for 59.25%, and rubber (38.7%). The low level of diversity of the types of imported goods is also evidenced by the high value of the Gini index (0.831). The structure of imports seen in 2013 does not differ much from that in the 1990s, the only difference being an important role of vegetables in Polish imports from Ivory Coast. It is difficult to point to the dominant commodity group in Polish exports to Ivory Coast. The distribution here is almost even between live animals (26.74%), chemical products (24.2%) and wood and wood products (23.05%). Two decades earlier, we exported primarily metals and metallurgical products to that market. Currently, that group of goods has a negligible share in Polish exports [The World Bank 2015]. The level of concentration of Polish exports to Ivory Coast was relatively high in 2013 (see Table 4).

Polish-**Nigerian** diplomatic relations were established in 1962. Currently, Nigeria is the third Polish trade partner in sub-Saharan Africa after South Africa and Ivory Coast, but only 7th co-operator in the whole of Africa. In 2013, we exported goods worth nearly $91.7 million to that market, which is 6 times more than two decades earlier. Meanwhile, we imported goods worth $23 million. Thus, the balance of the Polish-Nigerian trade was positive and amounted to $68.63 million. The share of exports to Nigeria in the total value of Polish exports amounted to 0.05% in 2013, and imports to 0.01%. The role of trade with Nigeria as compared to sub-Saharan Africa was also not high. Nigeria’s participation in Polish exports to the region of sub-Saharan Africa accounted for 6.1% and imports for 1.8% (see Table 4).

Polish exports to Nigeria in 2013 were relatively diversified, as evidenced by the relatively low Gini index (0.583). Our export is dominated by consumer goods (47.87%), followed by capital goods and semi-finished products with shares

respectively 24.89% and 24.33%. The main products sent to the local market are machinery and electronics (28.6%), followed by export of fuel (16.56%) and wood and wood products (13.45%). 20 years earlier, we only sent semi-finished products to Nigeria (93.23% of the exports), mainly metals and metal products (53.31%) and chemical products (22.32%). Nowadays, mainly Polish mining, marine, energy and ICT companies show interest in the Nigerian market. Polish enterprises intensively trading with Nigeria include Ciech, Zakłady Chemiczne Police, Tele-Fonika Kable, Fibris, Grupa Lotos, ABB, Navimor, and Ursus. Furthermore, the Poles working in Nigeria, including university lecturers, doctors and representatives of various technical professions, also have their hand in the intensification of relations. Many Poles participated in the construction and technical projects, such as construction of a new capital – Abuja [Łazowski and Wójcik 2000].

Exports of Nigeria to Poland are largely determined by the unstable internal situation of the country and, consequently, political and economic risks. Hence the observed significant fluctuations in the dynamics of mutual trade relations [The PRS Group 2013]. Significant changes in the structure of imports from Nigeria warrant a closer look. In the 1990s, food products dominated (61.02% share in imports in 1994) followed to a lesser extent by fuels (37.89%). Generally, raw materials generated Polish imports from Nigeria (89.79%). Within two decades, Poland quite clearly rebuilt the structure of goods imported from Nigeria. Over the past few years, we have been importing mainly wood and wood products (39.76% share in imports in 2013), rubber (31.41%) and vegetables (19.84%) [The World Bank 2015]. This represents an increase in diversification of imports, but it still remains quite concentrated, as indicated by the Gini index (0.750) (see Table 4).

Capital flows reflect the still minor Polish-Nigerian cooperation [NBP 2015]. The best known Polish companies operating in Nigeria include Wind Mobile, Ursus, Energoprojekt Katowice, Navimor and the most extensive Polish project – Kulczyk Investments.

3.2. Polish economic relations with selected countries of East Africa: Mozambique and Kenya

Poland established diplomatic relations with **Mozambique** on the day of the country's proclamation of independence (25 June 1975). In the 1980s, bilateral cooperation between Poland and Mozambique demonstrated intensity due to the countries concerned belonging to the Eastern bloc. Numerous bilateral visits were a demonstration of lively relations. After the democratic transformations in Poland and Mozambique, the number of these visits has decreased [MFA 2015].

Polish trade relations with Mozambique were truly extended only less than a decade earlier, whereas capital flows between countries are virtually non-existent. At

the end of 2013, exported goods worth $13.8 million to Mozambique and imported goods worth more than $60 million. Although the values presented compared to the previously discussed countries are not high, attention should be paid to the high growth of trade value. In 1996–2013 (no data since 1994), Polish exports to Mozambique increased more than 181-fold, while imports from that country increased 106-fold. At the same time, significant fluctuations in mutual trade can be observed, which places Mozambique, like Ghana, among the Polish partners of rather ad hoc nature. We mainly sell capital goods to Mozambique, whose share in Polish exports to Mozambique amounted to 52.27% in 2013. Machines and electronics (51.09% of the total Polish exports to that market), and metals and metallurgical products (22.62%) are the most important in Polish exports. In 2013, we imported mainly raw materials (51.79%) and to a slightly lesser extent semi-finished products (47.10%) from the Mozambique market. Polish imports from Mozambique almost exclusively cover two product groups: food (81.87%) and to a lesser extent, metals and metallurgical products (16.87%), mainly aluminium [The World Bank 2015]. Concentration indices for both exports and imports are quite high (see Table 4).

Diplomatic relations between Poland and **Kenya** were established in 1963. By the end of 1980s, Kenyan-Polish relations were not very lively beyond correctness and only after transformation in our country, these have been substantially increased. The acceleration of interactions was due to a number of bilateral visits [MFA 2015]. The country discussed is seen as a prospective Polish partner, but as in the case of Mozambique, Poland focused on trade relations, neglecting investments in Kenya. Although the present Polish trade with this country was $62 million in 2013, of which exports was estimated at less than $39 million, while imports amounted to $23 million (see Table 4). In the years 1994–2013, exports to Kenya increased 16 times, while imports rose 12-fold. The analysis of trade relations with Kenya deserves special mention regarding the huge growth dynamics of Polish exports to those markets. In the years 1994–2013, the average annual rate of increase of Polish goods sold to the Kenyan markets was 205%[9]. However, the years 1994–2013 were characterized by significant fluctuations in the value of exports, which can be interpreted as a low stability of the demand for our products reported by the Kenyan consumers. The particularly large declines in Polish exports to Kenya were observed in the second half of the 1690s. However, in recent years this growth has stabilized. We mainly export consumer goods to Kenya (40.04% of the value of exports in 2013), as the country's growing economy records high demand for this type of goods. Capital goods ranked second (25.87%). Two decades ago, no Polish consumer products went to the Kenyan market, while capital goods prevailed (66.15% in 1994). The origins of Polish trade cooperation with Kenya were related

[9] Such a high average growth rate is due to the huge leap in Polish exports to Kenya in 2003, when the exports increased 34-fold compared with the previous year [The World Bank 2015].

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Table 4. Indicators of trade and capital flows for selected Polish trade partners in West and East Africa in 2013

	Ivory Coast	Nigeria	Mozambique	Kenya
Value of exports of goods (million USD)	20.73	91,67	13.8	38.92
Value of imports of goods (million USD)	183.33	23,04	60.1	23.29
Trade balance (USD million)	–162.61	68.63	–46.31	15.63
Share of exports to the country in total exports of Polish goods	0.01%	0.05%	0.01%	0.02%
Share of imports in the total Polish import of goods	0.09%	0.01%	0.03%	0.01%
Products exported by Poland	– live animals (26.74%) – chemical products (24.2%) – wood (23.05%)	– machinery and electronics (28.6%) – fuels (16.56%) – wood (13.45%)	– machinery and electronics (51.09%) – metals and metallurgical products (22.62%) – vegetables (12.02%)	– textiles and clothing (23.87%) – vegetables (19.93%) – transport equipment (13.23%)
Products imported to Poland	– food (59.25%) – plastics and rubber (38.7%) – vegetables (1.76%)	– wood (39.76%) – plastics and rubber (31.41%) – vegetables (19.84%)	– food (81.87%) – metals and metallurgical products (16.87%) – vegetables (1.01%)	– vegetables (95.02%) – food (3.57%)
Share of intra-industry trade in total turnover *	0.97%	21.80%	11.40%	28.60%
Concentration of the commodity structure of Polish exports to the country **	0.685747	0.583498	0.769502	0.558698
Concentration of the commodity structure of Polish imports from the country **	0.830839	0.749877	0.844991	0.907475
Value of exports of services (USD million)	0.38	7.89	n/a	1.39

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Value of imports of services (USD million)	1.88	1.88	0.75	2.38
Balance of trade in services (USD million)	–1.5	6.01	n/a	–0.99
Share of exports of services to the country in total Polish exports of services	0.00%	0.02%	n/a	0.00%
Share of imports of services from the country in total Polish import of services	0.01%	0.01%	0.00%	0.01%
FDI coming from Africa to Poland (USD million)	0	0.1	0.1	–0.1
Cumulative FDI coming from Africa to Poland (USD million)	0	–0.2	–0.1	–0.1
FDI outflow from Poland to Africa (USD million)	0	0.2	0	0.3
Cumulative FDI outflow from Poland to Africa (USD million)	0	0.4	0	0.5

* Measured in GL_1. ** Measured by Gini coefficient.

Source: Own study based on: [IMF 2014; Eurostat 2014; UNCTAD 2013; NBP 2015; The World Bank 2015; CSO 2015].

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to the export of transport equipment, which accounted for about 2/3 of its value in 1994. In 2013, we sold diverse products to Kenya, mainly textiles and clothing (23.87% of the value of exports to that market), vegetables (19.93%) and transport equipment (13.23%). We import almost exclusively vegetables from the local market (95.02%), which means lack of reconstruction of the commodity structure of imports over the last two decades [The World Bank 2015].

For several years, Kenya has been one of the most important African beneficiaries of Polish development aid. This support is often provided through the Polish missionaries. On June 16, 2014, Kenya and Poland signed an agreement for the development of trade relations, enabling more Polish investors to open trade outlets in Kenya, importing more goods from Kenya in return. Polish companies have plans to invest in agriculture, mining and pharmaceutical sector [*Embassy*].

Conclusions

Although the Polish relations with West and East Africa are still seen as a marginal phenomenon, the boost in bilateral relations may be expected in the near future. A number of reasons support the intensification of relations. Firstly, in the coming years we can expect an increase in the competitiveness of countries in West and East Africa. Their economies have been on a trajectory of growth for several years. The stimuli of these increases are government and consumption spending (especially made by the emerging middle class) and FDI. The demand of local markets for advanced technologies is rapidly increasing, not only in scope of production but also in banking, pharmaceutical industry, and telecommunications. Secondly, these regions slowly cease to be associated only with the mining and raw materials in Poland, but are increasingly being seen as a potentially significant and rapidly growing market, reporting demand for consumer products and infrastructure projects. This creates opportunities for Polish exports in broadly defined consumer goods and services and for investment and advisory cooperation in the construction of the local infrastructure. Thirdly, the rapid growth of the economies of West and East Africa and qualitative changes make the returns on investment in the region far outweigh the gains in developed countries. However, one must keep in mind a much higher risk for projects undertaken there.

Despite the opportunities which acceleration of economic cooperation with West and East Africa entails, Polish business still faces a number of challenges associated with the economic, social and political characteristics of this group of countries. The most important problems faced by Polish entrepreneurs include still significant dependence of local markets on global commodity prices, relatively low import capacity of African countries, deficiencies in the development of their

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infrastructure, difficult climate for business (e.g. corruption, underdeveloped legal regulations, unstable governments, lack of adequate competence of officials and still low level of qualifications of employees), often a lack of democracy and transparency, and frequent authoritarianism. The acceleration of future mutual trade depends on determination of Polish entrepreneurs and consistency of African countries in eliminating barriers to development.

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